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Wanted Action, Not Words

THE generally favourable reception accorded to the Gregory committee report is to be explained not in terms of the excellence of its recommendations, but by the deep anxiety of the public that weak and halting as they may be, they should at once be implemented. The public has been disgusted with the inordinate delay in getting down to a policy or plan of action. When the country is in the grip of famine and scarcity and when it is clear that mere distribution of supplies from one region to another cannot solve the problem, did the Government of India need a big committee to tell them that the only solution lay not merely in stopping exports (the continuance of which was criminal indifference to the fate of suffering humanity within) but in securing imports? This was what the public was crying itself hoarse with for many months past. We are relieved that this view is now endorsed by a Committee appointed by Government. But the Committee instead of being grateful to the public for its more vivid appreciation of the realities of the situation has an unjustifiable fling at it. For it says in support of its recommendation to prohibit exports for the entire period of the war that "in no other way will it be possible

to stop the crop of rumours which have exercised a dangerous effect on the country." As if the rumours were not based on the fact of exports! Now that the Committee has clearly laid down: "No net exports but imports of one million tons plus 500,000 tons for Central reserve," how do the Government propose to give effect to it? It may be stated at once that the Committee has been extremely conservative in asking for the import of only one million tons, which is the average annual net import for the last five years; for as Mr. D. P. Khaitan has pointed out in his minute appended to the report of the Committee, this does not take into account the present depleted condition of the stocks and the annual increase in population. But modest as the amount is, what the country cries for is action. Mr. Amery whom it is India's misfortune to have as Secretary of State at the present juncture has nothing more reassuring to say than that imports were being facilitated. Now that the shipping position is comparatively easier, this is the time for action. Sir P. Thakurdas has also expressed himself strongly on this matter. To quote his words "Ocean freight is completely under the control of H.M.G. and with

their help the Government can overcome this difficulty, in view of the seriousness of the position in the country. Indian supplies have been freely drawn upon for the last three years for military and even civil requirements and India will become even a more important base of military operations than ever before. Her grain requirements must therefore have the highest priority both from the military and the civilian point of view." Where urgent action is so imperative it is distressing to find that the machinery of the government moves extremely slowly. We have been told that the report would be considered by the Food Department. Surely the matter is of such general importance that the whole Executive Council should have met immediately to take decisions on this and every other part of the Committee's report.

Every one now recognizes that the getting of supplies or procurement transcends in importance every other matter. On this the Committee's recommendations are sound but half-hearted. The Committee recognizes implicitly, if not explicitly, the failure of the Grow More Food Campaign in the absence of definite facilities for production and so has suggested a number of useful steps to ensure more supply. While the proposal to afford assistance to industrialists to import plant for the manufacture of Ammonium Sulphate is welcome, it should be further strengthened and implemented by early action to enable business men to go to America and Britain by affording them air passage to obtain technical advice and place orders for machinery. Again the stress on industrial production drive is weak and insufficient. If the supply of consumers' goods is to flow in sufficiently large volume to tempt the ryots to part with their surpluses, a Production Department of government should be immediately set up, and the blue print of a plan should be made ready for swift action. The scope of production has been generally indicated in the report. It includes the offer for sale of piecegoods, iron and steel, timber, building materials, cement, drugs, agricultural implements, leather goods, metal utensils etc. Recognition of the need to maximize the inducements which should be held out to the cultivator is the first piece of evidence in India that after all the Indian problem cannot be treated in a doctrinaire fashion by importing British analogies. The economics of war finance in India in her present economic condition is not to deprive the consumer of everything he needs. No; on the contrary certain minimum consumers' goods besides foodgrains should be guaranteed to the people. Some Indian economists have only added to the confusion by saying that we had already reached the limit of production and that nothing more could be done. We are glad that the committee has approached the problem more realistically and hope that its recommendation will be given effect to without further loss of time.

The Committee betrays a lamentable lack of vigour in fixing the responsibility for feeding the population on an adequate scale upon the Central authority. In the last resort the responsibility of the Government of India to ensure against distress can not be shelved or masked under cover of provincial autonomy. But it is something that owing to the pressure of public opinion it has realized that the "hands-off" attitude will not be tolerated any longer and that the Centre should take upon itself the necessary powers. But the powers are already there; only this Government with their eyes turned to political ends refuse to do what the interests of the public demand. We have been told that the report has been forwarded to the provinces and States for consideration and there would again be a conference to examine all its aspects. All this may be good con-

stitutional procedure but exceedingly bad economic policy. The public has a right to demand that every part of the committee's report is made the basis of action by the Government of India. The Committee has provided for arbitration if differences persist between the Centre and the provinces as regards the quantum of surplus and deficit. That should satisfy the most turbulent of the provinces. The Committee has been more firm in enunciating the ultimate authority of the Centre in respect of (a) allocation (b) management of the central foodgrains reserves (c) special assistance operations, and (d) enforcement. If the procurement machinery in any province is defective, the Centre is to have authority to intervene. These are matters on which no compromise is possible.

But Central authority implies the functioning of Government which should be motivated entirely by considerations of general welfare. The Food Department should also be manned by persons who have knowledge and experience of Indian conditions. We fully agree with Sir P. Thakurdas when he says "I would be failing in my duty if I did not emphasise the necessity for them being Indian inspired by a spirit of service to their fellow countrymen and preferably with experience of Provincial and State administration. There is danger, if this consideration be not borne in mind, of the Food Department merely creating more and more posts for men unqualified for the great work on hand."

The Committee's recommendation that rationing should be introduced immediately in all major towns must be accepted by all, despite the heavy calls on administrative ability which it is bound to make. Had the Government taken suitable action earlier, rationing might have been avoided. Now there is no option. But the implications of rationing should be fully realized and accepted. There should be a competent procurement machinery which will guarantee supplies; but unfortunately that machinery is provincial over which the centre has no effective direct control. Again the consumer should be assured of a minimum amount which will be sufficient from the nutritional point of view. Where in any area the standard of even 1 lb. per day per head is not guaranteed, steps should be taken to ensure that minimum. Efficient distribution is again dependent upon transport whose break-down has been responsible in the past for regional scarcities.

By a majority the Committee has recommended statutory price control. It is doubtful if in the face of the sad and bitter experience in the past and the damage to reputation which repeated failure would cause, it was wise of the Committee to have done so. Statutory price control is more serious than mere temporary price ceilings. Unless it is to remain as one of the many "paper" orders of government, it implies that no one can buy or sell at less or more than the fixed price. In fixing a price all sorts of considerations have to be taken into account. The price of rice has to be fixed not merely in relation to the cost of producing it—which itself is an extremely difficult task—but it should also be based on the cost to the ryot of all the things he consumes. In reality price control of one article cannot succeed unless it embraces practically all the essential consumers' goods. The Committee has been rather brave in this one matter. But even here there are indications that it was not wholly unaware of the conditions of success of statutory price control. The minimum conditions precedent to the establishment of statutory price control are to quote the Committee's own words:—(a) adequate procurement machinery (b) rigorous and drastic enforcement of

the Foodgrains Control Order and of anti-hoarding measures, (c) effective control over transport and (d) the existence of central and provincial and State reserves. It is to be hoped that attention will be concentrated on securing those conditions first, before embarking upon an ambitious but highly dangerous experiment of statutory price control. There are other ways, more indirect perhaps but very effective, of enforcing price control which should be explored.

Despite these shortcomings the report of the Foodgrain Policy Committee does provide a plan of

action. The country should not allow itself to be deflected by criticisms on minor issues from immediate action on fundamentals. Sir Theodore Gregory stated the other day that the report provided an integrated and coherent plan of action and that not one of its recommendations could not be immediately implemented. We agree. But we would reiterate what we said last week. "The Government must realize that the things that are in extreme short supply include not only food-stuffs but also time. Time is indeed the essence of the matter for the sands are running out."

Lord Keynes and Equilibrium

RECENTLY a Press report has been cabled out to this country of an article by Lord Keynes in the *Economic Journal* bearing on the problem of stabilizing monetary disequilibrium. From the brief report available, it is not possible to discern the details of his arguments and it may be that the general distribution of emphasis in his point of view has not remained undistorted in the process of transmission of the summary of the article by the news agency. It may not, therefore, be possible to do full justice to his article until the copy of the journal is available in this country. Nevertheless, he raises certain general considerations, an understanding of which is vital for a proper assessment of the value of any international currency plans, especially to backward countries like ourselves. It is necessary for us to be sure that we are not carried away by the mere enchantment of words, but pause to analyze the currency plans closely, and mainly in the context how far they actually allow or help us to improve our standard of living at a rapid rate. There are certain fine-sounding phrases like "monetary equilibrium" or "international co-operation" which surround themselves with the implicit aura of automatic approbation. But, for all that, if we find that the contemplated scheme of monetary equilibrium or international co-operation is incompatible with rapid economic development, especially in backward countries like ourselves, we have no alternative but to reject it and to eke out our economic destiny as best as we can by independent efforts by ourselves. Both the White Plan and the Keynes Plan are no doubt clever contrivances to achieve international monetary equilibrium, but the final criterion by which we should judge them is whether or not they are compatible with and help us in our launching an ambitious plan for rapid economic development. Lord Keynes in the article referred to makes certain suggestions which deserve careful notice in this country. But before we return to them let us first be sure of the implications of international monetary equilibrium.

In its simplest implications, international monetary equilibrium means that international economic relationships shall be so arranged that the rate at which we have to make payments to foreigners tends to be continuously equal to the rate at which we receive payments from them, counting both the current account and the capital account together. Now, we receive payment from foreigners on account of our export of goods and services and net import of foreign capital; we have to make payments to foreigners on account of our imports of goods and services, and also for the net amount of dividends and interests which we have to remit abroad as the price of the net foreign obligations we have incurred. The net amount which we have to remit annually as dividends and interests on foreign capital is more or less a constant factor. But the net import of foreign capital in any year is an unknown factor and so may have an unsettling effect on the foreign exchange market. If the foreign countries are prepared to extend to us foreign loans always

to the extent of our adverse balance of payments, obviously we have no foreign exchange problem. But if we cannot be sure of this, evidently the whole of the burden of adjustment will fall on our export and import trade. Under such circumstances, we can achieve international monetary equilibrium only if there is such a mechanism that the rate at which we are exporting tends to be continuously equal to the rate at which we are importing.

The classical explanation of the process of equilibrium under gold standard is thus: If a country is importing at a greater rate than it is exporting, it will have to make payments for the excess imports by exporting gold and foreign exchange from its monetary reserve to the creditor country. But since the domestic credit structure of any country is geared on its basic monetary reserves, the creditor country which receives the gold and foreign exchange must expand its currency and credit, and the debtor country must correspondingly contract its currency and credit. Prices tend to rise in the creditor country and fall in the debtor country. This tends to cause a reduction in the import of the debtor country and an increase in the export, thus tending to bring about equilibrium. It is clear then that international monetary equilibrium implies that no country can expand its currency and credit at any rate it chooses, but the rates of expansion of currency and credit in the various countries must bear a definite relationship with one another. If we assume that, after a point, an increase in the volume of economic activities in a country requires a corresponding expansion of currency and credit, then it follows that the rates at which the various countries can increase their economic activities must bear a definite relationship with one another, if the countries are not to be thrown into monetary disequilibrium.

These conclusions are further strengthened by recent developments in international trade theory. The classical analysis assumes that any increased demand for imports is invariably a consequence of a fall in world prices relatively to domestic prices. But it may as well as be on account of an increase of the national income of the country. When the national income of a country increases, there are reasons why a definite part of the increased demand for goods and services tends to be directed to foreign countries. No country is self-sufficient in respect of raw materials and primary goods on account of the uneven geographical distribution of natural resources throughout the world. Similarly countries with low industrial capacity, cannot at that stage of economic development produce domestically the necessary high-grade equipments and industrial products which it must import if it wants to increase its economic activity. Consequently, any country wanting to expand its national income, by say Rs. 100 crores, must import a definite proportion of this as the needed primary products which it lacks and the high-grade equipments and industrial products which it cannot produce with its present industrial capacity.

This is called the "proportion of external finance" or "propensity to import." If the propensity to import of a country is $\frac{1}{4}$ and its export trade is increasing at the rate of Rs. 10 crores per annum, then the country can increase its national income at the rate of Rs. 40 crores per annum; and if it tries to increase its national income at a greater rate than this, it will be thrown into monetary disequilibrium. But the rate at which its export trade can increase obviously depends on the propensity to import of the rest of the world; consequently it follows that the inevitable implication of achieving international monetary equilibrium is that the rates at which the various countries can increase their national incomes are fixed and determinate in relation to one another.*

Clearly, if this is the essence of the real economic implications of international monetary equilibrium, it raises serious considerations for a backward country like India which is determined to embark on an ambitious plan for rapid economic development. Our explicit aim is to catch up the standard of living of the United States within a quarter of a century or so. Is economic planning compatible with adherence to an international currency plan whose sole pre-occupation is the maintenance of monetary equilibrium? Since monetary equilibrium involves a "co-ordination" of the paces of economic expansion of the various countries, it is essentially a mechanism of *status quo*: if one country or a number of countries adopt independent economic plans and try to expand "too fast" compared with the average rate of expansion of the world, monetary equilibrium cannot be maintained. The classical overture of adjustment in such cases is a depreciation of the exchange rate. For this will diminish the propensity to the import of the country and increase the propensity to import of the rest of the world. Therefore k will increase and consequently also the rate at which the country can expand without upsetting equilibrium. Every system of exchange rates represents a certain balance of economic power and potentialities of the various countries. If any country, by economic planning or otherwise, tries to catch up the more industrially advanced countries, that balance of world production forces is upset, and therefore the pre-existing complex of foreign exchange rates rapidly ceases to represent and sustain the basic realities of the emerging pattern of international economic relations.

Accordingly, Lord Keynes in the article referred to, suggests, according to the Press report, that if disequilibrium becomes serious, 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." But obviously there is a limit to what we can achieve by exchange depreciation (which more and more turns the terms of trade against us) and we are condemned to the compulsions imposed by the "average pace" of the world.

Although in technical organization the White Plan and the Keynes Plan differ widely, their aims are essentially the same, and they are only alternative mechanisms for achieving the same goal of monetary equilibrium, by arranging that the various countries conform to the compulsions of the "average pace."

The White Plan seeks to achieve this by means of several provisions. Thus all the excess gold and for-

*Every country has its own propensity to import. If the propensity to import of any particular country is i and the propensity to import of all other countries together excluding this country is w then it has been demonstrated theoretically and statistically in an article in the issue of January, 1942, of the *Indian Journal of Economics*, (Allahabad), that the relative rate at which it can increase its national income without upsetting its monetary equilibrium is given by its dynamic coefficients k when $k = w/i$.

ign balances of member countries are pooled. If any country is moving "too fast," it will be running into adverse balance of payments, and the Fund's holdings of the currency of the country will tend to increase. So it is provided that the Fund's holdings of any country's currency cannot be allowed to increase faster than a rate determined by reference to its quota, except when the country agrees to adopt and carry out measures recommended by the Fund designed to correct the disequilibrium or when there is reason to believe that the disequilibrium is purely of a transitory nature. If the holdings tend to exceed the permissible amounts, the Fund may take corrective measures including a levy of 1 per cent. on excess holdings, demand from the country the deposit of a special reserve and so on. Similarly in the opposite case when a country is lagging behind the average pace and consequently the Fund's holdings of the currency of the country is falling below the permissible limits, the Fund is entitled to take corrective measures and to make recommendations to the country to correct the disequilibrium by taking appropriate measures. In extreme cases the Fund may ration the currency of a country which is in excessive demand. The Fund may also, with the permission of member countries, engage in a sort of international open market operations and thus strive to keep the rates of expansion of the various countries close to the appropriate pattern of conformity.

Similarly, the Keynes Plan also has appropriate provisions to ensure the enforcement of this pattern of conformity. Thus it is provided that the debit and the credit balances of the various countries cannot exceed a permissible limit which will also be related to the quota of the country concerned. The Clearing Union will take corrective measures, levy fines, demand deposit of securities, and recommend measures to correct the disequilibrium.

Thus in operation both the Keynes Plan and the White Plan have the same essential effect, namely, to enforce on the various countries the pattern of conformity with regard to their respective permissible rates of expansion, which is required by the "average pace" of the world. Both the Plans merely contemplate to provide limited short-term accommodations to the member countries and thus give them time to correct the disequilibrium. But neither of them is a response to the fundamental problem posed by possible differential rates of economic development of the various countries. Lord Keynes claims that his Plan is an expansionist one. That is nearly true. But when he claims in the article in the *Economic Journal* that it remedies the defect of the gold standard, because it "operates through velocity rather than through volume of circulation," he is clearly claiming too much. The gravamen of the charge against the gold standard is not that the aggregate quantum of world purchasing power does not expand fast enough, being dependent on the technical progress of the gold industry—for that could be corrected by reducing the reserve ratio from, say 40 per cent. to 20 per cent. The charge is that the different countries find it difficult to acquiesce in the various permissible rates of expansion which fall to their lot under gold standard and to which they must conform if they are to maintain monetary equilibrium. Thus a wealthy country like the United States is unwilling to expand as fast as is indicated by the influx of gold in the country. On the other hand, backward countries or industrial countries lacking sufficient natural resources may find that the requirements of equilibrium under gold standard permit them to expand only at disappointingly slow rates, although they have considerable amount of unemployed resources or economic potentiality. The Keynes Plan does nothing to make the requisite pattern of conformity more tolerable for the various industrial or backward countries.

Anybody who thinks that the Keynes Plan has discovered a magic medicine for monetary disequilibrium, capable of "turning a stone into bread," as the Plan claims (IV-12) is labouring under an illusion.

The problem of the differential rates of economic development is the crux of the situation. Neither the Keynes Plan nor the White Plan touches this. Of course, they both recognize that they merely propose institutions to stabilize monetary conditions, but that the task of post-war reconstruction and development of backward countries must be undertaken by separate institutions. However, the question has still to be faced whether the rapid development of backward countries and progressive levelling up of economic standards throughout the world is compatible with equilibrium. The Keynes Plan dimly recognizes that the maintenance of equilibrium may not be possible within the framework of the Plan as presented, for as it suggests, in the case of incorrigible disequilibrium, "the appropriate provision might be to require the eventual cancellation or compulsory investment of persistent balance of payments credit balances accumulating in excess of a member's quota." (III-7). But such a provision has far-reaching and daring implications, which neither the Keynes Plan nor the White Plan have contemplated.

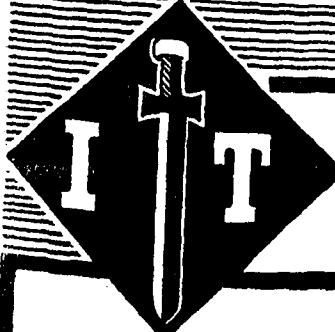
As we have pointed out, any system of foreign exchange rates represents a certain balance of economic power of the various countries, and anything

which leads to a rupture of that balance, necessarily also disrupts the exchange rates. Almost the only real and substantial advantage of the Keynes Plan over the White Plan is that the former permits exchange control and consequently is not incompatible with national economic planning, but in itself neither Plan helps us much in our economic task. Of course, we are told that plans are on the anvil for the organization of international institutions with the express object of helping the development of backward countries. But we have yet to see the structure of those plans before we may be convinced of the real benefits they may confer on backward countries. India is determined to embark on an ambitious economic planning and move very much faster than the "average pace" of the world. If the objective of the Keynes Plan or any other plan is "to reconcile a particular national policy to the average pace," as Lord Keynes puts it in his article in the *Economic Journal*, we may only remark dryly, "We are not amused!"

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The Week's Notes

THE CENTENARY OF THE ECONOMIST

On September 2 was celebrated in London in a humble and quiet way the centenary of the *Economist*, which in more spacious days would have been the occasion of a world-wide celebration of joy and thanksgiving. For hundred years the *Economist* has been doing service of a kind almost without parallel in any part of the world. It has stood for absolute independence and fearless advocacy of its views however opposed they may be to currents of opinion or vested interests. It has had a long time of distinguished editors including Sir James Wilson, its first editor, and Walter Bagehot. Its late editor was Sir Walter Layton who is well known in India as the Financial Adviser to the Simon Commission and author of the chapters on Finance in Volume 2 of the Simon Commission Report. The high level of its leading articles, its system of getting economic news and views from its correspondents in every important country and the factual matter presented in admirably condensed form have contributed to the unique position which the *Economist* occupies among the leading economic and financial journals of the world. That a journal should have lived for one hundred years is by itself a great achievement. But it is a high tribute to its greatness that each year finds the *Economist* stronger, more vigorous and more useful to the public. Our London correspondent in his letter published elsewhere refers to certain special features in its organization which have made the *Economist* what it is. We offer our sincere congratulations to the *Economist* and its editor and gratitude for the ideal which it has set up, which will be a guide to all those who seek to emulate its noble example.

PUBLISH THE REPORT

It is disingenuous on the part of the Government to have published the bare summary of the Report of the Foodgrains Policy Committee without disclosing the fact that influential non-official members have submitted separate minutes expressing dissent in material respects. The published summary, being signed by all the members, creates the misleading impression that it is a unanimous report, while in actual fact the minutes of Sir Purushottamdas Thakurdas and Mr. D. P. Khaitan, which are now available, reveal distinct differences in principles as well as in emphasis. In the absence of the full Report and all the dissenting Minutes, the public have no means of following the trend of the argument and judging the weight of considerations which led to these sharp differences. Further it is only fair that the public should be in full possession of the facts of a situation, which has assumed the proportions of a national calamity. The Food Conference which is meeting shortly will be ill-served by withholding material data. It is imperative that Government should publish the full Report forthwith together with all the dissenting Minutes.

MORAL RETROGRESSION

Progress in the realm of morality and humanitarianism is never continuous and unbroken. Clear evidence of the decline in the standard of humanism and moral conscience was indicated in the recent discussion in the House of Commons on the Bengal famine. The anxiety to shove responsibility on others rather than the urge to alleviate the actual suffering and bring relief to the dying masses of the people in Bengal

manifested itself on many sides. Mr. Amery, a past master in the art of hiding real issues behind a cloud of words suggested that the responsibility for the breakdown of administration was provincial; rather, to use his own words, the cause was "some local failure of administration." But when Lady Astor asked Mr. Amery if he would make it clear to the world that this awful situation was not the fault of the British Government, he unabashedly clutched at the opportunity to proclaim that the Bengal crisis was practically the result of provincial autonomy. Where political interests clash, ordinary humanity ceases to count. When in the last war there was some inefficiency and delay in supplies to Mesopotamia such a hue and cry was raised that poor Lord Chelmsford's government came in for very severe censure. And now when hundreds die like flies in Bengal and other places not a breath of criticism is heard in parliament against the Linlithgow government which has now been proved to be incompetent. In the words of *Statesman*, Calcutta "we say with deliberation that the present Bengal famine constitutes the worst and most reprehensible administration break down in India since the political disorders of 1930-31," and again, "the largest factor has been shameful lack of foresight and planning capacity by India's own civil governments, Central and Provincial." Parliament cannot divest itself of its responsibility, for to whom else is Lord Linlithgow's government answerable. But this was not the way in which Parliament discharged its responsibility to the Indian people in the past. When the Bengal famine of 1874 broke out, the view was held that "the English sovereign and nation should hold the Government of India answerable for averting to the utmost of its power the consequences of the drought. . . . English opinion was becoming strongly excited. . . . Thus the minds of all were subjected to a severe strain and the officers of Government began to feel that they would be impeached if any failure were to occur or if life should be lost through any shortcomings of others." The retrogression in normal ideal is not due to the fact that the British people today are worse than those of 1874; only it is the necessary result of the nation's hold over another when the conditions justifying its governance have long since passed away.

NANCY'S WORRIES

When amiable Mr. Amery—after strenuously denying month after month that there was "any widespread prevalence of shortage" or "any cause for alarm"—was last week giving to the House of Commons an account of the scandalous food situation in India, Lady Nancy Astor intervened to ask him if he will "make it clear to the world that this awful situation is not the fault of the British Government." That in the midst of a calamity of such severity, anybody so responsible should be more worried about saving Great Britain's "fair name" than saving the famished people of India, is a damning commentary on the curious psychological sensitiveness of our rulers. Mr. Amery also lost no time to shelter British Government behind the fact that there was a nominally popular Government in Bengal. Such an attempt at shifting responsibility is as shameful as it is ridiculous. As Sir Theodore Gregory told us, it is an emotional error to think that Bengal is the only famine area in India; for the provinces of Bombay and Madras are nearly as badly affected and

neither in Bombay nor in Madras is there a scapegoat available in the form of a so-called popular Government. The acute situation in Bengal is due to causes which are certainly not wholly endogenous in origin and which could be tackled only on an all-India basis. In any case the plain fact is that in a modern war whoever is responsible for Defence, necessarily makes such an overwhelming demand on the national resources in supply, transport and finances that any local ministry charged with the responsibility for civil supply will find itself totally helpless, unless a ceiling is put on the demands of those charged with the responsibility for Defence. We may recall that during the 1942 disturbances, much was made of the "wise and patriotic eleven Indians" in the Viceroy's Executive Council who supported the policy of repression. In Mr. Amery's latest exhibition, we discern the essential patterns of the same technique, which regards the Indian "ministry" as nothing but convenient handles for foreign propaganda. But when it comes to constitutional questions, we are told that Great Britain cannot divest herself of responsibility for protecting the numerous interests arising out of her long association with India. Nevertheless, the authorities have revealed their guilty conscience by the manner in which they strove hard to keep the American and the British public ignorant of the scandal and human tragedy in India. Lady Astor's anxieties about the "anti-British propaganda going out to the world about the food situation in India," are amply answered by Mr. Silverman, who says that "the greatest anti-British propaganda is the existence of these conditions at all."

STERLING BALANCES AGAIN

If we revert so constantly to the subject, it is not our fault but that of the influential organs of British public opinion. In its issue of August 7, 1943 the *Economist* in an interesting article on Britain's war debts deals with the problem of "abnormal balances" and suggests that the right way of dealing with the matter is not the "global" approach to it as contemplated in the Keynes and White Plans but that it should be tackled by separate agreements with each country concerned. But the crucial case is that of India and the *Economist* recognizes that. In dealing with India's sterling balances, the *Economist* presents such a bunch of blunders that we cannot be too wary of its arguments. Again and again it harps upon the generosity to India of the financial agreement between the two governments and deplores the lack of realism. But the worst of its blunders is where it says that the operation of the agreement bestows on India "one of the most pronounced inflations experienced by any belligerent country." It is easy to expose the entire falsity of this reasoning. Inflation does not result on account of the "generosity" of the financial settlement. Even assuming that India is prepared to accept the entire liability for the British expenditure in India, the present inflation cannot be stopped unless corresponding to the scale of the Government of India's expenditure real resources in the form of taxes and loans become available. Even if we make a present of our sterling balances to Britain (which is what these organs of public opinion want India to do, however cleverly they try to mask it), India's sufferings from inflationary finance will continue. It is no use trying to deceive oneself and others as well. We ask for honesty in treating such grave issues. The only advantage to India (which Britishers are out to knock off) from her sterling balances is the hope of some recompense in the future for all the present suffering and distress, from scarcity and famine. But let there be no high-falutin about it. We know what Britain wants. She is taking away resources which India

can ill afford. The promise of repayment which the sterling balances are supposed to represent is becoming more and more vague. Indian opinion is gravely apprehensive of the future of these sterling balances and justifiably so, when even a journal of the standing and reputation of the *Economist* uses such specious arguments.

BRITAIN'S REPAYMENT

The London *Economist* in the same issue of August 7, says that whatever be the technical approach to the problem, the task of Britain's repaying the debt would be no easy one. The contemporary points out that even before the war the balance of payments of the United Kingdom showed an annual deficit, and in view of her prospective loss after the war of a substantial part of her international income, if "Great Britain is called upon to build up annual surpluses to the amount of £50 million or so, required to repay a war debt of £1,000 million over a period of 20 years, the effort which this country will have to put forth will be prodigious. It will call for the allocation of priorities to export industry on a scale which cannot be without effect on the level of domestic consumption." The prospect of payment of a bare £50 million per annum frightens the London *Economist*, yet we must remember that a poor country like India whose normal standard of living verges on the subsistence level, has been made to pay at the rate of £1 million per day, without any words of sympathy or understanding coming from any responsible British quarters about the "prodigious" sacrifice which we have been making during the war. As for effect on British level of consumption, £50 million is not equal to even four days' war expenditure for her. Again her productive capacity itself is today at least 25 per cent. above her pre-war level. There is, of course, the question of her building up an export surplus. But this problem will be reduced to a minimum in a world of expanding economic prosperity, especially in which India is enabled to utilize the sterling balances to launch an ambitious economic plan and thereby open up an expanding internal market in India of limitless possibility. The rapid industrialization of India and other backward countries, is the only sure basis for an expanding export trade for Britain. To talk of "full employment on rather lighter belts" on account of repayment of her debts as the *Economist* does, is either disingenuous or an intellectual failure to grasp the technical possibilities of a non-restrictionist world.

ABSENTEEISM AND WAGES

In a very informative and illuminating article on Absenteeism and Wages in the *Indian Textile Journal* for September, 1943, Messrs. V. B. Kothawala and H. P. Oza have after examining the relevant data in the Ahmedabad and Bombay cotton mill industry sought to establish a correlation between high wages and increased absenteeism. Despite the statistical limitations of this study—for there are so many other factors that affect absenteeism—the study clearly brings out a remarkable parallelism between the curve of wages and that of absenteeism which cannot but be explained in any other manner. Up to April, 1940, the earnings of the textile worker had no connection with the cost of living index number. Since then, dearness allowances based on cost of living became payable: It was noteworthy that from May, 1940, increased absenteeism was very marked; not only that, but the increase has gone on rising with the increase in the dearness allowance. It would seem then that the workers did have a margin as a result of the payment

of dearness allowances. In other words, the dearness allowances paid in proportion to increased cost of living were not entirely eaten up by the high costs but left something extra to the workers. Expenditure of workers on items that are taken for calculating index numbers is not likely to increase in the same proportion as index numbers. Do the results of the study then warrant the inference that the wages of the workers should not be allowed to increase? The authors have no hesitation in giving a negative answer to it. They hold, and we entirely agree with them, that the increase in absenteeism is due to a lack of readjustment and to inability to develop habits of consumption which will increase their demand for more income. Educating the worker in wise consumption and expenditure is an urgent task which should be taken up by welfare organizations and others interested in labour welfare.

"A FIFTY-FIFTY DEAL"

Evidences continue to accumulate of the trend of commercial opinion in Great Britain and in some sections in America about post-war trade policy. It would be recalled that under the declaration commonly known as the Atlantic Charter, both the British and the American Governments committed themselves to the policy of freer international trade after the war and "equal access to trade and raw materials" for all countries. However, commercial opinion in Great Britain has been progressively drifting away from the doctrine of free trade and recently a streak of economic opportunism has appeared even in the trend of American opinion. It is now accepted almost as axiomatic that Britain's competitive position will be seriously impaired after the war. British opinion has, therefore, all along been favouring exchange control and parcelling out of international markets after the war. For Great Britain, along with several other industrial countries, would stand in urgent need of greatly expanding her export trade after the war and in the ensuing scramble for market, Great Britain no longer has confidence in her ability to compete effectively with others. Mr. L. C. Gamage in a noted speech before the British Institute of Exports said: "Our hope is to proceed by way of international agreements, among manufacturers and producers, which will regulate prices and the distribution of manufactured products." On the other hand, American opinion, perturbed over the effect of her greatly expanded productive capacity after the war, has been trying to jockey into position and making "peace-feelers" to British commercial interests. Some time back, the President of the United States Chamber of Commerce spoke of "team work" between British and American businessmen to solve post-war trade and currency problems and especially the "intricate problem of controls and regulations for international commerce" on which "harmonizing of viewpoints" is a "vitally important task." Mr. Ray Howard, the Editor of the *New York World Telegram*, after a month's personal investigation in Great Britain also discovered among British commercial interests an anxiety to reach "some agreement with American in-

dustrial that will eliminate cut-throat competition and maintain price and wage-levels and stabilize employment". What is in view is a "modernized cartel system" based on a "fifty-fifty deal" and "operated in the interests of both consumers and producers." Of course, all international cartels ooze benevolent intentions and are ostensibly in the interests of both consumers and producers. But agricultural and industrial countries outside Great Britain and the United States will naturally wonder where they stand in relation to such an essentially restrictionist scheme, and, secondly, how such a scheme is compatible with an expanding system of economic prosperity and international trade. As the war draws nearer a victorious close, emphasis in Great Britain and America shifts more and more from idealistic talk about the strategy of peace and plenty to the purely self-centred and defensive tactics both in economic and political field. This palpable atrophy of daring and imaginative leadership in Great Britain and the United States, augurs ill for the fateful post-war years.

STANDARD CLOTH

In the midst of discussions regarding ceiling prices of cotton piecegoods and fair prices for raw cotton, the question of efficient distribution of standard cloth has receded to the background. But it is well not to overlook the fact that nearly 40 to 50 per cent. of the productive capacity of the cotton mill industry is devoted to the production of standard cloth and that speedy and proper distribution of desirable varieties of standard cloth at fair prices seems the only way available at present of satisfying the clothing needs of the mass of consumers. Yet not sufficient care has been taken to ensure it. It has now been revealed that in February, 1943, an order for 25 million yards of cloth was placed and allotted to the provinces and Baroda; and that the next allotment of 150 million yards was shared by the provinces, Mysore and Hyderabad. In August again, an allotment of 1,000 million yards was placed for the provinces and States alike. But the fact remains that barring one or two Provincial Governments including Madras which have made a success of the standard cloth scheme, other provinces and some States have made no arrangements for the distribution of the stocks indented by them and that just now in Bombay alone over 200,000 bales of cloth indented for Upper India are lying uncleared. It is common knowledge that the arrangements for the distribution of standard cloth are beset with such cumbrous and complicated formalities and ceremonies that the people would rather go without the cloth than go through the formalities. Further, the course of production of standard cloth also seems to be occasionally interrupted by the cancellation of orders by the Textile Directorate, which, in turn, has been forced to adopt that course by the attitude of the States and provinces. The mistake obviously arises from the fact that the specifications and quantity have been found unacceptable to the provinces. There is a general complaint that the specifications are all too low and that the cloth is of very poor quality, unattractive and not durable. Though as many as 109 varieties are permit-

ted to cater to different classes of consumers, they have not gained popularity in a measure warranted by the scarcity of clothing at present. Government should without delay take necessary steps to raise the specifications, lower prices having regard to quality and arrange for the speedy distribution of stocks all over the country. Even with all control measures, the prices of other varieties of cloth are too high to be within the reach of the bulk of consumers and it would be a pity if so feasible a scheme of providing decent and economical clothing to them should fail for no good reason.

RURAL DISTRESS

The Department of Anthropology of Calcutta University made a sample survey of destitutes in Calcutta in the present food situation. Their conclusions given in the preliminary report on 504 families are revealing, and are of more than local significance, as affording the general pattern of rural distress in the country as a whole. The report reveals that no less than 24.4 per cent. of the families have disintegrated. Husbands have deserted wives, wives have deserted ailing husbands and children, and tales of such woe show "where civilization stands when faced with the primordial needs of man." The social consequences of this disintegration are truly calamitous. The report shows that agricultural labourers are the worst sufferers. Their proportion is 47.7 per cent. Next to them are the cultivators of the soil, both owner-cultivators and tenants. Thus farm labourers and cultivators account for 72.7 per cent. Petty traders number 7 per cent., beggars 6.6 per cent., fishermen 2.4 per cent. and others 10.7 per cent. The hopes which most of these destitutes entertain of going back to the villages to take up their avocation are somewhat misplaced in view of present rural conditions and prospects ahead. What is true of these rural destitutes of Bengal is true also of the peasantry and the landless labourers in the rest of India, not indeed in every detail, but in the general picture of distress and in the pattern of distribution of privation. Famine may not be so acute elsewhere; but the landless labourers who have been rapidly increasing in numbers in the last so many years have quite the same miserable lot everywhere, a lot of unemployment and poor wages, especially when seasons are adverse. Similar is the case with the smaller peasantry, whose real income has been cut either by the failure of the monsoon or by inflation. Sample surveys of the kind, if undertaken in Malabar and Ceded Districts, in Bajapur and Merwar will present a similar picture, and in areas less exposed to famine than the above, will show that the incidence of distress is similar though of a less acute degree. Where is the scope of deflationary measures in such a context of rural distress?

DEPARTMENT OF COMMERCE

Import Trade Control

Egyptian Cotton

Arrangements for the procurement of India's requirements of Egyptian Cotton will be shortly completed. In the meanwhile Imports are advised in their own interest not place any orders of make any commitments regarding the purchase of cotton in Egypt.



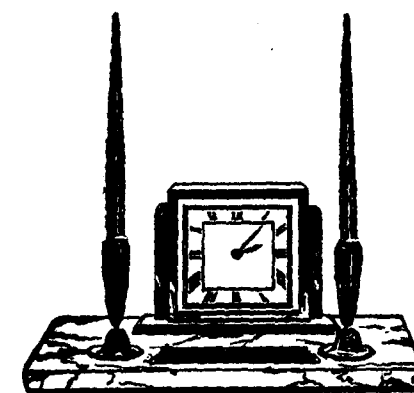
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SPECIAL ARTICLE

Agriculture Between Two Wars

By N. Sundararama Sastri

THE condition of our agriculture did not attract much attention from the Government during the last Great War, because in normal years the country has only a slight deficit in food supply, specially about 5 to 10 per cent. in rice, and this was usually met from Burma. The strength of and the supplies to the fighting forces also did not reach such great proportions at that time. Now with the fall of Burma into the Japanese hands, and with the large commitments for Indian armies within the country and the Middle East, a serious crisis has developed in food supply. The Government have been busy making plans for the immediate needs as well as for long-term policy. It will be useful to study the trends of agriculture between the two wars, so that it may help in the consideration of the post-war problems in this branch of the national economy. Here we consider the statistics of British India alone because they are more complete and accurate than those of the States.

The following table gives the use of land in different ways in the period 1920-1939:—

BRITISH INDIA

(Area in millions of acres)

Year.	Total.	Forest.	Not Available.	Waste.	Fallow.	Net Sown.	Irrigated.
1920-25	508.3	66.4	97.2	91.9	47.0	205.8	45.6
Average.							
1925-30	510.4	66.8	94.8	94.1	45.8	208.9	46.4
Average.							
1930-31	511.6	66.7	93.8	94.2	45.8	211.1	48.2
1931-32	511.2	66.4	93.6	95.1	44.8	211.4	47.3
1932-33	511.9	66.6	93.5	94.8	46.9	210.1	48.5
1933-34	511.0	66.9	92.9	93.9	44.0	214.0	48.9
1934-35	511.7	67.0	92.8	94.6	48.5	208.8	49.0
1935-36	511.0	67.3	92.9	94.0	47.1	209.7	49.9
1936-37	511.4	67.2	93.5	92.2	44.8	213.7	50.2
1937-38	511.3	68.0	92.4	92.0	45.4	213.5	52.8
1938-39	512.6	68.1	91.8	94.1	48.3	209.3	53.6
1939-40	512.7	68.1	89.3	97.2	47.3	210.0	54.9

From this table we find a steady increase in the total area due, perhaps, to the inclusion of tracts which were formerly not surveyed, and to the sub-

stitution of accurate figures for the estimates. We find a slight but steady increase in both the area under forests and net area sown. There are fluctuations in the area under fallows, while there is greater increase in waste land and decrease in area not available for cultivation. There is a steady rise in irrigated area from about 45½ millions of acres in the quinquennium 1920-25 to about 55 millions of acres in 1939-40.

The absolute figures of these areas are not quite suitable for studying trends because of the inaccuracies, fresh additions and changes in the classification that are made from time to time. We shall consider the percentage share of each group in the total area given in the following table:—

Percentage Area in each Sub-head to Total.

Year.	Forest.	Not available for cultivation.	Waste.	Fallows.	Net Sown.	Irrigated to Net Sown.
1920-25	13.1	19.1	18.0	8.9	40.9	22.2
1925-30	13.1	18.6	18.4	9.0	40.9	22.3
1930-35	13.0	18.2	18.5	9.0	41.3	22.9
1935-36	13.2	18.2	18.4	9.2	41.0	23.8
1936-37	13.1	18.3	18.0	8.8	41.8	23.5
1937-38	13.3	18.1	18.0	8.9	41.7	24.7
1939-40	13.3	17.5	19.0	9.2	41.0	26.1

This table shows that the share of forests in the total area remained almost steady at 13.1 per cent. The share of Net Area sown is also almost steady at 41 per cent. though there was a rise in the share of this group to 41.8 per cent. and 41.7 per cent. in 1936-37 and 1937-38, respectively, accompanied by a fall in the shares of Waste and Fallow Land. There has been a fall in the share of the area not available for cultivation from 19 per cent. to 17.5 per cent. and this is gained mainly by cultivable waste. This fact may partly be explained by changes in classification. Fallow land marks mild fluctuations about 9 per cent. depending on monsoon conditions and other factors. The share of irrigated area increased from 22 per cent. in 1920-28 to 26 per cent. in 1939-40. We may now consider the trends of area under the different crops given in the following table:—

AREA UNDER DIFFERENT CROPS IN BRITISH INDIA.
(millions of acres)

Period.	Foodgrains & pulses.	Spices & Condiments.	Sugar.	Fruits & Vegetables.	Miscellaneous food.	Total food.	Fodder.	Other non-food.	Grand total.	Sown more than once.
1920-25	186.1	1.3	2.7	3.9	1.1	195.1	8.4	33.1	236.6	31.1
1925-30	183.9	1.3	2.8	3.8	1.3	193.1	8.9	37.8	239.8	31.2
1930-35	188.6	1.5	3.2	3.8	1.8	198.9	9.7	34.7	243.3	32.2
1935-36	185.6	1.5	4.0	3.7	1.9	196.7	10.5	34.6	241.8	32.1
1936-37	189.3	1.3	4.4	3.8	1.9	200.7	10.6	36.9	248.2	34.5
1937-38	186.8	1.4	3.9	3.8	1.5	197.4	10.4	39.1	246.9	33.4
Percentage Share of Each in the Total.										
1920-25	78.6	0.6	1.2	1.7	0.5	82.6	3.5	13.9	100.0	13.1
1925-30	76.7	0.5	1.2	1.6	0.5	80.5	3.7	15.8	100.0	13.0
1930-35	77.5	0.6	1.3	1.6	0.7	81.7	4.0	14.3	100.0	13.3
1935-36	76.8	0.6	1.7	1.5	0.8	81.4	4.3	14.3	100.0	13.3
1936-37	76.3	0.7	1.8	1.5	0.8	80.9	4.3	14.8	100.0	13.9
1937-38	75.7	0.6	1.6	1.5	0.6	80.0	4.2	15.8	100.0	13.5

From this table, we notice that the total area under foodgrains came down during the quinquennium 1925-30, but increased, even over the first period, in the third period. The area under food crops was greatest in 1936-37, but it came down in the next year. Sugar showed continuous increase, chiefly, due to the growth of that important factory industry. The total area under food crops marks the same tendencies as foodgrains which form the bulk of this group. There is practically no change in the area under Fruits and Vegetables. The share of the area under food crops was 82.6 per cent. in 1920-25, but was lowest at 80 per cent. in 1937-38. The area under fodder crops increased steadily from about 3.8 per cent. in 1920-25 to 4.2 per cent. in 1937-38; and the share of all other non-food crops increased from 13.9 per cent. in 1920-25 to 15.8 per cent. in 1937-38. We thus find that the fall, both absolutely and relatively, under food crops in 1925-30 is due to the greater attention paid to commercial crops, and the great depression brought about the re-substitution of food crops for commercial crops. The area sown more than once increased from nearly 31 to 33 million acres during the period and its relative share increased from 13 per cent. to 13.5 per cent. during the period. From these above figures we find that our country has reached almost the saturation level with regard to cultivated area under food crops, and the possibilities of expansion by bringing either new areas into cultivation or by the substitution of crops, are very little. Very few of the waste lands can be brought under cultivation at great cost and we require the present share of commercial crops for local needs and foreign trade.

POPULATION AND PRODUCTION

We know that the population of India increased by about 10 per cent. between the years 1921 and 1931 and by about 15 per cent. between 1931 and 1941, i.e., an increase by about 27 per cent. between 1921 and 1941. If during this period the area under the food crops has not shown a proportionate increase, either (1) the yield per acre should have increased, (2) imports of foodgrains should have increased, or (3) the average consumption of cereals came down or (4) a larger number of people are starving or have less to eat now than before. To come to correct conclusions regarding food supplies we must know (1) the total quantity of food supply available for consumption and (2) the actual diet requirements of the people. It is a well known fact that the statistics of crop yields are highly conjectural, and it is no use coming to conclusions on the basis of those figures only. Judging from the available figures of yields of important cereals we find that there is a stagnation, if not steady deterioration in the production of crops. But we have noted above that the irrigated area has been steadily increasing. We have already noted that the area of land which was sown more than once has increased both absolutely and relatively. There was some increase in the imports of manures and the use of improved varieties of seeds by the agriculturists. But the proportion of the area benefited by these two factors is relatively small in the case of food crops. Still these three factors must produce a cumulative effect on the trend of production.

Statistical analysis of the average yield per acre of rice, wheat and cotton in the period 1900-32 shows that the yield has not shown any improvement since the beginning of the century. In the case of all the three crops, the trend lines, taken as a whole, indicate a downward tendency in the yield per acre. The aver-

age yields of subsequent years do not show any different trend. There are no reasons to assume that things are better in other crops except perhaps in sugarcane and jute where the acreage under improved varieties is higher. Considering these different facts, we have come to this conclusion that either the data of average yields are incorrect or the condition of land not affected by these improvements is deteriorating to a greater extent to off-set these improvements.

As regards imports, the most important among the foodgrains imported are rice and wheat. We find that during the period from 1920-40 there is an upward trend in the imports of rice whereas imports of wheat are sporadic, coming in when either there is a deficit in the country or the prices in outside markets are very low. The exports of these two commodities are very low.

Imports of rice increased by only about half a million tons per year in the period under consideration except during the triennium 1933-34 to 1935-36, when the excess of imports over the early twenties was about one million tons. But this is less than 5 per cent. of the total available for consumption. Thus we find that whereas the population increased by 27 per cent. the net food supply has increased by only a fraction of that. Still all these years, neither the Government nor the publicists, except a few workers on population problem, took notice of this serious shortage. On the other hand, there was a great agitation to check the imports of rice and wheat in the early thirties, by tariff action, which was done. Excepting for the doubtful figures of per capita consumption, no specific surveys were made regarding the food consumption, and before 1942 there were no complaints of shortage of foodstuffs from any region barring some chronic famine-stricken areas. It is also very well known that the habit of drinking beverages like coffee and tea has spread even to the remotest rural parts and that the average consumption of cereals has decreased. From all these facts, it would appear that the condition of agriculture at the outbreak of war was not so bad as is now depicted to be. Of course, the central problem of Indian Economy is to raise the purchasing power of the large number of poor people. If this is done, the demand for articles of food may increase. But the analysis of some family budgets collected in different parts of the country shows that this demand may be shifted to higher grades of food articles like vegetables, milk, etc., and other classes of miscellaneous expenditure than for the highly inelastic cereals. However, all these conclusions are highly conjectural and one cannot be dogmatic about these facts, unless some food survey regarding the demand for some of these commodities is made, at least on a sampling basis as in the case of Tea in Calcutta.*

Even if there is a necessity to grow more food crops, it is desirable to attempt to do so by bringing new lands under cultivation or increasing the yield per acre, rather than by replacing the commercial crops. There may be some possibility to reclaim waste lands, or bring forest lands under cultivation. The former problem raises the question of costs, but the latter involves the general welfare of the country. Improvement of irrigation resources is another

* An Enquiry into the prevalence of drinking Tea among the Middle Class Families, Vol. 5, Part 3, pp. 283-312.

important direction in which more attention may be paid by the Government. So far the remunerative aspect of the projects alone has been considered, but not the general welfare problem. Under the spur of war conditions, we hear that the U.P. and the Bihar Governments have sanctioned the digging of some artesian wells. Some private individual enterprise in this direction is already known in Madras also. By well planned action in this direction, great boon may be conferred on agriculture in some areas. As regards improved seeds, the existing Agricultural Farms are able to meet the demand in the case of commercial crops. But in an almost universal crop like rice, the number of seed-supplying stations has to be multiplied and propaganda has to be vigorously carried on into the villages to popularise the use of improved seeds. The supply of chemical manures has to be increased. In addition, the possibilities of improving the age-long practices of rotation of crops, farm yard manures, green leaf manures and conversion of town refuse into manure, etc., for increasing the supply of manures should be examined.

It is also necessary to keep in view the dietetic requirements of the country. In the opinion of specialists like Sir John Russell and Dr. W. R. Aykroyd, the diet of a large majority of Indians is over-weighted with cereals and deficient in protective foods, like dairy products, fruits and green vegetables. We have already noted that the area under fruits and vegetables has not increased during the two decades under consideration. Though the area under fodder crops showed a little improvement, most of it is confined to the Punjab, Bombay, and U.P. Out of the very large number of livestock in the country, the milk-yielding ones are relatively small in number, and the yield is also very poor. In the rice growing areas, every available plot of land is used for it leaving very little space for the other crops. This has to some extent deteriorated the condition of cattle and the supply of vegetables. Hence the prime objectives of crop planning in India should be to liberate more lands for fruits and vegetables, fodder crops for livestock and to increase the yield from the existing acreage, under staple crops.

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THE WORLD ABROAD

Post-War Economic Co-operation

(From Our Washington Correspondent)

WASHINGTON, Sept. 27. (By Cable).

THE United States economy as well as the United States politics, both stand at the same crossroads today, facing the decision whether to follow the road leading to international post-war collaboration or to domestic self-containment. In both cases chances seem to favour international highway, but recent developments indicate some wavering.

The best illustration of such indecision is the action of the Houses last week overwhelmingly endorsing the brightful resolution for the United States' participation in "International machinery with power adequate to establish and maintain a just and lasting peace" whereupon Senate leaders immediately warned that Senate could not consider a similar pronouncement "presently."

Similarly on the economic front the Treasury last week conferred with bankers from various parts of the United States on proposed post-war currency stabilization plans. The unofficially reported result of those conversations was the qualified banking endorsement of White-Morgenthau stabilization proposals. But meanwhile some leading business men were declaring that United States domestic markets could absorb the American production for many years after war while the traders showed decided coolness towards all stabilization programmes unless they meant levelling artificial commerce barriers.

Perhaps this week's encouraging development from the view point of post-war world economic co-operation was President Roosevelt's appointment of Edward Stettinius as successor to Sumner Welles who resigned as Under-Secretary of State. Mr. Stettinius who had been the Lend-Lease Administrator is only forty-two, yet before entering Government service was successively President of General Motors Corporation, Chairman of the United States Steel Corporation—the two most important industrial posts in the country. It is believed here that he represents "Liberal" business outlook and will add strong voice for the United States' participation in international planning.

Simultaneously President Roosevelt announced the appointment of Leo Crowley as Director of the New Foreign Economic Administration to "centralize all foreign economic functions in one Agency." Mr. Crowley, who is fifty-three, relinquishes an yearly salary of 50,000 dollars as Chairman of the Standard Gas and Electricity Company to accept the ten thousand Governmental stipend. He is another firm believer in the United States playing an active role in international plans. He, with Mr. Stettinius will obviously throw the Administrations' weight against post-war isolationism.

The London announcement of last Thursday that the Belgium and Netherlands Governments, in exile, have accepted the post-war monetary stabilization plan coincided with the Washington meeting whereat the

Treasurites assured banking and investment groups who were worried with the possible encroachment into private financial channels if international currency stabilization plan were adopted, that such programme involves only a minimum interference with private transactions and will actually relieve private investment from much exchange risk that existed in the past.

The bankers who attended the conference here appears agreed that the plan should encourage countries with funds to make contributions to enable other nations to improve their positions. But it is believed that the United States would not accept demands on creditor nations to the extent the Keynes' plan contemplates. Incidentally Mr. Keynes himself is scheduled to issue a statement here this week on Anglo-American stabilization ideas.

While these signs of economic harmony encouraged collaborationists, two significant statements on post-war probabilities were issued here. The U.S. Chamber of Commerce has published the results of the survey concluding that the American people will be prepared to spend twenty milliard dollars in the peace-time for consumers' durable goods if industry is able to supply them. At the same time the Department of Commerce issued a statement that individual savings this year will reach 35 milliard dollars compared to ten milliard in 1941 from an annual average of five milliard in the previous decade. The Department foresees accumulated savings acting as a starter for the industrial engine after the war.

Such forecasts caused some business men to advocate greater attention to home markets after the war and less international planning. The *New York Journal of Commerce* after querying a number of exporters and importers reported that they were unenthusiastic about the stabilization plans and added: "It appears to be the view of exporters that while there will be fresh demand for goods after the war, orders should be filled largely within a year whereafter trade will settle down to competitive routine."

"Typical recent forecasts of domestic post-war conditions are tending to obscure the necessity for international co-operation" was the view expressed in a speech last week by Lewish Brown, President of Johnsmenville Corporation who told American Trade Executives' Association that there is immediate danger after the war of boom rather than depression. Mr. Brown said: "Unemployment will be practically non-existent. Due to years of restricted production for our normal domestic market there will be huge accumulated shortages that must be supplied."

If business men as well as bankers do eventually endorse the stabilization project it is expected that much support will come within a few months. If the stabilization pact meets general approval here it will be a sure portent that United States intends to co-operate with other nations economically as well as politically once Germany capitulates.

Centenary of the 'Economist'

(From Our London Correspondent)

LONDON, Sept. 3. (By Airgraph).

THE full text of the summary of the American currency scheme has become available since the matter was discussed here last week. During the week it received wide comment in the financial columns and those comments are confirming first impressions. While some writers content themselves with outlining the salient points, the *Economist* and the *Manchester Guardian* plainly state that the scheme would be unacceptable to this country at least.

In a leading article headed "Post-War Currency" the *Economist* deals with the points already made here last week and goes on to consider the matter by taking into account such conditions as are most likely to confront us after the war. The writer of the article thinks that neither the American Scheme nor the Keynes' Plan, though the latter is of a more flexible nature than the former, will have much chance of becoming practical policy. Neither of them goes far enough to make possible the reconstruction and expansion of international trade which will be essential to many countries, Great Britain amongst them. He comes to the conclusion that global agreement on currency matters and exchange rates will be extremely difficult, most likely impossible. The problem of the dollar is a much more important and much more difficult problem than that of the pound. It has never been easy ever since the last war for countries other than the U.S.A. to earn as many dollars as they require. And during this war the export position of the U.S.A. has been considerably strengthened and her requirements of imported raw materials have been greatly reduced.

The article then suggests that it would be much more easy and more practical to form smaller groups such as the sterling group and the dollar group. "There is not the slightest reason" the article concludes, "why the relation between these different groups and the dollar group should be relations of hostility and discrimination—unless, indeed, it is hostility and discrimination to suggest that other countries cannot spend more dollars than they can earn."

The 2nd of September is a memorable day in the annals of journalism. On that day 100 years ago the London *Economist* came out for the first time. The event was celebrated in the humble war-time style yesterday at the *Economist's* centenary luncheon at which tribute was paid to the journal's achievements and standing by Mr. Montagu Norman, Governor of the Bank of England, Sir Kingsley Wood, Chancellor of the Exchequer, and Mr. Herbert Morrison, the Home Secretary. The Oxford University Press contributes a volume "The *Economist* 1843-1943" which tells the story of the difficulties of the journal during the first two decades, of its independence and integrity as an interpreter of economic events, of the grim rigours of production during the London blitz when the offices and library of the *Economist* were entirely destroyed.

The journal was founded by a banker, James Wilson, who at one time was Finance Member in India. He was the First Editor and brought the journal into being as a mouthpiece in the fight against the Corn Laws. Walter Bagehot, who through his own eminence in many spheres lent to his journal a weight of prestige far in excess of that due to the journal itself. Bagehot relinquished his editorship in 1877 after a run of 18 years. But the prestige remained with the *Economist*. Edward Johnstone, Francis Wrigley Hurst, and Hartley Withers followed

him, the latter to hand over to Sir (then Mr.) Walter Layton. Those others were mainly journalists whilst Layton, like Bagehot, is an economist of standing, a statistician and administrator and a politician. But their journalism was of a high order and their personal influence was such that a long list of evidently weighty writers (though the policy of anonymity has put a veil over their identities) was at hand to support them in their labours.

During the Layton era the journal received the clothing and appearance it has today (except for its war-time utility cover). The fundamental tradition remained but towards the end of the last century economic and financial journalism became more specialized. The fact-finding side of the editorial office received more and more attention. It has ever been the policy of the *Economist* to base argument on facts ascertained to as near a degree of truth as is possible. That, and the sturdy independence in editorial policy has made the journal what it is, one of the most influential and reliable publications in existence.

Once appointed, the editor of the *Economist* is, as far as policy goes, his own master. No interference is brooked from either the Board of Directors or the share holders. Theirs is to be satisfied with the financial side alone. There is a trust of four who can veto the appointment or dismissal of the editor, they even have the right of vetoing transfers of voting shares. The present editor, Mr. Geoffrey Crowther, able and versatile, has taken on a fine inheritance and the pages of the *Economist* indicate that he will follow in the great tradition of the paper as an independent journal.

In its centenary number the *Economist* contains a number of articles dealing with Finance and Future. Here are two excerpts from an article dealing with the Profit Motive.

Avoidance-of-Loss Motive

"Much confusion arises from muddled thinking on the subject of the profit motive. The avaricious are to be found in every walk of life, and perhaps most frequently among business men. But it is a fantastic misunderstanding of the nature of the economic process to suppose that there is anything immoral about the profit motive. A better name for the profit motive, in fact, would be the avoidance-of-loss motive. For every one business man who is motivated by the desire for excessive gain there are twenty who never get a chance to do more than avoid losses after paying a moderate rate of interest on their capital.

"It will not, however, be enough simply to put the business man on the back and tell him he is discharged without stain upon his character; some more specific section will be needed. One of the business man's chief bugbears is what he calls bureaucratic control by the State, by which he means all those activities that involve filling up forms and requesting permission. Now, it is obvious that the exercise of purposive direction by the State is going to require a volume of control, less doubtless than in war-time, but more than the business man has been accustomed to in the past."

Equity Financing

"Together with the tax collector and the wage earner, the other partner to whom the manager of industry has to make payments is the capitalist. The principle remains the same; in so far as the payment is fixed in all circumstances, profit or no profit, it is a deterrent to enterprise; in so far as it is not made

until after the profit has been earned it can be far larger without being a deterrent. The business man's interest, in other words, favours equity financing and the ordinary share. Here too, there has been retrogression between the wars. More and more the supply of capital has come to be in the hands of the banks, the institutional investor and the "small investor"—each of whom, for his own reasons, prefers a fixed interest security—less and less has it been in the hands of the rich man who was willing to take a risk. The State, so far from discouraging this tendency, has actively furthered it, for the new publicly-controlled boards have been endowed with what is very nearly wholly fixed-interest capital. One of the more encouraging developments has been the growth of the unit trust movement which is educating the small man

in equity investment. Business in general looks like becoming a more, rather than a less, chancy matter, and it is essential that ways should be found by which the entrepreneur can get his capital on terms that share the risk and the profits. If the capital market is to be still further "institutionalized" then the institutions must be made equity minded.

"It is the business man's particular function to take risks and to act as a shock-absorber between the world's instability and his other partners. His role is to have a fluctuating income. But there is a limit to the risks he can bear and still play his part. It is the community's interests to restore to him the possibility of free action."

Statistical Blackout

LONDON, Sept. 27 (By Cable).

THE financial press in Britain never ceased to complain of the statistical black out imposed upon the business and financial community by the Chamberlain Government at the outbreak of the war and thus far only sparingly lightened by the Churchill Government. This smokescreen contrasts remarkably with conditions during the last war and also with relative abundance of production and other statistics in the United States where the authorities are seemingly less concerned, whether or not the Axis Powers learn the dimensions of their war effort.

News about commodities were one of the earliest casualties from Britain's idea of "Total War". The Chamber of Commerce Journal which before the outbreak of war quoted authoritatively prices for about 230 different commodities now finds prices for only 108 the majority of which are marked "Control Prices." But the middlemen in the whole world have been laid low-superseded either by the United Kingdom Commercial Corporation backed by unlimited amounts of money from the Treasury or the Ministry of Supply, who have agents throughout the world or by the various joint purchasing commissions maintained by Britain, United States and Canada. No commentators urge that vital figures such as stocks should be made public for they would obviously be made the fullest use of by the enemy but there is strong objection to continued secrecy about prices. For example, when the Board of Trade Journal, last week published a discreet analysis of the wholesale prices of various commodities, the City of London was startled by some rises shown. In the absence of adequate routine statistics they are not prepared for some of the figures given in that report. Increases range from 700 per cent.—shown by the wholesale price of wastepaper—down to six commodities showing an increase of only 10 per cent. or even in some cases an actual decrease. These six more or less stationary commodities were eggs, sodium carbonate and three hides—goatskins, native hides, imported hides—from America. Compared to August, 1939, several commodities have risen by more than 200 per cent.—malting barley two descriptions, tobacco seven categories, chemical, woodpulp and line yarn. Summing up the changes the Board of Trade shows that basic materials have risen by 83 per cent. since

August, 1939, while fuel has risen by 63 per cent., building materials by 44½ per cent.

Regarding actual prices still quoted in the Chamber of Commerce Journal it is plain imports from India have shown stiff rises even when they are controlled by Government. For example, in August, 1939, linseed was quoted c.i.f. Calcutta around £13-1-3, but now it is quoted c.i.f. Bombay between £30-10-0 and £31-5-0. This increase is by 130 per cent. Quotations for shellac ceased last March by which time nominally the price stood at 205 shillings per cwt., when compared to 46 shillings just before the war. Castor seed has risen from £11-5-0 to £38-0-0.

Total war has not improved the twilight wherein the British investor in ordinary shares of various companies habitually gropes. All companies doing war work are encouraged but do not reveal any clues of the size of their operations. Hence balance sheets are even more obscure than usual. For example the figure shown under unfinished work on hand generally is disguised, sometimes by treating part of it as concealed reserve. There is the thickest blackout of all that surrounds the public utility companies such as gas and electric power. They are not authorized to publish figures. Railroads publish figures which show astronomical increases in their activities but as the cream of their takings go to Government, shareholders find it extremely difficult to foresee the probable trend of earnings in the post-war.

A third type of complaint is that Government's "hush hush policy" tends to conceal from the public criticism various manouvres by big industrialists occupying key positions in the country's war-effort. Lord MacGowan vigorously replied to the criticism levelled at the predominance of some sixty key men drawn into Government service from Imperial Chemical Industries. The House of Commons' Select Committee on National Expenditure has dug up and ventilated various undesirable situations but generally speaking neither the press nor the public have been allowed to probe freely. In short it is complained that the secrecy surrounding war production conceals much not only from the Axis Powers but from the British Democracy as well.

The one exception appears to be Bombay, where 188,500 tons are allotted in place of normal 1937-38 consumption limit of 130,000. It is just possible that all the amount quoted for dispatch to Bombay is not meant for civilian consumption. Possibly they include certain amount contemplated for export or other special purposes. Lastly the total amount allotted is only 904,350. This is below what might be regarded as normal needs of our consumption which is between 11 to 12 lakh tons. This is also below the total estimated production of this season which is about 11 lakh tons. The figures point to the fact that not enough sugar has been produced for all our needs and not all that is produced is sought to be distributed. These expose the usual official assumption of there being enough sugar to go round.

Let us now consider how the third task that of securing the maximum production was faced by the controller. All restrictions on production were removed and it has resulted in an estimated production of 11 lakh tons this season. But this is not enough for our consumption needs and far less than what we need to secure markets abroad. Our capacity is estimated to be 15 lakh tons and we need to remind ourselves of it. This could be achieved only through encouraging the producers of cane as well as the factories through adequate remuneration and this the control has failed to give. Early last season the cane prices were fixed only at 8 annas and sugar prices at Rs. 12-3-0. The price of sugar was so discouraging to the Bengal factories that they refused to crush altogether unless the price was raised. Not many factories were able to procure supplies of cane at 8 annas and the result was the upward revision of both prices to 10 annas for a maund of cane and Rs. 14-8-0 for sugar. Considerably greater production could have resulted if this impasse had been avoided early.

The price of cane is sought to be maintained at a level which is considered unfair by the growers and is likely to discourage supplies to the factory. The sugar factories are also not happy at their lot. Their margins of profits are very low compared with other industrialists and the inequality in earning leads to a sense of unfair treatment. The opportunities of exploiting foreign markets have been denied to them. Sugar factories point to the high ceiling prices in textile trade and the concessions made in the interests of textile producers as a contrast to their own fate.

Thus the control has failed to secure the more important objectives, namely, inducing maximum production and setting up an efficient distributive mechanism. It has achieved success only in rationalising transport. The main factor responsible for the failure in both spheres has been the rise in other prices. The inflationary finance and failure to control the prices of food-stuffs, textiles and other essentials of life have upset the very foundations of the general price structure. The consumers' demand for sugar at the fixed price has risen very greatly as sugar is relatively the cheapest article of food in the market. We have not enough sugar, nor the capacity to produce it, to meet the present demand, if sugar is to be sold only at Rs. 14-8-0; and the queues are no fault of the Sugar Controller alone. He is the innocent victim of the finances of our Finance Member and the failures of Food Controllers.

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FROM THE PROVINCIAL ANGLE

Madras Letter

TEXTILE PROBLEMS—THE COMMISSIONER'S ASSURANCES—REVISION OF CEILING PRICES

(From Our Correspondent)

MADRAS, Sept. 26.

MR. M. K. Vellodi, I.C.S., Textile Commissioner with the Government of India visited South India during the week and discussed textile problems with the mercantile community, trades associations, chambers of Commerce, both European and Indian. Making a general survey of the activities of the Textile Commissioner, one gains the impression that he has taken great pains to restore confidence amongst the mercantile community. He observed at a gathering of merchants: "The Control Order is not imposed to do away with the industry, nor is it the intention of the Government to do away with the dealers. It is to be noted that the intention of the Government is neither to harass the industry nor the trade but to make cloth available to the public at reasonable prices and to prevent profiteering." The question of disposal of the unsold stocks of unstamped goods on October 31 was the main point of discussion at various centres. Mr. Vellodi asked the merchants to dispose of their stocks without waiting for further instructions and asked them to make genuine attempts in that direction. He assured them that no rule would be applied in a rigid manner and that the custom of the markets would be studied before any drastic action was taken. But what would the Government do in regard to the goods in bales tendered to them for sale? Will an extension of time be granted in regard to the opened bales? Despite the Commissioner's assertions it looks as though the Provincial Officers will grant extensions in specific cases in view of the fact that the Government cannot become the traders in this line, too, having regard to their commitments in standard cloth. However, it would be too much for one to expect an announcement from the Government as a matter of policy. In this connection it is well to remember the assurance of the Textile Commissioner that there was no intention to export cloth taken over, neither is it proposed to sell those goods in the open market so as to pull down the market.

Revision of Ceiling Prices

An expansion of the ceiling prices list has been insisted upon by the various associations. Mr. Vellodi said that he was alive to the importance and urgency of this point. Incidentally, it was revealed that the ceiling prices would also be revised and margins would be allocated to dealers at different stages of transactions so that, the allowed margin may not be appropriated by one or two agencies in an unfair manner. Regarding the stamping of ultimate selling prices on the goods urged by certain organizations it was stated that the mills were not in favour of this as a revision of prices would involve a different stamping, thus creating confusion. The Textile Commissioner gave out as his personal opinion that he was against any constant revision of prices and if this view was accepted by the Board, the suggestion given can be acted upon, thereby saving the consumer from the worry of remembering elaborate figures before making his purchase. Apprehension was expressed of the proposed zonal system of distribution in that it may create scarcity in certain special lines and that it may also seriously upset marketing arrangements. The example of raw cotton zones being a bugbear was also cited. Mr. Vellodi cleared much of these doubts by saying that the system was devised only to avoid criss-cross movements of

identical goods produced at various centres but imports of certain goods from outside the zone would be permitted under certain conditions. Regarding standard cloth the Textile Commissioner stated that 109 varieties were being manufactured and that small variations were now contemplated. Coloured weft for sarees, shorter lengths for dhoties and dyeing of pieces of unbleached sarees to be undertaken by the Provincial Governments with stocks of dyes available with them were also under contemplation, according to him. The fixation of prices for all counts of yarns and making yarn available to the handloom weavers at an uniform rate, irrespective of their affiliation to Government agencies were also insisted, to which the Commissioner has promised his attention.

Intensive Cultivation

"The landholders have voluntarily agreed to offer the surplus paddy at prices reasonable both to the producer and consumer and it may not be necessary to collect land revenue in kind," said Mr. S. V. Ramamurthy, Adviser to H. E. the Governor to the Press, on his return to Madras after a successful tour of the Southern Districts. But a final decision is expected to be reached only after the Adviser's tour in the Andhra Districts early next month. As I indicated last week, the increase in the purchase price of paddy and rice announced by the Government is expected to bring out large quantities of food and official estimates reveal that about 1½ lakhs tons of rice would be forthcoming in the Southern delta area from the short term crop. Measures for the intensive cultivation of paddy are also making satisfactory progress. Over half the area under paddy in South India has come under the improved seeds supply scheme and the rest is expected to be brought in, in the next two years. About 40,000 acres of land in the Tanjore District commanded by the Cauvery-Mettur Project are expected to be brought under paddy cultivation in time for the winter crop next year. And taking the average pre-war yield per acre of the Madras Presidency at 900 lbs. for rice, 16,000 tons may be expected out of this scheme, no mean figure considering the present food situation in the country. The engineering and tenure difficulties are bound to be surmounted. It is stated that there are large tracts in the agency districts in the Andhradesa which can be brought under cultivation and it would be for the Government to investigate this. The Adviser has admitted the importance of manure in the "Grow More Food" campaign and the Government have already advanced Rs. 10 lakhs to the Director of Agriculture for purchasing manure from the surplus districts and supply the same to the deficit districts. But as the demand for manure is very great, this sum is bound to be increased very substantially. Further, it has been revealed that the Government of India have received some quantities of ammonium sulphate from America under the Lease-Lend arrangements and out of this, Madras is expected to get 5,000 tons, against the pre-war requirements of 36,000 tons. But it is doubtful if this would be available to the paddy fields, as the planters may claim a large proportion. In order to help the ryots to get agricultural implements, cart tyres etc., the Government propose to get 30,000 tons of iron and steel from the Central Government at control rates for distribution, through agricultural depots and associations, co-operative societies and licensed dealers.

Substitute for Wattle Bark

If and when retaliatory measures are taken by the Government of India against the Union of South Africa, it is feared that the imports of wattle bark and extract

may not be possible. Therefore, the Central Government seem to be desirous of getting quebracho extract from Argentina and are now making inquiries in this Province whether this would be suitable for tanning.

Bombay Letter

RESERVE BANK'S SALE OF GOLD—LACK OF CLEAR INTENTIONS—CLOTH RETAILERS' GRIEVANCES—A FOOD PLAN IN THE OFFING

(From Our Correspondent)

BOMBAY, Sept. 25.

Cloth Market

THE markets have shown an upward tendency. Dealings in the bullion market were characterized by wide fluctuations, whereas despite the ban on "budla" transactions the share market has advanced. The anti-inflation ban on "budla" as appears for the present had quite an opposite effect. Funds are finding an outlet in speculative channels. The Bombay Stock Exchange is in future to be on a strictly cash basis and within about 10 or 15 days' time weekly clearings will begin without giving any facilities for "budla." Although however the "budla" is banned in the Stock Exchange, it is not banned outside it. Many people have made "budla" this time with two very prominent and financially strong operators and the public have covered their short interests in this delivery by selling "delivery within the next fortnight" to these two operators. These two operators being long are reported to have further 'squeezed' the market by actually buying further in cash and this has led to an advance in the share market at the close of the week. The idea of the two operators apparently is to force up the market with a view to liquidating their "budla" purchases at substantially higher levels.

Bullion

Trading in the bullion market began with an exciting session in the early part of the week. The demand from upcountry had been steady, and in addition, there was buying by prominent operators. The Reserve Bank's sale of gold is intermittent. It would appear that the Bank has no clear intentions in the matter. The aim is not to keep down the prices of bullion as otherwise it would be a constant seller at a certain limit. Or perhaps the Bank has not enough gold for sale to satisfy all the demand. Perhaps the intermittent selling may be due to the limited physical capacity to handle delivery. The Bank's sales have been taken up by big operators and if this were to go on for some time, the market would be left entirely at the mercy of the operators. It seems to have been grasped by the shrewd operators that the Bank has not enough gold to satisfy all the demand or to exercise an effective check on the prices of bullion. By a new Ordinance the Central Government is shortening the delivery period in the bullion market to 2 days only, but it is doubtful whether even this will have the effect of bringing down the market.

In the silver section, trading was characterized by bouts of buying and selling. The bull speculators, however, predominated and the price has moved up during the week from Rs. 118 to Rs. 123. The shortage of silver stocks in Bombay continues and arrivals from Kathiawar to Bombay have stopped owing to the higher prices for silver prevailing in Kathiawar.

Activity in the wholesale market has been well maintained and clearances of cloth continue to be very satisfactory. The purchasers are the Punjab and the Cawnpore merchants besides those from Bengal. The Government of India are apparently serious about pegging the prices of cloth and the Textile Commissioner has reaffirmed that Government will not grant any extension of time for the disposal of piecegoods and yarn for the retail after 31st October, 1943. It is possible, therefore, that prices may come down within the next two or three weeks. At the present moment, in the main lines such as Greys prices look like settling down to the fixed "ceiling" levels. The quotation for Leopard cloth 35" and 37" is Rs. 2-5/2-6 a lb. In bleached lines the market is easier by about a rupee and a half a piece than last week. "High Society" Mulls in 47" by 20 yds. have been sold in the market at Rs. 26-8/27-0 a piece.

Retail Cloth Merchants' Memorandum

Retail dealers in the cloth market have submitted a memorandum about their grievances. They say that the control is against hoarders, but a retailer by the very nature of his trade is essentially not a hoarder. Further, small quantities of each variety in his shop may lead to a large total stock which, considering the quantity of his monthly turnover, may be even six times his monthly requirements. All the same he has to go on buying fresh stocks in order to obtain the latest designs. Again some residue of particular varieties is bound to be left over which may take a long time to dispose of. Further, the demand for certain types of goods is purely seasonal and the balance at the end of the season would have to be carried forward to the next season. They therefore ask, how is it possible for the retailer to sell out all his stocks completely by a certain date which just now has been fixed as October 31? With the best of intentions and even with high pressure salesmanship, stocks cannot be reduced to zero in any shop. What is possible in the wholesale trade is not possible in the retail trade and they ask for redress from the impracticable provisions of the Control Order. It would appear that the grievances of the retail trade are genuine, but the alternative they suggest, that of leaving the retail trade absolutely free of control, would be to bring back the market very nearly to the conditions of March/April, 1943. With regard to the cloth that is manufactured after August 31, under the order, every month's production has to be disposed of within three months in wholesale, or six months in retail. As the clearances through the wholesale channels may take three months, the time left for clearing in retail is only three months which is considered too small.

Provincial Food Control

The Bombay Government are understood to be considering an elaborate plan to tackle the food situa-

tion in Bombay. It is proposed to institute control over prices of foodstuffs, build up reserves, take steps to ensure that all available foodstuffs are brought to the market and set up a machinery for distribution on an equitable basis. The scheme is expected to be enforced before the harvesting period starts. The full details of the scheme are not available, but Government will buy foodgrains including millets on a large scale during the Kharif season. These purchases will be a reserve for the whole province by which to deter speculators from pushing up prices as they did last year.

As regards the rates to be fixed for purchase, the idea is to take up the prices before the depression set

Bengal Letter

MILLS OF AUTONOMY—AN EMPIRE SCANDAL—ROAD DEVELOPMENT—IRRIGATION SCHEMES

(From Our Correspondent)

CALCUTTA, Sept. 25.

Road Development

THE Government of India tried for long to hide the news of the terrible famine in this province from the people of the United States and Great Britain. But now the news has leaked out and the people in those countries are waking up to the gravity of the situation. The British Press have likened the situation to "mediaeval chronicles of black death." Australia has also made helpful offer of wheat if only shipping is made available. Some officials of the United States Government, however, have declared that, although the situation is "pretty bad," it is a "British affair" and they cannot do anything unless requests come through the proper Empire channel. On the contrary, Mr. Amery says, it is an affair for the "popular" Bengal Ministry. Thus the United States has granted Great Britain "empire autonomy" and Great Britain in turn has granted Bengal "provincial autonomy". The mills of autonomy grind slowly but they grind exceedingly small.

An Empire Scandal

Meanwhile, it is doubtful if anybody could possibly excel Mr. Suhrawardy in the degree of complacency and callous stand-offish attitude which he showed in his recent statement. He said: "Food can be obtained in hotels, restaurants and eating houses so that no one who has some money need starve." As for the poor, they could go to the relief kitchens and cheap canteens. Then he glibly remarked that soon everything would be all right and "there will be no outcry about lack of foodgrains in Calcutta except for political reasons."

Apart from complacency, there is widespread charge of criminal corruption. The Punjab Government has openly charged the Bengal Government of profiteering. It is reported that lately foodgrains have been pouring at the rate of over 2,000 tons per day. Yet the situation shows no signs of improvement. Astounding and surprisingly consistent stories of corruption are going round among all classes of people. But they can be confirmed or exploded only by a judicial inquiry, of which there is no chance, because high authorities, both in Delhi and here, look at the matter from the political angle. But cannot even the income-tax authorities hound out these racketeers who are making huge fortunes out of calamitous sufferings?

in in 1930 and the current prices of manufactured goods so that the price they pay for agricultural goods may not be unfair to the farmer. It is possible that to ensure Government control over the stocks, all sales may have to be made to the Government or their authorized dealers and an effective system of permits for the movement of grains from place to place may be introduced. It is also proposed to give the concession of paying land revenue and *Taccavi* loan in kind instead of in cash. More important still is the fact that the Government wish to take non-official opinion with them and for this reason it is proposed to expand the District Supply and Price Committee.

The question of Bengal Government's neglect of road development in the Province was raised in the Bengal Council. A grievance was made that money which was allotted for road building purposes was not being spent and that a good deal of it is lapsing. On Government's behalf it was pointed out that materials were not available, transport was difficult and consequently by an order of the Government of India all new works were stopped. The assurance was given that the money allotted did not lapse, but would be available when road-building becomes once again feasible. The question of post-war road development is an urgent issue. Have the Bengal Government any policy in this regard? The Government say that a scheme in this regard had been prepared by Dr. King, who made a very exhaustive study of the subject and who submitted a report. Copies of the report were placed in the hands of members of the Assembly and Council, but were collected back when Japan entered the war. A good portion of the report was approved by the Provincial Board of Communication and later received the sanction of the Government of India. It would take some years to carry into effect the approved portion of the report, if money is spent at the rate of Rs. 30 lakhs a year which is the sum available to the Government. But is the report really going to be taken up and given effect to? The Government attitude is not quite clear on this point.

Irrigation Schemes

The Government have taken the view that in spite of the war they would push on with schemes for the development of irrigation in the Province. Stress has been laid on the need for carrying out irrigation schemes, because it is felt that such schemes when translated into reality will help the production of more food. India Government's Irrigation Adviser, Sir William Stampe, had occasion to pay visits to this Province and he approved of about 12 schemes. Six more are on the way. Fifty per cent. of the cost of this scheme will be borne by the Government of India. So far as the immediate food situation is concerned and even so far as the food situation in the near future is concerned, such irrigation schemes can hardly have any practical significance. Moreover, from the point of view of increased food production irrigation schemes can be of little use unless they are incorporated into a comprehensive plan for growing more food. The Government have no such plan at all and are dealing

with the whole matter of growing more food in a piecemeal and half-hearted fashion.

The Jute Industry

While in the local Press anxiety continues to be expressed in regard to the price of raw jute, which is considered to be highly unfair to the cultivator, the position of the jute industry still continues to be anything but comfortable due to coal shortage. The recent decline in stocks of manufactures held by the mills is

U.P. Letter

CANE AND SUGAR PRICES—DISTRIBUTION OF FOODGRAINS—REVISED SCHEME—TRANSPORT DIFFICULTIES

(From Our Correspondent)

CAWNPORE, Sept. 27.

LAST week-end meetings of the Indian Sugar Syndicate's Board of Directors and the United Provinces and Bihar Joint Sugar Control Board were held in Lucknow, and the announcement of the minimum control cane prices for the coming crushing season in the two provinces is awaited. The Syndicate, it is understood, have pressed for a 14 annas per maund cane price as against 10 annas of the last crushing season. As the increase of the cane price is linked with the question of the controlled sugar price, the Syndicate are reported to have suggested Rs. 16½ per maund, as against Rs. 14 of the last season. The additional Rs. 2½ is intended to cover up the increased manufacturing costs, labour costs, and also the compulsory war risk insurance. It is quite likely that there would be an increase in the cane price, and this must automatically lead to increased sugar prices. But in fixing increased cane prices the Governments of the U.P. and Bihar would most probably be acting against the wishes of the Sugar Controller, who has been opposed to any increase in cane prices. In his opinion the various control measures, including the control on *gur* would assure the factories the requisite amount of cane. The question uppermost in the minds of the manufacturers is not whether they would get the requisite cane in the coming crushing season, but what would happen in the crushing season 1944-45, for unless attractive prices are offered to him the grower would have no incentive to grow cane in preference to foodgrains for which very tempting prices are available, and for which there is also a free market. The Government of India's pet argument that they do not want to ruin the Grow More Food Campaign does not hold good as the campaign has already proved a dismal failure.

Revised Food Distribution Scheme

Captain A. W. Ibbotson who has assumed office as the fourth Adviser to the Governor will be in sole charge of the Department of Civil Supplies, which has been expanding rapidly. The Department not merely looks after the home front by arranging food supplies for the civilians, but is also proving its worth to the Government in raising substantial revenues from the controlled exports of *gur*, oil and oil seeds, under the cover of anti-inflation measures. The appointment of the new Adviser has coincided with the expansion of the Government's scheme for feeding the urban population. In the selected towns, now 40 per cent. of the population is being issued rations from the Government "controlled shops" instead of 30 per cent. In Cawnpore while 50 "controlled" shops would cater to the 40 per cent. of the population, the mill shops run

a noteworthy fact. The total stocks of 243,021 tons were the lowest in the end of August since January last. As compared to June the stocks showed a decline of 32,565, and as compared to July the stocks showed a decline of 25,032. The output of Jute manufactures stand at 132,707 tons in July-August as compared to 202,050 tons in the corresponding period of the previous year. In August this year raw jute consumed by the mills appear to have been of the order of 258,093 as against 556,000 in August, 1942.

by the Employers' Association of Northern India, would cater for their workmen, and their families. So the percentage of people entitled to ration facilities would be much more than 40 per cent. Another novel feature of the restricted rationing scheme is the supply of wheat, gram and *juar*, in place of the mixed *atta* supplied so far. The *atta* which was made from gram, wheat and *juar*, all mixed together, was not welcome to any of the buyers, and the Government have been compelled to withdraw it from the market. Instead of *atta*, now the above mentioned cereals would be available at control rates. The prices fixed for a rupee are: wheat—3 seers, barley 4¼ seers, gram 4 seers, rice 2½ seers and *Juar* 5 seers. The restriction on the sale of pure white flour is to continue, that is, no one can offer publicly for sale any *atta* containing more than 50 per cent. wheat flour. Private consumers can, however, get their own wheat ground at the flour mills. Meanwhile the scheme for 100 per cent. rationing in urban areas is also receiving Government's attention. The expanded scheme of food distribution comes into force in Cawnpore on October 1.

Transport Difficulties

Various institutions continue their collections for the relief of the distressed in Bengal. The Governor, in reply to a request for wagons to carry foodgrains to Bengal at the instance of the private individuals, recently stated that "apart from the large quantities of grain already dispatched to Bengal, about 2,500 tons of wheat and 8,000 tons of millets are available and awaiting dispatch once adequate transport facilities are obtained." His Excellency also stated that "sufficient wagons are not at present available to carry available stocks." "This," he added, "would mean that every wagon used to export foodgrains by private or charitable agency means less for Government, and though private individuals and bodies might receive greater personal satisfaction from the dispatch of food-stuffs on their own account, the result could not be a greater total dispatch to Bengal." That the transport difficulty is acute was abundantly made clear the other day, when one of the U.P.'s Regional Food Controllers, commenting on the food situation, remarked that since the appointment of the regional and the deputy regional controllers of railway priorities it had become even more difficult to obtain wagons. So far as the U.P. is concerned, he was in a position to state that sufficient stocks of foodgrains had been built to feed the urban population until the new harvest. There have been unfortunately some reports of grain stocked on Government account in the rural areas deteriorating in *khattis* due to recent excessive rains.

Sind Letter

BENGAL'S DISTRESS—EXPORT QUOTA INCREASED — PLANS FOR RATIONING—BOOM IN LAND VALUES

(From Our Correspondent)

KARACHI, Sept. 25.

BENGAL'S distress has had a distinct effect on the food policy of Sind Government. The policy of making available surplus foodgrains continues favourably, notwithstanding the caution which was sounded by the Premier nearly two weeks ago, and repeated in another context a few days back, that "for us, in Sind, charity seems to begin not at home, but abroad." The Central Government themselves have latterly permitted a higher exportable quota for Bengal. Besides, the drive against hoarded rice stocks also appears to have resulted in larger quantities being available for export outside. It is officially announced that wheat exports from Sind from May this year up to the middle of this month exceeded 30,000 tons, of which 4,000 tons, which is the quota allotted by the Government of India from Sind, had been sent out earlier. From Sind's own quota also 500 tons of rice have been exported through the agency of the Ramakrishna Mission, and another 500 tons through Government agencies. Attempts are being made by private agencies to secure more foodgrains for export. With respect to other foodgrains also Sind is still in surplus. *Juar*, *bajra*, and gram have been sent to Madras, Cochin and Travancore.

Increased Production

In order to increase the cultivation of food crops in the coming season, the Government of Sind have adopted an intensified programme of "Grow More Food." The Central Government has also given a helping hand. They have sanctioned a scheme for intensification of wheat cultivation prepared by Mr. Sethi, Food cultivation expert of the Government. As part of it Sind will obtain from the Punjab better variety of wheat seed, estimated to cost about Rs. 10 lakhs. The seed will be distributed by the Department of Agriculture to *bona fide* zamindars at controlled prices. The Government are also concentrating their attention on giving effect to their various schemes for improved irrigation facilities. A special staff of experts is now busy at work in this connection.

Plans for Rationing

Arrangements are also nearing completion for the introduction of rationing in Karachi and five other towns in the Province, which have a population of over one lakh. From the data collected by the A.R.P. authorities that the population of Karachi has grown further after 1941 census from 3,70,000, to about 4,35,000, including adults and children below 12 years, comprised in 93,390 tenements. The authorities have decided on a daily ration of 24 oz. for labourers and 16 to others, and half the latter quota for children. On this account, it is estimated that every month the rationing authorities will handle nearly 12 million pounds of foodgrains, or roughly 5,000 tons. The distribution of rationed articles will be through the Government grain shops, co-operative societies, stores catering for specific communities and groups and private fair price shops, besides shops run by large employers for their staff, like the Railway Port Trust,

Posts and Telegraphs, Burmah Shell, etc. Employees of such organizations will obtain their supplies from the shops maintained for their benefit. The Government desire that all organizations employing more than 100 persons should establish such shops as early as possible. As for retail shops, it is stated that only a limited number will be permitted to deal in rationed articles, and the selection will depend on the needs of various localities in the city, and only those dealers who satisfy certain standards of cleanliness, integrity and ability to maintain correct and detailed accounts of all transactions will be licensed.

Difficulties In The Way

The public are not entirely sanguine of the success of rationing. Their experience, at least in so far as two commodities, whose supplies are now regulated by Government, has not been free from anxiety. For example, Karachi citizens have been experiencing considerable difficulty in obtaining supplies of charcoal. Though according to the Government, adequate stocks are with the godown-keepers, the latter refuse supplies, and most people have to wait for hours before they can get even a small quantity of ten seers in three or four days. The retailers contend that, of late, the Government have issued charcoal cards indiscriminately, so that the same person or persons hold more than one card, while the supplies are issued on the basis of one card's allotment only. The Government does not admit this allegation and the dealers are accused of hoarding and black-marketing. Similarly the ordinary consumer is unable to get normal supplies of sugar; both the Government and the Sugar Syndicate have assured that there is no shortage, and that retailers are getting the usual quantities. But, the position is disconcerting for the civilian, and not unless the methods of distribution are made fool-proof, can the objects of rationing be secured, and black-market and hoarding prevented.

Boom in Building and Land Values

A boom in buildings and land values has become prominent. The war-rich find in houses a permanent form of investment, and houses change as frequently as stocks and shares. Although no new buildings can be put up during the war, the desire to acquire suitable sites for houses is keener. Last week certain plots were sold by auction by the Corporation, and they fetched on an average Rs. 50 per square yard, whereas two years' ago, plots of the same size and in the same locality did not fetch more than Rs. 22.

Corporation Retaliates

The Corporation decided on Tuesday last that it would not transfer or lease any municipal land or building for use by any national of South Africa. This is on lines of a resolution adopted earlier by the Bombay Corporation, and is intended to express Karachi's indignation against the pegging legislation on Indians in South Africa. From Karachi have gone large number of business men to South and East Africa and local resentment is, therefore, naturally more pointed and poignant.

A DELHI DIARY

NEW DELHI, Sept. 30.

UNDERSTAND that the full report of the Food-grains Policy Committee is now in print and will shortly be available to the public together with the minutes of individual members—about seven in number. The report has also been in the hands of Provincial and State Governments for some time, but, according to information in New Delhi, no final decisions have yet been taken by the Viceroy's Council in regard to the Committee's conclusions. The incoming Viceroy, Lord Wavell, is reported to have taken up the question of arranging immediate wheat imports from Australia and may be able, when he arrives, to make a more satisfactory announcement than has so far been possible. More and more, it is becoming clear that not only did the Government of India misjudge the situation in the early months of the year but did not also take the precaution of warning His Majesty's Government in time of the growing seriousness of the food situation in India. Only during the last few days the British public have come to be informed in some detail of the heart-rending stories of distress in famine areas in India. Something is being done to rush supplies to India, but it will undoubtedly take some weeks for any large quantities to reach this country. The Viceroy, who is away in Simla, will be back in New Delhi on October 10 and intends, I am told, to address the Food Conference which has been convened to consider the Committee's report and advise the Government of India. At the last session of this Conference, representation was strictly confined to Government representatives. It is difficult to understand this official aloofness, for if there is any subject upon which the Government of India should welcome non-official advice and assistance, it is certainly the question of the Government's food policy in the present crisis. As they know very well, much of their bungling in the past is due to this aloofness which has made it impossible for them to know actual conditions in the country and take non-official advice. The suggestion has been made that all the non-official members of the Food-grains Policy Committee should be invited to attend the coming Food Conference, but I am afraid that the old policy of keeping the Conference entirely official in its composition will be continued.

The last few days have shown that what is urgently needed is co-ordination of policy and arrangements. There is no understanding still between the Central Government and a number of Provincial Governments including Bengal on many of the essentials. One non-official Member of the Central Legislature told me that he proposed to move a resolution during the next session of the Legislature calling for a committee of inquiry to go into the whole question of the Government of India's food policy and ascertain all the facts in order that the public may judge for themselves who are responsible for the present bungling. What are the acts of commission and omission of the Government of India and the Provincial Governments which have led to the present debacle? To this question a clear answer is due in fairness to the public. Another question which is exercising the minds of some non-official members is the Government's transport

policy. As the Food Member is an Indian who has been connected with commerce and industry, he at least has been trying to exert himself to get into touch with the business community and non-official organizations and secure their advice and co-operation, but what can any Food Member do if the Transport and other Departments vitally concerned do not correctly understand the position and make co-ordinated working difficult. Unfortunately the Transport Department has very little touch with the people. If it at least appoints a committee, as the Food Department has done, to examine the question of transport and make suitable recommendations something can be done. The time has come for the appointment of an Indian business man as Transport Member with necessary powers and facilities for revising the policy so as to meet essential public needs. At the same time it is also necessary to demand the appointment of a separate Production Member who will plan and carry out increased production in the country—both foodstuffs and essential consumers' goods. There has for a long time been the complaint that though other countries have been vigorously planning ahead, the Government of India have neither a plan nor policy yet for increased production.

There are several post-war questions affecting India's economic advancement which for one reason or other have not been receiving sufficient attention from New Delhi authorities so far. For instance there is the question of safeguarding India's trade rights in Western Asia. These countries, which include Egypt, Sudan, Abyssinia, Turkey, Iran, Palestine, Iraq, etc., present probably the largest potential market for Indian goods. At the moment the United Kingdom Commercial Corporation is supplying considerable Indian goods to these countries. Whether this Corporation will continue to work after the war as it is now doing—and if so what exactly will be its functions in view of peace conditions—is still a matter of speculation, but reports have appeared that Western countries are already making elaborate plans for creating favourable conditions for themselves in these West Asian countries. Institutes for cultivating cultural and social relations have been set up in important cities. According to a memorandum which Indian merchants settled in these countries have sent these Institutes have been doing valuable work. But what are the Government of India doing? There is at present an Indian Trade Commissioner in Egypt who is supposed to serve the whole area, but it is hardly possible for him to come in contact with all the countries in this area. What is suggested is that without further delay more Trade Commissioners should be appointed in all the countries of this area and that opportunities should be provided for the representatives of Indian industries and commerce to develop contacts through agencies and branches. Indian Institutes similar to the British and other western institutes should also be established in order to develop better relations. As the memorandum points out, "in this race for favourable impressions India can remain behind only at the risk of permanently losing the valuable market and valuable cultural friendship of these countries so near to us both geographically and culturally."

ARGUS.

OCTOBER 1, 1943.

NEWS PAGE

Sir John Anderson is Britain's new Chancellor of the Exchequer. Sir John is a member of the British Civil Service and began his career in the Colonial Office in 1905. He is aged 61.

It is understood that the Government of Bengal is contemplating the promulgation of an Ordinance for the purpose of bringing waste lands under cultivation by compulsion as a measure of relief for landless people.

An agreement, described as the first concrete step towards the realization of the international monetary plan now being prepared in Washington, has been reached between the Belgian and Netherlands Governments according to which both Governments have agreed to put at each other's disposal their respective currencies and have agreed upon a stable rate of exchange.

Charkhas are to be distributed among the distressed in Calcutta and the districts of Midnapore and Burdwan. A scheme has been prepared to render help to 5,000 spinners and a proportionate number of weavers for three months at an estimated total cost of Rs. 1,50,000, at the rate of Rs. 10 per head per month.

The Annual Report of the British Ministry of Health for 1942-43 reveals that the birth-rate was 15.8 per thousand—the highest since 1931—during the year. The infant mortality rate of 49 per thousand live births is the first below 50 ever recorded.

The Government of India have issued a notification reducing the period allowed for delivery of bullion in forward contracts from four days to two working days excluding the date of the contract. They say that recent experience has shown that the four days period left considerable scope for speculation.

A new system of taxation for weekly wage earners, conferring on them a pay-as-you-earn basis, was announced in the House of Commons on September 22. A weekly reduction of tax would be regulated to keep in step both with the weekly earnings and the liability for a full year. The new system is proposed to be brought into force for the income tax year 1944-45.

The Government of India have decided to resume the control of the working of the Jorhat Railway from

the River Steam Navigation and India General Navigation and Railway Companies Limited, with effect from the 1st October 1943 and to work it as a part of the B. and A. Railway system. Notice has been served on the Companies accordingly.

The Australian Deputy Prime Minister announced recently that Australia had sent 50,000 tons of wheat to India in an effort to relieve the famine here. It could not be more on account of the shipping position.

The plea made by the Ahmedabad Millowners' Association for a substantial reduction in the quantum of dearness allowance sanctioned to the employees in textile mills at Ahmedabad under the award of April, 1940, has been rejected by the Full Bench of the Industrial Court, Bombay.

Mr. Wendell Wilkie, writing on China's war-time finances in his book *One World*, alleges that "much of the cargo flown over the Himalayas is paper money to meet the steadily growing costs of fighting the war (against Japan)." He says he learnt this from pilots on the run.

Madras has now a new Stamp (increase of duties) Act which increases stamp duties in the province as an anti-inflationary measure. The stamp duty payable in the case of certain instruments is doubled and in certain other cases it is raised by 50 per cent.

Agreement has been reached among the South African, United Kingdom and United States Governments regarding the establishment of a joint Supply Council for the Union of South Africa.

The first all-India sugarcane crop forecast for the season 1943-44 discloses a 7 per cent. increase in the acreage under cultivation over that recorded last season 1942-43 is 3,892,000 acres as against 3,642,000 acres during 1942-43.

In his recent message to Congress, President Roosevelt told the story of American production from the start of the war programme in May, 1940, to last September 1. He spoke of 123,000 airplanes, 349,000 plane engines, 53,000 tanks, 93,000 pieces of artillery, 9,500,000 small arms, 25,942,000,000 rounds of small arms ammunition, 1,233,000 trucks.

CLEANINGS

The Revised American Stabilization Fund

Following is the text of the U.S. Treasury Department's summary of its revised proposal for an International Stabilization Fund, published in the *New York Times*, August 20, 1943:—

I. PURPOSE OF THE FUND

The United Nations and the countries associated with them recognize, as declared in the Atlantic Charter, the need for the fullest co-operation among nations with the object of securing economic advancement and rising standards of living for all. They believe that attainment of these objectives will be facilitated by international monetary co-operation. Therefore, it is proposed that there be established an international stabilization fund with the following purposes:—

1. To help stabilize the foreign exchange rates of the currencies of member countries.
2. To reduce the use of such foreign exchange restrictions and discriminatory foreign exchange practices as hamper world trade.
3. To help create conditions under which the smooth flow of foreign trade and of productive capital will be fostered.

II. COMPOSITION OF THE FUND

1. The fund shall amount to at least \$5 billion contributed on the basis of quotas determined by an appropriate formula. The quota of a country cannot be increased without its consent.
2. Each country shall pay in gold 50 per cent. of its quota and the remainder in local currency. A country with inadequate gold holdings may have its gold contribution reduced and a country may substitute some government securities (redeemable at par) for local currency.
3. The resources of the fund shall be used exclusively for the benefit of the member countries.

III. MONETARY UNIT OF THE FUND

1. The monetary unit of the fund shall be the unitas, equal in value to 137 1/7 grains of fine gold. No change in the value of the unitas shall be made except with the approval of 85 per cent. of the member votes.
2. The accounts of the fund shall be kept and published in terms of unitas. No change in exchange rates shall be permitted to alter the value of the assets of the fund.

IV. EXCHANGE RATES

1. Initial rates of exchange for member currencies shall be based upon their value in dollars on July 1, 1943. If such a rate is clearly inappropriate, the initial rate shall be determined by consultation between the country and the fund.
2. When essential to the correction of fundamental disequilibrium, exchange rates may be changed only with the approval of three-fourths of the member votes including the countries concerned. Because of the extreme uncertainties of the immediate post-war period, such provision is made for adjusting exchange rates during the first three years.

V. POWERS AND OPERATIONS

1. The fund may sell to any member country foreign exchange required to meet an adverse bal-

ance of payments predominantly on current account. One-half of such exchange shall be paid for with gold or acceptable foreign exchange.

2. The fund's total holdings of the currency of any member country shall not exceed its quota by more than 100 per cent., except with the specific approval of the board of directors, and provided satisfactory measures are being taken to correct the disequilibrium.

3. When a member country is preventing or unduly delaying a sound balance in its international accounts, the fund may place conditions upon additional sales of foreign exchange to that country. The fund may also require the country to deposit gold or other suitable collateral.

4. When the fund's holdings of the currency of a member country become excessively small, the fund shall render a report to that country. The fund shall also inform member countries of the probable supply of the currency and of a proposed method for its equitable distribution.

5. Each member country agrees that it will offer to sell to the fund, for its local currency or for foreign exchange which it needs, one of the gold and foreign exchange it acquires in excess of its official holdings at the time it becomes a member of the fund.

6. During the first two years the fund may buy from the governments of member countries blocked balances held in other member countries, not exceeding in the aggregate 10 per cent. of the quotas. At the end of two years the fund shall propose a plan for the gradual further liquidation of blocked balances.

7. The fund may levy a charge on the amount of currency held by the fund in excess of the quota of a country. If the fund finds it necessary to borrow currency to meet the demands of members, an additional charge shall be made sufficient to cover the costs of borrowing.

8. The fund shall deal only with member governments and their fiscal agents and not intrude in the customary channels for conducting international commerce and finance.

VI. MANAGEMENT

1. The administration of the fund shall be vested in a board of directors consisting of one director and alternate appointed by each member government. The board shall appoint an executive committee of not less than eleven of its members.

2. Each country shall have 100 votes plus one vote for each million dollars of its quota. No country shall cast more than one-fifth of the aggregate basic votes.

3. In voting on the sale of foreign exchange, the votes of creditor countries shall be increased and those of debtor countries decreased. In voting on proposals to suspend or restore members, each country shall cast one vote.

4. Any country may withdraw from the fund by giving notice of one year. A country failing to meet its obligations to the fund may be suspended by a majority of the member countries.

VII. POLICIES OF MEMBER COUNTRIES

Each member country of the fund undertakes:

1. To maintain by appropriate action exchange rates established by the fund and not to alter exchange rates except as provided above.

2. To abandon restrictions (except on capital transfers) over foreign exchange transactions with other member countries, and not to impose additional restrictions without the approval of the fund.

3. Not to enter upon any new bilateral clearing arrangements or engage in multiple currency practices which retard the growth of world trade or the international flow of productive capital.

4. To give consideration to the views of the fund on any monetary or economic policy, the effect of which would be to bring about a serious disequilibrium in the balance of payments of other countries.

TRANSITION FROM WAR TO PEACE

A summary of the recent report by the League of Nations Delegation on Economic Depressions on The Transition from War to Peace Economy is contained in the June number of the *Monthly Bulletin of Statistics* published by the League of Nations Mission at Princeton, N. J. The Delegation included Sir Frederick Phillips, Head of the British Supply Council in Washington, D.C. (Chairman); Hon. Henry F. Grady, President, American President Lines of the Bank of Canada; Prof. Carter Goodrich, Chairman of the Governing Body of the I.L.O. and high officials, bankers and economists from a number of other countries. The objectives of post-war economic policy, as defined in the report, should be to assure (a) that the fullest possible use is made of the resources of production, human and material, of the skill and enterprise of the individual, of available scientific discoveries and inventions, so as to attain and maintain in all countries a stable economy and rising standards of living; (b) that in so far as possible, no man or woman able and willing to work should be unable to obtain employment for periods of time longer than is needed to transfer from one occupation to another, or whenever necessary, to acquire a new skill; (c) that in the use of these productive resources, the provision of goods and services to meet the essential physiological needs of all classes of the population in food, clothing, house room and medical care is a prime consideration; (d) that and society distribute, as far as possible, the risk to the individual resulting from interruption or reduction of individual earning power; (e) that the liberty of each individual to choose his own occupation is respected and is promoted by equal educational opportunities; (f) that the liberty of each country to share in the markets of the world and thus to obtain access to the raw materials and manufactured goods bought and sold on those markets is promoted by the progressive removal of obstructions to trade; (g) that the benefits of modern methods of production are made available to all peoples both by the progressive removal of obstructions to trade and by courageous international measures of reconstruction and development.

With these objectives in view, the Delegation proceeds to consider the problems of policy, both domestic and international, that arise. In regard to domestic policy, a great danger to be avoided is a runaway price-boom, which would be followed by collapse and unemployment. It is therefore urged that war-time measures taken to control prices and assure an equitable distribution of supplies, whether to producer or consumer, should not be abandoned suddenly but relaxed gradually as shortages are overcome. The main

preoccupation is to get men re-employed and production redirected towards consumers' needs when the war demand falls off, as rapidly as may be possible without endangering general economic stability. Stress is laid on fiscal policies which will encourage enterprise and of schemes for teaching new skills and for helping workers find new employment.

REHABILITATION ADMINISTRATION

The U.S. State Department has released a revised draft of the proposed agreement for a United Nations Relief and Rehabilitation Administration, which Secretary of State Hull declared was drawn up as a result of discussions with other United Nations after the original draft was submitted to them on June 10. The new proposal, like the original draft, would create machinery for the administration of relief in all areas under United Nations' control which needed it. The Administration would consist of a General Council representing all the United Nations and the countries associated with them, a Central Committee consisting of representatives of China, Russia, England and the United States, and a Director-General.

Almost all of the changes in the new draft result in giving more power to the General Council and less to the Central Committee. The essential changes from June 10 draft are: (1) The Council, by majority vote, instead of the Central Committee, may approve the recommendations of any government. (2) The Director-General appointed by the Council to carry out the programme shall serve without vote and, when the Council is not in session, the Committee shall formulate only emergency policy, instead of exercising all the functions of the Council as was provided in the previous draft. (3) Whenever a report affects a member government, such government must be consulted before the report is published. (4) Any member government may give one year's notice of withdrawal after a six months' membership. Previously no provision for withdrawal was made.

The main features of the proposed agreement are: (1) The Administration's purpose will be to meet the basic needs of war victims in territories under United Nations' control, including areas liberated from the enemy. However, its activities will be subject to the control of the military authorities wherever hostilities are under way. (2) The Administration will administer relief through the provision of food, fuel, clothing, shelter and other basic necessities, and through medical and other essential services, and will facilitate the production of necessary articles in countries which they have relieved. (3) Each member will contribute to the support of the Administration to the extent that its appropriate constitutional bodies authorize. Membership will be limited to members of the United Nations and their associates, although others may be admitted later.

In a statement issued by Mr. Hull, he said that the United States is now ready to sign the new draft, and added that he hoped the other nations would sign it early in November, and the first meeting of the General Council would follow soon after.—USOWI.

ANTI-INFLATION MEASURES

In the course of the three Madan Memorial Lectures he delivered to the Bombay University last month, Prof. C. N. Vakil discussed at length the problem of inflation in India and the policies ancillary to it. He began by reviewing the possibilities of raising more funds by taxes and loans. Among additional taxes by the Central Government, he suggested a ceiling on individual incomes, and by Provincial Govern-

ments, an increase in entertainment tax, stamp and excise duties, and the levy of a general sales tax and agricultural income tax.

As to loans he favoured a system of compulsory loans which would include the taxing of the remaining 6-2/3 per cent. of the excess profits, investment of certain profits of companies in war loans, payment of part of cash bonuses of workers in War Savings Account and investment of part of the salaries above Rs. 6,000 a year in war loans by the Central and Provincial Governments as well as by other employers.

Prof. Vakil next dealt with the prevailing control measures for food and clothing. As to food control, he criticized the present divergence of policy in the matter between province and province and the Centre and Provinces, and suggested that the whole country irrespective of political or administrative boundaries ought to be treated as one producing and one consuming unit, and the total production should be distributed among all areas on a population basis, so that the sacrifice involved in deficit supply may be shared

by all. Among measures to increase production, he suggested the guarantee of a fair price to the farmer and subsidies for certain classes of consumers. Adverting to cloth control, Prof. Vakil observed that it is necessary to ascertain the cost of production of cloth and fix the prices with a reasonable margin of profit on it.

Lastly, Prof. Vakil discussed the regulation of monetary activity as an anti-inflation measure. He pointed to the danger present of using the Government of India rule to control new private investment in an anti-national way. To avoid suspicion the Government should associate representatives of industry with their machinery for such regulation. The measures to control the speculative markets were belated and they have left the inflationary rise in prices untouched though they have had some effect on the speculative rise. Those forms of monetary activity which have created the class of "new rich" people—large dividends and profits in all types of business, the large salaries offered by Government to all and sundry and the war allowances to industrial workers—should also be controlled if the anti-inflationary drive is to succeed, concluded Prof. Vakil.

LETTER TO THE EDITOR

Sir,

I have gone through your article about the revision of the financial settlement in your issue of the 17th. Apart from the financial settlement, you have also laid stress on a production drive.

It is true that the country is passing through unparalleled privations and it is of greatest importance that the production of the commodities which are required by the country as bare necessities of life should be increased. The two things which are the greatest necessities today are fooding and clothing.

Regarding food shortage, to talk in terms of percentage is really a great blunder. There is a story in Rajputana that a mathematician once wanted to cross a river with whole of his family. The deepest part of the river was something like 5 feet, while near the shore it was only about 2 feet deep. The mathematician calculated that the average depth was 3 feet with the result that his children were drowned during the crossing and the mathematician alone was able to cross the river, being more than 5 feet in height.

Certain parts of the country used to import large quantities of rice from Burma which source is now totally cut off. In Bengal, over a very large area, the crop has been ruined on account of cyclones and floods. In some parts of Assam and Bengal, although we do not know how far it is correct, it is understood that the Government prevented farmers from growing rice because of their denial policy. Our short-term policy, therefore, should be to provide these parts of the country with enough of food. The thing of greatest importance is, first of all, to allow full transport facilities for grains from surplus provinces and to import as much as possible. Then in order to grow more food, it is necessary that farmers should be tempted to do it. The big money crop of Bengal is jute and even today jute is fetching much more per acre compared to rice. The black market price for

rice may also give the same return, but it is not the farmers who get the black market price because they sell their products at the most at controlled rates and sometimes even that is not available to them. Therefore, in spite of rice shortage, the farmers are tempted to grow jute. And unless they are given an equal return in rice, they would not agree to grow more rice. Secondly, cattle are slaughtered in thousands per day, and if you visit the interior of Bengal, you will find that Bengal has lost most of its cattle wealth. It is most urgent that some arrangement be immediately made to rush plough cattle to Bengal. Of course, these would mean another burden on the farmers unless they get enough of fodder to feed these cattle also. Manures and fertilizers should be made available to the farmers at cheapest rates so that they can increase the fertility of the land.

The question of clothing is still easier and could be solved in a much simpler way than the question of food. Every one is very well acquainted that the full capacity of the Indian Mills is not utilized for production. There is a general complaint that the mill-owners do not want to work their mills more than what they are doing because they feel that by working the machinery they are depreciating the value for which they get no allowance from the Government. If the Government would consider allowing proper rates of depreciation and allow ample reserves to be carried forward for replacement of machinery after the war, I am sure, almost all the mills would start working 24 hours a day and this would increase the production by 25 per cent. at least if not 33 per cent. Moreover, this would give us ample cloth and do away even with the necessity of price control because the prices themselves would come down.

Food and clothing are the two barest necessities of life and as such I am not expressing any opinion on anything else.

Yours faithfully,

A READER.

BOOK REVIEWS

REPORT OF THE INDUSTRIAL SURVEY COMMITTEE—GOVERNMENT OF THE CENTRAL PROVINCES AND BERAR, PART I—VOL. 1, 1942; VOL. 2, SECTIONS I AND II, 1939; PART II—VOL. 1, 1939; VOL. 2, 1942. Copies to be had of the All-India Village Industries Association, Wardha, C.P. Price: As. 12 each, postage extra.

In December, 1938, the then Congress Government of C.P. and Berar appointed an Industrial Survey Committee under the chairmanship of Sjt. J. C. Kumarappa of the All-India Village Industries Association. The main terms of reference were three in number. Firstly to study the economic condition of typical villages and examine the possibility of reviving cottage industries; secondly to report on the industrial raw materials available in the province with special reference to the forest and mineral resources; and thirdly to suggest measures of promoting, financing and developing cottage industries in the province. Thinking people and practical men in our country have long recognized that cottage industries do have a place in our economy. But they do not find it necessary, for this purpose, to oversimplify and even repudiate the principles of large-scale production and distribution as the Committee have done in the opening pages of their report. However they may want to resuscitate village industry, the Committee should realize the great historical process that inevitably supersedes it in the evolution of man's material environment.

The Committee have surveyed 606 villages covering a population of over 15 lakhs and paying an annual revenue to the Government of over Rs. 11 lakhs. The Survey reports of the Wardha and Balaghat districts reveal conscientious and painstaking work. It is said in the Report that in the survey the Committee were concerned more with the human and welfare side of conditions in the villages than with mere objective collection of data and their academic presentation. While these survey reports are useful documents as factual studies in welfare economics, the recommendations based on them in the main Report are in many cases lacking concreteness. About thirty village industries have been taken up for consideration and we feel the Committee have not paid adequate attention to the problem of promotion and finance of these industries as the terms of reference would have led one to hope. But the 'Notes on Village and Cottage Industries' submitted by private individuals and organizations make up for the deficiency.

As regards forest, mineral and power resources, the main recommendation is for the setting up of an Economic Council for the province acting through an Economic Advisory Board, which will co-ordinate the activities of the departments dealing with these, as well as agriculture, and keeping in touch with the needs of the masses. Otherwise this part of the report justifies the observation made by one of the members of the Committee in a note of dissent that it is no more than a catalogue of the materials available in the province and their possible uses.

THE ABORIGINALS—OXFORD PAMPHLET ON INDIAN AFFAIRS NO. 14. Pp. 32. Price As. 6.

The Oxford pamphlet on Indian Affairs No 14 discusses under the caption of "The Aborigines" one of the problems facing Indian statesmanship. We have an aboriginal population of over 25 lakhs whose social and economic interests need to be protected against acquisi-

tive and missionary zeal of civilized society. The author points to the fact that most of our well-meaning efforts to help the primitives have really harmed them as they were not based on a scientific knowledge of their society. But he has hardly any constructive suggestion to help early substitution of civilization for primitiveness among aborigines. His conclusions only confirm the popular belief that the anthropologists want to put the aborigines into a zoo or make a museum specimen of them.

IRAQ BY SETON LLOYD. THE OXFORD PAMPHLET ON INDIAN AFFAIRS NO. 13. (P. 32, Price As. 6).

The author reveals that Iraq is faced with economic, political and social problems very similar to those of ours. Note issue has expanded over sixfold and a scarcity of food is experienced. That little country is said to be as much divided against itself as our sub-continent. The author, Mr Seton Lloyd, misses none of the familiar imperialist platitudes to explain away the political and economic backwardness of the country. Writing about the working of democracy in the country, the author remarks: "This at times has caused a recrudescence of feudalism, together with administrative weaknesses such as nepotism and patronage which in the East are inseparable from it." Such reflections regarding Eastern capacity for self-government are deplorable in our age.

BOOKS RECEIVED

Report on the Marketing of Sugar in India and and Burma. Published by the Manager of Publications, Delhi. Price Re. 1-4 or 2s.

Report on the Marketing of Lac in India. Published by the Manager of Publications, Delhi. Price: Re. 1-4 or 2s.

Rationale of Food Crisis—A Plea for Rationing. By Maharajah S. C. Nandy, M.A., Cossimbazar House, 302, Upper Circular Road, Calcutta.

Report on the Marketing of Skins in India and .Burma. Published by the Manager of Publications, Delhi, Price Re. 1-4 or 2s.

War and Indian Economy. By V. K. R. V. Rao. Kitabistan, Allahabad, 1943. Price Rs. 3-12.

Oil Extraction. By Jhaverbhai P. Patel, A.I.V.I.A., Wardha. Price Re. 1-8.

Currency Inflation—Its Cause and Cure. By J. C. Kumarappa. A.I.V.A., Maganwadi, Wardha. Price As.8.

Report on the Marketing of Milk in India and Burma. (Second Edition). Published by the Manager of Publications, Delhi. Price Re. 1-4 or 2s.

The Taxation of War Wealth. (Second Edition). By J. R. Hicks, U. K. Hicks, and L. Rostas. Oxford University Press. Price 12s. 6d.

The Social Framework—An Introduction to Economics. By J. R. Hicks. Oxford University Press, Price 7s. 6d.

The Health of India. By John B. Grant. Oxford Pamphlets on Indian Affairs, Oxford University Press, Price As. 4.

Affairs, Oxford University Press. Price As. 6.

Iraq. By Seton Lloyd. Oxford Pamphlets on Indian

INVESTMENTS

(From Our Correspondents)

BOMBAY, Sept. 29.

Following the Ordinance to suspend *budla* business after the 24th instant, the undertone of the market ruled from steady to firm during the week due to brisk short coverings by bears. Speculative textile scripts shot up to new levels; Centurys which closed at Rs. 876 last week, advanced to Rs. 931 on the 24th instant, the highest for the week and later receded slightly but with few sellers. Bombay dyeings and Kohinoors also shared in this rise. From Rs. 1,987-8-0 and Rs. 612 on the 21st instant, respectively, these scrips closed at Rs. 2,017-8-0 and Rs. 632, registering a rise of 30 and 20 points each in the week. Prices of Swadeshis also advanced on influential support in the beginning of the week from Rs. 555 on the 21st to Rs. 578 on the 23rd, later reacted to Rs. 566 but closed higher at Rs. 587. The next important group which claimed the attention of the market was the Indian Irons and Tata Steels. Indian Irons, which were quoted at Rs. 35-8-0 at the close of the last week, appreciated to Rs. 37-7-0 the next day and steadied at that level. Tata Defd. forged ahead from Rs. 1,867-8-0 on the 21st instant to Rs. 1,880 and Rs. 1,900 on the following day and after a set back on the 27th instant closed at the earlier high level of Rs. 1,900. The Government's crusade against speculative activity in general in all markets is vigorous and the latest Ordinance to suspend the *budlas* might restrict business, but the keen desire of the public to invest huge amounts of money lying idle with them must impart a healthier tone to the market. An important measure of the Government during the week was the restriction placed on dealings in bullion from four to two days. This had no appreciable effect on the market and the demand for metals was fairly active in spite of the limited sale of gold by banks. The Gilt-edged market was comparatively steady during the week with 3½% paper quoting at Rs. 97, though towards the close it commanded a rise of As. 8. The 3% 1963-65 was a bit active with prices ranging from Rs. 97 to Rs. 97-8, particularly the new Madras and Bombay Governments (1956) 3% Loans were quoting just under their issue prices, whereas the C.P. and the Punjab registered approximately As. 4 premium.

MADRAS, Sept. 25.

The Madras Stock Exchange displayed originally in its failure to react to war news. There were still sinister rumours about more controls to come and about plague epidemic curtailing production in the Coimbatore area. At the close of the week, the announcement by the Indian Textile Commissioner in Madras that the ceiling prices would be revised imparted a bearish feeling. There was a certain amount of tired selling and share values declined perceptibly. The volume of business was considerably reduced during the period under review. Cambodias were done at Rs. 38. Lakshmi Old, Janardhanas and Sitarams came in for business at Rs. 220, Rs. 208 and Rs. 200 respectively. Coimbatore Spinnings on the expectation of a dividend of 60 to 75 per cent. were higher at Rs. 310. In the Planting section, Chembra Peaks were dealt with at Rs. 12-10, O Valleys at Rs. 14-10 and Cottanads at Rs. 14-12 C.D. Cochin Malabar have showed a slight appreciation to Rs. 18-4. Be Be Rubbers, Midlands and Rajagiris were taken at Rs. 13-6, Rs. 16-8 and Rs. 17-8 respectively. Bank shares were very firm. Reserves were steady at Rs. 119-8. Indians Big were taken at Rs. 258. The Rs. 20 paid up shares advanced to Rs. 62 on rumours that Rs. 5 more will be called up on these

shares to make it Rs. 25 paid up. There was some interest in Indo-Commercials. There was a better volume of business in Public Utilities and leading electricies attracted attention. South Madras were firmer at Rs. 14-2. Chemical shares were firm on investment support. The Mysore group of industrial shares were lower on rumours of E.P.T. being imposed in the State.

The Government Securities market was very firm and 3½ per cent. Paper was taken at as much as Rs. 97-2-6. Three per cent. 1963-65 were unchanged at Rs. 97. Provincial Loans were dull and Madras Loans were offered without attracting buyers. Business in State Loans was meagre.

The new rule promulgated by the Government of India to check speculation in the Stock Exchange has come in for criticism in the local market. It is stated that in regard to business done by the brokers for the mofussil clients, it would be very difficult to expect the documents to arrive at the place where the Stock Exchanges are situated in the course of a week. Therefore it is felt that the new rule would stifle business. It is urged that a reasonable time should be given for the completion of contracts although *budla* may be prohibited. The new rule is also criticised since it leaves out of its scope a large number of persons who are not members of Stock Exchanges but still do quite a large volume of business.

NEW DELHI, Sept. 29.

There was a glut of funds in the money market and the rates remained unchanged. The amount offered for the Government of India Treasury Bills was Rs. 15.84 crores, as compared with Rs. 14.91 crores in the last week. Tenders at Rs. 99-12-9 was accepted to full and those at Rs. 99-12-6 allotted approximately 32 per cent. The average rate was slightly higher at Re. 0-13-5 as compared with Re. 0-13-4 last week. Ever since the first week of July there has been a continuous decline in the volume of treasury bills outstanding with the public, excepting for a break in the week ending August, 6, 1943. This downward trend is easily explained by the excess of maturities over fresh issues of treasuries, rendered possible by the rapid inflow of revenues for the exchequer.

Tenders for Rs. one crore of United Provinces Treasury Bills were opened on the 22nd September, 1943 and of the total amount Rs. 2.28 crores offered, one crore was accepted at the low average rate of Re. 0-14-8.

Reserve Bank

The statement of the Reserve Bank for the week ending September 17, 1943 reveals a fall of Rs. 158 lakhs in the note circulation at Rs. 760.40 crores, and a rise in the total note issue by Rs. 23 lakhs to Rs. 773.93 crores. There has been a rise of Rs. 997 lakhs in the sterling securities which now stand at Rs. 642 crores. There was an equivalent drop in the volume of Rupee securities now at Rs. 73.4 crores. The avoidance of fresh note issue against sterling by means of cancelling *ad hoc* treasury bills is now a fairly continuous process. In the Banking Department, there is a fall of Rs. 1.39 crores in the Government deposits and of Rs. 3.51 crores in the Bank's deposits.

The position of the Scheduled Banks for the week-ended 10th September, 1943 shows that there was a fall of Rs. 540 lakhs in cash and a rise of Rs. 574 lakhs in deposits, which, having regard to the small rise in advances and bills, should have gone into investments.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, September, 25.

Seeds

A notable development during the week has been the re-entry of the Ministry of Food in the market after a lapse of some weeks. The Food Ministry has been able to buy 5,000 tons of groundnuts. In the beginning its buying limit was fixed at £35-17-6, but was reduced later on to £35 per ton. Upcountry reports state that arrivals of groundnuts are slowly increasing. In the local market business for Madras Marmagai September-October 15 delivery was done at Rs. 18-15 and December-January at Rs. 17-8-6. On bazaar terms Bombay Bold was sold at Rs. 102-4 and Jamnagar groundnut was quoted at Rs. 97.

Linseed

Exporters bought ready linseed at Rs. 15-14 and at Rs. 15-10 September-October delivery, buyers to supply wagons. Some local business at this rate is also reported.

Oil quotations are as under:—

Groundnut oil	Rs. 11-4
Linseed oil	Rs. 11-2
Copra oil	Rs. 10-6
Castorseed oil	Rs. 11-4

A report from Canada indicates that the acreage for linseed during the season has been estimated at 27.98 lakhs acres and the crop production at 4.42 lakhs tons. For the last season the respective figures were 21.58 lakhs acres and 4.25 lakhs tons.

Cotton

Trading in the Bombay spot market was active and there was considerable mill buying of almost every variety. Punjab 289F S.G. has been sold from Rs. 665 to Rs. 700, New crop Sind N.T. has been sold at Rs. 645/650, New crop Punjab 289F roller up to Rs. 672, Berar Jarilla at Rs. 510 and 4F at Rs. 530. Sales of new crop Sind N.T. up to September 18 are estimated by the Karachi Cotton Association at nearly 60,000 bales as against barely 24,000 bales same time last season.

A welcome development in the market was export inquiry after a lapse of several months. A big line of Sind deshi has been sold from Karachi and the price of that variety has risen over Rs. 110 per candy during the last few days. The sales of Sind deshi are estimated at about 15,000 bales only. But the stocks are small owing to a gradual reduction in the crop of this variety. Old crop Broach deshi has been sold. Both these sales have been to the U.S.A. Further, Australia also is reported to have been in the market and 4F and N.T. varieties have been sold to that country.

MADRAS, Sept. 25.

The groundnuts market was a little dull and prices declined with the scene of activity of the Calcutta merchants shifting to the northern districts of the presidency. It was found more profitable to send stock by the railways than by the steamers, as there was great saving in war risk insurance, marine insurance, port landing charges etc. It is reported that a fairly large volume of business has been done in the upcountry markets. In the local market, too, a fair turnover has resulted but their buying limits have declined from Rs. 90 to Rs. 82. Firms also bought fair quantities and their price also declined from Rs. 86 to Rs. 80-8. The British Ministry of Food have bought some quantities and their price also declined from Rs. 86 to Rs. 80-8. The British Ministry of Food have bought some quantities at £35-12-6, as against £35-17-6 last week, for delivery three months forward. As the prices have declined, big holders showed an indifferent attitude and

were not prepared to sell any big quantities. But this cannot last long, as the new crop will be moving very shortly and preliminary reports indicate that the crop will be a bumper one. In sympathy with the seeds, the oil market was quieter but a fair volume of business has been done. Prices have declined by about Rs. 6 to Rs. 170 for ready. Some purchases have been effected on Calcutta account. The oil-cake market continued to rule steady with the quotation round about Rs. 140. There were continued buying inquiries from agriculturists.

A very fair volume of local business resulted in the skins and hides market during the period under report. Sheep skins of weights averaging 5 to 6 lbs. and goat skins of weights averaging 7 to 8 lbs. were taken. There was some interest in cow calf and buff calf. On the whole, over a lakh of skins passed the hammer during the week. Transactions were confined to both exporters and intermediaries. Supplies continued to be meagre. Export business has become difficult in view of the insistence on the averages and proportions. Formerly, heavies were sold in the local market at prices higher than the control level of prices and the medium weights were exported, though the prices were not profitable. Thus, there was at least a small margin of profit in the whole transaction. But this has now become impossible for reasons mentioned above. About 1,000 bales were exported to London during the week.

HAPUR, Sept. 27.

The juwar market remained very firm and sensitive, with a record rise in prices; although a reaction followed, quotations were appreciably higher at the close. Strong advices from Bombay and huge speculative purchases and demand accounted for this. Spot values are high in Bombay and so naturally the Bombay traders are placing their purchasing orders with the Commission Agents of several U.P. markets. Hapur is an importing market for juwar and if there be no stock building of the grain in large quantities by the time of delivery due to transport difficulties, prices may assume further bullishness. The local traders are expecting further firmness in prices. Juwar Poos opened at Rs. 6-10-9 and closed at Rs. 7-0-4½, touching the highest and the lowest at Rs. 7-1-0 and Rs. 6-10-9 respectively.

Urad

The Urad market ruled firm, the Spot market quoting at 3½ seers to a rupee. Urad futures opened at Rs. 12-15-6 and closed at Rs. 13-7½. The highest and the lowest rates touched during the week were quoted at Rs. 13-2-9 and Rs. 12-12-3 respectively.

Rapeseed

The rapeseed and rapeseed oil markets remained firm and active on account of persistent demand from eastern districts. The U.P. Government have imposed a levy on the exports of rapeseed and rapeseed oil outside the province at the rate of Rs. 3 and Rs. 6 per maund respectively. The consumers are facing difficulties in procuring rapeseed oil as the mill owners are selling oil at the maximum worth Re. 1.

Wheat

The tone of the market was steady. The arrivals averaged 150 maunds daily, 250 of last week. The local stock is put at 192 Khattis.

The following are today's quotations:—

		This week	Last week
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Wheat	..	13 12 0	13 10 0
Gram	..	10 13 6	11 0 6
Barley	..	9 11 0	9 11 0
Peas	..	11 0 6	11 0 6
Gur	..	11 0 0	10 8 0

CURRENT STATISTICS

BANK OF ENGLAND
(000's omitted)

	Sept. 22, 1943	Sept. 15, 1943	Sept. 23, 1942	Aug. 30, 1939
Total Bullion	1,965	1,930	1,045	263,700
Public Deposits	7,200	9,000	11,800	31,100
Other Deposits	217,500	209,200	181,600	129,100
Of which Bankers' Deposits	164,400	154,200	134,700	90,100
Govt. Securities	203,800	195,600	134,800	113,100
Other Securities	16,800	17,500	22,900	31,000
Of which Discounts and Advances	900,000	2,400	4,100	6,400
Notes and coins	21,300	20,800	49,600	34,200
Notes in Circulations	980,700	981,100	529,500	831,800
Ratio of Reserve of Liabilities	9.46%	9.54%	25.87%	21.38%

U.S. FEDERAL RESERVE BOARD
(000's omitted)

	Sept. 23, 1943	Sept. 15, 1943	Sept. 24, 1942	Aug. 31, 1939
Total Reserves	20,379,000	20,362,000	20,810,000	14,660,610
Total Bills Discounted	21,000	31,000	9,000	6,190
Bills bought in open market				
Total U.S. Govt. Securities	9,204,000	9,653,000	3,395,000	2,426,190
Federal Reserve Notes in actual circulation	15,138,000	15,165,000	10,462,000	4,609,280
Deposits—Member Bank Reserve Account	12,487,000	13,729,000	11,886,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note—liabilities combined	68.37%	67.0%	86.4%	86.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON SEPT. 17, 1943.

ISSUE DEPARTMENT

Liabilities	Sept. 17, 1943	Sept. 10, 1943	Sept. 18, 1942	Sept. 1, 1939
Notes held in the Banking Dept.	13,53,23,000			
Notes in circulation	760,40,21,000			
Total Notes issued	773,93,44,000			
Total Liabilities	773,93,44,000			
Assets				
A. Gold Coin and Bullion:—				
(a) Held in India	44,41,43,000			
(b) Held outside India				
Sterling Securities	641,78,37,000			
Total of A	686,19,80,000			
B. Rupee Coin	14,34,63,000			
Govt. of India Rupee Securities	73,39,01,000			
Internal Bills of Exchange and other commercial Paper				
Total Assets	773,93,44,000			
Ratio of Total of A to Liabilities: 88.664 per cent.				

BANKING DEPARTMENT

Liabilities	Sept. 17, 1943	Sept. 10, 1943	Sept. 18, 1942	Sept. 1, 1939
Capital paid up	5,00,00,000			
Reserve Fund	5,00,00,000			
Deposits:—				
(a) Government				
(1) Central Government of India	16,47,51,000			
(2) Government of Burma	31,81,000			
(3) Other Government Accounts	10,24,83,000			
(b) Banks	68,01,94,000			
(c) Others	9,98,08,000			

Assets	Sept. 17, 1943	Sept. 10, 1943	Sept. 18, 1942	Sept. 1, 1939
Notes	13,53,23,000			
Rupee Coin	12,88,000			
Subsidiary Coin	1,86,000			
Bills Purchased and Discounted:—				
(a) Internal				
(b) External				
(c) Government Treasury Bills	9,98,000			
Balances held abroad*	99,72,46,000			
Loans and Advances to Governments	28,00,000			
Other Loans and Advances	4,00,000			
Investments	7,65,52,000			
Other Assets	2,78,23,000			
Total Assets	124,26,16,000			

* Includes Cash and Short-term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT
(000's omitted)

	Sept. 17, 1943	Sept. 10, 1943	Sept. 18, 1942	Sept. 1, 1939
Held in the Banking Department	13,53,23	11,71,07	12,66,86	35,04,49
In Circulation	7,60,40,21	7,61,98,95	4,90,92,98	1,82,13,17
Total Notes	7,73,93,44	7,73,70,62	5,03,59,84	2,17,17,66
A. Gold Coin and bullion	44,41,43	44,41,43	44,41,43	44,41,46
Sterling securities	6,41,78,37	6,31,80,90	3,29,79,17	59,50,11
Total of A	6,86,19,80	6,76,22,33	3,74,20,60	1,03,91,57
B. Silver Coin	14,34,63	14,11,97	26,95,82	73,87,11
Rupee securities	73,39,01	83,36,32	1,02,43,42	37,38,98
Silver bullion under coinage				
Percentage of Reserve to Liabilities	85.664	87.401	74.306	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT
(000's omitted)

	Sept. 17, 1943	Sept. 10, 1943	Sept. 18, 1942	Sept. 1, 1939
Cash	13,67,97	11,83,23	12,80,00	35,15,27
Balances held abroad	99,72,46	1,03,24,57	81,10,70	10,08,33
Investments	7,65,52	7,79,45	6,76,02	6,81,34
Bills discounted:—				
(a) Internal				
(b) External				
(c) Govt. of India				
Treasury Bills	9,98	72,91	34,97	1,15,67
Loans and Advances to the Govt.	28,00	54,00	2,07,00	31,00
Deposits:—				
(a) Government	27,04,15	28,43,45	17,23,97	14,89,43
(b) Banks	68,01,94	71,53,12	61,73,64	26,91,43
(c) Other	9,98,08	8,52,07	8,85,33	1,24,37

STERLING PURCHASES
(000's of £)

	Total Amount Purchased	Average rate.
1943:—		
January	8,162	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.
August	8,546	1sh. 6d.

IMPERIAL BANK OF INDIA
WEEK ENDED SEPT. 17, 1943.

Liabilities	Rs.	Rs.	Date of Maturity.	Amount (000's of Rs.)	Date of Maturity.	Amount (000's of 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 Liabilities 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		191,05,04,000				
Loans against Securities per contra						
Acceptances for Constituents		1,03,20,000				
Sundries						
Total Rs.		203,45,74,000				
Assets						
Investments:—						
Government Securities	128,86,05,000					
Other Authorised Investments	2,15,70,000	131,01,75,000				
Advances:—						
Loans	12,17,11,000					
Cash Credits and Overdrafts	21,25,51,000					
Bills Discounted and Purchased	2,73,87,000	36,16,49,000				
Liabilities of Constituents for Acceptances per contra						
Dead Stock		1,72,02,000				
Sundries		72,83,000				
Bullion						
Cash						
In hand and with the Reserve Bank of India	31,76,62,000					
Balances with other Banks	2,06,03,000	33,82,65,000				
Total Rs.		203,45,74,000				

SCHEDULED BANKS

(In thousand rupees)

	17-9-1943	10-9-1943	18-9-1942	1-9-1939
Demand Liabilities in India	456,12,26	450,63,80	312,10,17	134,36,49
Time Liabilities in India	130,81,04	138,71,22	99,76,82	102,24,34
Cash in India	20,59,88	19,83,40	12,77,40	6,69,92
Balances with Reserve Bank	65,75,68	70,75,19	60,41,24	25,17,19
Advances in India	144,77,02	144,30,18	79,20,86	101,52,16
Bills discounted in India	3,95,26	3,46,39	1,50,50	3,57,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	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		9,50,00
" 24	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
" 14	14,91,25	8,00,00	0 13 4		3,54,00
" 21	15,84,25	8,00,00	0 13 5		3,48,00

DATES OF MATURITY OF OUTSTANDING TREASURY BILLS

Date of Maturity.	Amount (000's of Rs.)	Date of Maturity.	Amount (000's 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, 1942—	
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	7,96,75
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 15-9-43.	Despatches during the period 8-9-43 to 15-9-43.	Progressive total of despatches from 1-12-42 to 15-9-43.	Percentage of progressive despatches to production.	Physical stock
U.P.	6,13,243	13,153	4,66,750	76.1	1,46,463
Bihar	2,37,671	5,811	1,65,352	69.6	72,319
Bombay	77,221	1,408	62,673	81.2	14,548
Madras	33,315	798	25,282	75.9	8,093
Punjab	6,579	92	5,822	88.5	757
Bengal	16,537	785	11,946	72.2	4,591
N.W.F.P.	3,167	2	2,464	77.8	703
Orissa	2,092	29	1,706	81.5	386
Sind	2,008	92	1,319	65.7	689
Indian States	81,604	1,240	68,864	84.2	12,740
Total	10,73,437	23,418	8,12,178	75.6	2,61,259

N.B.—(1) Balance physical stock of 1941-42 season sugar as on 15.9.43 was 543 tons.

(2) Information received from Indian States is not complete.

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.

WORKING CLASS COST OF LIVING IN INDIA SINCE AUGUST 1939.
(Base: August 1939=100)

	*Bombay	†Ahmedabad	‡S. Solapur	Cawnpore	§Nagpur	**Jubbulpore	‡Lahore	‡‡Madras
	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
Sept.	101	107	123	162	104	108	126	166
Oct.	103	108	119	164	103	108	126	166
Nov.	104	108	120	170	111	111	129	188
Dec.	106	110	123	179	115	108	136	204
Jan.	109	111	130	193	111	108	130	237
Feb.	107	113	129	195	108	108	129	228
Mar.	105	113	130	198	107	108	132	237
April	105	115	131	214	107	111	136	256
May	106	116	135	214	105	112	141	256
June	106	116	145	216	110	114	152	256
July	108	120	160	256	104	115	153	256

*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.

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	1,321.09	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	6.61	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	4.78	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	130.99	120.90	6.46	7.74	8.25	4.51	13.95	292.79	1,004.55
July	170.79	153.77	7.11	9.56	8.96	8.25	17.25	375.71	1,380.26
August	140.07	127.87	5.64	7.70	6.69	6.24	13.60	307.81	1,688.07
Week ended August 6	36.45	40.09	1.52	2.03	1.70	1.67	3.24	86.70	1,466.96
.. " " 13	37.72	29.25	1.24	1.93	1.87	1.60	3.29	76.89	1,543.85
.. " " 20	36.87	32.70	1.30	1.86	1.63	1.55	4.12	60.03	1,623.88
.. " " 27	29.03	25.83	1.56	1.89	1.49	1.42	2.96	64.19	1,688.07

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity	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 Bela	Amritsar.	"	22 0 0	21 8 0	..	..
Wheat	Average quality.	Karachi.	"	8 0 5	8 0 5	5 15 0	..
		Hapur.	"	13 12 0	13 12 0	..	..
		Lyallpur.	"	10 15 0	11 3 9	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 15 0	0 10 5
Tea	For consumption in India.	Calcutta.	"	0 10 1	0 8 5	0 15 6	0 4 4
Potatoes	Great Scot (round)	Mettupalayam	per md.	8 14 0	8 10 0	..	..
Groundnuts	Bold.	Bombay.	per candy of 500 mds.	98 0 0	100 0 0	..	..
Groundnut Oil	Expeller	Madras.	Candy of 500 lbs.	173 0 0	176 0 0	..	..
Castor Oil	Average	Madras.	Candy of 500 lbs.	205 0 0	210 0 0	153 0 0	..
Coconut Oil	Average	Madras.	38 lbs.	16 2 9	16 6 9	..	..
Castor seeds	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.	"	102 0 0	101 0 0	66 8 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F (Punjab) R.G. Jarilla 3/4"	Karachi.	per candy of 784 lbs.	490 12 0	..	..	..
"		Bombay.	per candy	..	..	..	..
Cotton Piece-goods.	Grey Dhoti Markin 11 lbs.	"	44"X10 yds.	7 12 9	7 12 9	..	..
	Grey Leopard	"	43"X38 yds.	26 6 0	26 6 0	..	..
		"	per lb.	..	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.	"	..	..	51 0 0	41 8 0
Jute Bags	B. Twills 2 1/4 lbs. 44X20 1/2, 6X8.	"	"	..	..	44 0 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	9 8 0	9 8 0	7 8 0
		"	to	10 8 0	10 8 0	10 8 0	8 8 0
Hides and skin (raw)	Goat skins (good quality).	"	per 100 pieces.	110 0 0	110 0 0	95 0 0	100 0 0
		"	to	130 0 0	130 0 0	115 0 0	115 0 0
Hides and skin (tanned)	Cow hides.	Madras.	per lb.	0 13 6	0 13 6	0 14 4	0 9 8
		"	to	1 3 0	1 3 0	1 3 1	0 12 19
	Goat skin.	"	"	1 9 0	1 9 0	1 6 6	1 7 6
		"	to	2 4 0	2 5 0	1 14 6	1 12 0
Shellac	T.N.	Calcutta.	per B. md.	..	..	64 0 0	14 0 0
Kerosene oil	Superior.	"	per 4 gallons in tin.	5 4 3	5 4 3	5 5 3	3 13 3
Coal	Selected Jharla.	"	per ton into wagon.	9 12 0	9 12 0	4 12 0	4 0 0
		"	to	10 8 0	10 8 0	6 8 0	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.	..	155 0 0	155 0 0	43 8 0
Cement	Indian Swastika.	Calcutta.	per ton f.o.r.	..	60 0 0	44 0 0	..

STOCKS AND SHARES

BOMBAY (Sept. 28)—

GOVT. SECURITIES—

	This week	Previous week
2½% 1948-52 ..	99 12 0	..
3% 1949-52 ..	100 12 0	..
3% 1951-54 ..	100 6 0	..
3% 1953-55 ..	96 15 0	..
3½% G. P. Notes ..	97 0 0	..
3½% 1947-50 ..	103 6 0	..
4% 1943 ..	..	..
4% 1960-70 ..	114 4 0	..
4½% 1955-60 ..	115 0 0	..
3% 1945-55 ..	..	..
3% 1944 Defence Loan ..	..	..

TEXTILES—

Ahmedabad ..	512 8 0	..
Bombay Dyeing ..	2,017 8 0	1,987 8 0
Central India ..	457 8 0	435 0 0
Century ..	920 0 0	876 0 0
Colaba Land ..	244 0 0	225 8 0
Indian Bleaching ..	210 0 0	203 0 0
Gokak ..	354 0 0	342 0 0
Kohinoor ..	622 0 0	612 0 0
Phoenix ..	632 8 0	637 8 0
Sholapur ..	8,415 0 0	8,350 0 0
Simplex ..	280 0 0	274 0 0
Swadeshi ..	578 0 0	555 0 0
Vishnu ..	2,625 0 0	2,675 0 0

MISCELLANEOUS—

Alcock ..	475 0 0	497 8 0
Bombay Burma ..	442 8 0	385 0 0
Belapur Sugar ..	231 0 0	225 0 0
Bombay Burma New ..	150 0 0	142 8 0
Bombay Steam ..	535 0 0	532 8 0
Bombay Tramways ..	159 0 0	159 4 0
British Burma Petrol ..	3 6 3	2 15 0
Scindia Steam ..	34 2 0	33 14 0
Shivrajpur ..	61 0 0	62 0 0
Tata Power ..	..	1,837 8 0
Andhra Valley ..	1,880 0 0	1,878 12 0
Tata Hydro ..	..	197 0 0
Tata Steel Ord. ..	..	378 0 0
Tata Steel Defd. ..	..	1,867 8 0
Premier Construction ..	177 0 0	178 0 0
Indian Iron ..	37 2 0	35 8 0
Burma Corporation ..	4 2 0	3 15 0
Associated Cement ..	217 0 0	217 12 0
Indian Copper ..	2 7 6	..
Tata Steel 1st Pref. ..	225 0 0	220 0 0
Tata Steel 2nd Pref. ..	153 0 0	150 8 0

BANKS—

Central ..	73 12 0	..
Imperial (Fully Paid) ..	1,847 8 0	1,845 0 0
Imperial (Partly Paid) ..	455 0 0	455 0 0
Reserve ..	122 0 0	121 4 0

CALCUTTA (Sept. 28)—

JUTES—

Chandpany ..	216 0 0	216 0 0
Anglo-India ..	398 0 0	399 1 0
Belvedere ..	..	497 0 0
Howrah ..	63 4 0	63 2 0
Kamarhatty ..	544 0 0	554 0 0
Baranagore ..	166 8 0	169 0 0

STEELS—

Bhartia Electric ..	15 5 0	15 2 0
Indian Iron ..	37 0 0	35 10 0
Steel Corporation ..	27 5 0	27 0 0
Jessop (Ordinary) ..	..	20 6 0
Kumardhubi ..	7 13 0	7 15 0
Saran ..	7 8 0	7 8 0

TEXTILES—

Egin ..	82 8 0	..
Cawnpore Textiles ..	12 6 ..	12 7 0
New Victoria ..	3 10 0	..

MINES—

Burma Corporation ..	4 2 0	3 15 0
Consolidated Tin ..	24 ..	24 9 0
Indian Copper ..	2 3 ..	2 9 0

SUGAR—

Belsund ..	11 8 0	..
Ramnagar Cane and Sugar ..	11 9 0	..
Samastipur ..	19 6 0	..
Carew ..	21 15 0	..

MISCELLANEOUS—

Dalmia ..	..	18 0 0
Rohtas ..	..	29 14 0

TEAS—

Bishnauth ..	..	40 8 0
East India ..	16 3 0	..
Teesta Valley ..	40 6 0	..

COALS—

Bhalgora ..	9 8 0	..
Raneegunj ..	13 4 0	..
West Jamuria ..	37 0 0	..
Burra Dhemo ..	7 8 0	..

MADRAS (Sept. 28)—

Deccan Big ..	..	30 12 0
Deccan Small ..	..	69 12 0
Indian Sugar Ord. ..	..	17 4 0
Cochin-Malabar ..	18 12 0	17 12 0
Chembra Peaks ..	12 10 0	12 10 0
High Produce ..	..	44 0 0
Vellamalai ..	..	25 4 0
Mettur Industries ..	302 8 0	..
Mettur Chemicals ..	10 10 0	..

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THE EASTERN ECONOMIST

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Taxation of Agricultural Incomes

THE provision of expanding sources of revenue to the provinces was one of the principal pre-occupations of the framers of the Indian Constitution, and the inclusion of a tax on agricultural incomes, sales tax and other minor levies in the provincial list was a measure of their endeavour. But six years of autonomy have abundantly shown that the financial powers of the provinces are utterly incommensurate with the heavy social responsibilities which have devolved upon them. The progress of fiscal reform which began so promisingly in many provinces was unfortunately cut short by the outbreak of war, and the breakdown of autonomy, and before there was time to consider the question of taxing incomes from land in relation to the larger question of land revenue reform, of which it is but a part. At present the tax on incomes from land is in force only in the provinces of Assam and Bihar, and a bill in the Bengal Assembly recently introduced for the purpose has been referred to a select committee.

The merits of the tax on grounds of equity and more lately, of administrative feasibility do not lend themselves to much debate, and whatever doubts might

have existed once have been laid at rest by the experience of Assam and Bihar. The Taxation Enquiry Committee blessed it and economists have on the whole demanded it. There is enough commonsense in economics to dismiss as irrelevant such questions as whether land revenue is a rent or tax and whether it is a *tax in rem* or *in personam*. The only consideration is how to modify the land revenue system in consonance with the canons of progressive taxation without unduly sacrificing revenue. Complications arise from the existence of divergent systems of tenures, bases of assessment and incidence of the levy in the various provinces. The contention that a tax on agricultural incomes would be a violation of the terms of the Permanent Settlement was pronounced by Mr. James Wilson in 1860 to be an 'illusory claim,' and to be void by the Taxation Committee in 1925. In reality incomes from agriculture were taxed from 1860 to 1865, and again from 1869 to 1873, and their subsequent immunity has been an anomaly of the national tax system. Nor can the claim for exemption on the ground of double taxation stand a moment's scrutiny, seeing that land in most countries is subject to four different taxes, viz., a flat rate on annual or capital value, a death duty, local

cesses and a tax on incomes and that in this country only the land revenue and the cesses are collected.

The problem in the permanently settled areas of Bengal, Bihar and Orissa, and some parts of U.P. and Madras is essentially different from that in temporarily settled areas. The zamindars in the Permanent Settlement areas were originally tax collectors on behalf of the East India Company which finding itself in peculiarly difficult circumstances in a strange country, conferred on them the rights of proprietorship with the proviso that they would pay to the Company ten-elevenths of the rents collected by them, one-eleventh being their commission. The assessment was fixed unalterably and for all time. The result has been adverse in a two-fold manner: (1) the rent collections from the peasants have been rising, the zamindars being the beneficiaries of unearned increment or increment earned by the peasantry and (2) the State has been denied the revenue due. In Bengal, for instance, it has been estimated that the zamindars received Rs. 16 crores from the ryots, out of which the Government got less than Rs. 4 crores, and that the ryots are actually paying 30 times more than the original assessment. In Madras, the recent report of the *Estate Lands Enquiry Committee* revealed that the proprietary rights of land vested with the ryots and that while Rs. 250 lakhs were collected from the tenants, only Rs. 50 lakhs reached the treasury. It must not also be forgotten that many illegal exactions are made from the tenants, often proportional to the weakness of their rights of tenancy. Fiscal justice demands that the burden on the ryot is reduced and that the upper reaches of income, most of them unearned, are made to pay their proper share of revenue.

In the temporarily settled areas, rack-renting by the State is the cause of the regressiveness of land revenue. The basis of land revenue is different in the different provinces. In Madras it is the net produce, while in the Punjab, C.P. and U.P. it is theoretically on economic rent. The rate of assessment too varies as between provinces. The levy at a flat rate and the absence of progression press unduly on the smaller peasantry who constitute the vast majority in the ryotwari areas. As a result, firstly, of the differences between ryotwari and zamindari areas, and secondly, differences in the ryotwari settlements *inter se*, the incidence of land revenue per acre and *per capita* reveals significant disparities, and it is curious how the Government which is so anxious about uniformity of fiscal standards in the country as a whole, including the Indian States, in regard to the E.P.T. has submitted to the historic and local considerations at the root of these differences. The proper lines of reform in normal times will naturally be to reduce drastically the rate of assessment, if the exemption of strictly defined economic holdings is not possible, and to impose a tax on all incomes above a decent minimum, and in the zamindari areas, secure better rights for the tenancy in addition.

This task is too difficult and ticklish to be taken up now by the present bureaucratic provincial administrations and it is this realization that has led many of them, even under the spur of anti-inflationary zeal, to enhance the rates of other taxes, in stead of levying a tax on agricultural incomes. Madras, for example, has now enhanced the rates of sales tax, stamp duties and betting tax so as to produce Rs. 179 lakhs in the current year and Rs. 340 lakhs in a full year; but does not think of taxing incomes from land.

We have already dwelt in these columns on a previous occasion on the futility of fiscal measures in general, and provincial fiscal measures in particular as

weapon against inflation, especially in the present context of rural distress, and as against the basic impulses to inflation, viz., the accumulation of sterling and the scarcity of goods. A tax on agricultural incomes, if levied for combating inflation, is bound to be innocuous because of the negligible yield it will bring. This point requires no labouring. But it might be argued that the tax must be imposed now to combat inflation, at least to impart some equity to the tax system. We may therefore turn to a brief review of the measure in Assam and Bihar and the one proposed in Bengal and consider the pre-requisites of a policy of taxing agricultural incomes which will not be inequitable.

The scale of taxation in Assam and that proposed in the Bengal Bill in case of individual incomes are given below:—

	(In the Rupee)	
	Assam	Bengal
(a) On the first Rs. 1,500 of total income	Nil	Nil
(b) On the next Rs. 3,500 of total income	0-0-9	0-0-9
(c) On the next Rs. 5,000 of total income	0-1-3	0-1-0
(d) On the next Rs. 5,000 of total income	0-2-0	0-1-6
(e) On the next Rs. 5,000 of total income	0-2-6	0-2-0
(f) On the balance of total income	0-2-6	0-2-6

It will be seen that the rate of taxation is generally higher in Assam than in Bengal for the second, third and fourth slabs of incomes of Rs. 5,000 and that whereas in Assam the maximum of As. 2½ is payable on the balance of the income above Rs. 15,000, it is payable in Bengal only on the balance of the incomes above Rs. 20,000. Both in Assam and Bengal the tax leviable in the case of a company is annas 2½ in the rupee on the whole income. Further it is provided that the tax payable shall in no case exceed half the amount by which the total agricultural income exceeds Rs. 2,000 in Bengal and Rs. 3,000 in Assam. There is no super-tax in both provinces. The tax in Bihar exempts all incomes below Rs. 5,000, and those between Rs. 5,000 and Rs. 10,000 are taxed at the rate of 6 pies in the rupee. The rate on higher incomes ranges up to 30 pies in the rupee which is payable only on incomes above Rs. 15 lakhs. It will be seen that in Bihar not only is the exemption limit higher, the rates also are lower than those in Assam and Bengal. It is interesting to compare the tax in the provinces with the rates of taxation on agricultural incomes imposed in Travancore State by the latest budget. The following schedule gives the rates in Travancore converted into British Indian money for comparison:—

	RATE	
	(Pies in the Rupee)	
1. When the total income is less than Rs. 5,000		Nil
2. Incomes from Rs. 5,000 to Rs. 10,000	3.4	
3. Incomes from Rs. 10,000 to Rs. 15,000	5.0	
4. Incomes from Rs. 15,000 to Rs. 20,000	6.8	
5. Incomes from Rs. 20,000 to Rs. 30,000	11.8	
6. Incomes from Rs. 30,000 to Rs. 40,000	15.0	
7. Incomes from Rs. 40,000 to Rs. 75,000	17.0	
8. Incomes from Rs. 75,000 to Rs. 1,00,000	18.5	
9. Incomes above Rs. 1,00,000	20.1	

The exemption limit is the same as in Bihar and the tax operates lightly on all the ranges of income compared to the rates in the three provinces. The rate of 20 pies in the rupee on all incomes above one lakh of rupees is much lower in Travancore both absolutely as being the lowest and relatively to the rates on that range of income in the provinces.

The yield of the levy has proved too disappointing to be of much value in correcting regression or fostering welfare development. The yield for the three years from 1939-40 in Bihar was Rs. 5.8 lakhs, Rs. 14.96 lakhs and Rs. 17.06 lakhs respectively, and the estimate for the year 1942-43 (revised) and 1943-44 (budget) is only Rs. 17.65 lakhs. In Assam the tax yielded Rs. 83,000 in 1939-40, Rs. 39,20 lakhs in 1940-41, and Rs. 27.12 lakhs in 1941-42 and is expected to bring in Rs. 27 lakhs in 1942-43 and 1943-44. In Bengal the Finance Minister has not given any estimate, but the general impression is that it is not likely to prove very productive even after 1944-45 when it will begin yielding. The Simon Commission estimated the yield for the whole of India at Rs. 4 crores, which appears to be an overestimate in the light of these facts.

So far as the imposition of the agricultural income-tax in the period of the war is concerned, we would strongly urge the postponement of the levy until after better political and agricultural conditions set in. The bureaucratic administrations in the provinces have no right to impose far-reaching taxes, when there is no controlling voice of public opinion, and to seek to remove without sufficient consideration even an anomaly which has been left untouched for decades. As for Bengal, the Ministry must have their hands too full with relieving the prevailing acute famine to have the necessary time and energy for considering adequately and administering efficiently a controversial measure of the kind. What is more important, the tax is bound to add to the regression of the land revenue, if in determining the minimum limit of exemption due allowance is not made for the inflation, enormous rise in the cost of living of the agriculturist and in the prices of all the commodities he buys and for the overriding sociological consideration that agriculture is more a mode of living than an occupation. Vast areas in the country are in the grip of acute famine and scarcity, and are unlikely to obtain relief in the immediate future, if we can judge from the fizzling out of the 'grow more food' campaign and the failure of other government measures. It will be preposterous to contend that the agriculturists are enjoying a windfall at present. Excepting for the large landholders, the war has not benefited the vast mass of agricultural labourers and smaller peasantry, but has cut their real income. The exemption limit must therefore be at least as high as Rs. 6,000 and really this is less than Rs. 2,000 at pre-war prices. The argument that the lower incomes of other classes are taxed is not very weighty. The Government servants, and the industrial workers are getting such benefits as dearness allowances, bonuses, cheap cloth and grain shops and other rations at controlled rates, which are altogether denied to the agriculturists.

There is yet another important consideration to be borne in mind. Not all agricultural incomes are similar in kind or equally capable of bearing the tax burden. Large plantations are of a different fiscal category from other lands, because the former predominate in the characteristics of modern industry in respect of the employment of labour, efficient control over production, and ability to keep up prices by concerted restrictionist schemes. This point was stressed by the Dewan of Travancore who, in imposing the tax, stated that he regarded those who cultivate crops like tea, coffee, cardamom and rubber as industrialists. In Assam the vast majority of assesses, roughly 500 out

of the total of 600 are tea planters who can bear the burden, and who account for over 90 per cent. of the revenue.

But the situation in Bengal is different. There may be as large a number of planters in Bengal too who may be assessed to the tax; but many times their number will be the cultivators of other crops who are bound to be injured by a tax which allows an exemption limit of only Rs. 2,000. Moreover the tax is likely to bear heavily on the middle classes depending mainly on incomes from land who constitute an important element of stability in the social structure; and false views of fiscal justice should not be allowed precedence over genuine sociological considerations.

Overriding these factors in importance is the cruel reality of famine in Bengal which has thrown out of gear agricultural operations in a number of districts and leaves no agricultural incomes to be taxed. In a zamindari area, where illegal exactions in kind and cash are normal and difficult to check, we can not say with perfect confidence that the incidence of the tax will be on the income-receiver, even though theoretically a direct tax like the income tax cannot be shifted. Especially in the present juncture with the large-scale migration of tenants and labourers away from the village, the collections of rents will be a difficult if not impossible task. What is wanted in Bengal today is courage to declare the province a famine area and ability to face the responsibility. The collection of rents from tenants at present would be a cruel joke. Recent criticism of the Bengal Agricultural Income-tax Bill has revealed that the zamindars are stressing the desirability of legislative or other measures for the due payment of rents by the tenants as the pre-condition of their ability to pay the tax. The danger is real that the tax may exercise pressure upon the zamindars, who in turn may coerce the famished peasantry. Such an eventuality will be a calamity worse than the fiscal regression involved in the immunity of agricultural incomes and must be avoided in any case.

We are thus led to the conclusion that despite strong theoretical considerations the levy of an agricultural income-tax is not very desirable at present. The yield is too small to relieve provincial finances or abate regression, while the danger of its injuring the peasantry and the middle classes is very real. In Bengal the present Ministry has more urgent tasks from which it should not be diverted. Besides it is not sufficiently rooted in public confidence to take up the measure now. In the other provinces, the autocratic administrations have not the competence or the imagination or the public support to launch on this task of reforming the land revenue system. The reform has waited for decades without sufficient reason during peace, and under the present conditions of inflation and famine can wait with justification until after the war and the reinstallation of popular governments in power.

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The Week's Notes

NEW TAXATION IN MADRAS

The example of the United Provinces and instructions from the Centre have inspired the provinces to fresh fiscal offensives. The latest one of Madras beats all records. In a *communiqué*, the Madras Government announce that the increase of the General Sales Tax with effect from October 1, 1943 from Rs. 4 to Rs. 5 per month on the turnover of Rs. 10,000 to Rs. 20,000, and from ¼ per cent. to one per cent. on turnover exceeding Rs. 20,000 is likely to bring in an additional revenue of Rs. 146 lakhs in the current year and Rs. 292 lakhs in a full year. An increase in the betting tax is expected to yield Rs. 1½ lakhs, while the rates of Stamp Duties are raised by 100 per cent. in some and 50 per cent. in other cases, so as to secure Rs. 30 lakhs more. The registration fees enhanced by 50 per cent. in April last will yield Rs. 16½ lakhs more. All these measures are expected to yield Rs. 179 lakhs in the current year and Rs. 340 lakhs in a full year, and taking into account the suspension of land revenue remissions of Rs. 70 lakhs, the increase in taxation in one full year amounts to Rs. 410 lakhs or nearly one-fourth of the province's entire revenues. A strong popular ministry in power with overwhelming public support required more than two years of planning and prolonged debate to impose a series of four or five lakhs yielding less than Rs. 3 crores. But to the omniscient bureaucracy, a cryptic *communiqué* will do. All debate is waste of time and public opinion has no meaning. For, how else can this 25 per cent increase in over-all taxation be justified? The objects of taxation are stated to be to raise additional revenue to meet essential expenditure like famine relief, to set aside, if possible funds for post-war development and to co-operate with the anti-inflationary measures of the Government of India in withdrawing excess money from the hands of the public and keeping down prices. Famine Relief expenditure in many provinces is mounting rapidly. In Bengal it runs into crores of rupees, and apart from the virtual impossibility of raising sufficient revenue by provincial taxation for this growing burden, it is wrong in principle that the provinces should have to bear the financial impact of the war-time price and supply policies of the Central Government. Notwithstanding the alleged statutory responsibility of the provinces for food, famine-relief and agriculture, the Central Government is ultimately answerable and is bound to aid the provinces in relieving scarcity which has been brought about by the demands of war on the resources of the community. In any case, the indiscriminate enhancement of taxes by 100 per cent. and 50 per cent. such as has been resorted to by Madras can find very little justification.

SALES TAX AND PRICES

The Government of Madras seem to be unaware of the working of economic processes in imagining that an increase in the sales tax can check the rise of prices. The sales tax is an obviously inflationary measure, in so

far as the burden is likely to be shifted on to the consumer, and will thereby cause an all-round increase in prices. Assuming that the commodity is turned over at least thrice before it reaches the final consumer, there may in addition of something like 2 to 3 per cent. to its price. The inflationary effect of this higher level of prices will more than offset the deflationary effect of drawing off three crores of rupees. The measure further suffers from the defect of being extremely regressive. If on the other hand the tax is paid out of the profits of the trader without being passed on to the consumer, there will be no rise in prices. But there will be a corresponding fall in the receipts from income-tax and E.P.T., and there may thus be no great net increase in the total revenue. The measure is ill-advised. It is at once inflationary and regressive.

TRANSPORT AND FOOD CRISIS

The relation of our transport situation to the present food crisis, especially in Eastern India, has been only obscured by the spate of charges and counter-charges. Sir Edward Benthall, the War Transport Member, claimed that the terminal stations could not adequately handle the consignments, while the general impression has been that the transport bottleneck has been the crux of the situation, so that grains could not be moved for want of wagons. Nevertheless, certain salient factors of the situation are apparent. Firstly, even before the war the maximum load-capacity of our railway system provided no margin of safety, while rolling stocks, etc., were hardly in a satisfactory state of maintenance. On the contrary, the war has meant a tremendous additional strain thrown on the railways. On top of this, as Major-General G. Noble Molesworth, former Deputy Chief of Staff in India, said, "the transport problem, in itself an enormous one, had been complicated by the generous supply by India of locomotives and rolling stock and track for Allied needs, by the aggression of Japan, which restricted coastal shipping in the Bay of Bengal and by the damages caused during the internal disturbances in the autumn of 1942." The lack of planning and foresight appears inexplicable when we learn that when the war with Japan broke out, a high military official submitted a memorandum to a member of the Bengal Government, in which, he predicted a transport crisis leading to famine and trade dislocations. He advocated scientific use of arterial roads and waterways. He also gave a scheme for the mobilization of ancillary transport, including bullock carts, country boats and timber-rafts, which he estimated would take off between 30 and 40 per cent. of the strains from the railways. Unfortunately, no heed was taken of the warning. The early prospect of the Burma offensive makes it absolutely vital, even and especially from the military point of view, that the mess should be cleared up without delay. Many high military officials are known to be in favour of the

idea that before the offensive opens and for a limited period, the army should take up the task of food distribution in Bengal and Assam, the two provinces in the war zone. The military could render great help by temporary release of some food stocks, lorry transport as well as personnel for traffic reception and operation. There is no reason either why the Amgot organization should refuse to lend a hand until they are actually in enemy-occupied country. It would be unfortunate if, having made the mess, civil authorities refuse to accept the proffered help by the military from considerations of false prestige.

VILLAGE COMMUNICATIONS

Recently two speeches were delivered, one by his Excellency Sir Maurice Hallett, and the other by the Hon'ble Mr. Parker, stressing the need for planned development and use of all forms of land transport. In any well-balanced scheme of road development, village roads which form the links between the villages and the public road should receive first attention. This has been emphasized by Sir Kenneth Mitchell, Controller of Road Transport, Government of India, in his presidential address to the Eighth Session of the Indian Roads Congress held at Gwalior on October 4. Referring to the great importance of these roads on which so largely depend the social and material welfare of the rural population who are the primary producers of crops and revenue he says rightly that they have not only not progressed but have deteriorated with the increasing traffic of more money crops, more people and more travel arising from security and general awakening. At present the service which the villagers get from these roads is quite inadequate. Hence there is need for permanent improvements and capital outlay on making a permanent alignment with adequate width, proper grading, drainage and culverts. These roads must, as a rule, of course, remain unmetalled. And the condition of earth roads is determined by (1) the nature of soil, (2) climate and rainfall, (3) makeup and maintenance of the road and (4) last, but by no means least the nature and intensity of the traffic. As we have practically no control over factors one and two he recommends an improvement in the traffic that is, a bullock cart with pneumatic tyres which will do less damage to roads and also prove a more efficient transport machine. This would enable greater loads to be carried with less exhaustion of bullock power and would open up immense possibilities for the simple brick paved road. He does not think that such an improvement will result in the stagnation of the village craftsmen. In the long run, for village roads, it is proper maintenance that is of utmost importance and this must purely be a matter of free labour by the villagers themselves for several practical reasons. Few are aware of the fact that in the U.S. in addition to an immense mileage of magnificent concrete and other high cost roads they have many miles of low-cost rural roads, the maintenance of which they have brought to a fine art.

POST-WAR ROAD DEVELOPMENT

Sir Mitchell's address covers not only village roads on which no doubt he has laid the proper stress but also district roads, the great All-India High Ways and the main provincial inter-town roads; it is more or less an essay on a well-balanced scheme of road development in the future. The district roads, normally in the charge of small rural local bodies have been very much neglected and in his opinion the present general condition of this extensive system of district roads, some metalled, many more unmetalled stands as a barrier to every other plan of rural uplift. He considers that the present administrative machinery (from the experience of their working) is evidently unfit for this kind of work. The local bodies should therefore be relieved of this work. Further, as the problem with this class of road is maintenance, it would be most unwise for provincial governments to spend largely from capital on the development and leave the maintenance of the asset to others. In planning for the future of these roads the adequacy of the system both in accessibility and in condition should be studied. And the plans should be based on two important calculations: (1) whether and where an extension of mileage is necessary, which can be planned district-wise, and (2) the more complex question of the engineering estimation based on actual traffic counts or estimates of what has to be done to improve the system to present day needs—an immense task no doubt but if systematized not unmanageable. The improvement of the roads should also be transferred to expert Provincial Highway Departments so as to level up standards of efficiency among the engineers and absorb them.

The great All-India Highways and the main provincial inter-town roads, though they have already been developed to standards relatively far in advance of the others, are still far below the standards necessary in modern times and the war has revealed many weaknesses or missing links, particularly in the All-India Highways. So in the future development of these roads, what is called for is the application of the latest developments of science and art of road-making and maintaining. Costs should be approached from the long-term scientific angle rather than cheapness in first-cost. A full examination of the possibilities of traffic segregation, an enactment or amendment of highway legislation generally, taxation of "betterment value" of land due to road development and control of ribbon development are all questions that need careful study before any large schemes of development are undertaken. Other factors of road safety, road aesthetics and the education of engineers are no less important. We hope that all the suggestions of the Controller of Transport particularly with reference to village roads will be carefully studied, and examined when the Government draws up a practical scheme of post-war road development.

THE SOVIET ECONOMIC MIRACLE

The quantum of economic war-effort made by the Soviet Union during the last two years and a quarter, is at once a miracle and a mystery. The economic

help which Russia received from the Allies during the first year was negligible while even in the second year it did not probably exceed £500 mn. per year, i.e., about 3 per cent. of Anglo-American production or 8 to 10 per cent. of Soviet production. Yet she has been fighting against the industrial might of the whole of the European continent organized under efficient German leadership. The growth of economic power of the Soviet Union under Stalin's leadership is nothing short of a miracle. It is at the same time a mystery. When Ukraine and a large part of Russia was occupied by Germany, Hitler himself declared that three-quarters of Russia's industrial power were gone. Many "experts" too—basing themselves mainly on 1937 figures—drew pessimistic pictures at the time. But after more than two years of war, Russia is today not only alive but also kicking—and hard. Evidently Stalin has been building up since 1937 colossal industrial power beyond the reach of invaders. A part of the miracle, however, was also due to the "leap-frogging" of industries—machinery, workers and management—to the rear, and this itself was a prodigy of organization. However, the over-running of such vast areas by the Germans meant colossal loss of industrial and agricultural resources to the Soviet Union and the German army, both in advance and in retreat, have contributed to the completeness of devastation of urban and rural areas. The scale of devastation is simply beyond comprehension. No other country could have endured a fraction of the losses that befell the Soviet Union. Before the German attack, many omniscient people had predicted that the workers and peasants in the Union were so oppressed by "Stalin's tyrannical regime", that they would rise in revolt as soon as the German army crossed the Soviet frontier. Further, we were told, that lacking freedom of enterprise and initiative, the Soviet economic system was an utterly inefficient and bureaucracy-ridden monstrosity. But to the bewilderment of all these critics, the Soviet Union is emerging out of this war with a conclusive demonstration of the amazing strength and resiliency of its economic and political structure.

SOVIET RECONSTRUCTION

Nevertheless, the scale of devastation has been so colossal that as the Soviet armies roll forward on their victorious drive, the problem of reconstruction of the devastated areas necessarily looms very large. In very many towns in the occupied areas, 80 per cent. of the buildings have been destroyed and made uninhabitable. Industries have been totally disorganized or wrecked. The destruction of livestock has been calamitous. It is doubtful if there has ever been in history a parallel case in regard to the completeness of economic desolation over such vast areas. However, the Soviet Government have certain definite advantages in dealing with the situation. As the sphere of private property is extremely limited, there is no interminable clash between private and public interests, and consequently there is the least resistance to the formulation of a clearly-conceived plan for reconstruction.

Again, the Soviet Government has already made the plan for reconstruction beforehand, and the plan itself fits in admirably with their general planned economy. Only a few weeks back the Soviet Government passed a series of unique decrees for the restoration of agriculture, railways, transport, housing and sanitation. There is no attempt to restore industry generally in the liberated areas. It is possible that the Soviet Government contemplate a general shift of the centre of gravity of industrial localization towards the east even after the war. But it also reflects the great strains on Soviet industry. For even in the case of agriculture we find that, in spite of the generally known food shortage, the Soviet Government is planning to return to the devastated areas generally less than 5 per cent. of their pre-war livestock and population and only 5 to 10 per cent. of the pre-war number of tractors.

In view of the magnitude of the devastation it is hardly to be surprised at that the Soviet Government have repeatedly hinted their intention to exact full reparations from defeated Germany. We may recall that nearly 80 per cent. of the material equipment in the Soviet Union before the war was built up by the Soviet peoples within 13 years at the cost of incredible sacrifice and privations. But no sooner was the task of construction complete, than they were forced into a terribly destructive war. The blowing up of the Dnieper dam only symbolizes their spirit of sacrifice. But the Soviet peoples are young and pioneering in spirit and they would undoubtedly quickly build up again. And they will make the Germans themselves undo a part of the work of destruction of the Nazis.

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SPECIAL ARTICLES

Deflation—A Dangerous Remedy

By K. M.

TOO much insistence on the monetary factor in India's inflationary situation has perhaps been the most fruitful cause of confusion in economic thinking and mischief in administrative policy. Those students and economists who have plumped for all-out and ruthless deflationary measures have played a fairly large part in bringing about this muddle and will realize this before long, as the Mountbatten offensive, with its fresh demands on our supplies, gets going and reveals in all its grimness the tragedy in real resources.

What is the cause and what the remedy? India is the base of operations for the Far East and Middle East, and has been providing supplies to these areas. This has taken the shape of an increase in exports on Government account and in the internal needs of defence, leaving a cumulative and growing shortage of real supplies for civilian use. The financial expression of this operation is the rise in note circulation and the growth of sterling assets as war expenditure recovered from Britain. Given that the volume of supplies must be met by India, immediate rupee expenditure here and now on the present scale is inescapable, irrespective of whether we receive sterling or not. The provisions of the note-issue set the technical limits to the possible degree of sterilization of sterling assets without leading to an increase in the note issue. If we do not receive sterling, the finance must be got by the issue of fresh money against rupee securities, for no one can contend even in his wildest dreams that the huge amount can be raised by taxation and loans. War purchases will otherwise have to wait until Government gather taxes and loans to pay for them.

It follows from the above that no technical means has yet been devised or can be devised to put a stop to the increase in the volume of money. Deflation consists of two stages or aspects (1) to check the growth of money issued and (2) to draw it off, once issued. In the Indian context the first, it has been shown, is out of the question. The second is self-defeating, because with our economic conditions and administrative and fiscal machinery, the rate of drawing off purchasing power from the people can never equal the rate at which the volume of money is increasing, not to speak of the re-entry of the tax and loan proceeds into circulation. The situation is like this: Water is springing out of a fountain at a certain pace; you can not only drain but a small part of the water; but what little you take out, you pour into the fountain again.

It is this vital aspect that has been lost sight of by the zealots of deflation. Prof. Vakil, for instance, advocates among others, a number of measures like a ceiling on individual incomes, taxing the 6-2/3 per cent. of E.P.T. which still remains, and provincial taxes on agricultural incomes and sales, besides increase in the betting, entertainment, stamp and excise duties. Strangely enough, he says that the provincial taxes will fall mainly on those best able to pay them. Have not economists and publicists, including Prof. Vakil, contended in the past that most of the provincial taxes are extremely regressive in their incidence and pleaded for reform? Does Prof. Vakil now fancy that rural prosperity has so far advanced as to warrant this over-all increase in the burden on the peasantry? No. That way lies the danger of depriving them of the precarious subsistence on which they verge. Prof. Vakil no doubt advocates over-all control of many trades and the assurance of decent rations to all. But rationing is possible only in large towns, and for any task beyond

that, the incompetence of the present Government is too well-established. Apart from the fact that the estimated proceeds of Rs. 10 crores will make no impression on the magnitude of the problem, provincial taxes like the sales tax and excise duties are *pucca* inflationary measures which will have the immediate effect of raising prices and more than neutralize the withdrawal of money.

Acute famine prevails over great tracts of the country. Rural life has been pulled to its roots in many places, and families have begun to disintegrate, as the findings of the Department of Anthropology of the Calcutta University have abundantly shown. The same description typifies the situation in Bijapur and Malabar and Ceded Districts and elsewhere. If relief does not come in time, millions will die like flies. Is this the occasion for further regression in taxation?

Clearly the remedy does not lie in these measures. The financial front is perhaps the least important front to tackle, if not an altogether false one. The technical difficulties on the monetary front in this country have been well realized by British interests which are not slow in seizing and twisting them to their advantage. The *Economist* most recently has argued that the financial agreement between India and Britain which puts India in possession of sterling has caused the inflation here and suggests as solution the shifting of rupee commitments from British to Indian shoulders. To quote its own words: "Arguing that India cannot bear a heavier financial burden ignores the fact that India is actually bearing the whole real burden represented by the combined Indian and British Governments' defence expenditure, since labour and materials in terms of abstinence from current consumption are being borne as expenditure is incurred. Book entries in London whereby the Indian Reserve Bank receives sterling make no real difference. If India can bear that real burden, there should be no insuperable difficulty in rearranging its financial apportionment in a rather less inflationary pattern than has been adopted."

This suggestion is perhaps the gravest danger India has to guard against. At present we have the consolation of building up sterling reserves as a post-war 'nest egg' by our present privations through inflation. The *Economist* wants us to inflate by means of rupee securities and to deprive us of our exchange reserves by an iniquitous revision of the financial settlement. Since we are already starving and suffering, we can well and easily afford to starve and suffer. That is the argument. Yet the inflation scaremongers of this country have encouraged this kind of thinking by suggesting that the monetary side is the main side.

The real remedy lies elsewhere. Those who demand justice for India should ask not for futile and self-defeating tax measures, but for (1) restricting the demand on our real resources to bearable limits, or and (2) for increasing the capacity of the country to bear the real burden imposed by the inexorable needs of defence. Taxation and borrowing will not add one ear of corn or yard of cloth to the stock of goods, but *may* have a negligible effect in redistributing the burden. Even this is doubtful in view of the incompetence of the present Government in dealing with the food crisis. It is outside the pale of practical or ethical politics for India to say that she cannot meet the needs of war. The only alternative left is a production drive on a scale equal to the demands of war and the desiderata of peace. Without a rapid increase in the production of essential goods, it is impossible to assume even a most modest scale of civil consumption.

Fall in Industrial Production in 1942-43

By P. C. Jain

THE war has stimulated industrial production in India but all the industries have not benefited to the same extent. Increased activity was experienced by the cotton textile industry only from September, 1940, jute from April 1941, and cement from August, 1941. The coal and sugar industries remained depressed and disorganized in the first three years of war and it was only at the beginning of the fourth year that sugar showed signs of prosperity. Coal industry is depressed even today in spite of the fact that it is a vital material and the coal prices experienced a mild rise from July, 1941 which became very marked from November, 1942. Tea, paper, and iron and steel industries are the only ones, among those that existed before 1939, to have experienced active and prosperous conditions from the very beginning. As a result of the war stimulus notable progress has been made by our chemicals, munitions, and general engineering industries and it may as well be that some of these developments may prove permanent.

Figures for 1942-43 are provisional and have been calculated on the basis of provisional figures for eleven months.

	1938-39	1939-40	1940-41	1941-42	1942-43	% increase in 1941-42 over 1938-39	% change in 1942-43 over 1941-42
Cotton Piecegoods (million yds.)	4269	4012	4269	4493	3939	-5.2%	-11.4%
Jute Goods (thousand tons)	1222	1277	1108	1258	1000	+3.0%	-20.6%
Paper (thousand cwt.)	1184	1416	1753	1871	1331	+58.0%	-28.8%
Tea (million lbs.)	452	453	463	470	555	+3.9%	+18.0%
Sugar from cane factories (lakh tons)	6.5	12.42	10.95	7.78	10.7	+19.6%	+46.5%

In India exact figures are not available for most of the industries but the available figures collected in the above table clearly reveal that up to the end of 1941-42, as compared to the pre-war year, the production of cotton piecegoods, jute goods, paper, tea, and sugar recorded an increase. The trend was, however, reversed in 1942-43 when, as compared to the previous year, production recorded a substantial decline in the case of cotton piecegoods, jute manufactures, and paper. The production of coal, iron and steel, and cement also declined although exact figures are not available. It must here be remembered that this has happened in spite of the urgency of increasing production to still higher levels.

The fall in production in 1942-43 has been due to a large number of complex factors. In the case of the iron and steel industry figures of production are not available but a close study of the working of the Tata Iron and Steel Company in 1942-43 indicates the trend. The sale of product brought only Rs. 16 crores in 1943 as compared to Rs. 18 crores in 1942. This should be viewed against the rise in prices and, therefore, the fall in production is greater than the figures would suggest. The chief causes of this decline were the labour strikes during August and September, 1942 and the breakdown of one of the company's generating sets from January to April 1943. In the case of paper it was at one time expected that the production

in 1942-43 will increase by about 15 per cent as compared to the past year, but the estimated figures reveal a fall of nearly 29 per cent. This has been due to a shortage of coal, chemicals, and essential raw materials. The main blame falls on the defective transport system. The same cause has been responsible for the difficulties of the jute industry. Many jute mills had to close down temporarily due to shortage of coal in spite of the fact that they had to meet urgent war orders. It is true that there were other causes as well but the shortage of coal is the chief one so far as the jute industry is concerned.

The cotton textile industry has recorded a fall due to labour strikes during the Congress movement which persisted longer in Ahmedabad than in Bombay, the shortage of chemicals, and the pre-occupation of the mills in supplying special war requirements rather than piecegoods. The coal mining industry suffered a fall in output because due to a shortage of labour coal raisings were poor. The cyclone on the East Coast in November, 1942, and the political disturbances also hampered work and the output was reduced. As regards the sugar industry the shortage of cane in the closing months of 1942, caused by the diversion of cane to gur making, and the difficulty of getting sulphur threatened to check production but timely action prevented this catastrophe and the production actually increased by about 46½ per cent. as compared to 1941-42.

The net result of this fall in industrial production has been a great suffering to the consumer. The war effort has not suffered much because, as is natural, the claims of the Defence Department come first and they have always been met. If production falls and imports cannot be increased the civilian consumer has to suffer greater privations. It is little realized that though the shortage of food is most unbearable the shortage of manufactured (consumer's) goods is in no way less inconvenient and irritating. We have all suffered because of a shortage, or we might say a severe famine, of such commodities as cotton goods, paper and toilet articles. Moreover, inflation in whatever way we define it, is bound to become worse if the money in circulation keeps expanding while the quantity of goods keeps on declining. This leads to rising prices and great hardship to consumer. This suffering becomes still greater when we realize that some forethought and an effective reorganization of our transport system could have helped to increase production considerably. In any case every effort should be made to secure a rise in production in the current year.

University of Allahabad.

DEPARTMENT OF COMMERCE

Import Trade Control

Egyptian Cotton

Arrangements for the procurement of India's requirements of Egyptian Cotton will be shortly completed. In the meanwhile Importers are advised in their own interest not place any orders of make any commitments regarding the purchase of cotton in Egypt. (21)

THE WORLD ABROAD

Monetary Pyrotechnics

(From Our Washington Correspondent)

WASHINGTON, Oct. 5 (By Cable).

THE United States turned the economic clock back fifty years last week. Strangely reminiscent of the year 1896, when William Jennings Brayan campaigned for the presidency with the slogan "Free Silver And Sixteen to One" were the debates stirred up by the simultaneous publication of two proposals for post-war monetary policy. In one proposal, the Guaranty Trust Company advocated the revival of the international free gold standard. On the same day, Mr. Francis Brownell, Chairman, American Smelting and Refining Company, was proposing the international adoption of the bimetallic standard.

Neither of the two suggestions has received much attention in Congress so far. But both have aroused mild gale editorial discussion particularly on the eastern seaboard where memories of silver "heresies" of the late nineteenth century are still vivid. Almost without exception, the entire press praised the Guaranty Company's analysis and assailed Mr. Brownell's theories. Conservative New York appears to have no more taste for bimetalism now than in the gay nineties.

The Guaranty Company's statement urged the return to international gold standard in the post-war period in lieu of the tentative currency stabilisation plans already put forward by the British, Canadian and United States Governments. The Guaranty Company, which is one of the three largest United States banks, being outranked only by the National City and Chase National Banks, has financed many millions of dollars of foreign trade over a period of years. The Company criticised all the three governmental stabilisation proposals and added, "It is our belief that no method of stabilisation yet devised or suggested is so sound or so easily operated as the international gold standard with free coinage of gold, free markets and private ownership in gold and currencies convertible into gold both for domestic use and for shipment abroad."

The Company does not ignore the fact that the United States holds approximately 70 per cent. of world's gold stocks. Admitting that this is a handicap to the restoration of the international gold standard, the Bank nevertheless, states that it may be necessary for some nations "to resort temporarily to gold exchange standard whereby countries with inadequate gold reserves 'tie' their currencies to those based on gold by using their bank balances in gold standard countries as reserves in lieu of actual gold holdings. The restoration of the free gold standard however should be the universal objective."

Some financial commentators construed this passage to mean that even Britain would be classed among countries lacking adequate gold reserves. Mr. Ralph Hendershot, Financial Editor, *New York World Telegram*, commented that it would probably seem rather scandalous to the British to tie the pound to the dollar. Perhaps that accounts for

the elaborate scheme Mr. Keynes devised, which he is trying to put to the Treasury Department this very minute. But it might be pointed out that Britain herself had her old system based on gold backing and she has offered no proof of the idea that it was not good.

Sharply contrasting with the Guaranty Trust Company's proposal was Mr. Brownell's declaration that there was not enough gold in world's monetary stocks to provide the currency basis. Mr. Brownell contends that 30 per cent. of monetary gold owned outside the United States "is obviously far from adequate to permit other nations of the world to return to any type of workable gold standard."

World gold production in 1940 approximated to 41 million ounces, while silver output in the same year 273 million ounces. Mr. Brownell argues firstly that the use of both metals for the stabilisation agreement would increase the volume of standard money to meet the larger needs of post-war trade; secondly, the yearly additions to world's money stocks would be expanded and could be further increased by the use of silver from arts; thirdly, that large-scale coinage could be revived in those countries whose populations desire this medium; fourthly, threats of future shortage could be corrected by stimulating silver production and lowering the ratio of gold to silver.

Just as the press reacted generally favourably to the Guaranty's proposals, so the editors condemned Mr. Brownell's plan. Thus the *Wall Street Journal* says that "the real virtue of government's stamp on gold coin is its certificate as to its weight and fineness. Failure to understand that fact was the trouble in the fight fifty years ago. It looks likely to be the trouble if we have to fight it all over again." Similarly the *New York Herald Tribune* said that "there was something to be said for the domestic use of monetary silver before the public have been educated in the use of paper money and when there was insufficient gold to serve as circulating medium; but neither of these reasons of course exists today. So far as the use of silver as the international medium of settlement is concerned, that has, if any thing, even less to recommend it."

All this would appear mere academic discussion. But last week's monetary verbal pyrotechnics unleashed by the Guaranty and Brownell proposals have two deeper and more important implications. Firstly, the Guaranty Company's statement shows clearly how United States bankers are still dissatisfied with the international stabilisation plans so far revealed by Washington and London. Secondly, Mr. Brownell's is the first significant move by the so-called silver interests in the United States since Pearl Harbour to increase the monetary use of the white metal. As such, it should be regarded as a portent of many more panaceas of like character, which will undoubtedly emerge before the Congress as soon as there are signs that the war is approaching the end.

India's Currency Inflation

(From Our London Correspondent)

LONDON, Oct. 4 (By Cable).

THANKS mainly to famine news the British Press has at last begun to discuss the problem of checking India's currency inflation. Few outside the small world of officials connected with the Indian exchange banks have been following the problem though it is probable that if big commercial banks here had felt free to continue their studious monthly reviews—closed down since the outbreak of war—city opinion would have been more alive to the question than it is now. But the comment now is fairly general. The Financial Editor of the *Liberal News Chronicle* sums up the city's reaction thus: "India has tasted inflation with a vengeance and there is no doubt the famine that is now being experienced in parts of the country may to some extent be attributed to these inflationary conditions."

The most striking feature of the inflation problem has naturally been the colossal rise in the Reserve Bank's note circulation from 1928 million rupees at the outbreak of the war to 7602 million. This increase of 295 per cent. compares with the Bank of England's 86 per cent. rise—from 530 million sterling to 987 million. The reports of the Bombay cost of living index available here seem belated. The latest available covers the month of April by which time the cost of living had approximately doubled since the outbreak of war whereas the British official cost of living index has risen only by 29 per cent. It is true that the ordinary housewife here ridicules the official suggestion that her cost of living has risen only by 29 per cent. for the prices of many items such as fresh vegetables, fruits, hundreds of ordinary household necessities have doubled and in some cases trebled. However, even admitting that price control over many items prevent some profiteering none could claim that the cost of living on major items of consumption goods has been allowed to run away.

The basic cause of India's inflation as viewed here is the fact that somewhat less than half the money expended in connection with war by the Indian Government is covered by taxation and borrowing from the public. Up to last April the Indian Government spent in connection with defence 320 million sterling whereas the United Kingdom's war expenditures in India totalled 442 million sterling—mainly for stores and for extension of India's war factories. The United Kingdom has bought rupees from the Reserve Bank in exchange for sterling accumulated in London. Those rupees have gone promptly into circulation at a time when the supply of consumers' goods in India have been dwindling. The Indian Government has had somewhat more control over sterling in London than over rupees in India. For with sterling it has paid off the sterling

debt of 320 million sterling as well as accumulated liquid funds here around 500 millions. Unfortunately, it is unable to convert these funds into goods here which if transported to India would prevent the rise in prices.

The basic problem, it is considered, has arisen from failure of the Indian Government to mop up those excessive rupees by higher taxation and more widespread loans. It has been reported that Sir Theodore Gregory has suggested that the Indian farmers, instead of bidding for the dwindling supply of consumers' goods or hoarding their own foodstuffs—because they have nothing better to buy with the proceeds of their sales—should be encouraged to hoard gold and silver whereof there are fairly abundant supplies instead of foodstuffs whereof there is little or no surplus. The Financial Editor of the *News Chronicle* argues that "this is merely toying with the problem and that far more drastic remedies will have to be applied if India should be spared of the turmoils of serious monetary instability." Other journals including the *Economist* also do not favour the proposal.

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EMINENT ECONOMISTS

I

A. C. Pigou

By E. da Costa

IT is one of the commonplaces of our time that we live in an age of specialists condemned by the relentless march of knowledge to learn, in Sir Patrick Geddes's telling phrase, "more and more about less and less." No one today can venture to make the proud claim of Leonardo de Vinci that all knowledge was his province; indeed, no one can venture to speak with authority on all branches of any one subject. And today the reproach of specialization applies no less to economics than to the natural sciences. Perhaps alone amongst modern economists, Professor A. C. Pigou may claim to have successfully resisted the destructive influence of narrow specialization. In the wide sweep of his writings, in the far wider range of his knowledge, in his mastery of analytic method—here, perhaps, is an economist in the mould of Leonardo de Vinci and, in his own field, of like stature.

The close student of Pigou's works must always be amazed that one man in a life-time, happily still not concluded, should have achieved so much. The Economics of Welfare alone would be a fitting monument to a life time's work. But though it remains, in a real sense, Prof. Pigou's *magnum opus*, it is only the centre of a vast treasure-house of economic literature bearing his name. Industrial Fluctuations, Essays in Applied Economics, the Political Economy of War, A study in Public Finance, the Theory of Unemployment, the Economics of Stationary States, Employment and Equilibrium and numerous articles on almost every theme in almost every important journal—all these measure only a part of Pigou's contribution to economic science. For the man is more than his works. As the acknowledged leader of the classical school he has borne, ever since Marshall's retirement, the mantle of the prophet and all its consequent obligations. Accepting the role of Defender of the Faith in times of the most critical disbelief, he has made himself the spearhead no less than the shield of the classical doctrine. His fervent devotion to the classical teaching and his unchanging ardour in its cause are at once the source of Pigou's strength and the explanation of his defects.

The child is father to the man. Born in 1877, Pigou may be said to have grown up and to have come of age with the Marshallian teaching. Marshall's first book "The Economics of Industry" was published in 1879. The Principles of Economics appeared in 1890 and quickly won the field so that when Pigou, after Harrow, went to Cambridge Marshall's name had already become something of a legend. Then there were those days with the Master himself, which Pigou describes as "not merely a vivid memory but a lasting and indelible influence"—how Marshall "poured out by the hour, enthusiastically, unrestrainedly a wealth of knowledge that bewildered and overwhelmed you." The strange fascination which Marshall exercised over generations of students of economics at Cambridge is the greatest tribute which can be paid to a remarkable personality. He not merely moulded his students' minds; he conquered their hearts and, with one or two exceptions of which Keynes is the most remarkable, he won them to his views, not then alone, but for all time. And now that he is dead, it is as if his voice, though still, yet speaketh. Nowhere is that influence greater than with Pigou whose every work bears the impress of his association with the Master whom he deeply revered. When in 1908, he succeeded to the

chair of Political Economy at Cambridge at the early age of 31, he had no higher ambition than to complete the task which Marshall, through the weight of years, had left unfinished; he undertook both a trust and a high duty. Speaking sixteen years later on the death of Marshall, Pigou described this duty in his own words, "If it were possible I should wish to stand as an interpreter of his spirit to you and to hand on some message not unworthy of his thought and life." It was in that spirit that he worked and it was in that sign that he set out to conquer. In his place and in his time he could conceive of nothing higher.

To his appointed task Pigou brought great gifts. As an exponent of the classical teaching he has far surpassed his master who, coming late to the study of economics, lacked Pigou's great advantage in preparation. But Pigou also possesses a more direct approach and employs a more scientific, if involved, method of exposition. Unlike Marshall he never strives for simplicity and he makes no apology for the frequent use of mathematical symbols. He even quotes with approval Pareto's caustic remark that "people ignorant of the German language are ill-qualified to criticise German literature." The result has been that a distressingly high standard has come to be associated with all Pigou's works. One misses, too, many flashes of literary grace which embellish many of Keynes' writings. Austere throughout, Pigou has steadfastly refused to depart from his own lofty ideal. In his own words, "though for the economist the goal of social betterment must be ever in sight, his own special task is not to stand in the forefront of the attack but patiently behind the lines to prepare the armament of knowledge." Labouring in this spirit, he has blazed a new trail through many a difficult branch of economic science but his thought and his methods remain the property and the privilege of the few. For notwithstanding his gifts of exposition, Pigou's reasoning is too abstract and his argument too involved for him to be known to the people or for his works, in spite of passages of fine prose, to belong to the literature of England.

This is not to detract from the value of Pigou's great contribution to economic science particularly in the Economics of Welfare. It is to Pigou that we owe the shifting of the emphasis in the classical teaching from the profit to the welfare end and it is to him that we owe the searching and universally applicable test that a course of action must recommend itself to the community not because of the increase in the gains of the individual but only if it enhances social net product. To Pigou we further owe the clearest and the most consistent statement of classical teaching. He has not merely completed but greatly improved upon Marshall's analysis. He has forged new weapons and perfected the old. He has done much to make the dismal science of political economy in his own words "a powerful instrument for the bettering of human life." For his work has been informed throughout with the high purpose of remoulding the sorry scheme of things and rebuilding them nearer to the heart's desire.

In a changing world, theory, if it is to keep in touch with realities, must change with the times. In part this has led to portions of Pigou's work losing

their relevance. His important contribution to increasing and decreasing supply price and the analysis of perfect competition and monopoly have been largely superseded by the Economics of Imperfect Competition. This is no matter for regret, and Pigou himself has welcomed the analysis of Imperfect Competition and has recommended its wider application. With other and, perhaps, more important developments, however, it is otherwise. He is out of sympathy with the new methods of analysis which involve a complete restatement of economic doctrine on lines opposed to the classical teaching. This is a misfortune. For as a result of his loyalty to the classical tradition which he has inherited, Pigou has not helped greatly the progress of economic science in recent years. The last 15 years have seen history made in the world of economics no less than in other fields. More has been done in this period to make economic science realistic in outlook and application than in all the long years when it ruled, in a world apart, as a dismal science distrusted by all practical men. The great advances in dynamic analysis and in the General Theory of Interest, Employment and Money belong to this most fruitful period. But Pigou, although in the thick of the fight, has not in these developments won full credit for himself or for his side.

The head of an institution labours under a disadvantage, and as the leader of the classical school, Pigou has found it difficult to escape from the weight of the tradition which he carries. We may, perhaps, illustrate this by reference to two aspects of his teaching which cry aloud for new treatment. In the long controversy about unemployment, Pigou, standing firmly by traditional teaching, persists in treating "full" employment" as the only stable long period equilibrium position. He does not, indeed, maintain this view with consistency for he is forced to admit repeatedly that money wages are sticky and that this is inconsistent, on his own showing, with full employment. Nevertheless full employment is to him the far-off divine event to which the whole creation moves. No onlooker at this controversy can doubt that this view, whatever its theoretical attractions, is far removed from the real world. But it is also weak in theory. For if money wages are sticky in the short run they cannot in the long run—which is a succession of short runs—acquire mysteriously the degree of flexibility necessary for the attainment of full employment. And yet it is from this strange assumption that Pigou's Theory of Unemployment proceeds.

The second defect in the classical teaching to which reference may be made is its treatment of time. Nothing has done more to detract from the value of traditional economic theory than its pre-occupation with static analysis and the notorious stationary state. It cannot be too often stressed that the problems of the real world—problems of variation of output and the effect of increased saving, for example—are not problems appropriate to a state of rest but are prob-

*For this purpose 'frictional' and voluntary employment is neglected.

lems of change and movement. It must be apparent that a method of analysis which begins from static equilibrium must do violence to any realistic approach to problems in the actual world, for it treats a moving system precisely as though that system were at rest. The publication by Pigou of a treatise on the Economics of Stationary States as late as 1935 is the saddest comment on the failure of the leader of the classical school to move with the times.

The future of economic theory rests upon its capacity to rise to the heights demanded by present-day needs. Pigou has rendered great services in the past; even when he has erred, he has still an aspect of the truth to present and a fresh approach in analysis to provide. Is it too much to hope that he will take his rightful place in the task which now awaits the world's economists. For this consummation devoutly to be wished it is essential that theory and current practice should move together hand in hand and that long period analysis should cease to dominate our thinking. For, if economic theory is only to have an application when we have reached the regions of eternal snow, the practical man will be well content to leave its contemplation to those who find in meditation at these heights an escape from the trials and tribulations which dwell from day to day in the world of men.

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COMMODITY CONTROLS SECTION

Control of Jute and Jute Goods

THERE are two things about jute control to be remembered at the outset of our survey. Firstly, the commodity concerned is a natural monopoly—raw jute being India's monopoly in the world market. Secondly the control exercised in the case of this commodity is not by the Government of India directly, but through the medium of a powerful and representative body of manufacturers of jute goods, namely, the Indian Jute Mills Association, whose membership covers nearly 98 per cent. of the industry. For both these there is no analogy among the other controlled commodities, though for the latter the Government has in some cases, such as cotton textiles, invoked the assistance of the trade bodies in working the control schemes.

Monopoly and Price

By virtue of its being a monopoly crop raw jute enjoys advantages as well as suffers handicaps as an agricultural raw material in a free market economy. The crop output has been adjusted to the demands of the world industry over a long period of time, and the demands of the world industry have in turn depended on the fluctuating quantum of international trade, as jute goods are the "brown paper of international commerce", being mainly used as packing material in the transshipment of goods. Thus raw jute is eminently suited to be a valorized commodity with an effective control over supply and prices. But the disadvantage it suffers from in the matter is that there is at present no producers' organization capable of doing this as the cultivation is carried on by individual cultivators in an unco-ordinated manner. Therefore, far from the producers controlling the price of raw jute, in effect, it has been throughout controlled and its price regulated by the vagaries of the demand for manufactures.

Preference Cultivation and Price

The average annual area (quinquennial) under jute cultivation has not exceeded 3.5 million acres since 1900. However when the Bengal Government prepared an accurate record of lands under jute cultivation in pursuance of their Jute Regulation Ordinance, 1939, nearly 5 million acres of land were under jute. The ryot in Bengal grows jute by preference, because, though rice can be grown on the same land, the disparity between the market value of the produce per single acre of rice and jute is considerable. The Bengal Jute Enquiry Committee of 1934 has calculated, on the average of prices prevailing for jute and rice between 1904 and 1913, that this disparity is over a hundred per cent. in favour of jute. During a number of years before the war the cultivators were compelled to sell raw jute at unremunerative prices owing to a glut in stocks of raw and manufactured jute that resulted from a shrinkage in international trade. The actual position was that while prices hovered low they did not go low enough to induce the abandonment of jute cultivation and the substitution of rice in its place. So in 1940 the Bengal Government inaugurated their scheme of restricting the crop output. It was to be achieved through a system of licensing growers to grow only on a stipulated extent of land. The total extent was to be fixed from season to season as a

percentage of the extent in 1940 (49.38 lakhs acres) which is the base. However, during 1940-41—the first season after the introduction of control—there was no limitation of acreage as the Bengal Government thought that even a big crop would be absorbed at a satisfactory level of price. In 1941-42 the extent was fixed at 62.5 per cent. or about 31 lakhs acres, and during the 1942-43 and 1943-44 seasons it was fixed at 50 per cent. or about 25 lakhs acres. The yield in 1940 was about 115 lakhs of bales, on the basis of which the present output is just under 60 lakhs of bales. The total production of the other jute growing provinces, namely, Assam, Bihar and Orissa, during the pre-war years was about 25 per cent. of Bengal's production, and for the 1943-44 season it is estimated by the Bengal Government at about 40 per cent. of Bengal's output.

Price of Manufactures

In this background we might proceed to consider the control exercised by the Indian Jute Mills Association, at the instance of the Government of India, over the prices of jute goods, and as a consequence of that, over the prices of raw jute. In July last, the Government of India sought to impose control over the jute industry on lines similar to those adopted for the cotton textile industry. But thanks to the firm stand taken by the Jute Mills Association and the accommodating spirit of the Government, the offer of the Association to fulfil the main objectives of Government control was accepted, so that jute control is now voluntary and internal. The fundamental points about the price ceilings are two: (1) The fixation of maximum prices for manufactures below the prevailing market prices which benefits foreign countries; (2) The fixation of maximum prices for raw jute consequent on the above which results in the defeat of the price policy implied in the scheme of restricted cultivation. With regard to the first point, in the second week of June last, the Indian mills received an order for 700 million yards of Hessians from the American Government and early in August, the Association fixed maximum prices at which jute goods would be sold to them. These were, for Hessians, Rs. 21.12 (40" 8oz.) and Rs. 28.2 (40" 10oz.), for 100 yards, as against Rs. 22 and Rs. 29, respectively, being the prices prevailing in May; and for B. Twills, Rs. 67.12 as against Rs. 74, being the price prevailing in May. The actual prices at which the American order was contracted were, however, even lower, being Rs. 19.8 and Rs. 26, respectively, for the two qualities among Hessians. Though these maximum prices are "voluntarily" imposed by the I.J.M.A. outwardly, it is hard to believe that the Government of India did not influence the levels under pressure from Washington. The prices fixed are the American ceiling prices, and that the U.S.A. should want its ceiling prices to prevail in another country is indeed the limit of economic coercion. Ninety per cent. of the present output of jute manufactures is being exported and there is no reason why other countries should not buy at the prevailing market price. According to the present arrangements the requirements of the Government of India and the British Government are met on a cost-plus-profit basis and India's internal requirements (other than Government account) are clubbed with those of the other foreign and Empire

countries to be met at current market rates, subject to the maximum prices fixed by the I.J.M.A. But when the latter themselves are lower than the current market rates, Indian consumers will have to pay the maximum ceiling prices for their requirements while countries like the U.S.A. will have obtained their supplies at less than the ceiling prices through Governmental pressure. The price fixing of jute goods is not on the same footing as that of cotton goods for example. The beneficiaries of lower prices are the United States and other external buyers. If the Government of India did not want to increase unduly the profits of the jute mill industry or pay (as a necessary corollary) more for raw jute that object could have been gained by setting aside the extra profits as a reserve to be utilized in the interests of the cultivator and the industry in the post-war period. Instead of doing this (as was done for instance in the case of sale of groundnuts to His Majesty's Government) the Government of India has now only made a present of some lakhs of rupees to U.S.A. and Empire countries including Great Britain. Rightly has a certain section of the Indian Jute Mills Association entered a protest against this policy of the Government.

The Industry and the Cultivators

The second point, namely, the fixation of maximum prices for raw jute, is the more important of the two. When Government imposed a scheme of price ceilings for manufactures on the Association, the latter in their turn imposed one on the growers of the raw material of their industry. Of course, the industry would say that when it is compelled to sell its products at not more than the fixed prices, it cannot afford to buy the raw material in a free, and to some extent, speculative market. We have already seen how, throughout its history, raw jute has not enjoyed that position with regard to price which its monopolistic position easily entitles it to. The present pretension of the Indian Jute Mills Association in the matter that raw jute is only a conditional monopoly, the condition being the price, has always been there since the beginning of this century and does not hold water. The prices now fixed for raw jute are, Rs. 14, Rs. 17 and Rs. 19 per maund, for Bottoms, Middles and Tops, respectively. Enough to say that on two grounds these prices deserve to be revised and more scientific and reasonable ones substituted. Firstly, these prices are not correlated to the prices of manufactures. It has been calculated that the value of the raw jute (at the present fixed prices for them) in 100 yards of Hessian costing Rs. 26, is only about Rs. 9 or Rs. 10, i.e., roughly 35 per cent. of the value of the finished product goes to the raw material. The present approximate manufacturing costs are Rs. 300 per ton or about Rs. 6 for the quantity of raw jute in 100 yards of Hessian. The total cost comes to Rs. 16 which gives the profit figure of the industry at nearly 40 per cent. Such a large margin secured by the industry justifies a higher price for raw jute.

The second ground is that these prices are not correlated to the prices of consumer goods, particularly rice and other foodstuffs, which the ryot has to buy by marketing this money crop. He has to buy a maund of rice now at Rs. 40, and even allowing for the normal disparity in price for the yield per single acre of rice and jute, he is suffering a loss of at least three hundred per cent. by choosing to grow jute, in addition to the difficulty of obtaining the rice he can easily grow on the same land. Thus the purpose of the Bengal Government of securing more economical price to the cultivator by restricting acreage is defeated by the present prices fixed for raw jute by the I.J.M.A. It would also appear that though the Bengal Government have always tried to restrict acreage in pursuance of their declared policy, the Government of India under instructions from Whitehall have intervened to prevent the restriction from being more than what it is. In fact in their *communiqué* announcing the acreage for 1943-44, the Bengal Government accepted that they have been "very largely influenced by representations from the British Ministry of Supply." If prices are not revised in time there is no doubt the cultivator will be driven away from jute which may not be a bad thing at the present time, but which may cause irreparable damage to the future of the world jute industry. The wiser course would have been to restrict jute cultivation and divert lands to rice by offering liberal and adequate compensation.



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FROM THE PROVINCIAL ANGLE

GROWING BUDGET DEFICIT—NEW TAXES CRITICISED—NEED FOR COTTAGE INDUSTRIES IN FAMINE AREAS

(From Our Correspondent)

MADRAS, Oct. 3.

THE Madras Government have passed the second Finance Act of the year increasing a number of taxes. The reasons for the increased taxation are set forth in a Press *communiqué*. Large-scale famine relief operations in the Royalaseema, a number of measures connected with the procurement, distribution and rationing of foodstuffs resulting in increasing expenditure, increased dearness allowances to Government servants, the need for building a reserve fund to finance post-war reconstruction schemes and the writing off of certain outstanding loans advanced to ryots in the Bellary District are mentioned as the five main causes responsible for the new taxes. Three taxes have been increased from October 1, 1943. The first of these is the betting tax which has been raised from 1-1/4 to 3-1/8 per cent. in Ootacamund and from 4 to 6 per cent. in Guindy. Secondly, stamp duties have been increased by 50 per cent. in some cases and by 100 per cent. in some other cases. Thirdly and the most important is the increase of the sales tax from 1/4 to 1 per cent. The total additional revenue anticipated from the new taxes is 179 lakhs in the current year and Rs. 340 lakhs in a full year. The budget published in March last anticipated a surplus of about Rs. 10 lakhs but the finances of the Government have not been comforting even during the first few months of the year. Revenue collections up to the end of July (figures relating to this period only are now available) totalled Rs. 607 lakhs as against an expenditure of Rs. 705 lakhs, leaving a deficit of Rs. 98 lakhs. The position should have been much worse since then, due to the vast expenditure in Royalaseema at the rate of nearly Rs. 1 lakh a day in recent weeks.

New Taxes

There may not be any quarrel with the Government in regard to the reasons which necessitated the Government to raise additional finance but the methods by which it is sought to be raised have been criticized adversely. Both business people and consumers are against the new taxes. The sales tax, a very useful invention, has now come in handy in the Government's hunt after an elastic and expanding source of revenue. The objection to the increase in this tax is to be found in the fact that the tax is now being used for a purpose not contemplated by the late Congress Ministry when it was first imposed. The increase in the tax is sure to be reflected in a generally higher level of prices. In an effort to "co-operate with the anti-inflationary measures of the Government of India by withdrawing the excess purchasing power of the public as a means of keeping down prices, while there is a shortage of goods," the Government would only be creating the very opposite of it. The pious hope of the Government that the increase in the tax will be very largely borne by the big business may not be fulfilled. Governments, in the past, have been criticized for under-estimating revenues and over-estimating expenditures. And, Madras Government seems to be no exception; for, while at 1/4 per cent., the sales tax has yielded over Rs. 50 lakhs during the first four months of the current financial year, the yield expected at the increased rate during the second half of the budget year is estimated at Rs. 146 lakhs. The increased stamp duties cover a very wide field. Acknowledgement of a debt exceeding

Rs. 20 in amount or value, certificate or other document evidencing the right or title of the holder either to any shares, scrip or stock, delivery orders in respect of goods, letters of allotment of shares or loans to be raised in respect of companies and conveyance of goods are some of the important items coming under the purview of the increased stamp duties and as such business activity is very largely affected. There will be little grouse at the increased betting taxes as the prospective punters and backers may not mind paying a little extra in order to satisfy their fancies.

Famine Relief in Royalaseema

Royalaseema continues to be main concern of the Madras Government and they have now estimated for an expenditure of Rs. 2-1/2 crores in the current year, though such a large expenditure wisely spent on a capital scheme should have yielded permanent results to eradicate famine for ever in these parts. At present, the District Collectors are supervising the famine camps but as it has been found impossible to attend to this without prejudice to their normal work, the Government have appointed two special collectors to this work for a period of three months. The report of the working committee of the Andhra Mahasabha on the conditions in Royalaseema has now been published and it stresses the need to send more dry grains, the principal staple food of the majority of the people. The importance of harnessing human labour to cottage industries is also emphasized by the Committee. Since Royalaseema abounds in minerals, the members of the Committee suggest that the Government might encourage or establish large-scale mining industries. The speeding up of the work of the Tungabhadra Project is also stressed.

Cashewnut Exports to U.S.

The ban on the import of cashewnut into the United States of America imposed by the U.S. Government having been removed following an agreement between the South India Cashewnut Manufacturers' Association, Alwaye, and the Defence Supply Corporation of America, the market for cashewnuts in America is likely to expand rapidly. Cashewnut is a food product which looms large in India's export trade with the United States for which the American consumer depends almost entirely upon India for supplies. The development of the American market is of comparatively recent origin and the basic reason for the success of the cashew trade in America is the comparative cheapness of the nut coupled with its delectable taste. In 1939, American imports of cashewnuts reached the peak figure of over 29 million lbs. Under the new agreement referred to above and which will expire at the end of this year the U.S. Government has agreed to buy 2,500 tons of cashewnuts and to certify an equal quantity as eligible for shipment. It has also been approved that for such certified goods, shipping priority should be given over all non-priority cargo and that under no circumstances should such certified cashewnuts fall under any embargo.

Reports of large-scale slaughter of cattle were the main reason for the emergent meeting of the Madras Provincial Livestock Improvement Board held

A DELHI DIARY

NEW DELHI, October 7.

I understand that the personnel of the Central Health Survey and Development Committee has been practically settled by the Government of India. As already announced its President will be Sir Joseph Bhowe, a former Member of the Viceroy's Council. The Secretary of the Committee will probably be Dr. K. C. K. E. Raja, the Deputy Public Health Commissioner. Among the Indian members of the Committee are Mr. N. M. Joshi and Mr. B. Shiva Rau (representing Labour), Mr. L. K. Maitra of the Assembly, Mr. P. N. Saprú of the Council of State, Mrs. Tyabji, Miss Lazarus, and Dr. A. Lakshmanaswami Mudaliar. The Committee which is expected to consist of about twenty members will probably hold its first meeting before the end of this month. It is expected that the Committee's work will take about nine months. No clear idea is yet available of the work which it is expected to do, but it will largely be of an exploratory character to deal with post-war health and nutrition problems. One of the most useful members will undoubtedly be Dr. Aykroyd who attended the Hot Springs Food Conference on behalf of the Government of India and has already submitted a report on nutrition problems.

No less than twelve resolutions were adopted at the three-day meeting of the Central Advisory Board of Public Health, but there was a distinct feeling of dissatisfaction among the members that though the Board has been in existence for over five years and made important recommendations, the Governments concerned have yet to give effect to a large number of them. The Committee discussed at some length the report of the committee appointed to investigate the question of food adulteration in India. In addition to making detailed suggestions for the prosecution and punishment of offenders guilty of food adulteration the Committee has recommended that under existing conditions the creation of a cadre of analysts in each province and State will alone meet the situation. The Committee has also suggested that advantage should be taken of the provisions of Section 103 of the Government of India Act, 1935, under which Provincial Legislatures can request that the Central Legislature should pass an Act for the control of food production, distribution and sale. Lastly, the Committee has taken care to observe: "While the provision of adequate legal powers is essential for a continuous improvement in the community's food supply, it will be equally necessary to supplement legal measures by administrative action designed to increase the production of essential foodstuffs which will be satisfactory in quality and quantity. The promotion of co-operative effort for the larger production of essential foodstuffs and for reducing the cost of their distribution to the public is a matter for serious consideration by Provincial and State Governments."

Of considerable interest also was the report which Dr. Aykroyd presented on nutrition questions arising from the recommendations of the Hot Springs Conference. The report expressed the view: "In so large a country as India it would be advantageous if Provincial and State Nutrition Committees could be established. Such committees could not, however, work effectively unless an expert on nutrition is included among its members." This suggestion appears to have found favour with the Central Board. Another valuable recommendation made by Dr. Aykroyd in his report runs to the effect that "since the health of the community is influenced by the food it consumes agricultural policy must be based on a scientific assessment of the local

requirements of the population" and that "this implies close collaboration between health, nutrition and agricultural authorities." Unfortunately, there has been very little of this collaboration in the past either in the provinces or the Centre. It is hardly likely that anything much will be done during the period of the war, but it is hoped that the Bhowe Committee will take up this question in detail and evolve a workable plan for post-war development.

It has also been decided at the Board's meeting to organize an Indian National Society for the Blind. According to official estimates 50 per cent. of present blindness in India are curable some place the percentage of curable and preventable at a substantially higher figure. The importance, therefore, of a systematic campaign to tackle the problem of blindness in India cannot be questioned. Sir Clutha Mackenzie in his report to the Central Board referred to the practice in the West where "all men and women, losing their sight up to the age of 40 or 45 are, provided they are otherwise normal in mind and body, regarded as employable." He recommended further: "The Legislative side will of course need attention requiring the compulsory education of blind children and the tightening up of measures to prevent them being used for begging purposes."

With this week-end a particularly busy time opens for New Delhi. The new Supreme Commander, Lord Mountbatten, arrived in New Delhi this morning and after brief consultations with General Auchinleck, is proceeding immediately to Chungking to confer with American and Chinese Generals. Lord Mountbatten expects to be back in New Delhi soon after the new Viceroy arrives and set up his headquarters.

In addition to the Food Conference which is to meet a few days hence to take decisions on the Gregory Report, there are to be several meetings and conferences during the month. The Princes Chamber is to meet next week when Lord Linlithgow is expected to make his farewell address though no political importance is being attached to it. It has also been announced that two important post-war reconstruction committees will meet before the end of the month—the committee on public works and electric power and another on trade and industry. The officials of the Secretariat are also preparing for the coming session of the Central Legislature. One of the first questions which will come up before the new Viceroy for decision is the proposal to apply trade sanctions against South Africa. It is understood that a majority of the Indian Members are in favour of respecting the decisions of the Standing Emigration Committee and immediately instituting trade sanctions against South Africa. There is the fear, however, that His Majesty's Government may intervene and try to secure a postponement of these decisions. It remains to be seen what attitude Lord Wavell takes up, for Lord Linlithgow has so far been non-committal.

I understand that the Government of India are considering the question of introducing rationing for electric bulbs. Before the war about 10 million bulbs used to be imported into this country, but at present hardly three millions are reaching India. Though indigenous manufacture has been developing fast it has not yet progressed enough to meet Indian requirements to any considerable extent. In most big cities rationing of electricity may also have soon to be introduced as a war necessity.

ARGUS.

NEWS PAGE

The view that India's immediate food problem was one of quantity rather than quality was expressed by more than one spokesman during the discussion on food and health at the recent meeting of the Central Advisory Board of Health.

In his presidential address to the Dundee Chamber of Commerce, Mr. A. J. Stewart said that after the war they would have to contend once again with adverse conditions arising from the competition of cheaper production from Calcutta.

According to an Order of the Central Government, dated October 1, the sale and purchase of hydro-sulphite of soda are subject to a valid license granted by the Textile Commissioner.

The U.S. Secretary of Labour, Miss Perkins, revealed last month that over 2.1 per cent. of the 45,000 machine tool workers in the United States are now women, whereas before Pearl Harbour there were virtually no women in that industry. It is said that, though they have been in industry a relatively short time, women are doing very accurate work on jobs which require the most skilled precision work.

In addition to the recent surplus of 22,500 tons of rice declared by the Punjab, it is understood that a further quantity of 6,500 tons has been made available, which has been allotted to Bengal, and the Eastern States are also believed to send 5,000 tons from their surpluses. Sind recently declared a supplementary quota of 9,000 tons to Bengal under the Revised Basic Plan.

The Government of the United States is reported to be considering a proposal for an understanding with Britain that neither country will enter into post-war commercial air transport agreement with a third party before consulting the other.

Two Post-War Reconstruction Committees, the one on Public Works and Electric Power and the other on Trade and Industry, are meeting in New Delhi this month. The former will meet on the 25th and the latter on the 21st and the 22nd.

"The present general condition of this extensive system of district roads (in India), some metalled, many more unmetalled, seems to me to be a reproach

to our generation and a barrier to every other plan of rural uplift," said Sir Kenneth Mitchell, Controller of Road Transport, in his address to the Eighth Session of the Indian Roads Congress held recently.

The Secretary to the U.S. Treasury, Henry Morgenthau, has announced that the third U.S. War Loan drive has reached its goal of 15,000 million dollars.

The main subject before the forthcoming Fourth Food Conference on October 13, will be the determination of a common policy for the whole country in the light of recommendations made by the Food-grains Policy Committee.

The U.S. State Department announced that agreement has been reached whereby Mexico will pay American nationals 20,137,700 dollars in final settlement for the expropriation of oil properties in Mexico in 1941. The payments were to begin on September 30, with a remittance of 3,796,391 dollars and the balance will be paid in four annual instalments.

During the six weeks ended September 25, 1943, nearly Rs. 39¼ crores were invested in Government loans. This comprised Rs. 9¼ crores subscribed to the Fourth Defence Loan, Rs. 21¾ crores realized from the sale of rupee counterparts and Rs. 7¾ crores raised by the Provinces for repayment of debt to the Central Government.

According to a report from America, Russia's post-war plan mainly aims at developing internal resources to a point where it will lead the world in *per capita* production of many basic necessities, while China's post-war plan envisages rapid industrialization under State Capitalism.

Referring to the supplies of goods and services to the new South-East Asia Command to be established in India shortly, the Federation of Indian Chambers of Commerce has pointed out that if the present method of rupee finance, with the payment to India of sterling in London, is applied to them it would not only aggravate inflation but also make more acute the present extreme scarcity of commodities for civilian consumption.

CLEANINGS

FRANCE'S ECONOMIC TORMENT

"When the men of Vichy signed the armistice in June, 1940, some Frenchmen hoped that, by staying out of the war, France would at least be able to make up for political and military defeat by economic recovery," writes the *London Economist* of July 10, 1943. "The record of three subsequent years shows instead a picture of utter impoverishment. The French economy has been reduced to a level from which its reconstruction in the post-war years will be extremely difficult. France's industries have been crippled or starved by the lack of raw materials. In consumers' goods, which used to play so decisive a part in the industrial life of the country, productive capacity has been kept largely unemployed. Lack of raw materials, fuel and lubricants has condemned the machinery of textile, silk, leather and other light industries to idleness, and every year of idleness increases the depreciation of capital assets. The position of the heavy industries has been equally critical, though for different reasons. German policy has been to exploit these industries as mere appendages to the German war economy. The overall output of the French heavy industries, excluding those of Alsace and Lorraine, amounts to about 50 per cent. of its pre-war volume. Among the other economic developments which have taken place in France under the Vichy regime, the following major changes are bound to affect the economic and social outlook for some time to come: the shift in the distribution of the national income in favour of the peasantry; the enormous growth of the national debt and the inflation of currency; and the pauperization of small proprietors as well as of rentiers. The shift in the distribution of the national income has been due to the shortages of foodstuffs and the ever-growing role of the black markets.

"The national debt has, according to the well-known French economist M. F. Jenny, grown four-fold in the course of the war. Medium and short-term loans which, at the beginning of the war, accounted for 25 per cent. of the national debt, have now risen to 55 per cent. The currency circulation has been trebled—it now amounts to more than 410 milliard francs. Some Vichy economists have recently tried to measure the present purchasing power of the franc; but the attempt has, for obvious reasons, been given up. Yet an approximative estimate can perhaps be made. If it is assumed that the mass of commodities available in the channels of trade amounts to 50 per cent. of what it used to be four years ago—an assumption which it seems safe to make—and if the mass of currency has in the meantime grown three times, then the franc should have fallen to at least one-sixth of its pre-war value. The sharp fall in the purchasing power of the franc indicates the degree of pauperization suffered by the small rentiers. The impoverishment of small rentiers goes hand in hand with and supplements the progressive elimination of small enterprises. It is estimated that towards the end of this year about 50 per cent. of the small industrial and commercial enterprises will be liquidated, either because of the concentration of enterprise or because of the lack of raw materials or because of the conscription of labour for Germany. It is still difficult to gauge all the implications of this process in a country in which 60 per cent. of the industrial population drew its incomes from small enterprises, and in which the small shop accounted for about 90 per cent. of the total number of trade establishments. The small shopkeeper and the artisan—for whom Vichy promised to act as trustee—have been the main and the most pathetic victims of the *Revolution Nationale*."

COAL AS SOURCE OF POWER

How coal used for developing power can be saved and difficulties experienced in its transport minimized if increased use is made of falls on Indian canals for developing energy is shown in an address given by Sir William Stampe to the Research Committee of the Central Board of Irrigation. Many of the larger Indian canals have falls, especially in the upper regions near the hills where power can be developed either directly from individual falls or by modifications of the canals, for example, by combining two or more adjacent falls. A number of falls on the canals in the United Provinces have been used for this purpose, and in view of the coal shortage it is now proposed to develop the falls which were not used hitherto. This development would be of immense value not only to the provincial power system but to the Indian coal position as a whole. Every unit developed on a canal and economically utilized means a saving of 2 lbs. of coal.

According to Sir William Stampe's calculations 68,000 tons of coal would have been required in U.P. per year during the last seven or eight years if the tubewell system had been energized from coal. Four hundred wagons would have had to have been permanently reserved to carry this coal from the coal fields to the power station. Emphasizing the need for the installation of further hydro-electric power stations Sir William Stampe observed: "All such activities, by releasing railway transport, by releasing labour in the coal-fields and by saving wear and tear generally, would help the war effort, and—more than that—would assist to make India a better country for ever afterwards—especially for the cultivator whose interests were their main consideration."

THE FALLING BIRTH RATE

"Parliament has become so alarmed at the fall in the birth rate, that it has promised a Commission of Inquiry dealing with the subject as a whole," writes *The Statist* of August 7, 1943. "Such an inquiry should be extremely interesting, but we do not think level-headed readers will accuse us of assuming the mantle of the prophet if we say that something much more is needed than any action which Parliament is likely to be able to take upon the question. As we have pointed out before, the question is psychological, and it is part of the general movement of thought in western Europe, which has been dominant now for more than a century and a half. Both sexes, and all classes, have from time to time, taken a hand in the movement. Sometimes we have called it progress, at others, rising the standard of living, the emancipation of women, or improving the condition of the masses. Every civilization, at a certain stage of its development, has to face this question. Rome, at a period resembling our own, had travelled very far from the position which made possible the Consul Marcellus. The Antonine Emperors were never tired of preaching from the text that the Empire would disappear unless there was a recovery in the birth rate, very much as our public speakers are preaching today. The Romans of that period had got tired of the ever-increasing sacrifices demanded from the civilian, accompanied by a steady deterioration, and by the equally alarming mistakes made in the Imperial Administration. A lady recently had a letter in the *Times*, in which she said the whole position of women will have to be reviewed. This is, no doubt, true, but probably not quite in the sense the lady meant. One of the movements of the time has been the desire of women to have a career. Clearly, this is incompatible with the management of a household, and the bringing up of a family which is manifestly a whole-time job."

BOOK REVIEW

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THE SOCIAL FRAMEWORK: An introduction to Economics. By Professor J. R. Hicks. Oxford University Press. Pages xii + 212. 1942. Price 7sh. 6d.

A student of economics has always been handicapped in the initial stages by compartmentalized thinking in his field of study. On the descriptive side, he has to study economic history. But when it comes to theory, he has all at once to delve into the theory of 'value and money on an essentially abstract level. The danger is that he has not—till a very advanced stage of study—a comprehension of the total socio-economic scene so that in studying abstract theory, he tends to lose the continuous contact with reality without which an intelligent study of any social science is absolutely impossible. We had really no elementary book which would give the beginner an adequate picture of the socio-economic framework. This book fills this gap for British students and is, indeed, a sign of the new shift of emphasis to vital social and economic problems. The book assumes no previous knowledge of economics and rapidly surveys in a concrete and realistic manner the "anatomy" of the British economic milieu and gives the reader that perspective and sense of order of magnitude which equip him for a fruitful study of economic theory and the actual functioning of the economic system. There has recently been a vast improvement in the organization of economic data in Great Britain. Prof. Hicks draws copiously on the new fulness of statistical knowledge in Great Britain and gives an account covering the entire economic field from production and exchange to the inequality of incomes. What emerges is a simple, arresting narrative and a tableau of absorbing interest. We wish we had a similar book in India projected against the Indian socio-economic background.

Yet it is not all narrative, for as is inevitable in such a study, the picture cannot be entirely detached

LETTER TO THE EDITOR

Sir,—I am sometimes shocked by the curious explanations put forward by the Government of India in defence of their actions which are dictated from above, but of which nevertheless the Government of India, or more truly, the Indian Councillors of the Viceroy's Executive Council are forced to make a shameful defence. As a case in point, I may bring to your notice the following facts:—

During the recent session of the Legislative Assembly, in contradiction of the statement by the Indian Chamber of Commerce, Calcutta, of the alleged exports of foodgrains from India to overseas, the Government of India came forward with the ludicrous explanation that whatever quantities were exported represented a negligible percentage and that too was meant for the consumption of the few Indian seamen now resident in the South African Ports. If the Government of India are so parental in their anxiety to keep the Indian seamen abroad fed why cannot they ask the United States and the United Kingdom to export foodstuffs to India, not for the starving millions of India, but for the many thousands of American and British troops stationed here? If the two Governments took upon themselves, as the Government of India have done in the case of Indian troops abroad, the responsibility of feeding their own troops in India, the heavy purchases now being made by the Defence Services will be released for the use of the famine-stricken population of this country.

from the perspective or the point of view. Prof. Hicks speaks with verve and enthusiasm, often with acute insight, but not always without an overtone of social philosophy. Thus, speaking of the tendency to financial concentration, he says: "Whether it is a rule of economic affairs that 'to him that hath shall be given' may be disputed; but there can be no doubt that it is a rule of borrowing and lending that to him that hath shall be lent." Or, again, consider his description of a modern joint-stock company as a kind of partnership of a self-perpetuating directorate which borrows money by issuing shares; or his conclusion that "the capital equipment of the community has, in the main, ceased to be owned directly by private people." What could be a more incisive and realistic appreciation of economic morphology in a modern capitalist society? No less interesting are some of his broad conclusions. For example, he says that in spite of the high rate of death duties in Great Britain, "death duties are probably effective in preventing the largest estates from growing even larger, but they do not prevent the inheritance of property on a scale large enough to facilitate the building up of a great fortune within a single lifetime from what has been inherited." He gives a very interesting table of the distribution of "available income," i.e., income after allowance for tax and social expenditure. The table shows that the lowest income class (under £250) paid in 1937 taxes totalling £458 mn. and benefited by social expenditure totalling £520 mn. He concludes: "It is therefore hardly right to describe that expenditure as a 'transference from the rich to the poor,' a description commonly used." More production, rather than better distribution is the crucial problem; the gravamen is the inequality of power rather than inequality of income which is a relatively harmless kind. The Professor concludes that while it is important to keep inequality of income in check, "it is still more important for the future of human freedom that we should not open the door to other devils in its place."

While the Government of India are coaxed and cajoled to be generous to provide foodgrains for Iraq and Iran and other countries and the Government Members in defence of the same exult in the satisfaction of accomplishing a charitable mission, it is revealing to read the response of an American Lend-Lease Official to the appeal of the Mayor of Calcutta to United Nations and particularly the United States to come forward with a lending help by arranging exports of foodstuffs. It was stated by him: "We cannot deal with the Mayor." Further he stated: "It is a British affair. The British have food and they can get it much quicker than we can, for instance from South Africa." What the Government of India have done is to take precautionary measures so that our wall might not be heard by the other nations. In face of all this, if the United Nations fail to take cognizance of the appeals from the leaders, will it be too much to expect of the Government of India to represent the case of the starving millions to the leaders of the United Nations to render whatever help they can? May it also be expected that the Government of India will now plead with them strongly and in time before the catastrophe completely overtakes us?

Yours, etc.,

MANOHAR LAL HARKAWAT

25, Sept., 1943,
New Delhi.

Planning in Transport

Railways

By J. E. Castellino

COMMUNICATIONS provide the key to economic order, and it is time when all kinds of schemes for post-war reconstruction are being formulated the spotlight of public discussion should also be switched on to distribution. A reduction in production costs is always desirable, but a vital weakness in the economic system will be concealed if attention is not focussed on distribution costs which account for more than half the price paid by the consumer. The pride of place among transport agencies has been held by railways but their position today is apt to recall Oscar Wilde's jibe at Bernard Shaw: "he has not an enemy in the world and none of his friends likes him." Moreover it was not mere witticism when someone said that the problem facing railways has always been one of life or death; a hundred years ago, the problem was of getting railways; fifty years ago, it was of curbing the development of railways; today, it is one of keeping railways alive!

Some factors are obvious. If there be heavy arrears in maintenance and a rapid fall in the quantum of traffic, on the one hand an increased expenditure will have to be met and on the other, a reduction in rates to attract traffic will have to be made. Then the phenomenal development of air transport, the wide ramification of road services and the extension of coastal country-craft and the river-borne services, sedulously fostered to relieve the strain on railways, will engender keen competition, no matter how strong the executive control of mal-practices. Then numerous industries which have been started in the absence of foreign competition and under protection will clamour for freight-subsidies to enable them to survive and help the country's industrialisation. Lastly the disruption of the normal channels of trade, the restrictions on the movement of non-essential traffic, the urge towards economic self-sufficiency which all have had the effect of reducing railway revenues will require to be counterbalanced by vigorous salesmanship of the commodity transportation.

The above are purely protective measures, arising out of warfare, whether there is the desire to improve or not. If, however, progress has any meaning, then many anomalies which flourish on Indian railways will have to be rooted out. Can India afford three classes and three gauges? In the battle of the classes as in all wars the middle class will probably disappear and "refinements" will be introduced at the upper end air-conditioned stock, observation cars, radio services, music salons, libraries—on de-luxe trains. There will also be loud insistence on greater amenities to the third class passengers who will not be content to travel in conditions which are said to be suitable only for cattle and criminals! The installation of electric fans, the cushioning of seats, and the improvement in latrines are demands which will have to be met, sooner or later. The battle of the gauges must be imminent; standardization of rolling stock can only be perfected with the abolition of numerous gauges. Apart from this there is the economic wastage involved in transference of passengers, luggage and parcels and the transhipment of goods at break of gauge junctions; both time and money are lost unnecessarily. With high Government credit, cheap money, abundant men

and materials, an expansionist programme will be welcomed as it may stave off unemployment of labour and depression of trade. Why not a change from the metre gauge to the broad gauge, or, if the latter is too expensive, a conversion to the standard gauge of 4'8½" as a good compromise?

There is always an appeal in speed which is irresistible. India's record in this direction is very poor. The fastest long distance train in India, the Frontier Mail, has a start-to-stop speed of 36 miles an hour! Even the Deccan Queen, electrically-operated, does the short run of 119 miles at an all-in speed of 44 miles an hour. Future running speeds will have to be in the region of 75 miles an hour, if all high-class traffic is not to be lost to air-services! And the acceleration of a few selected trains will not be considered in future as an achievement worthy of praise. The whole of the railway services will have to be geared up to the speed of modern commercial conditions.

Traders who decri railway services are apt to praise the rival road service for various reasons, some of which are uncontrovertible. The absence of strict packing conditions, the simplicity of booking, the door-to-door delivery, the quickness and certainty of transit are all factors which tend to attract traffic to the lorry services. What measures should the railway take to retain its traffic? Indian railways have not yet thought it fit to introduce the container, which presents the shipper with a ready-made damage-proof packing and provides the railway with a package that is easy to handle, to stow in a wagon, and to transport by rail or road. Parallel with the development of the container must proceed an urgent inquiry into the possibilities of refrigerated transport for edible fauna and fruit, flesh and fish. If there is one aspect of administration to which the public complaint of woodenheadness can with some justice apply, it is its apathy towards the demand for refrigerator facilities. The glittering pomegranates from Dholka, the milky cauliflower flowers from Kasganj, the luscious fruits from Kulu, Kashmir and Quetta, the fragrant flowers from the Hills, the fatty cattle from the North, the creamy milk from Gujarat—all would come fresh and cheap if special rolling stock were provided. In the sub-continent of India where variations in climate necessitate transport of some foodstuffs over long distances, refrigerated transport, now deemed a luxury, can become a necessity, once the standard of living is improved. Such wide divergence in prices as exists between surplus areas and consuming centres is a measure of the inefficiency of the transport system; in a well-knit economic unit, a substantial variation in price-levels at different places is impossible.

The need for a thorough change is, of course, apparent. There are many pettifogging restrictions, which could with advantage be removed. The siding charge, for instance, though intended to compensate the railway for the actual out-of-pocket expenses, is yet so trifling in value but so vexatious in practice that it could be foregone and treated as a token or guarantee that all traffic would be handed over to the railways. Pushing the argument still further, there is justification for providing sidings free of charge, on the plea

that such facilities would perforce limit the temptation to use alternative means of transport. The development of "agreed charges" was born out of this necessity, and day by day, an extension of the system is observed on the English railways. The advantages are overwhelming. All the clerical formalities attendant upon the booking and the delivering of a consignment, all the calculating, accounting and recording are eliminated. The transport bill is a definite quantum, which can form the basis of a stable budget; and firm contracts, without the anxiety of any variation in transport charges, can be made.

The argument that railway charges must be low because some 22 thousand million passenger-miles and 28 thousand million ton-miles are run on Indian railways annually must yield to the demand that no rate or fare is low which prevents a free and easy movement of men and materials. Similarly, the complacency over the fact that the movement of wagons has been improved to over 80 wagon-miles per day is unjustifiable so long as stations are closed to traffic, intermediate halts eliminated and restrictions placed on bookings. Nor can there be easy acceptance of the suggestion that since the railways in India have been faring better than railways in other parts of the world, their organization is good and their efficiency high. The variations in the operating-ratio and in the net return on capital as will be seen from the following table undoubtedly indicate that there is scope for improvement.

Railway	Year	Operating ratio	Net return
B.B. & C.I.	1931-32	60.02	5.63
	1936-37	56.70	7.04
	1941-42	50.45	10.44
E.I.	1931-32	65.17	4.12
	1936-37	60.48	5.23
	1941-42	56.84	7.92
G.I.P.	1931-32	76.09	2.41
	1936-37	63.52	4.27
	1941-42	50.89	9.31
N.W.	1931-32	80.07	1.96
	1936-37	67.54	3.77
	1941-42	59.14	6.22

The system of organization needs also to be overhauled. In the past, when railway companies were taken over by Government, their identity was preserved: in a few cases there were amalgamations. It would appear necessary now to split up the state-owned railways into self-contained compact units. Regionalization, not amalgamation, should be the policy; each railway system should embrace an area of a definite geographic and economic unity. Another aspect of organization which needs a close study is the relative superiority of the Divisional System and the Departmental Systems which prevail on Indian railways. Small, autonomous units are costly in operation; on the other hand, well-knit divisions which take pride in their achievements and strive after better results, should engender the spirit of competition and improve efficiency.

Unfortunately the results on Indian railways do not appear to justify the greater expenditure and there is a suspicion that there is a superfluity of personnel on certain railways. In this matter, as well as in the

matter of unification, the forecasts have been both optimistic and illusory.

An improvement in efficiency, as evidenced by lower working costs, is the ideal of the railwayman. The demand that certain commodities should be offered in full wagon loads rests on a fundamental factor in railway operating, namely, that the wagon is the unit of measure. Per contra, it is up to the railways to provide a wagon unit which conforms to trade requirements. It is manifestly absurd to expect traders to tender 60 bales of cotton if the basis of the contract is in multiples of 50! Again, when charges are calculated on the carrying capacity of wagons, it is most inconvenient to a merchant if the sizes of wagons, allotted to him, vary from day-to-day, as he is left in doubt as to the quantity he has to bring to the station. Standardization of rolling-stock, on a sound commercial basis, is, therefore a matter of some urgency. Moreover a retrograde step would appear to have been taken when a few years ago, the railways abolished the lower wagon load classification for a number of commodities, on the plea that such a concession constitutes undue preference to big traders. This argument cuts right across the classical theory that economics of large-scale production are very desirable.

There are other problems which the railways will have to face, with energy and initiative. In successfully performing their colossal war-time task, they have had to overcome many practical operating difficulties. This has, in many cases, involved the utter disregard of normal monetary considerations, which will, on pressure from public opinion, regain their former importance. It is one thing to cater only for long-distance and essential traffic; it is quite another to disrupt usual channels of trade. A reversal of the trend to buy or sell in the nearest areas will not be easy; today, shippers are told they must eliminate lengthy haulage; tomorrow, will they be willing to compete in the more distant markets, even with the incentive of lower freight rates? There is always the danger that the war-time rationalization of industry and the zoning schemes may come to be perpetuated, and the necessary modifications in pre-war commercial and operating methods may involve a considerable sacrifice of revenue at a time when financial demands will be heavy and continuous. The bogey of road-rail competition is ever present, and the memory of the disasters that overtook the railways after the last war is pretty green. Coupled with all this foreboding is the suspicion that a "square deal" is difficult to secure; and the satisfactory correlation of rail and road services will tax the very best talent the country possesses. While the present sacrifices may legitimately be regarded as a direct contribution to the war effort, retribution will be swift, since posterity is being pawned for present glorification.

On the vital problem of railway organization and finance, opinions are bound to be divided. The index of efficiency in a transport undertaking is in inverse ratio to the level of charges; the higher the charges, the lower the efficiency. And in a community where railways are publicly owned, it is arguable that when the aim of a transport undertaking is deflected from the ideal of service into a channel for profit-making, its purpose is frustrated. On the other hand, it is equally proper to suggest that a nation may utilize such a vast enterprise as an instrument for shaping its economic policy. One issue will therefore have to be decided before any scheme for post-war reconstruction is developed. Is the railway system to be run as a purely commercial enterprise or is it to be subordinated to the fiscal needs of the country? More depends on the answer to this question than on any other factor.

Bombay.

INDUSTRY

The Moradabad Brassware Industry

By Jai Krishna Mathur

MORADABAD, in the United Provinces, is the centre of a specialized type of brassware industry in India. Artistic brassware from Moradabad has been commended for its exceptional beauty not only in India but also in foreign countries. Moradabad articles were exhibited in the British Empire Exhibition of 1924, where the artistic brasswares secured the highest award of a gold medal, the International Sample Fair at Milan, and the Canadian National Exhibition at Toronto in 1935.

Lending itself admirably to the manufacture of a most diverse selection of goods, brass is one of the most useful, as well as one of the most ornamental, of the various metals in general use today. Being exceedingly hard it gives excellent wear, while being more fusible than other ornamental metals it can be cast with greater facility. It is readily drawn into fine wires and formed into rolled sheets and rods, which are converted into a vast number of useful and highly ornamental articles. Its surface admits of a fine polish, the brilliancy of which can be definitely preserved when the metal is properly and scientifically treated.

In India there is a big market for the articles of domestic and ordinary use manufactured at Moradabad, while the market for ornamental wares is steadily growing. The following figures will show the considerable extent to which business in Moradabad brasswares was transacted in recent years:

Year	Value of goods of all descriptions exported to places in India from Moradabad.	Value of ornamental wares exported to foreign countries from Moradabad.
1938	Rs. 30 lakhs	About 7 lakhs
1939	Rs. 40 lakhs	Nil
1940	Rs. 45 lakhs	Nil
1941	Rs. 50 lakhs	Nil
1942	Rs. 1½ crore	Nil

The main raw material on which the industry depends is brass. It is obtained either as old brass which is purchased locally or imported from different places in India, or through the importation from abroad of brass ingots. Foreign brass sheets were being imported before the war mainly from Germany and Japan in port towns. Now that this source of supply is closed, the industry is at present dependent mainly on old brass imported from places within India. Chakkas (brass slabs) from Jagadhri (Punjab) and Farrukhabad supplement the raw material supply.

Brasswares from Moradabad may broadly be divided into two classes, viz., domestic and ordinary

wares and ornamental wares. Domestic and ordinary wares are sent for sale all over India. Ornamental wares used to have a very bright foreign market before the present war, and there are great possibilities of foreign exports after the war. The following lines in particular aroused an unusual amount of enthusiasm among the crowds at foreign exhibitions where they were exhibited: a collapsible table top of ornamental design; a perpetual calendar; electric candlesticks; a rose bowl on elephant stand in Persian design; jardinières in multi-colours; flower vases; cigar and cigarette boxes and cases; tea trays; dinner gongs; fern pots.

Local inquiries show that roughly 22,000 persons—men, women and children—are engaged in the industry. Women work at home, and boys are employed as part-time workers. A number of persons engaged in other vocations also do part-time work in the brassware industry. There are over 200 dealers of brasswares in Moradabad who purchase raw materials, advance it to artisans, get back the finished product and then market it.

Payment to artisans is both according to time and piece work. There are different workers for different processes of manufacture. Taken as a whole the wages were as follows, during recent years:

	Approximate average earnings of a skilled artisan per diem	Approximate average earnings of an unskilled artisan per diem.
1935-38	Rs. 1-4 to Rs. 1-8	Re. 1
1939-42	Rs. 2 to Rs. 2-4	Re. 1 to Rs. 1-4

During the years 1922-23 dealer's profits were estimated at one anna to two annas per rupee, while factory owner's profits were estimated at about one anna per rupee. During pre-war years 1935-38 the estimated profits on ornamental and fine goods were 6½ per cent., while the estimated profits on ordinary goods were 3 to 4½ per cent. During the war years 1939-42, the profits on ornamental goods were 15 to 20 per cent. while those on ordinary goods rose to 10 to 12 per cent.

Dealer's profits and earnings of the workers are compared in the following table which makes an interesting study:

Years	Approximate average earnings of a skilled artisan per diem	Approximate average earnings of an unskilled artisan per diem	Estimated Profits on Ornamental and fine goods	Ordinary Goods
1935-38	Rs. 1-4 to Rs. 1-8	Re. 1	6.5%	3% to 4%
1939-42	Rs. 2 to Rs. 2-4	Re. 1 to Rs. 1-4	15% to 20%	10% to 12%

The future of the industry raises a number of organizational problems. Firstly the industry has a bright inland and foreign market and a proper scheme of advertisement is a great necessity. Secondly, there is already standardization of Moradabad wares as regards size, quality, and designs, and as the system can be easily perfected, an attempt should be made to evolve and bring into practice a suitable scheme of standardization. The present state of affairs in the matter is hardly satisfactory. Thirdly, the industry greatly suffers from the evil of middlemen and the problem of their elimination will have to be tackled. Fourthly, the study of the dealer's profits and the earnings of the artisan (above) shows that while the dealers have made good profits, the workers' earnings have not risen correspondingly and this maladjustment should be rectified. Fifthly, as owing to the war foreign brass sheets have stopped coming and at present the industry is relying mainly on scrap brass and brass slabs, a brass sheet manufacturing plant at Moradabad after the war would be an economic proposition. Sixthly, the Moradabad Municipal Board, which had for long a member on it to represent the brassware industry, has practically done nothing for the well-being of the industry or its workers and this want of organized care should be remedied. Sometime ago the U.P. Government suggested to the Board that it should organize a central show room devoted to the brassware industry at Moradabad but even this innocent suggestion could not be given effect to by the Board. Seventhly, on the matter of local taxes again the industry is fac-

ing inequity. Brass sheet or scrap brass from which the wares are manufactured is taxed by the local Municipality and when the finished product is sent out, again there is a tax on it. This double taxation needs revision since it is not conducive to the expansion of the industry. The following table explains the position with regard to these taxes:

Article	Duty	Remarks
1. Other metals and metal wares	As. 12 per md.	Import duty
2. Lead and brass tora (broken brass and scrap)	As. 6 per md.	Import duty
3. Moradabad metal and brass wares	As. 3 per md.	Export duty

Lastly, there is an annual import of several thousand pressed *katoris* into Moradabad from Poona, Bombay, Ahmedabad and other places. These are re-exported after being turned or artistically engraved. If a press could be set up in Moradabad, the pressing also can be done there and the articles probably sold cheaper. The complaint often received from the foreign markets that sometimes the art brass work suffers from bad shapes, lack of finish and overcrowding of work within a small space should also be looked into. A watch over modern requirements, over designing, finishing and drawing is required if the products are to find a widening market abroad. In this respect the artisans can establish contacts with schools of Arts and Crafts, such as the one at Lucknow.

IMPORTS OF MOTOR VEHICLE SPARE PARTS AND ACCESSORIES FROM THE UNITED STATES, CANADA AND THE UNITED KINGDOM.

In future, imports of motor vehicle parts and accessories from the United States, Canada and the United Kingdom will be governed by the following principles:

(i) in the case of imports from the United States, on the basis of a fixed value of parts and accessories per vehicle in essential use in India at present;

(ii) in the case of Canada, up to a proportion of the value of actual exports from that country in the year 1941;

(iii) in the case of the United Kingdom, up to a definite value.

2. Parts and accessories for each make of vehicle in use in this country will be obtained only from the country from which such makes were originally obtained.

3. Arrangements have already been made to obtain factory and other parts for General Motors and Ford vehicles and factory parts for all the United Kingdom makes through the existing main vehicle importers. A certain portion of the total quota for the import of parts from the United States is being offered to the firms who have imported vehicles of makes other than General Motors and Fords from the United States in the past. The balance quota available from the several countries is proposed to be utilised for the import of miscellaneous, electrical and replacement parts as follows:—

(i) from the United States—parts, other than factory parts, for all makes except those of General Motors;

(ii) from Canada—parts not exceeding 70 per cent. in value of those actually exported from Canada to India during 1941, the imports to be made only by the same firms to whom exports were made from Canada in 1941, the value referred to being the factory value;

(iii) from the United Kingdom—all parts, excluding factory parts and batteries.

The proposed imports under clauses (i), (ii) and (iii) above will be on a commercial basis and the import-

ers will have to establish the necessary credits with the exporters in the countries concerned. The Government of India will, however, assist with these imports in consultation with the foreign Governments concerned.

4. Applications together with information in the form below should be made *not later than 30th November, 1943*, by firms desiring to import parts and accessories under the conditions indicated above:—

(a) if from the U.S.A. and/or Canada, to the Assistant Controller of Road Transport (Provision), Department of War Transport, New Delhi, and

(b) if from the U.K., to the Secretary, U.K. Motor Vehicle Spare Parts Advisory Panel, 71, Park Street, Calcutta.

Country of origin.....		Name of suppliers.....			
Classes	Value of imports. (Please furnish duty paid landed cost).				Value of proposed indent at factory cost to cover requirements up to end of 1944.
	1938 Rs.	1939 Rs.	1940 Rs.	1941 Rs.	
Proprietary parts					
Replacement parts					
Electrical parts					
Spark plugs					
Others					
Total					

Name and address of applicant.....

Separate forms should be used for U.S.A., U.K. and Canada. Information in respect of U.S.A. and U.K. is required for 1938, 1939 and 1940, and in respect of Canada for 1941 only. Detailed indents should accompany the application.

5. On receipt of applications and indents, definite quotas by value for parts to be imported from each source will be allocated and the necessary import licences will be granted by the Chief Controller of Imports. The Government of India reserve the right to allocate individual quotas, issue import licences and certify indents, only for such parts as they consider to be essential.

WAR TRANSPORT DEPARTMENT

Industrial Peace

By S. K. R.

THE state of industrial relations in India today is one which no one can contemplate with enthusiasm or even with equanimity.

A careful analysis of the cause of disputes during the last twenty years for which statistics are available, shows that of the 4,622 disputes between 1921 and 1941 (the latest year for which statistics are available), 2,644, or just over 57 per cent., were due to wages and bonus questions. This was inevitable, because, whereas in other countries welfare work and other social services like housing, social insurance, etc., influence largely the worker's standard of living, in India the wage is more or less the sole arbiter of the standard of living and has a greater significance to the worker than any other aspect of his conditions of work. The utter lack of any bases for fixation of wages in India, except the ever-fluctuating bargaining power of the parties (more in the individual than in the collective) has provided a most fertile field for the growth of disputes. Wage rates for identical work have varied not only from industrial centre to centre, which is perhaps inevitable, but also from establishment to establishment in the same centre, and even within the same establishment.

In such conditions, it is no wonder that industrial disputes have been so prolific. With the onset of the present war, the economic conditions in the country generally, and the rise in the cost of living in particular, still further worsened an already bad situation. In order to maintain industrial production for war unimpaired, the Government had to step in to control industrial disputes. Rule 81A was issued under the Defence of India Act, as also orders under the Rule to prohibit strikes and lock-outs declared without 14 days' notice, and governments were empowered to set up, at their discretion, conciliation and adjudication machinery. At first these provisions did not contemplate the need for enforcing the awards given by the adjudicators; later, however, powers have been taken by the government to enforce them. These measures are more in the nature of treating the symptoms without attacking the disease proper. For, the results of unrestrained industrial disputes might have been brought under control probably for a time, but this does not make any improvement in industrial relations now or for the future.

It is true that in several Allied countries also strikes and lock-outs have been banned as a war measure. But in all those countries, even before the war, there were accepted principles and machinery for fixation of wages and settlement of conditions of work. For wartime special arrangements have also been made, parallel with banning strikes and lock-outs, so that both the symptoms of industrial disputes and their causes are simultaneously attended to, to ensure that war production may not suffer either through physical stoppage of work or through psychological forces of pent up discontentment. India has yet to develop methods of ensuring enduring industrial relations. But, in drawing inspiration from the action or the methods adopted by other countries, for parallel action in this country, especially in respect of wartime regulation of industrial relations, one has to be cautious in so far as conditions in India are not comparable to those in the other countries and measures which have been highly expedient or successful outside may not yield comparable results here.

Anyway, neither employers nor workers in India are frankly satisfied with the present arrangements under the Defence of India Rule 81A. The working of the machinery under this Rule was reviewed by the Standing Labour Committee at its first and third meetings, the latter of which was held in June last; several controversial points have arisen about certain aspects of the working of this Rule. For example, as regards the settlement of disputes, the power of the Government to refer a dispute to adjudication is merely discretionary and not obligatory. One section has argued that, having banned direct action by workers and employers, it is but fair that the government should, as a logical measure, have no option in the matter of referring disputes to adjudication, but should refer all disputes which could not be settled by the parties to adjudication in order that it may not become necessary for workers to force the hand of the authorities by actually going on strike.

The opponents of compulsory adjudication have argued that under such a dispensation, industrial disputes will show an alarming increase since the knowledge that disputes have to be referred to adjudication under certain conditions, will prompt the workers to ensure the creation of those conditions. There is considerable force in the arguments on either side, but taking a long view of the problem, compulsory adjudication under favourable circumstances seems necessary and perhaps inevitable. If compulsory adjudication is accepted, the further question arises whether there should be permanent machinery for conciliation and adjudication in the place of the usual practice of appointing *ad hoc* tribunals. A permanent machinery for each province and for each important centre in each province has certain advantages. Permanent conciliators and adjudicators rapidly acquire a thorough background of industrial conditions in their area which is indispensable for a fair settlement of individual disputes, and much time, which is a main factor in the settlement of disputes, is saved in setting the dispute against its proper background, and finally in sifting evidence. As a corollary to the demand for permanent tribunals, the further question arises whether adjudication procedure and rules should not be common throughout the country.

There is, however, one section of labour which is extremely critical of compulsory adjudication because of the fear that labour cannot hope to get an arbitrator or adjudicator who understands or appreciates the labour point of view; they would, therefore, prefer mere conciliation, and adjudication to be ordered without option, only if the workers or their unions demanded it. To this extent, one section of labour seems to support the employers' distrust of compulsory adjudication. Both sides seem to be suspicious about the measure since there are no definite data or principles to guide the arbitrator or adjudicator in coming to a decision. Whether wages in an industry or for a class of work are adequate or not, or whether the demand for increased wages or wage reduction are fair or not are, in the present statistical organization of the country, questions the decisions on which are swayed more by individual opinion of the adjudicators than by the compelling force of hard facts and statistical data. In more industrially advanced countries the "margin of indeterminateness" is narrow due to highly developed statistical services and the establish-

ment of machinery to delimit this margin; in India neither of these exist.

Statistics by themselves are not enough: there should be machinery created to interpret and apply them. Side by side with the organisation of the statistical service, efforts to fix fair wages based on those statistical data should be made.

Collective agreement presupposes the existence of a highly developed trade union movement, which does not exist in India. But steps might all the same be taken to promote collective agreements as the Bombay Industrial Disputes Act of 1938 does. The Act's provisions for legal recognition of unions, the elimination of rivalry among unions, the need for agreed changes in the Standing Orders which determine conditions of work in establishments, and conciliation and arbitration machinery to settle disputes arising from lack of agreement, are all designed to promote collective agreements and strong unionism. How far that system has worked successfully is not known but the principle is no doubt very sound and deserves wider application. The proposal of the Government of India to secure compulsory recognition to workers' unions and the placing on the agenda of the second plenary session of the Tripartite Labour Conference, convened early in September, of a proposal to make provision for making Standing Orders in different industrial areas on the lines of Chapter V of the Bombay Industrial Disputes Act, are attempts to popularise and promote throughout the country collective agreements for determination of conditions of work.

But for India to reach a stage when there will be responsible trade unions of sufficient strength and capacity to enter into agreements with employers for settling industrial standards will take several decades of patient and hard work on the part of trade unionists.

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and a large measure of sustained sympathy and help from the employers and the State.

The best method of settling wages, on a fair basis, which will at the same time encourage collaboration between employers and workers in the settlement, is the trade boards system which has been so successful in England. This system has the further advantage that it enables the settlement of fair wages and other conditions suited to different regions of the country, which is a weighty consideration in the matter of India with its vast extent and economic conditions differing from region to region, in which to impose blindly uniform conditions as distinguished from uniform principles would prove fatal to industrial development. The trade board, since it consists of representatives of employers and workers in equal numbers, along with a few impartial members of whom one is the president, will command the confidence and respect of employers and workers alike, and its decisions, will be accepted as fair and just, and are, therefore, not likely to be easily challenged by either party. But the greatest gain, in the long run, of the collaboration of employers and workers in trade boards will be that such collaboration will help in bridging the present gulf that divides employers and workers and pave the way for better understanding and appreciation of each other's views and position. This might easily form the firm foundation on which enduring industrial peace might be raised in India in the coming years.

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.

INVESTMENTS

(From Our Correspondents)

BOMBAY, Oct. 7.

This is the first week of trading under the new rules limiting the delivery period to seven days and prohibiting *budla* on the Stock Exchange. Contrary to general expectation, prices all round have improved. Bullish sentiment is in the air. Tata Steels have had a sharp jump from Rs. 1,910 and Rs. 384-8-0 last week to Rs. 1,982-8-0 and Rs. 399-8-0. Wednesday's closing was a shade quieter at Rs. 1,957-8-0 and Rs. 396. Reports are current that the Government have allowed a rise of Rs. 25 per ton for steel prices due to increased costs. Almost all textile shares have participated in the rise. Centurys continue to be the hot favourite—against Rs. 917 last week they rose to Rs. 949, but closed at Rs. 935. Dyeings and Kohinoors are also active at Rs. 2,012-8-0 and Rs. 657. Apollos have firmed up to Rs. 5-11-0 on the declaration of an interim dividend of three annas. The search for comparatively cheap shares is going on not only in textiles but in all other sections. Bombay Burmas are firm at Rs. 420; Belapurs are better at Rs. 238 and Scindias have flared up to Rs. 37-4-0 against last week's Rs. 34-8-0 on rumours that the Company is negotiating to taking over some foreign shipping lines. Bank and insurance scrips are also active. The Bank of India are at a new peak of Rs. 194 and Centrals at Rs. 78-8-0.

Cushioning Influence

A sharp rise is this market's reply to the recent Ordinance, which aimed at restricting speculative trading. The aim in itself is good. If it was intended as an anti-inflationary measure it will probably fail. Whatever speculative trading existed was bearish in character and tended to keep share prices down. The bears are now squeezed out—at first, bear covering pushed prices up. Now bulls are having a free play. With the weight of money on their side they find it easy to accelerate the upward trend. Bull speculation has become easy. Trading is getting one sided—the game of speculation goes on—only the scales are no longer held even. They weigh in favour of the bull and against the bear. Prices will fluctuate wider though turnover will be smaller. Technically the market will be more vulnerable when new factors for a downward trend appear and the break in prices set sharper. The cushioning influence which the bears exercise in a falling market will be missing.

MADRAS, Oct. 3.

Stock Exchange

The restraining influence of the new Ordinance in regard to dealings on the Stock Exchanges and the closure of the local market for two days owing to local holidays were responsible for the shrinkage of business to very small proportions. Operators also preferred to await the outcome of the Textile Board meeting in regard to the revision of ceiling prices. On the whole, a holiday feeling prevailed in the market. In the textile section, share prices were barely steady. Rajalakshmis and Pankajas were down by about four points to Rs. 277 and Rs. 340, respectively. Ranga Vilas were lower at Rs. 204-8.

Cambodias were done at Rs. 38-12, Lakshmi New at Rs. 116, Coimbatore Spinning at Rs. 310 and Vaasntas at Rs. 343-8. In the Planting section, share values were lower than for the previous week. Cochin Malabars after declining to Rs. 18-4 closed better at Rs. 18-12. O. Valleys were done at Rs. 14-14 and Be Be Rubbers at Rs. 13-7. Cottanads were put through at Rs. 13-7. Dividend declarations during the period failed to influence the market as most of them did not come up to the higher market expectations. There was a fair turnover in Bank shares. Reserves and Indians Big were taken up at Rs. 119-8 and Rs. 128, respectively. There was only a small volume of business in the local electric company shares. In the Miscellaneous section, the market was narrow and there was only a restricted turnover. Sugars were slightly dull but chemicals were active. There was a fairly good volume of business in Bruntons and Spencers. Brunton old shares improved from Rs. 13-12 c.d. to Rs. 15-4 c.d. and the new shares from Rs. 12-8 to Rs. 14. Spencers improved to a premium of annas twelve. There were more inquiries in the Fixed Interest Securities and the few plantation preferences which were offered were readily taken up. In the Government Securities market, Paper has been put up to Rs. 97-8. The market was firm and fractional rise in the prices of most scrips has been recorded. 3 per cent. Loans 1963-65 were done at Rs. 97-6, 3½ per cent. Loans 1947-50 at Rs. 103-4 and 5 per cent. Loans 1945-55 at Rs. 106-4. State Loans were firm with practically no offerings. Provincial Loans were dull.

NEW DELHI, Oct. 5.

Tenders for Rs. 8 crores of three months' Government of India treasury bills were opened on September 28. The total amount offered showed a considerable increase, viz., Rs. 20.10 crores, the highest in recent weeks. Tenders at Rs. 99-12-9 were accepted in full and those at Rs. 99-12-6 were allotted 24 per cent. The average rate was fractionally higher at Re. 0-13-6.

Reserve Bank

The statement of the Reserve Bank of India for the week ended September 24, 1943, reveals a small decline of Rs. 72.48 lakhs in the note circulation from Rs. 760.40 crores to Rs. 759.68 crores and an increase of Rs. 52.49 lakhs in the total notes issued at Rs. 774.46 crores. There was an increase of Rs. 124.97 lakhs in the notes held by the Banking Department. The volume of sterling securities remains unchanged at Rs. 641.78 crores—a rare feature, while the rupee securities too have not shown any large decline to which we were used in recent weeks. In the Banking Department, deposits have shown a general increase, Government deposits by Rs. 6.37 crores and Bankers' by Rs. 5.31 crores. Balances held abroad have recorded a striking rise of Rs. 8.48 crores. The Government have paid out all their ways and means advances which stood at Rs. 28 lakhs last week.

The position of the scheduled banks at the close of business on 17th September, 1943, reveals an increase of Rs. 548 lakhs in demand liabilities, a fall of Rs. 790 lakhs in time liabilities and a slight increase in advances by Rs. 47 lakhs and bills discounted by Rs. 49 lakhs. Deposits with the Reserve Bank have fallen by Rs. 499 lakhs, with the resulting decline of the cash position to Rs. 86.35 crores.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Oct. 3.

Cotton

The local market was active. Quotation for new crop Sind N.T. has been pushed up to Rs. 665 mostly on account of short covering. A very big short interest exists in this variety as this variety was used as a hedge sale against stocks after the Hedge Contract was terminated in May last. Other varieties in the spot market continue to be in demand and prices on the whole are hardening.

It is announced by the Import Trade Controller that arrangements will soon be made regarding India's procurement of Egyptian cotton, and importers are advised not to make, till then, fresh commitments in their own interest.

During the week there has been increasing talk about the re-opening of the "futures" contract, and the Government of India have replied to the Karachi Cotton Association that this matter is under their active consideration. The Textile Board is meeting next week when it will express its opinion on the recommendation made by the Cotton Sub-Committee.

Seeds

The Ministry of Food have been able to buy only a small quantity of groundnuts at £34-17-6. A fair quantity of business in the local market was done. There were sellers of Khandesh quality December-January at Rs. 18 for Bombay delivery while buyers for the same asked at two annas less. For business in Madras-Mormugoa December-January, there were sellers at Rs. 17-10 with buyers at annas two less.

Linseed

Business was done at prices ranging from Rs. 15-12 to Rs. 15-14 for hold linseed September-October delivery. There were sellers of ready linseed at Rs. 16-2 but no buyers. The internal food situation has monopolised the attention of Indian traders in supplying to the Government with food and has caused them to evince little interest in British enquiries. Regarding the Argentine market, a London report states that the linseed quotations are nominal more because of a scarcity of offering than any abatement in demand. West African groundnut shippers are hoping for activity next month as the crop is reported to be large and shippers expect an exportable surplus. The official estimate of the linseed area in Argentina is 5,992,000 acres as compared with the corresponding estimate of 6,089,000 acres last year. This does not fulfil the trade's expectations of a fair increase. Still the present area could produce a good crop if the weather is favourable. Most of the U.S. linseed crop is now harvested and deliveries are gradually increasing. Domestic demand remains good owing to good oil trade.

MADRAS, Oct. 3.

Groundnuts

Steadier conditions were seen in the groundnuts market during the week under review. Firms' limits have been put up to Rs. 83 and those of the Calcutta buyers to Rs. 85. Fairly large purchases have been made by both firms and Calcutta merchants. In view of the expected arrival of the new crop from the Andhra districts in the next few weeks, upcountry merchants sold in good quantities to Calcutta buyers. No business resulted with the British Ministry of Food during the week and sale offers at £35-2-6 for delivery January have been turned down. It is stated that the Ministry is buying stock for forward in Africa. The price is reported to be very much lower than the Indian price and the nearer and safer voy-

age to United Kingdom seems to have been the additional incentive for the interest shown by the Ministry in Africa. How far this would cause a set-back in local prices is being discussed in market circles but the general trend of opinion seems to be that the African production can hardly satisfy the growing war needs, as the demand for this commodity is admittedly great and therefore there may not be any severe set-back in prices. There was a slight improvement in oil prices from Rs. 170 to Rs. 173. There was a moderate demand for oil and reports from Salem indicate that oil-mongers have been a little busy with the arrival of the new crop in that area. The cake market has been very firm and the quotation was steady at Rs. 142. There was continued demand for cake for manure purposes.

Piecegoods and Yarns

There was very good retail business in the piece-goods market during the week due to Ramzan. Small purchases have also been made by upcountry merchants in the wholesale market. Prices have shown no change over the past fortnight. Scarcity of Dhories has been felt in the local market, as the dealers have refrained from selling due to differences of opinion between merchants and the textile authorities as to the price at which they should be sold. It is understood that the authorities contemplate filing a test case. Printed goods have shown an upward tendency. In the yarn market, there was practically no demand from weavers and dealers in upcountry consuming centres. Prices have declined by about half anna per lb. The absence of enquiries may be probably due to fairly good stocks of opened-up-bales in the consuming centres. Arrivals from the producing centres continued to be meagre.

HAPUR, Oct. 4.

Juwar

The local *juwar* market has again witnessed firm conditions; prices tended to rise gradually, although at times the market presented a reactionary feeling on account of the issuance of *Fagin* transactions and jobbers' realisations. The week opened at Rs. 7-0-10½ for *Poos* delivery and touched the highest level at Rs. 7-1-6. It is now quoted at Rs. 7-3-9.

Urad

In the *Urad* market prices gave way to an extent of about fifteen annas per maund on an average, but towards the close the market turned steady in sympathy with firmness of other pulses. *Urad Magh* opened at Rs. 13-1-1½ and closed at Rs. 13-5-6. The highest and the lowest rates touched during the week were Rs. 13-6 and Rs. 12-11, respectively.

Bardana

Market continues to be firm in sympathy with higher Calcutta and Karachi advices but the local speculators are acting very cautiously.

Gur

Market maintained an upward sentiment following encouraging demand from Bengal and Gujarat. Arrivals of old *Gur* are persistently increasing, averaging 700 maunds daily. The *quality* of the new *Gur* is reported to be very good.

Wheat

The market remained easy but quiet. Arrivals averaged 200 maunds daily. The local stock is placed at 189 *Khattis*. The following are today's quotations:—

		This week	Last week
		Rs. a. p.	Rs. a. p.
Wheat	..	13 9 9	13 12 0
Gram	..	11 6 0	10 13 6
Barley	..	9 13 6	9 11 0
Peas	..	11 0 6	11 0 6
Gur	..	11 10 0	11 0 0

(0000, null)

Bills Payable	188,74,000
Other Liabilities	3,91,31,000
Total Rs.	133,52,81,000
Assets	Rs.
Notes	14,78,20,000
Rupee Coin	14,10,000
Subsidiary Coin	1,70,000
Bills Purchased and Discounted:	
(a) Internal	
(b) External	
(c) Government Treasury Bills	
Balances held abroad	108,20,56,000
Loans and Advances to Governments	
Other Loans and Advances	
Investments	7,36,07,000
Other Assets	2,81,28,000
Total Rs.	133,52,81,000

* Includes Cash and Short-term Securities

	Sept. 24. 1943.	Sept. 17. 1943.	Sept. 23. 1942.	Sept. 1. 1939.
Held in the Banking Department ..	14,78.20	13,53.23	10,76.70	35,04.46
In Circulation ..	7,39,87.73	7,60,40.21	4,92,58.58	1,82,13.17
Total Notes ..	7,74,45.93	7,73,93.44	5,03,35.28	2,17,27.66
A. Gold Coins and bullion ..	44,41.42	44,41.43	44,41.43	44,41.44
Sterling securities ..	6,41,78.37	6,43,58.37	3,29,79.17	59,50.11
Total of A. ..	6,86,19.60	6,88,19.80	3,74,20.60	1,03,91.55
B. Silver Coins ..	14,83.29	14,74.63	26,71.05	75,87.11
Rupee securities ..	73,37.84	73,39.01	1,02,43.63	37,38.98
Silver bullion under coinage ..				
Percentage of Reserve ..				
Liabilities ..	88,603	88,664	74,343	63,144

BANKING DEPARTMENT COMPARATIVE STATEMENT

	(000's omitted)			
	Sept. 24, 1943.	Sept. 17, 1943.	Sept. 25, 1942.	Sept. 1, 1939.
Cash	14,84.00	13,67.87	10,81.85	35,15.28
Balances held abroad	1,08,20.56	99,72.46	86,26.97	10,06.33
Investments	7,56.97	7,65.52	6,58.32	6,81.33
Bills discounted:				
(a) Internal .. ..	.. ..	.. ..	.. ..	.. ..
(b) External .. ..	.. ..	.. ..	.. ..	.. ..
(c) Govt. of India Treasury Bills .. ..	.. ..	9.88	24.98	1,15.68
Loans and Advances to the Govt. .. ..	.. ..	28.00	1,29.00	31.60
Deposits:				
(a) Govt.	33,40.98	27,04.15	23,15.42	14,89.43
(b) Bank	73,32.71	68,01.94	64,57.77	26,91.43
(c) Others	16,99.07	9,56.68	3,38.00	1,24.53

STERLING PURCHASES

STERLING PURCHASES			
(000's of £)			
		Total Amount Purchased.	Average Rate.
1943:-			
January	.. ..	8,152	1sh. 6d.
February	.. ..	11,076	1sh. 6d.
March	.. ..	17,779	1sh. 6d.
April	.. ..	9,214	1sh. 6d.
May	.. ..	8,721	2sh. 6d.
June	.. ..	8,338	1sh. 6d.
July	.. ..	7,006	1sh. 6d.
August	.. ..	8,546	1sh. 6d.

ENDERS FOR TREASURY BILLS

(in thousands of rupees)

DATES OF MATURITY OF OUTSTANDING TREASURY BILLS

[illegible]

REGISTRATION FOR SEASON 1942-43.

(Pleures in Tons)

Dead Stock	18,13,000																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
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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
Aug.	100	100	125	160	100	107	126	166
Sept.	101	107	123	162	104	108	126	160
Oct.	103	108	119	164	103	108	126	166
Nov.	104	108	120	170	111	111	129	188
Dec.	108	110	123	179	113	108	136	204
Jan.	109	111	130	193	111	108	130	237
Feb.	107	113	129	195	108	108	129	226
Mar.	105	113	130	196	107	108	132	237
April	105	113	131	214	107	111	136	256
May	106	116	135	214	105	112	141	256
June	108	116	145	216	110	114	152	256
July	108	120	160	216	108	121	160	256

* Base: Year ending June 1934. † Base: Year ending July 1927. ‡ Base: Year ending January 1926. § 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				CALCUTTA				
(Prices for week ending 19th August 1939=100)				(Prices in July 1914=100)				
	Feb. 1943.	Jan. 1943.	Feb. 1942.	Commodities.	July '43.	June '43.	July '42.	Sept. '38.
Food and tobacco ..	207.0	190.8	132.3	Cereals	496	447	153	86
Other Agr. Com. ..	193.8	183.3	125.3	Pulses	393	365	151	99
Raw Materials ..	172.0	171.5	138.0	Tea	130	130	197	142
Manufactured Articles ..	225.5	224.1	162.3	Other Food Articles..	580	565	289	125
Primary Commodities ..	190.5	182.0	140.6	Oilseeds	284	272	162	106
All Commodities ..	197.6	190.4	145.0	Mustard Oil.. ..	207	192	95*	81
Chief Articles of Export ..	187.6	177.2	142.4	Jute, Raw	129	134	80	80
* Issued by the Economic Adviser, Govt. of India.				Cotton, Raw.. ..	183	199	100	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 & Manu-				
				factured Articles ..	207	199	248	95
				All Commodities ..	332	319	198	108
				* Average of 9 months.				

STOCKS AND SHARES

	This week		Previous week			This week		Previous week	
	Rs. a. p.		Rs. a. p.			Rs. a. p.		Rs. a. p.	
BOMBAY (Oct. 6)—					CALCUTTA (Sept. 28*)				
GOVT. SECURITIES—					JUTES—				
	This week		Previous week						
2½% 1948-52	..	..	99 12 0	..	Champdany	216 0 0	..	216 0 0	..
3% 1949-52	..	..	100 12 0	..	Anglo-India	396 0 0	..	399 1 0	..
3% 1951-54	..	..	100 8 0	..	Belvedere	..	..	497 0 0	..
3% 1963-65	..	..	96 15 0	..	Howrah	63 4 0	..	63 2 0	..
3½% G. P. Notes	97 8 0	..	97 0 0	..	Kamarhatti	544 0 0	..	554 0 0	..
3½% 1947-50	..	..	103 6 0	..	Baranagore	166 8 0	..	169 0 0	..
4% 1960-70	115 6 0	..	114 4 0	..					
4½% 1955-60	116 4 0	..	115 0 0	..	STEELS—				
3% 1945-55	102 6 0	..	..	..	Bhartia Electric	15 5 0	..	15 2 0	..
3% 1944 Defence Loan ..	100 0 0	..	..	..	Indian Iron	37 0 0	..	35 10 0	..
TEXTILES—					Steel Corporation	27 5 0	..	27 0 0	..
Ahmedabad	525 0 0	..	512 8 0	..	Jessop (Ordinary)	..	..	30 6 0	..
Bombay Dyeing	2,012 6 0	..	2,017 8 0	..	Kumardhubi	7 13 0	..	7 13 0	..
Central India	473 0 0	..	457 8 0	..	Saran	7 8 0	..	7 8 0	..
Century	935 0 0	..	925 0 0	..	TEXTILES—				
Colaba Land	245 0 0	..	244 0 0	..	Elgin	82 8 0	..	80 0 0	..
Indian Bleaching	223 0 0	..	210 0 0	..	Cawnpore Textiles	12 6 0	..	12 7 0	..
Gokak	366 0 0	..	354 0 0	..	New Victoria	3 10 0	..	..	..
Kohinoor	657 0 0	..	622 0 0	..	MINES—				
Phoenix	632 8 0	..	632 8 0	..	Burma Corporation	4 2 0	..	3 13 0	..
Sholapur S.	610 0 0	..	..	..	Consolidated Tin	2 8 0	..	2 9 0	..
Simplex	292 0 0	..	280 0 0	..	Indian Copper	2 3 0	..	2 3 0	..
Swadeshi	605 0 0	..	578 0 0	..	SUGAR—				
Vishnu	2,700 0 0	..	2,625 0 0	..	Belsund	11 8 0	..	11 8 0	..
MISCELLANEOUS—					Ramnagar Cane and Sugar ..	11 9 0	..	11 7 0	..
Alcock	476 8 0	..	475 0 0	..	Samastipur	19 6 0	..	19 0 0	..
Bombay Burma	442 8 0	..	385 0 0	..	Carew	21 15 0	..	..	..
Belapur Sugar	238 0 0	..	231 0 0	..	MISCELLANEOUS—				
Bombay Burma New	150 0 0	..	150 0 0	..	Dalmia	..	..	18 0 0	..
Bombay Steam	575 0 0	..	535 0 0	..	Rohtas	..	..	29 16 0	..
Bombay Tramways	162 0 0	..	150 0 0	..	TEAS—				
British Burma Petrol	3 1 3	..	3 6 2	..	Bishnauth	..	..	46 8 0	..
Scindia Steam	37 4 0	..	34 2 0	..	East India	16 3 0	..	..	..
Shivrajpur	67 8 0	..	61 0 0	..	Teesta Valley	40 6 0	..	..	..
Tata Power	1,890 0 0	..	1,837 8 0	..	COALS—				
Andhra Valley	1,902 8 0	..	1,830 12 0	..	Bhalgora	9 8 0	..	..	..
Tata Hydro	203 0 0	..	197 0 0	..	Raneegunj	13 4 0	..	..	..
Tata Steel Ord.	396 0 0	..	378 0 0	..	West Jamuria	37 0 0	..	..	..
Tata Steel Defd.	1,957 8 0	..	1,867 8 0	..	Burra Dhemo	7 8 0	..	..	..
Premier Construction	177 0 0	..	176 0 0	..	MADRAS (Oct. 3)—				
Indian Iron	37 4 0	..	37 2 0	..	Rajalakshmi	270 0 0	..	..	..
Burma Corporation	4 1 6	..	4 2 0	..	Pankaja	340 0 0	..	..	..
Associated Cement	220 0 0	..	217 0 0	..	Ranga Vilas	204 8 0	..	..	..
Indian Copper	2 7 6	..	..	..	Cochin Malabar	16 12 0	..	..	..
Tata Steel 1st Pref.	220 0 0	..	225 0 0	..	Be Be Rubbers	13 7 0	..	..	..
Tata Steel 2nd Pref.	158 0 0	..	153 0 0	..	Cottanads	13 7 0	..	..	..
BANKS—					Brunton Sugars	15, 4 0	..	15 12 0	..
Central	78 8 0	..	73 12 0	..	* Latest quotations.				
Imperial (Fully Paid)	1,855 0 0	..	1,847 8 0	..					
Imperial (Partly Paid)	461 4 0	..	455 0 0	..					
Reserve	124 8 0	..	122 4 0	..					

THE EASTERN ECONOMIST

Vol. 1

NEW DELHI, OCTOBER 15, 1943

No. 22

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Insurance and Economic Policy

CERTAIN developments in the domain of Indian insurance which have taken place in the last four years are of the greatest importance not only to the future of the business itself after the war, but also to monetary and industrial policies on which they impinge. In the main they are: (1) the rate of interest in the valuation base; (2) the financing of industries by insurance companies; and (3) the consolidation of progress by effecting economy and building reserves. The *Indian Insurance Year Book* just issued which refers to conditions in 1941 is of more than ordinary interest and has certain observations to make which call for some comment.

All over the world cheap money has come to stay first as an anti-slump measure and now as an instrument of war finance. All indications point to its continuance after the war to smoothen reconstruction. This fact has been only too well realized in Britain by the insurance companies whose valuation rates of interest are going down to 2½ per cent. But the insurance trade in this country has not realized this quite as well. No doubt the tendency has been in the direction of lower rates of interest in the valuation bases of companies in

India too. But it is not yet possible to say whether this arises from anything more than pressure of immediate necessity. The *Year Book* points out that certain valuations were made at such high rates as 4—4½ per cent. "on the strength of some war-time profits or unreal high yields based on deficit life funds." Having regard to the inevitable post-war depreciation of industrial equities and the controlled money rates likely to prevail, these valuation rates would appear to be too high. The *Year Book* emphasizes the need for basing the rates on the realistic appreciation of future probabilities, criticizes the habit of receiving or keeping loans at interest instead of calling up the uncalled capital and suggests the rate of 3½ per cent. as the maximum defensible at the present time, the future rate being liable to further depression due to the weight of income-tax or maintenance of bonuses.

No one will object to the emphasis laid on cheap money as a desideratum even after the war. More than once we have stressed it as the bed-rock of all progressive policy. No exception will be taken to the suggestion that valuation rates should be lowered, that the premium rates should be reviewed, and that the expenses of

management should be kept down to offset the lower yield on investments. In fact, many insurance companies are trying their best to keep down management costs, and some have already increased their premium rates. But on the long-term contracts for 30 to 40 years already entered into which constitute the bulk of the business, an increase in the premium rates is not possible. The high level of prices, and cost of living have caused the increase in expenses due to dearness allowances and bonuses. There is at present some check on these payments also.

But where, we are afraid, the Superintendent of Insurance is not on strong ground is in suggesting that the insurance companies are for justifying the high rates of interest in the valuation base which he considers faulty and in laying down $3\frac{1}{2}$ per cent. as the maximum. The insurance companies are quite as much interested in keeping money cheap as the theoretical economists or the Finance Member. Any considerable rise in the rate of interest will cause an outright depreciation in the value of their assets. The insurance companies are literally in the grip of the gilt-edges. Statutory obligation, absence of alternative outlets of investment just at the present time, and the nature of the business itself—all these make for high investment in Government securities. A decline in the rate of interest earned, together with the need to readjust premium rates and expenses is as nothing compared to the calamitous decline in capital values which would be involved in any steep rise in the rates of interest.

We are not in possession of the actuarial processes or data which led to the estimate of $3\frac{1}{2}$ per cent. as the maximum rate in the valuation base. But we suggest that it will be misleading to infer from the $2\frac{1}{2}$ per cent. in Britain the same or only a slightly higher rate for this country. The complex of interest rates is a national, not an international phenomenon. Discrepancies in short-term rates of interest as between two centres may be evened out under free market conditions by interest arbitrage. But after the last Great War, even this was not quite true. In respect of long-term rates, however, differences are bound to persist because of the disparate development of national investment markets, differences in the psychology of the investors and the varying political and economic prospects. Even if all political and economic uncertainties were eliminated and complete freedom of long-term capital movement as between nations guaranteed, not a uniformity, but only an integration in the complex of rates can be seen. Where all the above elements of friction are in full force, as is the case in regard to the capital market in India, wide deviations from the rates in other countries will be the rule. That has been the case in the past.

We say all this just to make clear that what is a low rate of interest for England need not be the desirable low rate of interest for India, and that a reasonably low rate for this country may well prove to be a deflationary one for England. For a country like India with scarcity of capital and abundance of labour, where the attainment of high per capita productivity by means of building up capital equipment merges with the drive for industrialization, a $2\frac{1}{2}$ per cent. rate of interest may not be sustainable without a high degree of inflation or channelling and rationing of capital. Therefore, anything from 4 to 5 per cent. may be a reasonable charge on capital provided to industry, as we have stated before in these columns. It thus follows that even with the prevailing low rate of interest on the gilt-edges, the insurance companies can earn 4 per cent., if given some freedom in the investment of their funds.

There is another factor to be borne in mind. The *Year Book*, in arguing for a lower maximum rate in the

future due to the weight of income-tax, is begging the question. For, have not the insurance companies with one voice demanded relief from heavy taxation? A comparison with the provisions in England in this respect brings out the anomaly in the Indian tax scheme. In England a distinction has been made between life insurance companies and other limited companies, and a maximum rate of income-tax at 7sh. 6d. in the pound has been fixed for life insurance companies as against 10sh. for other limited companies. But in India insurance is bearing the full weight of the increased rates and surcharges which now amount to 74 pies in the rupee as compared with 42 pies in the rupee in 1939-40, $45\frac{1}{2}$ pies in 1940-41 and 56 pies in 1941-42. If a ceiling is fixed on the rate of income-tax and super-tax to which an insurance company should be assessed as has been done in England, it will enable the firm to earn the estimated yield on which have been based its long-term contracts which are not open to revision.

To a certain extent, the capacity of the insurance company to earn a 4 per cent. yield depends upon the freedom it enjoys in the investment of its funds. At present Section 27 of the Insurance Act, which requires that 55 per cent. of the liabilities of a company should be invested in Government and Approved securities has been criticized as coming in the way of such freedom so desirable from the point of view of industrial finance. Without going into the question whether the above provision requires some relaxation so as to allow the insurance companies to invest more of their funds in equities, we may say at once that its operation has been rendered unduly rigorous by the recent decision of the Bombay High Court whereby policy loans are not taken into account in computing the 55 per cent. liabilities to be invested in Government securities. This is especially so when we remember that some big life offices have invested something like 10 per cent. of their funds in policy loans, that for various reasons it is not possible or desirable to curtail these loans, and that these loans satisfy all the canons of security.

Insurance firms have a part to play in meeting the long-term financial needs of industry. They are eminently qualified for the task by the long-term character of their obligations, unlike the commercial banks which are tied down by considerations of liquidity to the job of providing the working capital. Even in foreign countries like Britain and the U.S.A., the insurance business has been an increasingly important long-term provider of capital. In our country with its ill-organized investment mechanism and lack of recognized and specialized issuing houses, the importance of an organized body of financial institutions in command of funds of the order of Rs. 85 crores can hardly be over-emphasized. Under-capitalization has been one of the serious defects of our industrial structure, and if our entrepreneurs could in future look to these institutions for aid rather than to the uncertain instincts of the managing agents or the subscribing public, it would be a valuable gain indeed. It should be possible to reconcile the needs of industry with a high degree of security to the investor and the policyholder, without which insurance will be defeating its own end.

The need for the consolidation of war-time progress can hardly be too strongly emphasized. The buoyant conditions at present have given birth to a number of new concerns whose continued earning power should not be too hastily assumed. At the end of the war, with all foresight and planning, industry will experience at least a moderately severe slump, if it will not touch the bottom of the depression. Then will be the testing time for the new entrants into the field. There is urgent need of building up reserves for bad days to come. Here again Government's fiscal policy is singu-

larly unhelpful. As was made clear at the recent annual meeting of the Indian Insurance Companies Association, the income-tax law makes no provision for additional reserves being treated as expenditure incurred solely for the purpose of earning the profits of business, and the taxation of reserves is thus tantamount to the taxation of capital. Exceptional and unexpired risks are an inherent element in insurance, and provision should be made to cover them also. It must be easy by mutual consultation to agree upon a percentage of the net annual premium in a year of a firm which may be set aside for reserve free of taxation, and upon the maximum amount to be permitted for the purpose. In the field of taxation, no less than in others, the framers of our official policies need badly to be educated into

modern trends of opinion. In regard to the E.P.T., Government would not allow liberal depreciation and obsolescence charges or levy differential rates on funds which are ploughed back into industry from those distributed as dividends. In the field of insurance, they would not recognize the case for adequate reserves and reasonable rates in assessing income and super taxes. If socialization of trades, including insurance, is the objective, all these considerations will have a different bearing and become matters of public finance. But assuming that for years to come neither in the field of insurance nor in others is private initiative going to be superseded, how can the case for a modern tax policy conducive to the growth of investment and employment be impugned in the least?

War and Industrial Welfare

MODERN wars are totalitarian; they cannot be fought without encroaching upon and reducing in varying degrees the economic welfare of every section of the community. It is, however, the duty of the Government so to distribute the burden and sufferings of the war as not to press unduly severely upon any one or other section of the community. But despite every attempt, some unevenness in sacrifice and hardship is inevitable. Those with fixed incomes are bound to suffer more than those whose incomes are more elastic. The producer classes benefit during war, as the relative prosperity of the industrialist and the larger agriculturist testifies. But the position of labour is less precise. It used to be the common place of practical economics that wages always lagged behind prices. But the statement is not always true as may be seen from a study of the welfare of the industrial workers in war-time in India. Agricultural labour in receipt of a money wage, is definitely hit by the rising level of prices in war-time. Its wages show very little increase and are far behind the very high prices of foodstuffs and other essential needs. The sample survey of the destitutes recently made in Calcutta has borne witness to the fact that the worst sufferers of the rising prices and scarcity have been the rural masses made up of the smaller cultivators and the bulk of the agricultural labourers.

The war has undoubtedly conferred notable benefits upon industrial labour in India, which has shared in the prosperity of Indian industry. Government and employers have, not always with identical objects, promoted the welfare of the workers in several ways. Apart from slight increases in wage rates, workers in almost all industries have been given dearness allowances on a fairly generous scale in proportion to the rising cost of living. In so far as the increased income of the workers corresponds only to the higher cost of living, it may be said that they are not better off but only that there has been no diminution in their pre-war standard of living. But this is not always the case. Many other factors have to be taken into account before such a conclusion may be warranted. In the first place most of the workers are supplied with food grains and other articles of necessity at less than market prices. Secondly, the articles whose prices are taken into account for calculating the cost of living are not necessarily the same as those which actually enter into the daily consumption of the working classes. This has resulted in a definite advantage to the workers—a point clearly brought out in an article on Absenteeism and Wages in the *Indian Textile Journal* recently. The generous scale of dearness allowances sanctioned by employers is partly to be explained by the high level of the Excess Profits Tax which militates against economy. Attempts at regulating these allowances by ordinances

combined with the recent policy of the Government not to encourage the grant of further increases which would only increase inflation have partially checked the rising scale of dearness allowances. On the other hand the attempt to reduce the scale in the cotton mill industry has met with no success as the Court has rejected the plea of the Ahmedabad millowners to reduce it.

Government have been interested in maintaining industrial production at a high level and with that end in view have been from the commencement of the war extremely anxious to conciliate labour. Their objective to ensure continuous production and maintain peace in industry was reinforced by the strong desire to placate labour when the country was faced with political turmoil. In the main, they succeeded in their goal, despite the few strikes that broke out in August, 1942. The methods adopted by Government were various. A central machinery for labour welfare was set up, and a labour leader conversant with the aspirations of labour was appointed as Labour Welfare Adviser. A number of Assistant Labour Welfare Officers were also appointed in various provinces, and these officers have done useful service in encouraging employers to undertake welfare work and in bringing to the notice of Government the scope and extent of welfare measures undertaken by employers in their respective places. They have also persuaded the employers to open cheap grain shops wherever possible either directly or through encouraging the establishment of workers' societies. In some provinces like Madras the number of such workers' societies has increased rapidly. Besides grain shops and co-operative stores, canteens have been established in several factories where formerly none existed, and the canteens serve good and healthy food at moderate prices. This is by no means a new development, as a few enlightened employers had already arranged for them; but the idea gathered strength and some more employers have taken it up. Government have also provided housing for workers in some ordnance factories and in other State-managed new industries.

Another aspect of labour welfare in which Government took considerable interest was the provision of compensation to workers engaged in war industries. The War Injuries (Compensation and Insurance) Act, 1943, imposes on employers the liability to pay compensation for injured workers and prompt payment is ensured by the provision for compulsory insurance with the Government against such liability. Labour has scored a distinct gain in the war by the recognition which it has secured in the Tripartite Labour Conference which as the name indicates, is representative of three parties, the Government, the Employers and

Labour, and which, it is hoped, will be a permanent institution. The importance of this organization lies in the fact that it contains the seeds of a well-ordered growth of labour movement. Already some notable results have been achieved. The contact between workers and employers is no mean gain in itself and perhaps will pave the way for the recognition of the unions which it is the object of the Labour Member of the Executive Council to achieve. The range of the subjects discussed and the spirit in which agreed conclusions are arrived at fill one with hopefulness for the future welfare of labour.

But promising as these lines of development are, there is no justification for complacency. Indeed, considering the vast scope for welfare that exists and the urgency of the needs, it cannot be said that sufficient has yet been done by the employers or the State. Welfare work of some kind or other has been in operation in some factories for now over twenty years; but mostly it has been confined to the bigger factories and to a handful of the more enlightened sections of the employers. What is wanted is a higher level of "average" performance. There are yet hundreds of factories where welfare work of even the poorest description is conspicuous by its absence. In others where something of the kind exists, the activities are casual and spasmodic and do not constitute part of a planned programme. The war has afforded immense opportunities to the employers to do this work which has both a humanitarian and a business side. True, some relief has been afforded to the workers by the supply of cheap grains and cloth; but there is no indication of the establishment of permanent agencies either co-operative stores or regular welfare departments. The efficiency of the worker will increase appreciably if employers will take steps to improve their health by affording them better conditions inside and outside the factory. Already it is evident that some of the increases in money incomes have resulted in greater absenteeism. If employers instead of merely granting money allowances arrange for better medical facilities, better feeding of the children in the factory schools wherever they exist and for sanitary and cheap milk to the workers, the expenditure will turn out to be a wise investment. We do not refer to housing at the present time for it is next to impossible to undertake a housing programme during a war; that must be taken up later. But there are a number of other activities which may profitably be taken up by the welfare department of a factory such as the provision of recreation, clubs, facilities for washing and bathing, etc.

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The Government should have used their powers to issue more of what may be termed as Welfare Orders compelling employers in some industries to provide certain amenities, and these orders must after the war be put on a statutory basis. The problem of fatigue in relation to work and efficiency has not been studied in this country with the care it deserves. Other questions of vital importance are the length and frequency of rest intervals for workers, employment of leisure, the elimination of noise, reduction of monotony, etc. All these can only be solved by organizing a research section by Government, to the financing of which the employers may be asked to contribute. The establishment of an Institute of Industrial Psychology will be a sure means of increasing the well-being of workers for without knowledge and data, action cannot be fruitful. Above all what is necessary is a new orientation on the part of the employers of their relationship to labour. Industry is no longer a matter of merely private gain. Its purpose is service in which the worker no less than the employer is a partner, and partnership implies the sharing of responsibilities, rights and functions. The war-time gain of the worker will be permanent only in so far as there is a frank recognition on the part of all parties concerned of their mutual obligations and duties. But it is something that the basis for development of labour welfare has been laid by the establishment of a Central Welfare Organization.

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The Week's Notes

TRADE FOLLOWS FLAG

We referred in a previous issue to the "peace-feelers" to British commercial interests made by their counterpart in the United States. Thus Mr. Eric A. Johnston, the President of the United States Chamber of Commerce, pleaded for "teamwork between British and American business men," especially in tackling the "intricate problem of controls and regulation for international commerce"; while Mr. Ray Howard, the Editor of the *New York World Telegram*, drew vision of a "modernized cartel system" based on a "fifty-fifty deal." It now appears from Press reports that Mr. Johnstone is not letting grass grow under his feet. Notwithstanding his serenade overtures to Britain, Mr. Johnstone, it appears, has a plan up his sleeves. The U.S. Chamber of Commerce has drawn up a scheme for a powerful trade offensive with the object of capturing the world market before other countries have had time to disengage themselves from the urgent pre-occupations of war. According to the report, the Chamber urges that American exporters should be free to send their representatives abroad into Allied liberated countries in the wake of the victorious army and even before the end of hostilities, and that they should be given special facilities for exporting spare parts to keep in service American-made machinery now in use abroad. Meanwhile, the United States Senators who recently visited India have returned home after their world tour. They have reported thus: "The need for a clear national policy abroad is strikingly apparent. With such a policy should go American representation abroad within which our military, diplomatic and business personnel would work as a team." All this has caused considerable perturbation in Great Britain who, in her turn, has not yet given up the idea of strengthening the U.K.C.C. after the war as a sort of resurrected East India Company. All this presage an intensification of the scramble for markets after the war, unless creative and imaginative leadership can take control of the situation in time. Utmost responsibility will necessarily attach to the United States on account of her preponderant economic power. The shape of the economic and political future of the world will hinge decisively on the fact whether the United States can steer clear of a policy of either isolation or neo-imperialism. But one waits in vain for a gesture of realism and creative leadership from the United States.

DEMobilIZATION AND UNEMPLOYMENT

The Government of India are, of course, not unaware of the problem of securing employment for the demobilized soldier and the industrial worker released from war industries, and one of the committees on post-war reconstruction is supposed to be engaged on this task. But the work of the reconstruction committees is feeble and fitful. After a prolonged period of suspense, some of the committees are expected to meet this month and in the next; but it is doubtful if the committees are willing or capable of sustained work resulting in any conclusions of permanent value. Other countries have not taken things in so light-hearted or indifferent a manner.

In the United States, for example, at the instance of Mr. Jesse Jones, Secretary of Commerce, an unofficial committee, constituted voluntarily by some of the business leaders, was formed with Paul G. Hoffman, President of the Studebaker Corporation, as its Chairman. The Committee has the active support of the Secretary of Commerce and been assured of hearty co-operation of every Government agency concerned with the problems of post-war economy. The Com-

mittee has expressed its conviction that "the most commerce and industry can do now to assure returning soldiers and workers engaged in war industries that peace-time jobs will be available is the least which must be done if enterprise and labour are to enjoy a free society." It has set up a research committee made up of successful businessmen, an advisory board of distinguished economists and social scientists, and a research staff. The scope of study embraces such subjects as taxation and monetary policy, Government spending, monopolistic practices in Government and in business and other factors which affect employment and productivity. The Committee has envisaged the post-war problem of re-employment in clear terms. "To provide employment in private industry for the millions of war workers and returning soldiers, business would have to offset the \$85 billion production of war material with an equivalent output of peace-time goods and services." The Committee has, therefore, advised businessmen to calculate (on the basis of that increased production target) how to use their plants and their employment opportunities so as to contribute a specific percentage to that output. Government have promised full assistance to business in its effort to solve the problems of plant conversion, changes in processes, product development, etc. and in its plans to meet the new problems of marketing finance, accounting and training programmes.

The Government of India are still tinkering with this grave problem, and if the plans are not ready at hand now, the country will find itself faced with one of the most distressing crises and the unemployment of millions of demobilized soldiers and workers.

WE ARE NOT PREPARED

Mr. Rajagopalachari, in an article in the Pujah Number of the *Amrita Bazar Patrika*, Calcutta, utters a warning which we all need heed. Dwelling on the urgency of resolving the political deadlock, he says: "If we do nothing now, we shall be losing precious time in the immediate post-war period when every other country will be reorganizing its industry for self-preservation." The fact that the political deadlock has remained unsolved so far has not only had disastrous economic consequences for the duration of the war, but has also placed us at a serious disadvantage in facing urgent economic problems in the immediate post-war period. It is not without significance that the Government of India which showed such agility and efficiency in quelling political disturbances, whether of an all-India character or of a local character like the Hur menace, has failed miserably when it came to the task of playing the proper directive role in our war-time economy. The utter inadequacy of the Government's economic policy—if it can be called policy at all—has been excelled only by its unimaginativeness. The result is the unprecedented human tragedy which we see all round us today. But when we look to the future, we must confess that our position is still more desperate. In the immediate post-war period, we shall face international economic problems of the first magnitude. Already a number of international economic conferences have been held and more are in the offing. International economic and monetary plans are also on the anvil. But the present Government of India is removed from the continuous influence of public opinion and consequently cannot represent the true economic interests of India. The result is that in this vital exploratory and preparatory phase of discussion, truly Indian interests are going severely by default. As for the Government's post-war reconstruction plans, the less said the better. The Gov-

ernment has scarcely yet advanced beyond the stages of reconstituting committees and drawing up agenda. At the rate at which the Government is proceeding, it is doubtful if any plans will really get ready before the end of the war. The truth is that the present Government with its consuming consciousness of artificiality and transience, cannot give an imaginative lead nor rise above the boredom of day-to-day-ness. Let us confess frankly and fully that we are in a horrid mess, and, what is more awful, we are not prepared for the morrow.

E.P.T. ADMINISTRATION

In our article on "Taxation and Industrial Policy" published in September, 1943, we stressed upon the need for greater liberality in allowances for depreciation and obsolescence and greater flexibility in tax administration. The most carefully framed tax cannot be free from anomalies and our E.P.T. is no exception to it. But where such anomalies are revealed, it is the duty of the Government to remove in the quickest possible manner and afford relief to industry. In this connection the relief secured in respect of the E.P.T. from the British Revenue Authority by the Home and Colonial Stores, London, of which Sir George Schuster is Chairman, is instructive. This company was reorganizing itself in the standard years fixed for E.P.T. so that the "profit standard" assessment placed it in a bad position. But the alternative of a "capital standard" found it no better. As there was no chance of getting the "profit standard" revised, the Company concentrated on getting a fairer basis agreed for a capital standard. The main question at issue was whether the Home and Colonial Stores Ltd. could include in the computation of its capital the amount which it had paid for goodwill when it acquired other undertakings. The doubt arose because the goodwill had been acquired from the shareholders not as a separate item separately paid for but by paying a premium for their shares. The Company was able successfully to press their point with the result that the new capital standard secured for the company a much larger standard profit. On the capital standard now agreed to by the Revenue authorities the company's profit not subject to E.P.T. liability was about £180,000 higher than would have been the case on the profit standard basis. It is true that flexibility in administration may be liable to abuse, but where the bonafides of the case are clearly established, the tax authorities should be ready to grant relief. We hope that the Income-tax authorities in India will follow the practice of the British tax administrators and afford relief wherever necessary.

URBAN AND RURAL RATIONING

In the illuminating articles which Mr. K. Santhanam is contributing to the *Hindustan Times* on the famine conditions in South India, an important question has been discussed as to whether urban rationing in itself without rationing in rural areas is desirable and satisfactory. Cochin has taken the most drastic step of introducing a State-wide rationing scheme embracing rural and urban areas on a basic uniform rationing for all. There is no doubt that it is the only sound and effective means of controlling consumption and distribution and guaranteeing to every consumer his basic minimum. Although the food problem presents its most acute aspect in urban centres, it is very far from being true that in all parts of India the rural population can be left to look after themselves on the assumption that they have sufficient produce in their hands to tide them over from one harvest to another. That is not the case in many parts of India and particularly in Travancore, Cochin, Malabar and a number of other places where the crops grown are not foodgrains. It would, therefore, be a profound error to deal with the problem of food supply as if it were only one of securing a regular supply to the cities. The feeding of the

rural population must also be considered. Unless regular supplies are forthcoming also to the rural areas, urban rationing will only tend to make the position of the rural population worse, as the available supplies may be forcibly diverted to the rationed terms. Mr. Santhanam is, therefore, right in advocating strongly the extension of rationing to rural areas. According to him Cochin has rendered an incalculable service by demonstrating that rural rationing is not impracticable.

But as he himself reports the official view in British India is that what is possible in a small State may not be possible in a larger area. The Collector of Madras for instance was of the view that the calls on administration and organizing energy and capacity would impose a strain too severe on the Governmental machinery. Although Mr. Santhanam calls this attitude mere mental laziness, there is a great deal of truth in this. Any general country-wide rationing in India is out of the question. But that does not mean that without a general system of rationing all over India, much may not be done. In all deficit areas special arrangements for distribution of foodgrains must be undertaken by Government and something like informal rationing should be adopted. What is required is detailed knowledge of the real position in every area in the light of which provision may be made for effective distribution.

THE FEDERATION ON THE CURRENCY PLANS

The Committee of the Federation of Indian Chambers of Commerce and Industry has now communicated its preliminary and interim comments on the International Currency Plans to the Government of India. In the communication the Committee has, prudently enough, refused to be entrapped by fruitless discussions of the detailed provisions of the Plan, but has contented itself with the enunciation of certain general principles. The Committee at the outset has emphasized that the question of India's political status is basic in the matter, for with a subordinate status, India cannot derive full benefits from the working of even the best plan. Further the Committee has urged that in any currency conference, India must be represented not by the present Government but by a responsible body whose authority reaches back to public opinion. The stress laid on the political aspect is not in the least out of place in the context of the currency plans which must have far-reaching consequences for our economic development.

The Committee lays down the "acid test" by which we should judge any monetary scheme, viz., whether it would help us in our policy of economic development and leave us "full freedom to follow monetary, fiscal and industrial and agricultural policies adequate to the needs of the country." That indeed is the crux of the matter, for advanced industrial countries often tend to forget the special needs of the comparatively backward countries and in their zeal for "stabilization" regard the good old pre-war days as the "norm" with reference to which everything must move. But countries like India and China with limitless potentialities for industrialization, cannot accept the validity of such a "norm." In this connection, the Committee raises the vital question of our sterling balances and after pointing out the injustices which we suffered in this regard (e.g., by denial of dollar resources or prevention of import of capital goods) demands full safeguards as to their value and international convertibility.

When it comes, however, to the problem of the "surplus balances" or the "new principle" that both creditors and debtors should bear the burden of adjustment, the Committee seems to suffer from a certain measure of confusion of thought. It is not, of course, possible to appreciate the full implications of the ancil-

lary international schemes alluded to in the Keynes plan until further details are available; but it is not clear that the overtone of apprehension with regard to the "surplus balances" expressed in paragraph 7 of the Committee's communication, is the outcome of a full understanding of the technicalities of the Keynes proposals. In paragraph 13 also the Committee demands that "under no circumstances the country would be asked to readjust her "surplus" position in the name of bringing an equilibrium in the balance of trade position through measures which would, on the one hand, open the markets for competitive goods from abroad to India, and, on the other, restrict her industrial development, through the adoption of measures, such as the expansion of domestic credit, or cost and income in the country, appreciation of its currency, reduction of exports or tariffs and other discouragements against imports or a levy on 'surplus balances.'" It is a pity that the Committee has expressed itself so confusedly and almost in contradictory language. The lay man (and even the student of monetary problems) cannot appreciate precisely what the Committee has in mind. As regards the "new principle," India as a creditor nation would certainly resent any onerous responsibilities. But there is surely no reason why we should refuse to accept those simple "rules of traffic" which help all parties and may not injure us.

INSURANCE IN 1941

Details of the progress of insurance in 1941 are given in the *Indian Insurance Year Book* for 1942 just issued. The total new life insurance business effected in India during the year 1941 amounted to 2,00,000 policies insuring a sum of Rs. 39.51 crores and having an annual premium of Rs. 2.10 crores of which the new business done by Indian insurers amounted to 1,89,000 policies insuring a sum of Rs. 34.14 crores and having a premium income of Rs. 1.77 crores. The share of the British insurers in respect of new sums insured is Rs. 2.82 crores, and of the Dominion and colonial insurers Rs. 2.48 crores. The total life insurance business effected in India and remaining in force at the end of 1941 amounted to 15,92,000 policies insuring a total sum of Rs. 291.65 crores including reversionary bonus additions and having a premium income of Rs. 14.53 crores. Of this the share of Indian insurers is represented by 14,27,000 policies insuring a sum of Rs. 237.24 crores and having a premium income of Rs. 11.27 crores. The life insurance funds increased by Rs. 6.55 crores and amounted to Rs. 68.79 crores at the end of the year. The net rate of interest earned by the Indian life officers in 1941 was 4.17 per cent., as compared with 4.37 per cent. in 1940 and 5.15 per cent. in 1938. The total expenses of management expressed as a percentage of the premium income was 27.4 in 1941 as compared with 28.9 in 1940 and 32.2 in 1937. The *Year Book* stresses the need for lower rates of interest in the valuation base, reduction in the expense ratio and the building up of reserves.

PRICE FOR SUGARCANE

The question of the price to be paid for sugarcane is of practical importance with the starting of crushing season hardly a couple of weeks from now. There can be two views regarding the adequacy or otherwise of the any price that is fixed. Some may be satisfied if the price is successful enough to procure adequate supplies to the factories, while others consider that the only reasonable basis for adequate prices can be the costs of production calculated to give a decent standard of living to the producers. The price of Rs. 10 a maund has proved inadequate from either of these standpoints and is assailed not only by those who bother about a decent life for the cultivator but also by those who are primarily concerned with supplies to the factory. The *gur* control which has been a measure for coercing the cultivator to supply his cane to the

factory, has not been enough to ensure such supplies and the sugar industry is very apprehensive regarding its outlook. The Federation of the Indian Chambers of Commerce and Industry has represented to the Government of India some of their apprehensions. The industry has referred with concern to the dangers of the acreage shrinking and supplies falling catastrophically in 1944-45 season owing to unremunerative present price. But what appears to be a matter of greater concern immediately is their reference to the fact that the cane-growers are reluctant to contract for supplies of cane even during the coming season at the present controlled rates. With the shackling of *gur* trade, the only alternatives open to the cane-grower now when the crop is ready, are either to supply cane to the factories at whatever prices that can be had or to use it as fuel and fodder, thus in fact destroying it. That the cane-growers are now reluctant to supply reflects the tragic situation when the cultivator would rather destroy his year's crop than supply it to the factories. In their own interests, the factories might be forced under the circumstances to pay higher than the control prices and thus trench upon their already much narrowed margin of profits. But such a state of affairs cannot induce them to crush their maximum capacity and the sugar production last season was actually faced with this impasse. Despite our capacity to produce more than our needs of sugar, we had to go without 25 per cent. of our normal consumption last year and under the existing circumstances the outlook for the coming year is hardly brighter. One might think that with crops ready in the field the Government might feel itself strong enough to requisition it for the factories. None may doubt the strength of the present Government to accomplish even worse ends if only it is less conscientious regarding the interests of the poor cultivators. But in the past it has shown commendable interest in securing remunerative prices for the cane-growers and let us hope that the principle of equity on which such past consideration for the cultivators was founded has not become a war casualty.

FOREIGN TRADE IN APRIL-JUNE, 1943.

With the publication of the account of the sea-borne trade of India for June, 1943, we are in a position to review our foreign trade in the first quarter of 1943-44. The main feature remains very much the same, viz., a sharp fall in imports, a rise in exports and an increase in the active balance of trade with the resulting sterling accumulation and internal scarcity of goods. In the three months ending June, 1943, the imports amounted to Rs. 25.97 crores as compared with Rs. 25.89 crores for the same period in 1942 and Rs. 52.36 crores in 1941. Total exports, including re-exports were Rs. 51.30 crores in 1943, as compared with Rs. 46.94 in 1942 and Rs. 43.74 in 1941 for the three months period. The favourable balance of trade in the three months of 1943-44 is as high as Rs. 25.33 crores, as compared with Rs. 21.05 in 1942-43 and Rs. 8.62 crores in 1941-42. On the side of imports, there is a decline of Rs. 28 lakhs in 'Food, Drink and Tobacco,' while raw materials have risen by Rs. 6.18 crores. Notable among them are raw cotton by Rs. 378 lakhs, raw wool by Rs. 154 lakhs and seeds by Rs. 17 lakhs. Articles wholly or mainly manufactured declined by Rs. 5.77 crores, made up of a fall in all goods like metals, paper, cutlery, machinery, etc. Dyes and colours rose by Rs. 85 lakhs. On the side of exports, 'Food, Drink and Tobacco' has gone up by Rs. 329 lakhs, though in reality only tea exports rose by Rs. 510 lakhs and most others fell. Exports of raw materials and produce mainly unmanufactured show a decrease of Rs. 251 lakhs of which seeds alone account for Rs. 190 lakhs. Of the exports of manufactured goods, cotton yarns and manufactures have fallen by Rs. 150 lakhs, notably due to the cloth control scheme and jute has gone up by Rs. 700 lakhs obviously because

of the American order. Exports of hides and skins have gone up by Rs. 63 lakhs and other items show a minor rise. Though the exclusion of transactions on Government account detract very much from the value of these figures, there is little doubt that the growing favourable balance of trade and the fall in imports have accentuated the scarcity of goods.

THE SUGAR CONTROLLER'S PLEAS

The maintenance of the low and unremunerative prices of sugarcane is justified by Government on the ground of the need for deflation at the present juncture and of the desirability of diversion to the production of foodgrains. Granting that these objectives are laudable, the means adopted to accomplish these ends is questionable. Prices are normally inter-related and had the Government of India any idea of putting a ceiling for all prices based on some principle, one may understand their action. But so far it appears that price control has been entirely left to the different controllers to fix whatever ceilings are considered expedient. While the textile controllers have fixed their ceilings about three times above pre-war prices, and food controllers are maintaining prices at four to five times pre-war in most places, our sugar controller would not permit a rise of more than twofold. Obviously this can neither be just nor profitable for the cane-growers and the effect of this policy or lack of policy of the Government of India will be the entire dislocation of the rural economy of the sugar-producing areas. Ostensibly, a raising of cane prices might be said to have an anti-deflationary effect in two ways. It might be through a higher purchasing

power in the hands of the cultivator or through raising the general working class cost of living thus affecting prices. Apprehensions on either ground are based on imperfect reasoning. The sight of the famished people straying into our big towns from the villages should be enough to destroy the official illusion regarding war-time rural prosperity. The fixing of cane prices at twice the pre-war prices cannot today allow of a payment of agricultural wages enough to feed and clothe even at the low pre-war standards. So the official dread of a larger purchasing power in the hands of our villagers is ridiculous and tragic. As regards the argument that high cane and sugar prices may aggravate inflation by raising the cost of living, it has to be remembered that sugar is mostly an article of higher class consumption and a rise in its price cannot affect significantly the working class index. The Government's view regarding the extension of area under food crops is more amusing. Sugar is also an article of food and with higher calorific value than many others. Even if it is the case that we should have more rice and maize instead of sugar-cane, we can have them only next season. It can furnish no justification for unreasonable prices during the current season for cane. Surely, to deprive the cultivator of his legitimate expectations is not the best governmental method of fostering one variety of crop in place of another.

Owing to pressure on our columns, we have had to withhold our article in the Commodity Controls Section.

IMPORTS OF MOTOR VEHICLE SPARE PARTS AND ACCESSORIES FROM THE UNITED STATES, CANADA AND THE UNITED KINGDOM.

In future, imports of motor vehicle parts and accessories from the United States, Canada and the United Kingdom will be governed by the following principles:-

- (i) in the case of imports from the United States, on the basis of a fixed value of parts and accessories per vehicle in essential use in India at present;
- (ii) in the case of Canada, up to a proportion of the value of actual exports from that country in the year 1941;
- (iii) in the case of the United Kingdom, up to a definite value.

2. Parts and accessories for each make of vehicle in use in this country will be obtained only from the country from which such makes were originally obtained.

3. Arrangements have already been made to obtain factory and other parts for General Motors and Ford vehicles and factory parts for all the United Kingdom makes through the existing main vehicle importers. A certain portion of the total quota for the import of parts from the United States is being offered to the firms who have imported vehicles of makes other than General Motors and Fords from the United States in the past. The balance quota available from the several countries is proposed to be utilized for the import of miscellaneous, electrical and replacement parts as follows:-

- (i) from the United States—parts, other than factory parts, for all makes except those of General Motors;
- (ii) from Canada—parts not exceeding 70 per cent. in value of those actually exported from Canada to India during 1941, the imports to be made only by the same firms to whom exports were made from Canada in 1941, the value referred to being the factory value;
- (iii) from the United Kingdom—all parts, excluding factory parts and batteries.

The proposed imports under clauses (i), (ii) and (iii) above will be on a commercial basis and the importers will have to establish the necessary credits

with the exporters in the countries concerned. The Government of India will, however, assist with these imports in consultation with the foreign Governments concerned.

4. Applications together with information in the form below should be made *not later than 30th November, 1943*, by firms desiring to import parts and accessories under the conditions indicated above:-

(a) if from the U.S.A. and/or Canada, to the Assistant Controller of Road Transport (Provision), Department of War Transport, New Delhi, and

(b) if from the U.K., to the Secretary, U.K. Motor Vehicle Spare Parts Advisory Panel, 71, Park Street, Calcutta.

Country of origin.....		Name of Suppliers.....			
Classes	Value of imports. (Please furnish duty paid landed cost).				Value of proposed indent at factory cost to cover re- quirements up to end of 1944.
	1938	1939	1940	1941	
	Rs.	Rs.	Rs.	Rs.	
Proprietary parts					
Replacement parts					
Electrical parts					
Spark plugs					
Others					
Total					

Name and address of applicant.....

Separate forms should be used for U.S.A., U.K. and Canada. Information in respect of U.S.A. and U.K. is required for 1938, 1939 and 1940, and in respect of Canada for 1941 only. Detailed indents should accompany the application.

5. On receipt of applications and indents, definite quotas by value for parts to be imported from each source will be allocated and the necessary import licences will be granted by the Chief Controller of Imports. The Government of India reserve the right to allocate individual quotas, issue import licences and certify indents, only for such parts as they consider to be essential.

WAR TRANSPORT DEPARTMENT.

SPECIAL ARTICLES

Post-War Public Works Policy

(Contributed)

WE do not know the Post-War Reconstruction Plans of the Government; but the Public Works programme seems to have monopolized the Government attention. Suggestions about irrigation, tube-wells, road development, hydro-electric installations, water works, etc., are likely to be pressed on the Government, mainly by British vested interests. The Reconstruction Fund, which the Government of India intend to constitute out of our sterling balances may be mainly devoted to such purposes, and corresponding orders or contracts may be placed by the Government in Great Britain, perhaps at the cost of India's other requirements of capital goods. However, caution would be necessary, for an ill-advised policy might do greater harm than good. For this reason, certain primary aspects of public works policy require to be emphasized.

We have seen that, during the war, demand for products of our industries, consumers' as well as producers' goods, is concentrated in the hands of the Government, who are the major purchaser in the market. This has naturally imposed curtailment of ordinary civilian demand and the diversion of resources to meet the Government's needs. Concentration primarily on public works would mean that the Government would continue to be a heavy consumer of available resources, such as commodities and equipment, domestic as well as foreign—of course, within the limits of their financial resources. However, the consumers' demand, which has been ruthlessly restricted during the war, would require to be satisfied after the war, and industrial production shall have to be switched over from meeting Government demand to the satisfaction of consumers' demand. For this purpose, industries would require repairs, renewals and re-equipment of plant and machinery which have suffered heavy wear and tear on account of strenuous war-time working. It should, therefore, be the object of the Government to see that their public works policy does not continue to ruthlessly restrict the consumers' demand. The wise policy would be to dovetail the Government demand—i.e., its public works programme—into the zigzag of post-war consumers' demand. In order to do so, a detailed plan, carefully elaborated in advance, is essential—a plan which should cover not a year or two, but a period of five or ten years. The Government should attempt to classify projects according to degree of urgency and according to the need of absorbing demobilized personnel and labour. In any case, the more pressing work of industrial reconstruction should not be made to suffer.

The general standard of living—as also restoration of peace-time industrial production—may be seriously affected, if at a moment, when industrial machinery and plant are largely worn out, the Government devote resources, domestic as well as those acquired from abroad, on a large scale, to their public works programme. There is a real danger in the Government reserving for themselves the decisions in regard to the use of sterling balances for placing orders abroad, without first knowing the industrial demand, which might otherwise weigh less with the Government. Any restriction on the convertibility of sterling balances into international exchange would increase this danger. If this happens, even the consumers' goods industries of the country may be unable to recover rapidly, and their competitive power may be seriously impaired.

This may also occasion persistence of scarcity of goods and inflation in the country.

Curtailement of consumption or the delaying of reconstruction of mechanism of production and other capital goods might take place as a result of the Government hurrying to build roads, aerodromes, and other public works. Once Britain has been able to obtain command over our sterling balances and secure orders of the Government of India, in regard to their public works programme, naturally the British industries would give to the production of these goods, a first priority at the cost of other capital goods, which Indian industries would urgently require. In fact, if the war in the West ends earlier than the war in the East, the British industries would switch over to the production of the above-mentioned goods more quickly, while the demands of the Eastern war might necessitate continuation of controls in India and thereby prevent the Indian industries from switch-over to peacetime production. This would provide a benefit of earlier switch-over to the British industries and thereby the British industries might be able to commence their 'export offensive' even before India's industries are able to recover and strengthen.

Another consideration equally important is that we should conserve our resources not merely for the import of machinery for producing consumers' goods but for the import of machinery for manufacturing machinery and all kinds of plant. Any hasty public works programme will only employ capital resources wastefully at the expense of the important objective. Hence unless the question is viewed against this essential post-war need, Government's public works policy might do more harm than good.

As already mentioned, the policy of the Government of India in respect of public works programme will largely depend upon the Government's financial resources. Great care will be required to obviate an inflationary crisis, if public works, other than those of great urgency, are undertaken and thereby consumers' choice is severely restricted. In fact, the Government projects should be undertaken only to fill up gaps rather than to compete with the active demand market. The first essential which the Government should observe is that their public works policy should only supplement the industrial reconstruction which deserves the place of first priority.

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Reform of the Civil Service

By V. M. B.

THE modern tendency towards increasing State control and restriction of the economic life of a community has created new problems of administration. Economic activity of a country has ceased to be a self-adjusting phenomenon—whatever was the nature and process of such self-adjustment in a *laissez-faire* economy that is no longer with us. The success of modern economic controls largely depends on a proper industrial and business-like attitude of mind of the civil servants who have to carry out the control-measures of Government. How effectively can an administration tackle the economic problems of the present rapidly changing world, would depend primarily on the mental make-up of those who are called upon to take decisions in this regard. It is common knowledge that the problems of modern industries and commerce and of economics in general are extremely intricate. Rapid developments in the field of commerce, industry, technique of production and management are almost daily taking place. The tempo of these developments has increased during the war, and is bound to increase further after the war. This calls for quick and often bold decisions on the part of Government. Hence the question naturally arises, "Is our Civil Service best equipped for such a job?"

The idea of State control, which in practice, must mean control by a bureaucracy, is becoming familiar in India. Of course, it cannot be taken for granted that State control is generally accepted as being in the national interest. State control, at least of the war-time nature is in no sense a *chose jugée*. Nevertheless, even the withdrawal of war-time controls would give rise to problems of far greater complexity than those of war-time controls themselves.

Our Civil Service personnel is normally recruited from Indian and foreign—mostly British—universities where study of the 'Classics' forms a major part of the curriculum. Roughly speaking, an Honours Degree in subjects like Literature, History, Mathematics and Physical Science is considered an adequate qualification for entrance to the competitive examination. Recently, Social Sciences, such as Economics, Politics and Sociology have been added to the subjects in which a candidate can choose for being examined. But in all these subjects, the teaching is of pure academic character. Not that knowledge of 'pure theory' is not required; but this knowledge remains unsupplemented by applied Arts or Science, or by practical training in the sense in which, for instance, an Engineering or a Commerce student is trained in industry or business. Even if Social Sciences, such as Economics, were to be considered as a tool that can be readily applied to a practical problem, it will not be denied that teaching of the same which is imparted to the candidates, has been confined to the narrow grove of what is called the Anglo-Saxon theory and practice, which, because of its very tradition, is of limited applicability to the economic problems of all countries or of all times. Anglo-Saxon economic thought, for instance, is erected on the foundation of a market-price analysis under competitive and *laissez-faire* conditions. Even in cases where Indian economists have tried to apply the 'general theory' to Indian conditions, the literature that is produced has been mainly historical and descriptive, and often, unrealistic. Apotheosis of this can be readily seen in the pamphlets of the New India Planning Groups Research Directorate that has been recently constituted by the Government of India. Apart from this, even the so-called probationary training of

our Civil Service recruits amounts to nothing more than an extension of what may be described as 'Classical Education' perhaps with a smattering of Law and a large dose of officiousness and snobbery.

Thus the preponderance of 'liberal education'—a legacy of Lord Macaulay to India, and a certain lack of practicability in the sense in which it is understood in business and industry, have created a 'bias for history' in the mind of our Civil Servants. That is to say, there is almost a fatal tendency, among our bureaucracy, to depend more on the historical aspects and 'precedents' of a question than on the current practical aspects, when taking a decision. When there are no 'precedents' to guide them, for instance in regard to many of the recent control measures, the services have often failed to do adequate justice to the work handled by them. The Civil Service has very often failed to show that accurate grasp of a problem, which a business man or even a layman would consider as a minimum essential. As a result, in tackling the modern economic problems or in administering the measures of control in the atmosphere of rapid changes, the Civil Service has, not rarely, blundered from precedent to precedent. It has also encouraged among the services, a tendency to hesitate in taking final decisions, and even to shift the responsibility of taking decisions, to others. Such evidences, of course, lie hidden in the files of the Secretariats. It is time somebody collected statistics pertaining to the number of times a file travels from one official to the other and so on. If the experience and the impression of those who face the impact of bureaucratic actions were to be taken into consideration, many instances can be cited from the working of the Food Control during the last two years. Boldness and lucidity at arriving at final decisions have been conspicuous by their absence. Conflicting orders, notifications and interpretations have been the order of the day. Measures, orders, rules and interpretations have been promulgated, revoked, revised and reinstated, with the result that they only succeed in confusing the public and even the administrative personnel themselves. In such an atmosphere, the public is prone to find more than ineptitude as responsible for the chaotic administration of the economic controls, for, it is common experience that, the consequences of inefficiency are as bad as those of bribery and corruption.

This inability to take bold and clear-cut decisions is perhaps inherent in the very nature of the Civil Service organization. In business, a mistake as such is less seriously regarded than a neglected opportunity; through indecisiveness. To lose an order or to fail in signing a contract, through mental procrastination or fear of taking a decision, is a heinous fault in the business where promptitude is regarded as vital. In the administrative service, on the other hand, preoccupation of those who wish to 'get on' is to avoid a mistake at any cost; and 'to pass on the buck' to some other authority, is a sure refuge for those who wish to escape responsibility and a possible mistake. The time factor is often ignored. Most of the difficulties which the public experiences at the hands of bureaucracy can be ascribed to this fundamental weakness.

The war-time administration has given rise to another set of problems. The number of civil servants has enormously increased. The necessity of exercising authority over industry and commerce has compelled

the Government to draft personnel from various sources including commerce and industry. Consequently, our control-administration is today composed of two sets of servants, possessing different mental equipment and outlook on administration. Has this combination been harmonious? A shrewd observer of human nature once said that "Temporaries look down on Permanencies." Perhaps a shrewd observer of the bureaucratic mind would retort that "Permanencies look down on Temporaries." Thus, the old 'brigade' and the 'new colleagues' look at each other critically and egoistically. Perhaps the fact that the business personnel have now entered the citadel of the Civil Service has glaringly revealed to them the fundamental weakness of the bureaucratic tradition. Similarly, the fact that the bureaucracy has perhaps for the first time so much to do with the business and industry, has also revealed what exactly is amiss in the training of the services, which has been responsible for the unbusiness-like administration of commercial and economic controls of the Government. A striking evidence of the chagrin felt by the business at the vagaries of bureaucratic methods is available from the manner in which the 'Standard Cloth' business is being handled by the Government. A recent report revealed that millowners continue to complain against abrupt cancellations of orders by the Standard Cloth Department of the Textile Directorate, the orders which were placed weeks ago and in respect of which they have already commenced production; and the inefficiency of the administrative machinery is considered to be mainly responsible for this. Such instances can be multiplied. The Civil Service, including the Indian section, has failed to establish contact with business and industry in the country and lives in an atmosphere and environment out of touch with reality. It has gained no intimate knowledge of economic and industrial conditions of the country, and in this respect compares rather unfavourably with the earlier generation of the Civil Service.

There is no intention here, to introduce bitterness or to dwell upon the political aspects of our Civil Service. The case for reforming the Civil Service dates back before the advent of economic controls which have only strengthened it. The Civil Service, in spite of its shortcomings, has many sound elements in its tradition. What is needed is the elimination of its weak points, particularly the obsolete mode of its training. While the basic recruitment may remain fundamental—question of complete Indianization requiring only a slight modification, a different emphasis in regard to the method of training is long due.

There are at present three principal avenues by which the Civil Service is recruited. The regular method is by competitive examinations, which in many ways, is unsatisfactory. The second is by appointment which is always open to charge of nepotism, and the third is by appointment of temporary officers which, unfortunately, has not succeeded in the permanent personnel learning new and more efficient methods which the 'temporaries' particularly from business and industry brought with them. It is true that the services should be regarded as a career; but it must be a career open to talents. It is absurd to assume that merely a higher standard of book-learning should always and necessarily ensure a better position through the years of service, or that it should be regarded as sufficient to make an officer competent for each and every kind of job. Similarly the suggestion that higher credits should be given for sporting attainments is equally ridiculous. What is wanted is leadership combined with initiative and drive, rather than capacity to score a century at the cricket stadium or to win a Tennis Blue.

A suggestion that is worth considering is to regard the competitive entrance examination as admitting the candidate for real training. A successful candidate would then pass to an institution for training in a specific and specialized job. This period of training would give sufficient opportunity to the authorities to earmark the candidate for a particular job in the Government and thus fit the round pegs in round holes only. The theory that a civil servant is versatile and can handle any work, should be discarded. Gone are the days when a Civil Servant can be just shunted from one department to the other. The whole trend of modern thought is in the direction of training young men for particular jobs in life, i.e., specialization.

These principles are now acknowledged in the United Kingdom. Eton and Harrow will be shorn of their monopoly of entrance to Whitehall. They are still more emphatically recognized in the British Diplomatic Service. Gone are the days when capacity to quote Aristotle and Plato or to speak French without tears would be considered the most that should be required of a Diplomat. Significantly enough, commercial training is now considered as essential for an Officer in the Foreign Embassy. A post-war diplomat will be a salesman first and a 'Gentleman' afterwards. This is because Great Britain has now realized that her foreign diplomacy will be for increasing Britain's foreign trade and for seeking markets for British goods. If the development of foreign commerce is the basic principle of Britain's economic policy, equally emphatically, the development of India's commerce, industries and agriculture should be the basic principle of our economic policy. For this purpose we need a change in the mental make-up of our bureaucracy. It is this fundamental principle that should receive recognition in the reform of our Civil Service.



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THE WORLD ABROAD

The World Bank Plan

(From Our Washington Correspondent)

WASHINGTON, Oct. 11 (By Cable).

IF the United States Treasury Department ever wins the whole-hearted co-operation of American business and financial community in its plans for post-war reconstruction and financing, it will be achieved despite the consistent and glaring official ineptitude, the most recent example of which was last week's belated publication of the proposal for the establishment of a World Bank. The Treasury released the details of the Plan only on Friday after somewhat garbled accounts thereof published in London had aroused angry smatterings in New York and Washington. The Secretary of the Treasury, Mr. Morgenthau, hastened to explain that the London stories were based on the preliminary draft of the Treasury which was later discarded; but damage has been done. The American banks are issuing none too veiled insinuations that the London 'City' is in much more intimate contact with U.S. Treasury's inner purposes than is Wall Street.

This was not the first time that Britain had advance knowledge of the U.S. Treasury proposal. The London *Financial News* also published an outline of the Currency Stabilization Plan promulgated through American Treasury before it was available in this country. As one commentator remarked, "In two successive instances the American public have been forced to depend on the courtesy and enterprise of British newspaper to discover what its high public officials are doing and thinking."

Mr. Morgenthau has never been popular in the so-called big business circles, but he is at present in less favour than at any time since the advent of the New Deal. The fumbling world bank idea followed Mr. Morgenthau's presentation of the programme for ten and a half milliard dollars new taxes which was denounced not only by the conservative Press but also by the administrators in the Congress. Under the present situation the merits, if any, in the Secretary's proposals are often obscured by his amateur methods of presentation.

The World Bank Plan itself, described secretly to six Congressional Committees last week, contemplates an International Reconstruction and Finance Corporation with a capital of ten milliard dollars which would encourage private financial concerns in various countries to provide long-term capital for the development of productive resources in member nations. Loans would be restricted to reconstruction rather than rehabilitation and would be made by the Bank itself or by the Bank co-operating with private agencies. The Bank would also guarantee loans provided from private capital. It is reported that Mr. Morgenthau told Congressional Committees that the United States' contribution to the Bank would be 3½ milliard dollars, Britain's 1 milliard and other nations furnishing the remainder in respective currencies and gold, the details of which have not been

so far defined. Through proper authority it can make direct loans where private capital is not available "on reasonable terms" and could place effective ceiling on the rate of interest on credits exported from one country to another. The Bank's credit would be long term. Officials explained that the Bank would not provide capital for use by some company in obtaining raw materials but could make credit available for the construction of hydro-electric project or building and equipping industrial plant. With the approval of member countries the Bank could sell gold or foreign exchange which it holds after consultation with the International Stabilization Fund which the Treasury has proposed but whereon final agreement with the British has still not been reached. The voting power of each country would be closely related to its share in the Bank's capital.

The latest Treasury draft for a World Bank differs from its preliminary plan which would have coupled international bank with price control of commodities and development of raw materials. The financiers' reception to the World Bank Scheme has been even less cordial than that accorded to international stabilization programme. A leading banker of one country has questioned the need for any new world banking institution in view of the existence of the Bank of International Settlements which could be reconstituted to meet present conditions or the United States Export and Import Bank which has had an enviable record of repayments on advances. The *Wall Street Journal* typically and trenchantly attacked the reconstruction bank plan: "We can understand the Treasury's reluctance to say anything about it publicly. Anyone who has such a monster about the place may be forgiven for keeping it in hiding as long as it is possible! The so-called reconstruction bank would issue its own currency. Any time it considered any nation an 'aggressor' it could proceed to strangle it economically. What we have here is a mad proposal for economic imperialism."

Meanwhile, the United States private business is not waiting for the ripening of the Government's post-war international finance plans. With the successful conclusion of the fifteen-milliard-dollar third war loan drive the Treasury is unexpectedly engaged in new domestic financing until next January or February. Before that the American industry will launch a financing campaign for itself that may exceed half a milliard dollars. Before mid-November investors will be offered more than a quarter milliard in bonds, and common and preferred stocks. Many corporations knowing that they must finance for post-war period are inclined to do so now when interest rates are low and public are eagerly absorbing new offerings. Despite official gloomy intimations of a long war, most industrialists opine that Germany will be defeated in a year. They don't intend to be caught napping if peace comes unexpectedly any time in 1944.

Fears of U. S. Economic Domination

(From Our London Correspondent)

LONDON, Oct. 13. (By Cable).

THE speed wherewith Britain's unsolved post-war problems are rushing upon her fills the city of London with something like dismay. These problems—post-war trade both visible and invisible, huge external short-term loans which have accumulated in London, foreign-owned idle sterling deposits—these are assuming more serious proportions with every advance of Allied armies and every sign of Axis morale deteriorating. From the financial view all these problems are seemingly more tentative and uncertain today than were, say two years ago, when post-war blue-prints first became fashionable. The main reason for the city's growing perplexity may be given in one word: Washington. Uncertainty about Washington's probable co-operation or lack of co-operation plasters a huge question mark over everything post-war.

In the first place, the Washington Government is displaying a passion for brand new, highly elaborate schemes for assisting post-war trade. The city, which prefers to attack every problem by details instead of frontally, heartily dislikes the American relish for elaborate machinery and large-scale schemes. For example, when the exiled Belgian and Dutch Governments recently signed a pact promising mutual support of their exchanges, this caused genuine pleasure in old-fashioned banking circles on the ground that it would be easier and more workable slowly to link up the world trade in a series of such mutual pacts than establish remote control in the form of an international board sitting in New York.

Another important aspect of London-Washington relationships has a paradoxical quality. As the stronghold of world-wide conservatism, the city of London might naturally be expected to welcome signs of another country becoming increasingly conservative. But the United States has her own brand of conservatism which London over many decades has learned to dread—aggressive, highly nationalistic, and according to views here, inclined to ride roughshod over the business interests of other countries. Thus reports of the United States "swinging to the right" provoke few cheers in

London where it is feared that American banking, shipping, aviation and exporting interests will be placed in power and go all out to achieve world-wide dominance. This is putting the situation in the cupidiest colours, but illustrates roughly the widespread view.

In other words, the city of London is beginning to take the Atlantic Charter more seriously as possibly affording the world a much-needed bulwark against America's highly organized business and financial interests. It is recalled that the first victim of this American "swing to the right" was the same Sumner Welles who, in a speech in October, 1941, which went round the world, denounced American high tariff walls. "Our high tariff policy reached out to virtually every corner of the earth and brought poverty and despair to innumerable communities." He expressed the hope that the United States after the war "will not furnish—as it did after the last war—excuse for world-wide adoption of trade-destroying and trade-diverting practices." Another apparent victim of this swing rightward is of course Vice-President Wallace who had taken an international rather than nationalistic view of the United States' obligations.

In short, in the London view, a Washington drifting "half-way to Moscow" would be easier to deal with than a Washington returning to the Big Stick doctrines of the late President, McKinlay. A third view is sometimes expressed that the United States' colossal gold stock is sufficient guarantee that she will take long views and, if necessary, override the short-sighted demands of her various vested interests. This view is based on the belief that in the long run the value of United States gold stock depends upon its world-wide acceptance as "store of value" and that she will be forced to redistribute a portion of her stock to the gold-starved countries in order to maintain the value of gold. Once the U.S.A. embarked upon such far-sighted policy, it is suggested that the extreme nationalism now reflected, for example, in American shipping and aviation interests would gradually disappear. But the world's biggest creditor nation is a bigger problem for London than even Bolshevik Russia.

Currency Talks at Washington

LONDON, Sept. 18 (By Airgraph).

THE arrival in Washington of Lord Keynes and other Treasury delegates for talks with their American opposites has, naturally aroused wide interest and speculation on both sides of the Atlantic. Nothing is known about the contents of the "brief" which Lord Keynes received from the Chancellor of the Exchequer. One point, however, is beyond controversy. The Chancellor of the Exchequer wants to know exactly how the land lies, in the language of the cricketer, what sort of a pitch it is he has to play on. Beyond that all else is as yet a matter for speculation. By the time that these lines can appear in print there may be more concrete indications of what is being sought. Meanwhile there are some who are full of anxiety lest Lord Keynes might be induced to advise his principal to accept the White Plan if no other way to come to an agreement was open.

"This suggestion," rightly writes Dr. Einzig in his "Lombard Street" column of the *Financial News*, "ignores the fact that Lord Keynes, more perhaps than any man is fully alive to the consequences of accepting an unsatisfactory currency plan that would hamper

reconstruction, and might deprive this country of its chances of recovering prosperity from want. But it recognizes the importance of any advice he may offer the Chancellor on currency matters." As the same writer points out, Keynes had the courage to resign when at the Peace Conference in 1919 the Government adopted a policy with which he disagreed. Since then his prestige has increased immensely and if he were impelled to resign his commission in protest against the possible conclusion of a bad currency agreement, the effects would undoubtedly be far-reaching. Again, when in 1925, the then Chancellor of the Exchequer accepted the advice and decided to link sterling with gold again, it was Keynes who squarely put the blame on those responsible for the policy. The present Chancellor and his Treasury advisers are well aware of this and they are not likely to have sent to Washington as a negotiator of a presumably retrogressive agreement the most potent critic of any such policy.

It is much more likely that London has assurances from Washington that whatever proposals there may be on the table, these are meant merely as material for discussion and no more. Just as, similarly, Washington is assured by London that the Keynes

plan is no more than a suggestion for discussion to be based upon. It is doubtful whether a fixed and dried plan will result from the present talks. There are a large number of points of a controversial nature to be cleared up. On many of these points no fundamental agreement will be found to exist when the matter is discussed directly man to man across the conference table. On others apparent antagonism will melt away as soon as the American negotiators realize the naked objectivity of Keynes' mind, and on that point his colleague, Prof. Robins, is an able second.

Whether or not, it is possible to hammer together American and British viewpoints into a common outlook and to build upon it an agreed plan in all its details, time will show. But that some broad agreement must be found is realized over there as well as here. As Prof. Pigou essays in an article in the *Manchester Guardian*, post-war rehabilitation of war-torn European and Eastern countries, China amongst them, is as necessary as the future well-being of the more fortunate countries as Britain and America (U.S. and Canada) as those who need help. Loans at reasonably low rates of interest wherewith to furnish those countries with the means to expand their production will have to be granted, but immediately after the close of the war necessities of life have to be provided and, as Pigou puts it, you cannot trade with a starving man; you have to help him with gifts to get him to rise again. Though there are many voices still, here as well as in America, but more over there than here, who speak the language of the narrow minded, disagreement is related to the ways and means rather than to the principle. The recent preliminary report of the Economic Policy Commission of the American Bankers Association is evidence on this point. Immediate relief for the war-ravaged nations; peace at the earliest possible moment so that plans can be made; collective security; monetary stability; reduction of trade barriers; measures to reduce swings in business cycles; and provision of credit and capital; those are the points put forward as requiring immediate solution.

True the collegium of American bankers are perhaps too enamoured with "freedom from State interference," and their views on monetary policy are on the conservative side; but their sincerity cannot be doubted. And recent visitors to this country of American business men give evidence of much larger understanding of the immediate and long range problems that confront the world than was prevailing only a short time ago. The main difference in outlook between those who speak for the new world and those who speak for the old is in that the Americans lean too much towards what is generally called *laissez faire* of pre-war times while on this side of the Atlantic the swing towards State control has gone too far. Be that as it may, the present talks in Washington can bring only good. For too long have Americans and Europeans talked at each other; the more they talk to each other the sooner we shall get better understanding and better co-operation. But do not let us expect too much too quickly. The situation in which America as the main creditor nation of the world finds herself after this war is as difficult a hurdle to negotiate as is the position of Great Britain as one of the main debtor countries needing an enormous expansion of her export trade in order to keep her standard of living. Add to this the poverty into which so many formerly well-to-do nations have been driven through this war and optimism seems almost sacrilegious. Yet optimism there is everywhere. It is based, and rightly so, on the recognition that we have learned more about these things during the last 20 years than has been learned during centuries before.

Since both the Keynes and White currency plans referred to above contain special provisions to

deal with abnormal war balances, we may recall that the *Economist* recently analyzed the growth in sterling balances of the principal overseas holders. This is the picture of the position.

Overseas Sterling Balances—Main Items

	£ (mil.)	Date
India	500.0	July 16, 1943
Eire	121.5	March, 1943
Canada	157.3	(Interest free loan)
Egypt	71.2	December, 1942
Malaya	58.0	July, 1941
Australia	64.0	May 31, 1943
New Zealand	34.0	February, 1943
Argentina	17.5	December, 1942

These figures do not allow for the holdings of Middle East countries, for the balance of special account countries (except Argentina) nor for the assets of the colonial currency boards. To this *The Banker* adds the explanation that since Canadian balances were \$700 millions in June, 1942, when \$700 millions become interest-free loan, it appears that the liability to Canada should be increased by about \$45 millions. Thus the indications are that total overseas balances at the present time easily exceed £1,100 millions. Not all of this sum can be regarded as "abnormal war balances," since the countries specified in the above table already possessed balances of some £200 millions before the outbreak of the war. At present the most important creditor is India whose claims are increasing at the rate of between £300 to £350 millions a year. It is interesting in this connection to know where the money is coming from for war-time expenditure of the British Treasury. On the basis of the figures published in the Budget White Paper, Mr. N. Kaldor has published in the *Economic Journal* a compilation resulting in the following tabled result:

Real Resources of War Finance

(£ Mn., at 1938 prices)

	1940	1941	1942
Increase in output	300	710	1140
Reduction in consumption	415	645	665
Increase in adverse overseas balances	455	445	285
Reduction in private investment, including the reduction of stocks in private ownership	625	615	565
Increase in Govt. expenditure on goods and services compared with 1938	1795	2415	2655

There has been a steady increase in the proportion of our war expenditure furnished by 'current sources,'—i.e., increased production and reduced consumption—and a steady decrease from other sources. While the share furnished by reduced consumption remained at about 25 per cent., the share furnished by increased output has risen from 17 to 43 per cent. (between 1940 and 1942) and the share furnished by reduced investment, home and foreign, has declined from 60 to 32 per cent. Mr. Kaldor is of opinion that if the war finished tomorrow and hours were reduced to the 1938 level, and if only half of the five millions additionally employed would be retained in industrial employment, home-produced output would still show an increase of some 18 per cent. over 1938. Owing to the various factors mentioned, he thinks that in fact productivity per man-hour would be greater. Thus, he concludes, given reasonably full employment, post-war home-produced output can be expected to be about a quarter above pre-war level.

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FROM THE PROVINCIAL ANGLE

Madras Letter

HANDLOOM PIECEGOODS—EXPORTS TO CEYLON —ANTI-INFLATION CAMPAIGN IN MYSORE— POTATO EXPORTS

(From Our Correspondent)

MADRAS, Oct. 10.

EXPORTERS in this Presidency of handloom piecegoods to Ceylon have submitted a memorandum to the Government of India detailing their grievances and requesting the Government to increase the present quarterly quota of 6.4 million yards to 30 million yards. The fortunes of the handloom industry in India have been in the forefront of Indian domestic problems for the last two centuries and Madras has certain peculiar features with regard to this industry. In the number of active looms and in the number of people engaged in the industry, Madras holds the pride of place among the provinces. Over a third of the total looms is employed in catering to overseas markets and the handloom products, mostly *lungies* and *sarongs*, have been exported to Burma, Malaya, Dutch East Indies, Ceylon and British West African countries. Export of coloured goods (consisting mainly of handloom products) from the Presidency during the year 1939-40 amounted to nearly 38 million yards of which Ceylon took more than half. The course of war has now left only Ceylon and West Africa to the handloom goods of this Presidency. The quota, now fixed, for export to Ceylon may be quite consistent with the pre-war exports, but various other factors have come into play. The advisability of allowing large-scale exports of textiles at a time when the country is facing cloth scarcity must also be considered in this connection. To examine these problems, it should be first borne in mind that the goods intended for the foreign markets are manufactured in special looms which are of peculiar patterns and designs. The products are generally of shorter width and are manufactured in wet and the weavers are specially trained and suited to this kind of work. Quite the reverse is the case in the matter of production of goods for the internal civilian market. Thus, the special looms manufacturing exportable goods cannot be harnessed to produce goods suited to the internal market and weavers doing one kind of work would hardly be suited to the other. And while production of these exportable goods has remained at more or less the pre-war level, the export markets have been considerably reduced. Therefore, if these weavers and those living out of their products are to carry on for the duration of the war, it is necessary that the allotted quota should be raised at least to the level of the total pre-war exports of the Presidency. The magnitude of the inherent strength of the handloom is obvious from the fact that it has survived the competition of mass production of power-looms, the changes in tastes and customs and adverse tariffs. In fact, it has survived a struggle extending over centuries. But whether it will have another resurrection, time alone will show.

Anti-Inflation Measures

Pradhana Siromani N. Madhava Rao, Dewan of Mysore, in his address to the Dussehra session of the Mysore Representative Assembly dwelt on certain important economic questions relating to the State. He admitted that the enormous increase in the general price level was due to the expansion of currency, shortage of consumers' goods and transport difficulties. And, in order to remedy the ill-effects arising out of these factors, Mysore has decided to co-operate with the Government of India in their anti-inflation campaign.

Income-tax rates and super-tax rates have been enhanced and surcharges on stamp duty, entertainment and betting taxes were under consideration. But the most important of the proposals under consideration is the conversion of some of the Government-owned industrial concerns into joint-stock companies, with a view to associating private enterprise in their future development and incidentally draining away a considerable amount of money with the vesting public. Most of the concerns are now enjoying war orders resulting in an increasing measure of industrial prosperity. The Government's revenues have been considerably augmented by the prevailing high prices of gold and silver. In 1942-43, the output of these two metals totalled 234,524 ozs. and 18,694 ozs. respectively. The royalty payable by the mines was Rs. 19.63 lakhs and under the Duty on Gold Act, a further sum of Rs. 151.75 lakhs would be payable. A proposal for mining and extracting gold from a section of the abandoned gold mine in the Tumkur District was also under consideration. In the matter of food, the State is not self-sufficient and normally imports 15 to 20 per cent. of the total requirements. But imports having become difficult, Government have taken elaborate measures to increase the production of food. A number of concessions, which to all intents and purposes are in the nature of an indirect subsidy, have been given to the ryots, but the anticipations in this regard have not been fulfilled. In the meantime, distribution arrangements are being perfected by price controls and rationing.

Shortage of Small Coins

Shortage of small changes is being felt again in the city. The larger establishments are experiencing great difficulties in the payment of wages to their staff, particularly labour. Several organizations are adopting different devices to get over the difficulties, but none of them would seem to benefit the community. To quote a few examples, the Commissioner of the Corporation of Madras has proposed, as an emergency measure, to omit the fraction of an anna, if the salary of wages payable is below six pies and to round it off to the nearest anna, if it is six pies and above. The rounding off to the nearest quarter anna or half anna was also examined but proved impossible due to shortage of these specie. The proposal will not result in any loss to the Corporation as the loss over half anna would be offset by the gain under half anna, but individuals are bound to be affected. Secondly due to same reasons as above, the South Indian Railway has raised the minimum fare from half anna to one anna. Thirdly, the motor transport companies operating in the city and suburbs are contemplating an upward revision of the passenger fares and under the proposed arrangements, there is to be no fare ending with quarter anna.

War Supplies

Mr. R. W. Targett, Director-General of Supplies, Government of India, met the members of the Southern India Chamber of Commerce while he was in Madras this week. He complimented Madras on the quality of the commodities supplied and promised that Madras would not be neglected by the Government in regard to war supply orders. The Chamber urged, in a memorandum submitted, that while large stocks of wool were

available in India, it was imported from Australia. The industry was also handicapped by the refusal of the Government to permit certain varieties of wool which were not required by the Government. In reply Mr. Targett stated that certain technical difficulties stood in the way of larger consumption of Indian wool, but he said he would examine the question of alleged prevention of the export of wool, not required by the Government. The Chamber also stressed the need for importing the necessary plant and machinery for the manufacture of paper and particularly newsprint. It was also urged that orders for building bodies of motor vehicles should be given to Indian companies. The promotion of factories for fruit preservation and canning and manufacture of power alcohol were also suggested. The Director-General promised to consider these suggestions.

Bombay Letter

GOVERNMENT AND GRAIN PURCHASE—TEXTILE BOARD'S DECISIONS—THE FINANCE MEMBER AND STOCK EXCHANGE (From Our Correspondent)

BOMBAY, Oct. 9.

AT the meeting of the Provincial Rural Development Board, it was decided to approve of the local Government's plan to purchase a part of the coming *kharif* crop. The Government propose to purchase about 25 per cent. of rice and 10 per cent. of millets crops of the province which would be kept as a reserve to be utilized both for meeting unexpected emergencies and the needs of deficit areas in the province. Non-official members of the Board urged that in view of the high cost of almost everything that the farmers buy, they should be given a fairly good return for the produce, the Government being the sole judge of what constitutes a fair price. As experience has shown that in most districts buying through ordinary channels has not been satisfactory it has been decided that purchases on behalf of the Government will normally have to be made through revenue staff direct from the cultivator either in his village or in the local market where he brings his produce for sale. When Government are buying, steps would be taken to prevent movement of foodgrains from the producing areas except of course for local consumption and competitive buying against Government by traders or others. Cultivators would be given the option of paying their revenue in foodgrains when the Government buy the commodities. This is a step by the Bombay Government to obtain supplies from its own province. But Bombay has been always a deficit province and has to import to the tune of six lakhs tons and local supplies will not suffice.

Revised Ceilings for Cloth

Expectations regarding a reduction in the "ceiling" prices of cloth and yarn have been realized. This decision was taken at the meeting of the Textile Control Board held in Bombay this week. The "ceiling" prices fixed by the Textile Control Board for 12 varieties of cloth and yarn will be reduced further with effect from December 1. It has also been decided to "ceil" the prices on that basis for all the varieties numbering over three thousand of cotton cloth and yarn before that date. These ex-mill prices as well as retail prices will be stamped on each piece of cloth and each bundle of yarn so that the consumer will be able to know what he should pay for them. The prices to be effective after December 1 are expected to be fixed by November 15. They will be reviewed at the end of every quarter according to circumstances then prevailing.

The system of stamping prices on cloth and yarn will ensure enforcement in practice of the "ceilings" fixed. According to the data collected, India at present

Potato Control

The Madras Potato (Dealers and Transport) Control Order promulgated three months ago seems to be adversely affecting the ryots. Complaints have been received from the Nilgiris District that an enormous stock of nearly 25,000 tons harvested in July last will become putrid, subjecting the ryots to heavy loss, unless orders are passed by the Government allowing export without any restrictions. It would appear that the maximum period of storing potatoes is only three months. The estimated yield of the crop in the Nilgiris is about 42,000 tons, 75 per cent. of which is usually exported to Bombay and Bengal.

has got eight months stocks of textiles and yarn as against a pre-war normal stock for about three months. It is expected that the substantial stocks as at 31-7-1943 disclosed by the Control Order amounting to about 2,700 million yards of cloth and 215 million lbs. of yarn, together with current mill production will ensure sufficient supplies of cloth and yarn at controlled prices to consumers all over India. The Chairman of the Textile Control Board stated that the prices would be fixed on a scientific basis having regard to the current cost of production. This is sound in principle and this may reduce the "ceiling" prices by about 30 per cent. The cost of production will be based on the figures of the less efficient mills as every unit of the cotton textile industry should continue to work to its maximum capacity. This is as it should be.

The market during the week was rather slow, activity of the past weeks both in inquiry and rates being not maintained. Consuming centres, though in need of goods, have confined their buying to needy small lots. Local sales are equally limited. Export trade has been negotiating a few lines. Prices are easier, due to the expected reduction in the "ceiling" rates as well as to the "zone restrictions" that may be introduced. Leopard Cloth is being quoted at Rs 2-5-9/2-6-6 a lb.

Budla Transactions

In a letter to the Finance Member, Government of India, regarding the prohibition of *budla*, Mr. Shroff seeks clarification on one point of interest. The rules as framed lay down that a transaction is a *budla* only if consideration passes between the parties for securing the postponement of the contract. Therefore, when this is done at par, i.e. without a consideration, the *budla* becomes legal. He actually suggests to Government that this facility of voluntary postponement without consideration would be greatly appreciated by investors as very often delivery cannot be made on the due date by the selling broker through no fault of his own and for reasons beyond his control, as for instance, when there is postal delay or when the shares are lodged with the company for registration or when sub-division of a certificate is necessary because a part of the holding is sold out on a block of shares held on one certificate, etc. Mr. Shroff goes on to point out that this practice of postponing delivery by mutual agreement obtains on all exchanges in and outside India.

Bullion

The Reserve Bank appears to have now made it a regular feature to sell gold, which the market absorbs without allowing prices to fall. Upcountry demand especially from the Punjab is stated to be good. The Diwali season is always associated with better demand for gold and silver and now that it is not far off the demand is likely to be maintained. Floating stocks of gold are estimated at 225,000 tolas, daily arrivals at 15,000 tolas and daily offtake is estimated at the same level.

Bengal Letter

BRITISH PRESS ON THE FAMINE—RATIONING FOR CALCUTTA—BENGAL AND SUGAR CONTROL

(From Our Correspondent)

CALCUTTA, Oct. 9.

WHILE it has been gratifying to find that different sections of the British Press have been taking serious interest in the food crisis in Bengal, public opinion here has been deeply shocked by the tendency shown in some quarters in Britain to characterize the food muddle in Bengal as a proof of India's incompetence for self-government. This is a most shameful type of propaganda. Has not Great Britain herself given evidence of astounding incompetence and muddling in meeting the international crisis? If we in India did not adequately realize the gravity of the food situation in time, neither did Great Britain realize the seriousness of the military position until the collapse of France. Does this prove that Great Britain is unfit for self-government? Moreover, the fact is, as even the schoolboy now knows, if real power had been given to Indians on the basis of a true National Government, this food crisis could have been effectively dealt with. Happily, responsible sections of the British Press have paid little heed to the above puerile argument.

When Will Rationing Come?

The Government have been making arrangements for the introduction of rationing in Calcutta. But the question is on everybody's lips: When will the arrangements be completed and when will rationing be actually given effect to? There is also considerable uncertainty as to the shape and form that the rationing arrangement will eventually assume. That is to say, it is not clear as to whether the Government will give rations of foodgrains through distributing centres set up by themselves or will utilize the normal channels of trade for the purpose. Pending the introduction of rationing, the Government have given effect to a scheme for the distribution of rice through 400 retail shops. An analogous arrangement for the distribution of *atta* has been made. These schemes are yet on their trial, but already inadequacy of the number of shops and the quantity of goods supplied from them is being keenly felt. The allotment of 8 maunds of rice as the daily quota for each retail shop is absurdly inadequate. Then again the provision that only one seer of rice will be issued against each enumeration slip is quite unfair. It comes to this that the family of 20 members will get the same ration of one seer per day as the family of two members. While these arrangements are far short of the requirements of the situation, the introduction of rationing seems still to remain a mere possibility of the future.

Famine in the Interior

In considering the food crisis in Bengal perhaps too much attention has been given to Calcutta, but recently many distinguished persons have drawn pointed attention to the seriousness of the situation in the interior of the province. Dr. Syama Prasad

In silver, the price movements have been somewhat narrow and more or less guided by those of gold. The limited floating stocks of the white metal are being concentrated in the hands of one or two individuals. This perhaps explains the difference of Re. 1 between ready and forward, i.e., two days delivery.

The latest quotations are as under:

Ready mint gold Rs. 78-10; Guinea Rs. 34; and Ready silver Rs. 125-9.

Mookerjee has drawn a vivid picture of the grim conditions of scarcity obtaining in the far-flung villages of Bengal in the course of a public statement. Neither rice nor *atta* is available in the different parts of Bengal, and the price of rice in some places in Eastern Bengal varies between three and four times the controlled price of Rs. 20 per maund. Dr. Mookerjee goes on to say: "The immediate problem is to supply foodgrains to the rural areas of the province. If this is not done during the next week or fortnight, nothing can save Bengal." There is natural public inquisitiveness in this connection, and Dr. Mookerjee himself has given pointed expression to it, as to where the large quantities of foodgrains coming from outside Bengal have been going. We have no account whatever about the whereabouts of these stocks. The fact is that the effort and energy now being devoted to relief work should not be concentrated in Calcutta but must be widely dispersed throughout the province. It is for the Government to give an effective and comprehensive lead in the matter. As it is, the Government have failed even to offer facilities by way of supplying foodgrains at controlled rates to those who have been willing and eager to open free relief kitchens in the interior.

Sugar Industry's Problems

The sugar industry in Bengal is faced with serious difficulties due to the fixation of maximum prices of sugar on uniform basis by the Sugar Controller. The representatives of the industry have urged that in fixing the sugar prices the Sugar Controller has based his estimates on the cost of production of factories in the U.P. and Bihar. It is stressed that factors determining the cost of production of sugar differ widely in the different provinces, and Bengal is at a special disadvantage in this respect in comparison with the U.P. and Bihar. This was in fact recognized by the Sugar Controller himself when he had sanctioned early this year a surcharge of As. 12 per maund on factory price of sugar manufactured by the Bengal Mills. It is not known yet what amount of surcharge may be allowed for the Bengal Mills in the sugar season ahead. But in the meantime, the position of the Bengal sugar industry has deteriorated due to certain recent developments. One of these factors is that the profit-yielding prospects of sugarcane are now less attractive to the cultivator than the similar prospects of certain alternative crops and this has naturally induced cultivators to change over to the cultivation of crops which are more remunerative than sugarcane. It is also pointed out that the low recovery percentage in Bengal and the serious disproportion between the crushing capacity of the mills and the actual crush made by them have been responsible for the higher cost of production for the Bengal Mills. In view of all these circumstances it is urged that the basic price of sugar should be raised and an adequate allowance must be made for the Bengal Mills.

U.P. Letter

GOVERNMENT AND LOCAL FINANCE—MUNICIPAL FEARS—TEXTILE CONTROL IN CAWNPORE

(From Our Correspondent)

CAWNPORE, Oct. 11.

PRACTICALLY all the local bodies in the province are now meeting with budget difficulties. Their finances have been completely upset, and all of them find their revenue sources shrinking while the expenditure keeps up mounting. Owing to war scarcity and controls, it is almost impossible (for a Municipality) to maintain the normal municipal services, not to say of expanding them. What has upset the municipal finances is the steady rise in expenditure on account of dearness allowances to be paid to the employees, coupled with the Government's insistence on all kinds of air-raid precautions work. Even after the imminence of a Japanese invasion in the East had disappeared, the Provincial Government decided that in all the important towns the Water Works would be better maintained if these were transferred from municipal to Government control. Water Works of Allahabad, Lucknow, Cawnpore and other places are now run with the help of powers vested in them under the D.I.R. by Government nominees. Cawnpore's water works, which is the largest in the province, and yet insufficient to meet the city's need, in spite of large improvements carried out at a cost of nearly 30 lakhs in the last four years, has come directly under the control of the Chief Mechanical Engineer to the U.P. Government. The Municipalities can't demur at any expenditure on their water works ordered to be incurred by the Government authorities. If the Municipality concerned protests, the Defence Rules are invoked and the necessary amount from the sums lying to its credit in the bank is appropriated. Thus, for example, Cawnpore's Municipality budgeted for only about Rs. 5 lakhs capital expenditure on its water works from its revenues during the current year, but now it has been called upon to meet a demand for double this amount. The Cawnpore Municipality's expenditure in 1939-40 was only Rs. 25,64,087, by 1942-43 it had risen to Rs. 36,74,239, and for the current year it is estimated to be Rs. 51,94,663. The estimated income for the current year is only Rs. 37,03,524, leaving an estimated deficit of Rs. 14,91,139 to be met by economies, retrenchments and additional taxation.

Municipal Revenues

A number of local bodies have already applied to the Government for grants and loans to tide over the difficulties. But the Provincial Government have so far been indifferent to their budgetary woes. The sanction of loans and grants has been very niggardly. As to their demands on local bodies terminal taxes on rail transit goods can't be touched easily as they are a Central subject. In a quixotic mood the Provincial Government issued an order exempting milk imports into towns from the municipal tax levy. The aim of this order was perhaps very laudable, namely, to increase the imports of milk from rural areas for town-dwellers. But it has resulted in nothing except a reduction in the municipal revenues by a few thousands—the Cawnpore Municipality has lost about Rs. 15,000 per annum. There has

Sind Letter

PROVINCIAL FOOD POLICY—RATIONING DESPITE SURPLUS—GOVERNMENT AND COTTON FUTURES

(From Our Correspondent)

KARACHI, Oct. 9.

AN explanation of the food policy of the Government of Sind by way of disclaiming the allegations made by Mr. Amery in his latest statement in the House of Commons on the administration of the food question by the Provinces was made recently by Sir Ghulam

been no increase in the imports of milk into the towns, for there was no milk in excess in the villages awaiting the lifting of the octroi.

Financial Difficulties

An enterprising Chairman of a Municipality in the West U.P. has got hold from somewhere of an order purporting to have been issued by the Government's Cane Department which has led him to the assumption that in future the Government might insist on the refund of octroi on cane passing through municipal limits to the factories situated outside the municipal area—and they generally are so situated. Alarmed at the likelihood of a further loss of a source of municipal revenue, this Municipal Chairman has addressed a circular to all other local bodies in the province so that a united demand might be presented to the Government for the abandonment of their intentions, if any, in regard to the octroi duty on cane. It is rather embarrassing to say anything in favour of the Municipal Boards of the United Provinces, however much one may sympathize with them in their present financial difficulties aggravated by the unsympathetic handling to which they are subjected by the Provincial Government for almost all of them have been noted for the mismanagement of their finances even before the war broke out. The reason is that the Provincial Government, by granting yearly extensions, have preferred to keep these outdated Boards alive.

The Textile Market

It is very difficult to record the correct impression on the Cawnpore market left by the decisions, regarding the lowering of prices, taken at the latest Textile Control Board meetings. The reason is that the Cawnpore Textile Market is having very little activity these days. The mofussil demand for Dussehra season having been met, the buyers are away, and will not return till after the *Deepawali* is over. Until the trading is resumed after the *Deepawali* no accurate idea of the price development in Cawnpore can be had. Of course it is hoped that the prices should register a decline when the trading is resumed even before the new low prices decided upon by the Control Board come into force.

The authorities responsible for enforcing textile control in Cawnpore had already appealed to the Textile Commissioner to extend ceiling prices to many more varieties and to resort to stamping of prices on the goods. The staff at their disposal was hardly in a position to detect evasions of the Order in the absence of proper technical knowledge. It has, however, been vigilant, and already in two cases retail licences have been cancelled, and in several cases goods seized and submitted to the Government Textile Institute for testing of the quality. Locally a number of mills have already voluntarily fixed ceiling prices for their varieties in conformity with the control prices, and this has helped the authorities in dealing with the enforcement of price control so far as locally manufactured goods are concerned.

Hussain Hidayatullah, the Premier. He claimed that provincial ministries had carried out their responsibility in food administration with credit to themselves and the country. "Take my own province," he said, "which is purely agricultural. Our legislature is practically dominated by zamindars. Our very Cabinet of six

includes as many as four zamindars. Had we not embarked on a deliberate policy of effective price control from the very beginning, and had we succumbed to the pressure from vested interests in the province, which favoured free trade, the food situation in Sind might easily have become as bad as it is in other parts of India." Proceeding, Sir Ghulam Hussain justified the stand taken up by the Government of Sind not to withdraw price control on essential commodities, when the Government of India allowed the provinces to permit free trade, and added: "If the food situation in Sind was bright today, it is solely because we resolutely declined to be discouraged by threats from other quarters which never lost an opportunity of questioning our policy. We have now proved to the hilt, that ours and not the Central Government's was the right Policy." He also ventured to suggest that the food situation in Bengal was largely aggravated by bungling by the Centre who shifted their principles of policy, and advocated free trade when it was ill conducive to securing foodgrains for Bengal.

Urban Rationing

In the meantime, appreciation of the good record established by the Sind Government in the matter of administration of food, which has prevented the Province from the vagaries of fluctuating price levels, has been expressed by the Secretary of Food Department, Government of India. The decision to give full effect to urban rationing, although Sind is a surplus province, has been unanimously hailed, without stint or grous, and considered most appropriate and necessary as greater portion of foodgrains could thus be made available to other provinces in distress. This view point was particularly stressed by Mr. J. C. Bolton, Director of Civil Supplies, explaining the mechanism of rationing as it would shortly operate in Karachi. He said that to begin with, rice, wheat, millets and kerosene would be rationed, but ration-cards had blank spaces, in which other commodities, if they were later to be rationed, would be included. Mr. Bolton said that the Government desired to keep the family as a unit and not the individual for purposes of rationing. The distribution side of rationing would be fully attended to, and the public could obtain the rationed articles easily and without rush. Government were prepared to utilize the services of private grocers, who would be allowed to deal in the articles concerned after obtaining a licence. Government were also giving ample facilities for the formation of group and communal associations for securing supplies. Mr. Bolton revealed that rationing would come into operation in Karachi by November 15, and hoped that the scheme would be extended to Hyderabad by Christmas and to Sukkur and Shikarpur by March next year.

Foodgrains for Mysore

Mysore State is also among the places where Sind's surplus of foodgrains would be sent. The quota fixed is 1,000 tons of rice, 4,000 tons of wheat products and 2,000 tons of gram. Negotiations regarding the price at which these supplies would be made available are now under discussion, and as soon as they are concluded, exports will start going. Mr. Abubucker, Deputy Director of Civil Supplies, Government of Mysore, who is now in Karachi in this connection, revealed that the price Sind wanted was really lower

than the controlled price in Mysore. That would enable the State to view sale of the quota secured from Sind as a business proposition, though there was no question of profiteering by them. He observed that the Government of Mysore had not deprived the cultivator of the benefits of a square deal in the matter of food purchases. He felt that the quota now allotted for them from Sind could be increased, and approaches to the Central Government had been made to that effect. From the Punjab also Mysore has been allowed exports of wheat to the extent of 3,000 tons, and the Mysore official will proceed to Lahore after he has completed negotiations with the Government of Sind.

A review of the progress of agriculture in Sind during the year 1941-42 is now available in the latest Administration Report issued by the Department. It reveals, among other things, that the average milk-yielding value of the Sindhi cow shows signs of increase. The figures collected from the Government cattle farms are indicative of general improvement. The average yield increased from 10.4 lbs. in 1939-40 to 14.3 in 1941-42 in the case of Red Sindhi cattle, and from 5.25 lbs. to 6.23 lbs. in the case of Bhagnari cattle. It is not out of place to mention in this connection that Sind has a large market for the export of its cattle, and they are purchased in large quantities by Ceylon, besides many Indian Provinces and States.

Cotton Hedge Contracts

The Karachi Cotton Association has again sent a representation to the Government of India urging resumption of "futures" (hedge) market. They request that they should be acquainted with the proposals the Government might have before them in this connection. They point out that India's cotton hedge markets at Bombay and Karachi have been evolved after years of labour and state that India's economic fabric so laboriously built need not be disorganized to suit war exigencies but could be adapted without affecting the trade beyond recovery. They point out that cotton is a chief cash crop of India, and it also being the home of big textile business, raw cotton interests must have hedge facilities for orderly marketing. They also say how even the U.S.A. has not banned hedge contracts with its colossal war production.

University for Sind

The imparting of training in useful professions without neglecting the cultural values, is suggested as the aim of the Sind University which is recommended to be set up by a committee which had been appointed by the Government to examine the question. "While the committee does not think it practicable to establish a University with agriculture as basis, it thinks it is desirable that the University should emphasize the essential agricultural character of the Province and its people." The initial cost of the University is estimated at over Rs. 40 lakhs, and a recurring annual expenditure of Rs. 2,27,000 and income of Rs. 1,28,000, leaving a deficit of Rs. 99,000, which the Government would have to make good. The Government would introduce a Bill for the purpose at the next session of the Assembly, which is expected to meet in November.



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A DELHI DIARY

NEW DELHI, Oct. 14.

IT has been a week of conferences and consultations—both military and civil. The Mountbatten talks have aroused considerable interest, but according to competent observers it would be unwise to attach undue importance to these talks, which are purely of a preliminary character. The Supreme Commander has been busy in establishing his own headquarters and getting into personal contact with other Allied military chiefs. The fact that front-rank personalities from Chungking and other centres have gathered in New Delhi to confer with Lord Louis Mountbatten has raised the question of immediate war developments in the South-East Asia area, but rumours which have been afloat have to be taken with some degree of caution. Apparently, developments in this area will have to depend upon the progress of operations in Europe. As any attack for the re-taking of Burma will have to be amphibious, it is necessary to have large naval strength to launch a major attack for capturing Rangoon and similar sea-coast centres. According to speculations here, Allied forces are strong enough both on land and in the air for any major offensive, but it is all a part of general war strategy whether the United Nations Governments will decide to divert sufficient naval strength immediately to the East for large-scale operations against Japan or prefer to concentrate for the present on the European front. The latest reports show that the daily pounding from the air which both the British and the American airforces have been inflicting on Japanese bases in Burma have had the effect of completely unsettling Japanese plans for consolidating themselves in lower or middle Burma.

The Viceroy's speech today at the Princes Chamber had no surprises to offer—it was merely a farewell "round-up" though it dealt with a number of questions of public importance. Speaking about the progress of the war he raised a note of warning against over-optimism and said: "Much still lies before us. It will be a mistake to underestimate the strength and the determination of the forces that are opposed to us. We may yet have many anxious months before victory is achieved." His remarks on the food situation—"so distressing" as he describes it—were of a general character, but the Viceroy had some significant observations to make on the problem of inflation. Anti-inflationary measures, he admitted, presented a complex problem in the case of the States having regard to the varying conditions of their fiscal arrangements and their relative backwardness in industrial development. In this connection he referred to the discussions which he was having with the Princes—as also his Political Adviser. "There is not, and there cannot be, any question of their being designed to stifle the birth or the progress of industrial development in the Indian States," said the Viceroy. But the point is that in many cases these measures portend this danger. Uniformity is necessary as in these matters the States and British India have common interest, but the special needs and circumstances of the States have also to be taken into consideration in order to see that their industrial development is not hampered by the adoption of ill-considered measures or the imposition of unnecessary checks and prohibitions. There is a real danger that in the false pursuit of uniformity in anti-inflationary measures, the need for making allowance for the industrial backwardness of the Indian States may be overlooked. That may mean, in the coming years, an irreparable blow to the industrial future of the States.

So far as Lord Linlithgow's relations with the States are concerned, there are two measures of reform to which he attached particular importance.

One was the regrouping or some other form of co-operative measure in order to secure "a standard of administrative efficiency which is beyond their individual resources." The second relates to the problem of determining what proportion of a State's revenue can appropriately be earmarked for the use of the Ruler and his family and what precisely are the items which should legitimately come within the scope of Civil Lists and Privy Purses. As regards the latter the Viceroy frankly expressed his disappointment, for he confessed: "I am denied the satisfaction of seeing final decisions reached during the period of my Viceroyalty. I deeply regret that that should be the case; for, the issue is one of prime importance." Even as regards the former, the Viceroy's disappointment at the lack of adequate results could be seen in what he said. His Excellency told the Princes: "... measures such as these—involving as they do a certain measure of sacrifice on the part of those small units—do at the same time represent a most valuable contribution to the improvement of administration and the removal of criticism."

The session of the Princes Chamber was merely a farewell gathering to bid goodbye to Lord Linlithgow, but the Food Conference which is now in session, raises questions of far greater importance to the public. Unfortunately, the full report of the Foodgrains Policy Committee has not yet been published. And more than one member of the Conference said yesterday that the Government which he represented had not yet had the time to study the report and come to definite conclusions. In his opening address, the Food Member, Sir J. P. Srivastava, made three announcements of policy based on the recommendations of the Foodgrains Policy Committee's report—the stoppage of export of foodgrains, arrangements for imports and the appointment of an advisory committee at the Centre representative of all important elements. The first day's proceedings revealed, however, a clear divergence of opinion among the members of the Conference. The Punjab Minister warned the Government of India "of the administrative and political repercussions which would follow in the Punjab if the policy of rationing, price control and requisition was to be enforced." On behalf of Sind, Sir Ghulam Hussain Hidayatullah said: "You cannot have procurement unless price is controlled." The U. P. Government were also opposed to rationing while the Bengal Minister bitterly complained that "the foodgrains which had begun to reach them during the last one month did not reach them three months ago." An effort is being made to reconcile these varying points of view and arrive at agreed decisions for announcement on Saturday.

I understand that an Ordinance is shortly to be issued, probably the last of Lord Linlithgow's Ordinances, which provides for the prevention of hoarding and profiteering. It is intended to set up machinery throughout the country for regulation of prices and sales. Under this Ordinance the Central Government will have the power to fix the maximum quantity which any dealer or producer can keep or sell to any one person and also fix the maximum price or rate which may be charged. There are also restrictions on the quantity which any particular person can keep in his possession. The Ordinance is intended to cover all articles other than foodgrains, but provision is made in the Ordinance for notifying the article or class of article which will be controlled in this manner. As this is the first all-India attempt to prevent hoarding and profiteering and regulate civil supplies, its working will be watched with interest. A separate Controller-General in the Civil Supplies Department will be in charge of this measure.

ARGUS.

NEWS PAGE

The Government of India has been informed that His Majesty's Government has made an immediate allotment of shipping space for the import of substantial quantities of cereals into India. Procurement operations are expected to be completed by the end of the year.

The American Federation of Labour and the Congress of Industrial Organizations are demanding the extension of social security and large public construction projects as a cushion against mass unemployment during reconversion of industries from war to peace.

The Central Advisory Board of Health has recommended that a trained nutrition worker should be attached to Provincial and State Health Departments and that nutrition committees should be established in provinces and States.

President Roosevelt has issued an executive order to establish machinery for the development of a post-war public works programme. The order places on Budget Bureau the duty of correlating "realistic long-range programmes" for public works and improvements, which the various Government agencies will develop in detail.

The Government of India have fixed the quota for the export of handloom piecegoods to Ceylon at 6.4 million yards for the quarter October-December.

It is understood that one of Lord Beaverbrook's most important assignments as Lord Privy Seal will be the handling of discussions on post-war civil aviation with the United States, the Dominions and India.

During the four months, May to August inclusive, the Bengal Government have derived a gross revenue of Rs. 33.44 lakhs on a turnover of 19.84 lakh maunds of imported wheat, solely derived from sales of wheat to mills. But it is estimated that its losses on the same account over the remaining period of the revised basic plan will amount to Rs. 40.3 lakhs.

As steps for increasing coal production in England, the Mine-workers' Federation has proposed to the

Government full operational and financial control of the mining industry by Government and a national minimum wage of £6 weekly.

At the end of August, 1943, there were 307 training centres under the technical training scheme, the number undergoing training being 36,026. Training is given in nearly 33 engineering and building trades. 51,960 trained technicians have already been supplied to the armed force, ordnance and civil factories.

It is reported that the U.S. Government is negotiating with the California Standard Oil Company for a participating interest in the development of the vast oil resources of Saudi Arabia. If the contract is agreed upon, it will be the first time the U.S. Government has owned an interest in a foreign oil property.

To fix the ceiling prices for all varieties of cloth, to stamp the ex-mill and retail prices on each piece of cloth and to reduce the present ceiling prices of cloth and yarn as from December, 1943, are among the decisions of the Textile Control Board taken at its recent meeting.

The Chinese Government has used 200,000 U.S. dollars (American loan) to buy gold for the purpose of combating inflation and stabilizing prices.

Inspired by recent reports of Government waste, Mr. L. H. Smith has introduced a Bill in the U.S. House of Representatives which would establish a Nine-Men Committee to study all Government Lease-Lend Departments or agencies.

The subsidization of the cultivation of culturable waste land through grant of bounty has been suggested by the Federation of Indian Chambers of Commerce in a communication to the Government of India on the food situation.

A warning has been given by the Joint Anglo-American and Canadian Committee investigating the pulp and paper situation that, owing to a shortage of about 38,500 men to cut pulp wood, the supplies of newsprint may be cut in 1944 by 20 to 52 per cent. under the 1943 levels.

Ten Good Years?

In recent years we have learned a good deal about the economic system and how to control it. Assuming this knowledge is intelligently applied, few people now doubt that severe depressions could be avoided with the aid of a far more active intervention in business by the State than we have known in the past. Most discussion of post-war problems has assumed that there will be two contrasting and sharply defined phases. The first is a transition phase, in which potential demand will outrun the possibilities of supply at current prices, so that it will be necessary to retain far-reaching direct controls over consumption and investment in order to avoid inflation. It is when this phase has exhausted itself that we shall be threatened once again with the old familiar world of depression and the necessity of whipping up spending by deliberate policy in order to prevent mounting unemployment. If the earlier, and potentially inflationary, phase promised to be no more than a mere couple of years, it is clear that projects for bolstering up spending would be a matter of urgency. The city would then have to begin adapting itself straightaway to some revolutionary changes in the technique of investment with the State appearing in a new and dominating role. If, on the other hand, there were a fair chance of high employment maintaining itself for the best of a decade with no more than an occasional touch on the steering wheel from the higher control, then most people would be content to leave the crossing of their bridges until they come to them.

that the idea of several years of good employment, in a normal individualistic system, may be possibly optimistic, but is not wildly fanciful. Even though inflation was then given its head and collapse duly arrived in 1921, trade during the rest of the 'twenties' was far better than it should have been on grounds of strict economic theory.

This, of course, does not dispose of the problem, for the end of the reconstruction boom brought the slump of 1929. As Mr. T. Wilson put it in his admirable work on the trade cycle: "We may escape a repetition of 1920-21 but, say the pessimists, 1929 will surely follow." In terms of current chronology, that is to say, even if we handle the transition phase successfully, there is a grave danger of a slump in, say, 1955. If that is pessimism, most economic commentators seem to be positive jeremiahs. Is there any reason to suppose that the danger of a collapse (in the post-transition phase) is in reality much more imminent? The underconsumption thesis which underlies most of the plans for State spending is familiar and in essence simple. A highly developed community, it is argued, saves a large proportion of its money income. If for a time these savings are absorbed by private investment, the addition to our stocks of capital goods lowers the rate of profit. The unwillingness of the entrepreneurs to undertake further new investment then becomes insufficient to absorb current savings, and national income must decline. More particularly, if the investment is in durable goods, a mere check to the rate of growth of consumption is sufficient to cause a severe slump in the investment industries, because demand falls merely to replacement level. The higher the propensity to save and the lower the propensity to invest, the more rapidly national income will decline. Factors favourable to the maintenance of high employment, on the other hand, are a falling propensity to save and a high or rising propensity to invest.

What are the prospects of spontaneous investment after the war? In the first place, we have the neces-

city to make good actual war damage and to catch up with a backlog of several years of normal replacement, if our capital equipment is to be restored to a level sufficient to satisfy pre-war consumption demand. But if the transition phase is handled successfully, unemployment should be much lower than was normal before the war. In other words, additional investment will be needed to satisfy an expansion in consumption. The intervening rise in prices means a great increase in the profitability of working existing equipment, installed at lower prices, and offers a positive inducement to undertake the additional investment needed. In the long run, this expansion in equipment will raise the normal replacement demand, and thus support somewhat larger capital goods' industries than before the war. Meanwhile, confidence that national income will be maintained at a high level by State action, if necessary, should reduce industrial risks and thus strengthen the willingness to undertake investment at a given level of prices, without any increase in actual profit margins. These factors in combination should alone be sufficient to secure a satisfactory flow of investment for a considerable period. But in addition, it is necessary to reckon with the possibility of technical progress and invention, which may set up a demand for capital for the development of new industries. There is yet a further shot in the locker, namely, overseas investment. Though investment opportunities in this small island might rapidly approach saturation point, this could hardly be true of areas such as China and India, with their vast and ever-increasing populations and possibility of an enormous rise in their productivity and standard of living. Quite apart from normal lending for development, considerable exports will be needed for the repayment of abnormal war balances. So much for the propensity to invest. On the consumption side there is again a very considerable backlog of demand to make good, with the possibility of further stimulation by the release of post-war tax credits and the expansion of hire purchase credits. Such measures as family allowances and the reduction in the inequality of incomes would operate in the direction of reduced savings. So, in the long run, would the maintenance of high employment for a few years with the resulting upward adjustment of consumption standards and increased confidence in the future. Arrears of housing, especially, should provide the basis for a ten-year building boom. So far as industrial saving is concerned, special measures may admittedly be needed, by way of tax inducements or otherwise, to prevent the piling up of needless reserves out of undistributed profits. But this is a type of intervention that involves none of the institutional changes implicit in direct State-spending as a means of maintaining employment. Overriding controls of this kind would certainly be needed to damp down fluctuations even on optimistic assumptions of the present argument. In particular, if the propensity to invest in fact remained at a sufficiently high level to threaten inflation, a national investment board would be needed to allot priorities in the purchase of investment goods or in access to the capital market. Given control over the aggregate investment, however, there may be no valid reason why the raising of capital by individual concerns should not take place through the normal machinery. The vision of a society in which the State must be continuously pumping out purchasing power if the ship is not to founder may be real enough in the long run. But in the long run we shall all be dead—or at least several years older.—*Financial News* (London), 14th Sept., 1943.

BOOK BUYING

Before the war, the people of Britain were not a book-buying people, writes Christina Foyle of Foyles, the well-known house of British book-sellers. The amount spent on books worked out at 5sh. per head. But there was and is, a tremendous library book-reading public, who obtain their books from the country's excellent municipal libraries and the vast chain of commercial libraries which are to be found in every town of any size at all in Britain. Book-sellers were not thriving well at all. Apart from text-books the books in demand were, the current best-seller thrillers, romantic love-stories, and the latest book on the political situation. This depression was possibly the fault of the book trade as their works were not adequately publicized, new ideas for increased circulation of books being too frequently frowned upon by the Trade Association.

The war has brought thousands of new comers to that small circle of pre-war days in which readers had been brought up to use books as counsellors and guide. Today the British public are buying more books than ever before in their history. In 1942, Foyles sold three million books and this year by August they had sold two millions. Today more people are buying classics. Shakespeare, Tolstoy, Trollope, Omar Khayyam, Bacon, Boswell and Mark Twain are all among the best-sellers. The demand for technical books—on aeronautics, engineering, radio, the navy, civil defence and every branch of science—has enormously increased. The thriller public remains faithful but there has been a falling off of interest in foreign politics of the armchair variety.

The causes for this—people buying more books and more people buying books—are varied. The great upheaval in everybody's life has made them read for knowledge as well as for solace. Owing to the blackout and difficulties of travel, people have to face boredom at home and reading relieves it. That they are earning more money is also sound cause, and the Government has left the book trade without many restrictions, enabling people to buy books free of coupons and purchase tax.

AGRICULTURAL PRODUCTION IN CHINA

According to a report recently published by the Chinese Ministry of Agriculture and Forestry, the Ministry adopted a programme which includes three measures for increasing the production of foodstuffs, namely, increase in the acreage of cultivated land, increase in the production of each unit of cultivated land and prevention of damage due to insect invasion and natural calamities. As a result of the Ministry's efforts, the year 1942 saw an increase of 56,893,215 mow of grain producing land and a total increase of 72,551,666 piculs of grains. With regard to cotton production, the Ministry is expanding its original programme this year in view of the insufficient cotton supply increasingly felt in recent years. In co-operation with cotton control authorities and with the assistance of the Farmers' Bank of China, credits totalling \$106,000,000 are being extended to cotton growers in thirteen different provinces under the designation of "seed loans" and "production loans." Meanwhile, a veritable army of more than 500 technical experts are distributed in various provinces to assist the growers by giving technical advice. In 1942, the Ministry was instrumental in the increase of over 2 million mow of cotton fields in the provinces of Szechwan, Shensi, Honan, Kweichow, Kwangsi, Kansu, Hunan, Hupeh, Fukien and Yunnan, and reports available at present show that substantial increases have been effected in the provinces of Szechwan, Shensi, Kwangsi and Kansu. This year a further 1,620,000 mow of land has been turned into cotton plantations by the Ministry in the different provinces, and a total increase of over 400,000 piculs of cotton is expected within the current year.

AMMONIUM SULPHATE

The scheme for expanding production of ammonium sulphate from available indigenous raw materials was further considered at the second session of the conference of industrialists and the Government of India which met at New Delhi recently. Several representatives of industry expressed their readiness to put up plants subject to assistance which Government could render. The conference considered the report of the sub-committee which examined the possibilities of new production within the next two years, the most easily available resources which could be exploited and the assistance that was needed to set up the industry. The committee estimated existing capacity for production of Ammonium Sulphate at about 30,000 tons against the Foodgrains Policy Committee estimate of 350,000 tons a year required as fertilizers if India's dependence on imports of rice from abroad was to be reduced. A total production of 350,000 tons from new plants to be set up and start working within the next two years was considered feasible. It is understood that Government will actively pursue the question of importing plants as the first step in the scheme of expansion.

COASTAL SHIPPING COMMITTEE

Following the appointment of the Controller of Indian Shipping, arrangements have been completed for the co-ordinated employment of tonnage running between Karachi, Calcutta and intermediate ports, says a Commerce Department *communiqué*.

The Ministry of War Transport Representative and the Controller of Indian Shipping at Bombay will constitute a Committee to be known as the Coastal Shipping Committee, with power to co-opt such other officers as may be necessary, for example, the Regional Controller of Railway Priorities, the Sea Transport Officer, Bombay, the Country Craft Organization Officer and the Controller of Supplies. This Committee will allocate by mutual agreement the priority cargoes between the various ships under their control, taking into account available country craft capacity, which must always be used if it thereby releases steamers for duties unsuitable for sailing vessels. At other ports, there will be local committees consisting of the Ministry of War Transport representative and the Principal Officer of the Mercantile Marine Department in the case of Karachi, Madras and Calcutta, and the Administrative Officer in the case of Cochin and Vizagapatam, with power to co-opt such other officers as may be necessary such as the Port Food Movement Officer, etc., to implement the decisions of the Bombay Committee and to deal with local cargo offering.

The Coastal Shipping Committee will supply the Government of India with forward estimates of the tonnage likely to be available each month, against which cargoes sponsored by Government Departments will be first allocated. In addition to Government cargo there will be offering general cargo from all directions. As instructions regarding such cargo cannot be issued from Delhi, the Coastal Shipping Committee will have full discretion regarding its allocation in order of priority, following such general directions as may be issued by the Central Priorities Committee.

PUBLIC NOTICE

PUBLIC NOTICE

Holders of all licences for textile Mill stores falling under item 72 (I) of the Indian Customs Tariff which are valid for shipment up to the 31st December, 1943, are informed that where shipment is not made against the licences before the date of expiry, the licences will stand automatically revalid-
dated to cover shipments made in the period January-June 1944.

2. It will not be necessary to return the licences to the issuing authorities for formal revalidation.

LETTERS TO THE EDITOR

Sir,—Being interested in Dairy Farming I liked the weekly notes on cattle and milk in the *Eastern Economist* of 24th September last.

A child of three years needs 2½ to 3½ lbs. of milk and this may be gradually diminished to 1 lb. per day as it grows into normal vegetarian diet. For an adult ½ lb. of milk and ½ to 1 pound of *chhash* (butter milk) in the hot weather is equally, if not more, desirable. This being a personal conviction, I can only look upon the "estimate" of 6.6 ozs. and 8 ozs. quoted in the "Notes" as a famine ration. If, therefore, we want the people to "live" and not merely exist (life is more than not being dead) any plan must aim at production of milk on the scale I have indicated. However keen our indignation at the lack of our primary needs, the supply aspect of the same is a very real problem indeed. It requires a comprehensive and expensive plan of "produce more milk campaign" and a "long-term milk policy committee." The difficulties felt by breeders and suppliers are many, but one of the chief amongst them is the number of worthless cattle that consume fodder needed for animals who form the real economic asset of the country. Although many die or are slaughtered (among them being some of the best) there is an annual increase in the number of animals. To every animal capable of producing, say, 20 lbs. of milk a day there appear to be at least fifty animals capable of producing less than 5 lbs. a day. There is a limit to the extent of village land that can be reserved for pasture. What we want is more and more milk from the maximum number of animals that can be maintained on the maximum pasture land that can possibly be set aside. This can be attained by keeping the best animals only, and as a corollary to the rigorous prevention of slaughter of our good animals there would have to be painless slaughter of the bad for effective preservation of the former and intensive improvement. Good stocks and dairy farms kept by Government or private institutions or well-to-do people can never be enough. What is required is the improvement of conditions for cattle life in rural areas, and it is here that the task of productive work is extremely difficult in the absence of measures for dealing with wastage. The *Eastern Economist* may well make inquiries into this aspect of the problem.

Yours, etc., ONE INTERESTED.

Sir,—The Fall in the Consumption Milk" commented by you in your issue of September 24 deserves a much wider attention than it would ordinarily get.

The poignancy of the milk situation in these days arises out of the fact that whereas the importance of milk in the programme of national health building is being increasingly emphasised, milk is becoming very scarce in supply. The milk situation is very serious even in smaller towns, not to speak of big cities. With the price of milk ranging between As. 6 and 12 per seer and with the general scarcity of other essentials of life, it will not be surprising if the per capita milk consumption these days is reduced to 2 to 3 ozs. per day instead of the estimate of 5.8 ozs. for 1941. With the forced reduction in the consumption of milk it may easily be expected that the health of the nation would show deterioration in the coming years. The situation calls for immediate action by the people themselves. The strong sentiment in favour of cow worship can be canalized into fruitful action. The country is bestrewn with *Goshalas* which are in a moribund state. These are mostly asylums for dry, invalid and worthless cattle. As soon as a cow has calved it is sold out. These *Goshalas* should now be converted into model dairy farms which should form

the nucleus in each town around which the activities to increase the milk supply of the area can be carried on. If the problem of milk supply is solved in smaller towns, the surplus production can serve the bigger towns in the adjoining areas. In each *Goshala* there should be two separate departments, one where good milch-cattle are bred, fed and supply milk and the other in which old, diseased and decrepit animals are looked after without their being allowed to mix up with good and serviceable cattle.

Yours, etc., P. C. MALHOTRA.

Sir,—Here is a tit-bit from the *Times of India* dated September 28, 1943, with the caption "Lease-Lend."

"You mean thing, Doris! You promised you wouldn't give away my secret and it's all over school already."

"I didn't give it away. I exchanged it for three other secrets."

The public has always suspected some such mysterious trick in "Lease-Lend," particularly where a dependent country like India is concerned. When first put into operation, the impression, vaguely though, was created that the goods provided under this system were not in the nature of a loan by the sender country to the one receiving these for repayment, but were only meant to enable the latter (Allied) country to fight or to continue to fight the common enemy. The war being a common war of the Allied Nations, the country receiving Lease-Lend aid with the object of fighting war, as if, fighting the war of the giving country, and that in itself constituted a sufficient recompense to the latter. Such was understood to be the spirit of Lease-Lend give and take (of course, giving according to capacity). However, from what has since been trickling down through stray pronouncements and writings, it seems that commendable one community motive does not underlie the Lease-Lend aid but that at least it is a kind of deferred payment, a loan without interest (perhaps) payable in easy and perhaps long-spread instalments but payable definitely. The *Eastern Economist* has through its columns enlightened its readers on various international economic questions, particularly as they affect India, but the Lease-Lend question has thus far been spared a thorough and searching treatment. You will do a good turn to your readers by devoting one special article on this matter in one of your coming issues.

Yours, etc., PRAN NATH MALHOTRA.

[An article on Lease-Lend will appear shortly.—Ed.]

Sir,—I have been following your articles on our Sterling balances from week to week. While it is necessary to take steps to safeguard them, why cannot the Government take steps to minimize future accumulations at least? I can understand the increase in Sterling balances against the payments due from the U.K. against essential war materials, but why should we lend to the U.K. all the receipts of our foreign sales when we can ill-afford to do it. We export a large quantity of Jute manufactures to the U.S. and whatever Dollars we receive from them they should be kept in the shape of Dollar balances. There is no reason why they should be transferred to London and kept in the shape of Sterling balances. Now that we have got direct Lease and Lend arrangement with America, it is all the more important that the Dollars we receive in America against our exports should be kept there

and not transferred to the U.K., where our reserves only get blocked. Secondly, many things are purchased by the U.K.C.C. and exported to different countries like Iran, Iraq and Russia. Surely these things are not being supplied by the U.K.C.C. on loan to these countries, but the U.K.C.C. receives hard cash in payment. Why cannot we also demand payments for these exports immediately either in the shape of bullion or in the shape of goods? We do not export our goods to these countries as a loan to the U.K. and as such on these exports we should insist on payment as soon as the exports are made. This will mean some relief at least.

Yours, etc., DEBI PRASAD.

Import of parts for motor cycles Of North American Origin.

Intending importers of parts for motor cycles of North American Origin may apply to the undersigned by the 10th November 1943 at the latest with full particulars of their requirements, stating the total value of such parts imported by them during the years 1933, 1939, 1940 and 1941.

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COMPANY NOTES

The United Commercial Bank Ltd. opened its Ahmedabad Branch in Bhadra, the central banking locality of the place, on the morning of October 8. Among those present at the opening ceremony were prominent millowners, merchants and bank managers, including Seth Kasturbhai Lalbhai, Seth Arvindbhai Navinchandra Mafatlal, Sheth Sakarbhai Balabhai, Seth Chimanlal Nagri, Seth Hiralal Trikamlal, Seth Thakorlal Munshaw, Seth Kantilal Munshaw, Seth Ratilal Nathalal, Seth Bakubhai Manilal, Seth Popatlal Nagri, Mr. S. H. Gidwani, Mr. J. A. Gandhi, Mr. C. D. Amin, Seth Bhogilal Sutaria, Seth Dhirajlal Khushaldas, Seth Chinubhai Naranbhai, Mr. Gheewala, Manager of U. C. Bank, Bombay, Mr. S. K. Setalvad, Manager of Ruby General Insurance Co., Bombay, and Mr. Jayantilal G. Shah, Manager, Ruby General Insurance Co., Ahmedabad branch. In view of the present acute food distress in the country, the bank had arranged the opening ceremony on very simple lines. There were no speeches. The Bank, as befits a business concern, believes more in work than in words.

The Bank has a paid up capital of Rs. 1 crore and a very influential directorate with Mr. G. D. Birla as its Chairman. Its General Manager, Mr. B. T. Thakur, specially came down from Calcutta to attend the function. It is a scheduled bank, a member of the Clearing House and is authorized to deal in foreign exchanges. There was great and enthusiastic rush for opening accounts. Several lakhs of rupees are said to have been received as deposits at the time of opening. Judging from the great response received by the Bank in Ahmedabad, it is bound to achieve a leading position in the country's banking system within a very short time.

BOOK REVIEWS

WAR AND INDIAN ECONOMY: By V. K. R. V. Rao. Kitabistan, Allahabad. Price Rs. 3-12.

Dr. Rao deserves to be congratulated on having written a timely and interesting book which not only deals with the impact of war on the economy of India but also takes a peep into the conditions of our post-war economy. Unlike certain other economists who through a mistaken notion of their role have ignored the political milieu in which economic policies have to be framed and worked, Dr. Rao has given it its due place, with the result that his account is more realistic and really enables one to appreciate why even the academic economist has to throw the weight of his authority on the side of those who advocate a Government rooted in popular support and confidence.

In saying that the keynote even of India's peace-time economy was scarcity and that therefore our war-time economic policy should have been dominated by efforts to secure an increase in total production rather than by attempts to divert production from civilian supplies, the author has hit the bull's eye. If this difference between India's war economy and that of Britain had been properly appreciated—even now it is not by our Government—the masses of our population might have been saved so much of their suffering. This correct understanding of the essential needs of our war economy has enabled the author to lay the right emphasis on a proper organization of production which will remove the gaps in the industrial structure, eliminate the bottlenecks and increase the total capacity of the country.

The chapter on the Financing of India's war efforts affords conclusive answer to those who seek to minimize the magnitude of the burden of our defence expenditure. The percentage rise in 1942-43 over the 1939-40 figures in British defence expenditure is not much greater than in the case of India. As the author observes, "in spite of the terrible handicaps of a lower national income and a limited taxable capacity, the country has suffered an increase in military expenditure over pre-war efforts which is at least as high as in the case of any of the United Nations and in fact higher than in that of many of them."

Dr. Rao has discussed with lucidity the problems of scarcity, inflation and rising prices. His argument that inflation may be brought about by non-monetary factors and that monetary supply is often the result and adjusts itself to changing circumstances is perfectly sound. But he is not on firm ground in denying that inflation in India is deficit-induced or fiat money inflation. His reasons for denial are that the increased currency is against increased sterling assets and not against Government's own I.O.U.'s, and that so long as the rupee is linked to sterling and the Reserve Bank is under legal obligation to purchase sterling, expansion is inevitable. This is clearly a formal and superficial view and begs the question. To the fact of inflation it is irrelevant whether there are external assets or not. Currency expansion only against gold or foreign exchange is a safeguard in normal times because it is convertible into goods. But today when sterling is no longer a free currency and cannot be used freely for imports, the fact of our having sterling assets is irrelevant to the question of inflation, although the assets have their own value in the future. Inflation in India is also deficit-induced in a real, if not formal, sense because one of the additional ways by which inflation may be caused (and India's case is an outstanding illustration) is where a subordinate member of a currency bloc is asked to finance the expenditure of the predominant member which is thereby saved the trouble of finding resources by itself. That is precisely the financial relationship at present between India and Great

Britain, and it is no use trying to mask the issue by irrelevancies.

The positive recommendations of the author regarding war-time economic policy are constructive and deserve notice. Although he suggests the freezing of additional purchasing power as one of the measures to be adopted by Government, he lends no support to the ill-conceived measures of recent provincial taxation, as in his opinion only the big farmers have gained by high prices. In a concluding chapter on Post-war economy, Dr. Rao sets out the immediate objectives after the war to be the elimination of unemployment and the raising of Indian production so as to ensure a high standard of living and towards these ends offers some valuable suggestions. The book will be found useful by all those interested in our war and post-war economic problems.

WEALTH OF GUJARAT: By A. B. Trivedi. Published by Ichhushankar V. Dave, 122, Umarkhadi Road, Bombay 9. Pp. xvii + 447. Price Rs. 16-8 net.

Regional studies are welcome in a sub-continent like India where artificial provincial boundaries have blurred as well as distorted the strength and advantages that geographical contiguity can lend to her many-sided economic organization. This study of Gujarat by Prof. Trivedi gives a bird's-eye view of that country, though it is more of economic geography than economics proper. The region of Gujarat comprises British Gujarat (the five districts of Ahmedabad, Kaira, Broach, Panchmahal and Surat), the bigger States of Baroda and Rajpipla and nearly ninety smaller States under the tutelage of three Crown Agencies—a total area of about 34,000 sq. miles and a total population of about eight millions. The bulk of the forest wealth of this region is divided between the States of Baroda and Rajpipla, and British Gujarat as a whole is comparatively poor in forest wealth. The latter is even poorer in minerals, while those of Baroda are not much mentionable either. In view of this account by the author himself about mineral wealth, it is difficult to see how he came to the conclusion that Gujarat is "well blessed with these garnered fruits of nature" (p. 348). As regards the region's agricultural wealth, the principal industrial crops are cotton, oilseeds, maize and tobacco. As no cigarette manufacturing industry and sizing industry for maize exist, proper industrial use is not being made of the latter two crops which are being exported in huge quantities every year. The development of railway transport is lop-sided, and road development in the interior of the region is deplorable. Out of the 1,720 miles of railways, Baroda and British Gujarat cover 1,469 miles, and the rest of Gujarat (being 50 per cent. of the region) is served only with 200 miles. The mileage per 100 sq. miles of area is, however, high in Gujarat, being 58 as compared with 21 for all India and 26 for the Bombay Presidency. The author points out that in Gujarat there are something like eight different agencies to operate less than two thousand miles of railway and urges a unified management.

In Part II of the book, Prof. Trivedi surveys the large and small-scale industries of Gujarat. The survey as a whole is rather commonplace, and in the case of industries like cotton, woollen and silk textiles, his treatment is so cursory that it does little or practically no extra service to the cause of these industries. His statement that "rationalization of the plants is the crying need for the Ahmedabad mill industry" is not supported by evidence and seems to be a clear overstatement as the Ahmedabad industry has in the past led the Bombay industry in this matter. Again his statement that importation of raw silk from China and Japan is due to the inferior quality of Indian silk might not be in accord with technical opinion. Bobbin making (in

Baroda), manufacture of mill machinery parts and leather goods like roller skins, pickers and washers at Ahmedabad are the recent industries of this region which have a promising future. Among the important points regarding the industrialization of this region stressed by Prof. Trivedi are State aid to the development of fishing and allied industries as well as the production of salt and alkaline products on an immense scale in the coastline; taking advantage of the numerous ports and creeks to develop inland water communications; and an agreement on inter-State tariffs so as to help rather than impede (as happens at present in many cases) the industry and trade of this region.

On the whole, the book is a welcome addition to the few regional studies we have in Indian economics. Its usefulness would not have been lessened if the publishers' blurb had avoided suchrodomontade as "it guarantees highly illuminating discussion on conditions of various industries."

PROSPERITY THROUGH INDUSTRY: By Sir M. Visvesvaraya. The All-India Manufacturers' Organization, Bombay. Price Re. 1.

This booklet outlines an attainable programme of industrialization and appeals to all the progressive elements in the country to take part in the constructive work of the All-India Manufacturers' Organization by financing the movement in their own part of the country or preparing and circulating pamphlets, books and other forms of propaganda which will awaken the country to our dire need of rapid industrialization. Government policy in this country has always been apathetic or hostile, and we have to wait for political freedom if the State is actively to foster industries. Meanwhile, no effort should be spared to set up the necessary organization which will not only

give the facilities for installing new or improving old industries within the limits of capacity of a non-governmental agency, but also gather strength in the country to demand certain measures. The central organization of the A.I.M.O. at Bombay will interest itself in larger questions of policy for the country as a whole and seek to gather statistical data in regard to the amount of capital invested, number of workers employed, the value of products, etc., in each industry. In this task it will be assisted by regional organizations, viz., Provincial Boards, District Councils, and Village Committees, all of them to be formed on local initiative and leadership and affiliated to the central body, but with freedom to plan and finance their own schemes of industrial promotion. No one will withhold sympathy with these aims or methods. But what has actually been achieved in this direction in the two years of its existence? How many regional organizations have been set up and what is the record of their work? The answer is given by the monthly *News Letter* of the A.I.M.O., the first of which has just now been issued. It reveals that so far eight District Councils have been formed and a number of trade enquiries made. The A.I.M.O. is also compiling a list of technical experts and advisers for the benefit of its members. Nevertheless, the creation of a body with a branch in each village and district is none too easy, and it must come mainly from local leadership. That sets the limitation to all voluntary action without Government backing. But even with a government of our own to support our schemes, the task is a pretty stiff one and will tax all our ingenuity and energy for organization. A beginning has to be made and it has come none too soon.

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INVESTMENTS

(From Our Correspondents)

BOMBAY, Oct. 13.

Stock Market

Only last week it was stated in these columns that drop in prices would be sharper if there was any bearish news. Yesterday, just when the market was about to close, Tata Steels were quoting Rs. 2,020 and Rs. 410; just then *Associated Press* flashed the news of bombing of Madras. Prices dropped heavily and in less than half an hour Tatas had dropped to Rs. 1,950 and Rs. 398. The decline has been followed up today and after touching Rs. 1,900 and Rs. 388 the Steel shares closed slightly better at Rs. 1,925 and Rs. 392.8. Textiles are also quiet in sympathy after touching Rs. 2,030; Bombay Dyeings closed today at Rs. 1,990; Centuries have also dropped to Rs. 930 against yesterday's peak of Rs. 950 and Kohinoors after touching Rs. 674 at one time dropped to Rs. 650 but closed better at Rs. 658. In the Miscellaneous section Scindias yesterday touched Rs. 39. But today's closing is Rs. 36.14.0. Bank and Insurance shares have also recorded sympathetic decline; Centrals closed at Rs. 74 and New India at Rs. 74.8.0 after being quoted yesterday at Rs. 79. In a one-sided bulls' market, where the cushioning influence of bear covering is absent, the sharp fall in the market was according to expectation. Such is the incidence of a cash market. Thus the speculator playing the bulls' game is treading on more dangerous ground and must be prepared for the precipitate decline in the expected Burma campaign. This season Japan has fired the first shot. Much more may yet be in store for us. The signal is a good warning for those who will take it. The bubble of a boomlet which was in the making has burst. The speculator will only indulge in his game at his own risk. The investor, who can be content with relative stability has little to worry about in spite of unpleasant war news. But the market holds no promise for one who wants to get rich quick. Gilt-edged market has also reacted unfavourably of late. Weak holders accumulated considerable quantity of 3½ per cent. Paper in the hope of an immediate capital appreciation. 3½ per cent. Paper did not, however, improve above Rs. 97.8.0; on the contrary, nervous selling has brought liquidation and the stock goes into better hands. No sharp improvement can be expected unless there is any other development current of a new Government of India loan. There is room for a long-dated loan if available at some discount in parity with prices. Gilt-edged market may record some improvement and may steady at higher rates.

MADRAS, Oct. 10.

Stock Exchange

The occurrence of *Puja* holidays coupled with the recent ban on forward transactions contributed to dull and lifeless trading on the Stock Exchange. Whatever small business that has been done has been of a genuine investment character. There was considerable activity in the Government Securities market and three and a half per cent. Paper has been done up to Rs. 97.12 in the local market. Three per cent. Loans 1963-65 have moved up to Rs. 98 and it is understood that the Government are pulling up the market in this scrip with a view to reissue the same as a third Defence Loan. All the other securities have gone up fractionally and very steady conditions prevailed. Mysore Loans continued to be scarce and the few scrips that came on the market were readily absorbed. Four per cent. Mysore were in good request and the quotation moved up to Rs. 123.8.

Business in the textiles section was small and a hesitant feeling prevailed after the announcement of the decisions of the Textile Control Board. Share values declined by only a few points but substantial reductions are bound to be seen when the market opens next week. Rangavilas and Janardhanas were done at Rs. 207 and Coimbatore Spinnings changed hands at Rs. 312.8. Cambodias came in for business at Rs. 39.4. After a long time, Buckingham and Carnatics were marked at Rs. 318. The Planting section was dull, apart from some activity in the shares of the A. V. George group. O. Valleys and Be Be Rubbers were taken at Rs. 15 and Rs. 13.12 respectively. Fringfords came in for business at Rs. 23 c.d. Rajagiris were sticky at Rs. 17.8. There was a fairly large volume of business in Bank shares. Reserves improved to Rs. 121 and Indians big to Rs. 267.8. A further calling up of Rs. 5 on the Rs. 20 paid shares was responsible for the rise of these shares to Rs. 62. There was more interest in Indo-Commercials and share values have appreciated on the week's trading. There was a good turnover in Public Utilities and many of the local electric company shares came in for business. In the Miscellaneous section, Bruntons were very active on reports that the management of the company would be taken over by an industrial magnate of all-India fame. Chemicals were very firm, particularly Mettur Chemicals. Sugars were dull.

NEW DELHI, Oct. 14.

Treasury Bills

The total amount offered for the Government of India three months' Treasury Bills on the 4th October, 1943, was Rs. 15.86 crores as against Rs. 20.10 in the previous week. Tenders at Rs. 99.13.0 were accepted in full. Lower tenders were rejected. The average rate of accepted tenders registered a sharp decline of As. 1½ to Re. 0.12.0 per cent. indicating keen bidding in spite of smaller offerings. During the week ended October 1, 1943, Government of India Treasury Bills for Rs. 208 lakhs were sold in favour of the Issue Department of the Reserve Bank.

The Provincial Governments of Assam and Madras are also entering the market for the sale of three months' Treasury Bills for Rs. 150 lakhs and Rs. 100 lakhs respectively, while the Central Government makes its weekly bid for Rs. 8 crores.

Reserve Bank

The principal feature in the statement of the Reserve Bank of India for the week ending October 1, 1943, is the reappearance of the increase in note circulation which was held in check last week. Notes in circulation have gone up by Rs. 412.53 lakhs as against a decline of Rs. 72.48 lakhs last week. But the increase in the total notes issued is just Rs. 1 lakh due to the decline of notes held in the Banking Department by Rs. 411.51 lakhs. On the side of assets, sterling securities have risen by Rs. 498.83 lakhs offset by the cancellation of *ad hoc* rupee securities by Rs. 498.81 lakhs to a level which now stands at Rs. 68.39 crores. In the Banking Department, Government as well as bankers' deposits have gone up by Rs. 177 lakhs and Rs. 61 lakhs respectively, while other deposits fell by Rs. 4.45 crores and "Balances held abroad" rose by Rs. 3.71 crores.

The position of the scheduled banks for the week ended October 24, 1943, shows an increase of Rs. 174.33 lakhs and Rs. 245.21 lakhs in demand and time liabilities respectively. Advances declined by Rs. 116 lakhs and the balances with Reserve Bank rose by Rs. 654.86 lakhs. In the result, the cash position has improved by Rs. 656 lakhs to Rs. 92.90 crores.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Oct. 9.

Cotton

There was reduced activity in the spot market. New crop Sind N.T. has advanced to Rs. 665 per candy mostly on short covering. All other varieties are steady. Some interest has been shown in the spot market in Broach 1027 and Berar Deshi as well as Jarilla seed cotton.

In the foreign section, there was activity in the Sudans. All the 20,000 bales of Sudans that have been imported so far have been sold out.

Seeds

It is reported that the Ministry of Food were able to buy only a small quantity of groundnuts at £34.12.6 for shipment within 90/150 days. In the local market, business for Madras-Mormugao, October delivery, was done at Rs. 18.12. Local crushers bought on condition of despatch within a week at Rs. 18.10 and within a fortnight at Rs. 18.6, while for December/January delivery at Bombay business was done at Rs. 18. Business in Khandesh quality on bazar terms was done at Rs. 104.

Castor Seeds

Business is reported in this market after a lapse of some time. On bazaar terms crushers bought at Rs. 96 while castor seeds Madras on delivery terms, with the condition that buyers should supply wagons, were sold at Rs. 19.9.

Linseed

Except for some business in Bold at Rs. 16, buyers to supply wagons, trading was dull and featureless.

A report from Liverpool states that international linseed business remains very small both to Britain and to the United States now that the United States is marketing its own crop. Meanwhile, liberal Argentine shipments continue in fulfilment of previous contract. It is understood the Argentine Grain Board is still not offering, but the unofficial price of Argentine linseed at Rosario is 29 pesos against the previous price of 29.50 pesos. The first steamer with Argentine linseed for about a year reached New York in the third week of August and a further 35,000 tons have since arrived. Good supplies of domestic linseed are now reaching the United States market with satisfactory oil content both in quality and quantity.

Of interest to the Indian linseed interests is a report that Canada believes that Britain is anxious to obtain substantial linseed from Canada because the voyage is much shorter than from India or the Argentine.

Regarding Argentine, a report states that growing conditions are satisfactory. The Argentine Government's promise to support prices, if necessary, assures farmers of a market for linseed.

MADRAS, Oct. 10.

Groundnuts

The groundnuts market was dull during the period under report. Both firms and Calcutta buyers bought only small quantities and sellers still seem to be hesitant. Movements of crop were hampered by weather conditions both in the city and in upcountry centres. Firms' limits remained more or less steady between Rs. 80 and Rs. 82 and those of the Calcutta merchants between Rs. 82 and Rs. 85. The British Ministry of Food bought certain quantities at £35.12.6 for delivery ninety days. The oil market too was dull and no important business resulted. The quotation was steady at Rs. 175. Demand for oil-cake continued to be good and a fair volume of business resulted. The quotation was round about Rs. 140 at the close.

Piecegoods and Yarns

Merchants both in the piecegoods and yarn market were agitated over the latest decisions of the Textile

Control Board. The statement by the Chairman of the Control Board to the effect that consumers will be able to obtain their cloth at least 30 per cent. below the prices they are paying today has given a rude shock to the mercantile community as they feel that if this is applied to the stock on hand they would suffer enormous loss. For the time being they prefer to await further developments. The printing of prices on each piece and bundle of yarn has been welcomed. During the period under report there was only a small turnover and business has passed on to the retailers as *Deepawali* draws nearer. At the close, prices showed a tendency to decline but no important business was done to test prices. In the yarn market, there was practically no demand but this has been usual every year prior to *Deepawali*. A nervous feeling prevailed in the market due to the decisions of the Control Board. Prices have declined by about half to one anna per lb.

Skins and Hides

The market was practically lifeless due to the Ramzan holidays and prevailing atmospheric conditions. Most of the merchants and *mundy* people who have left for their places in the upcountry have not returned and hence business was at the minimum. Arrivals of hides were meagre. North Indian demand for skins for the execution of Supply Department orders continued to be good and prices were firm. Exporters have again been unable to utilize the quota allotted to them in regard to shipments to the United Kingdom. Despite acute shortage of sole leather in U.K., the Controller has not chosen to raise prices and until this is done, exports would be as unsatisfactory as ever.

HAPUR, Oct. 11.

Juar

A mixed tendency has mostly been in evidence in the local *juar* market. Characterized by a firm sentiment in the early part following higher Punjab advices and up-country speculators' purchases, the latter part showed a declining trend on account of favourable crop reports and unloading by speculators of eastern markets. Fluctuations were colourful and significant. *Juar poos* opening at Rs. 7.29½ climbed up to the highest at Rs. 7.3.6, but as usual this level attracted the profit-takers and prices gradually receded to the lowest at Rs. 6.13, the market closing at Rs. 6.13.3. *Fagun* prices were substantially easier owing to huge straddle sellings.

Urad

The local *urad* market in the latter half of the week depressed under local speculators' liquidations and reports of prohibition of exports from the province. The up-country speculators are acting as principal sellers. Due to favourable crop conditions, it is expected the prices would further sag. *Urad* prices for *Magh* opened at Rs. 13.7 and closed at Rs. 12.14.4½, touching the highest and the lowest at Rs. 14.8.6 and Rs. 12.13.9 respectively.

Gur

The *gur* market ruled firm and active following encouraging demand from Gujarat and Bengal sides. The arrivals of old *gur* continue to be very brisk. The daily arrivals averaged 1,200 maunds. Prices for raw sugar were quietly easy owing to lack of spot demand.

Wheat

Market ruled barely steady on account of scattered demand and decreased arrivals from the villages. Arrivals averaged 100 maunds daily and the local stock is put at 183 *khattis*.

The following are today's latest quotations:

Wheat Rs. 13.12; Gram Rs. 11.7; Barley Rs. 9.11; Peas Rs. 10.13.6; *Arhar Khatti* Rs. 10; *Gur* Rs. 11 to 12.8; Bardana Mangsir Rs. 64.8; *Urad* Rs. 12.14.4½; *Juar Poos* Rs. 6.13.3; *Fagun* Rs. 6.8.5.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Sept. 29, 1943.	Sept. 22, 1943.	Sept. 30, 1942.	Sept. 1, 1939.
	£	£	£	£
Total Bullion	1,895	1,963	1,616	263,700
Public Deposits	7,200	10,300	31,100	
Other Deposits	228,500	217,500	187,200	129,100
Of which Bankers' Deposits ..	173,400	164,400	135,700	90,100
Govt. Securities	209,700	203,800	140,900	113,100
Other Securities	29,000	16,800	28,800	31,000
Of which Discounts & Advances ..	1,900	900,000	2,400	6,400
Notes and coins	15,400	21,300	34,200	43,900
Notes in Circulation	968,500	980,700	838,000	529,500
Ratio of Reserve to Liabilities ..	6.48%	9.46%	22.07%	21.38%

† Not available

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Sept. 30, 1943.	Sept. 23, 1943.	Oct. 1, 1942.	Aug. 31, 1939.
	\$	\$	\$	\$
Resources—				
Total Reserves	20,344,000	20,379,000	20,808,000	14,660,610
Total Bills Discounted	13,000	21,000	8,000	6,190
Bills bought in open market				550
Total U.S. Government Securities ..	9,168,600	9,204,000	3,567,000	2,426,190
Liabilities—				
Federal Reserve Notes in actual circulation ..	15,243,000	15,133,000	10,658,000	4,609,280
Deposits — Member Bank Res. Acct. ..	12,034,000	12,487,000	11,592,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note Liabilities combined ..	68.71%	68.37%	85.6%	86.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON OCT. 1, 1943.

ISSUE DEPARTMENT

	Liabilities	Assets
Notes held in the Banking Dept., ..	10,66,69,000	
Notes in circulation	763,80,26,000	
Total Notes Issued	774,46,95,000	
Total Liabilities	774,46,95,000	
A. Gold Coin and Bullion:—		
(a) Held in India	44,41,43,000	
(b) Held outside India		
Sterling Securities	646,77,20,000	
Total of A.	691,18,63,000	
B. Rupee Coin		14,89,29,000
Govt. of India Rupee Securities ..		68,39,03,000
Internal Bills of Exchange and other Comm. Paper		
Total Assets		774,46,95,000

Ratio of Total of A to Liabilities: 89.246 per cent.

	Liabilities
Capital paid up	5,00,00,000
Reserve Fund	5,00,00,000

Deposits:—

(a) Government	
(1) Central Government of India ..	22,47,22,000
(2) Government of Burma	27,76,000
(3) Other Government Accounts ..	12,42,83,000
(b) Banks	73,93,79,000
(c) Others	6,54,32,000
Bills Payable	2,05,67,000
Other Liabilities	4,00,01,000

Total 131,71,60,000

Assets

Notes	10,66,69,000
Rupee Coin	11,29,000
Subsidiary Coin	1,74,000
Bills Purchased and Discounted:—	
(a) Internal	
(b) External	
(c) Government Treasury Bills ..	1,89,88,000
Balances held abroad*	108,24,27,000
Loans and Advances to Government's ..	28,90,000
Other Loans and Advances	
Investments	7,58,93,000
Other Assets	2,90,80,000
Rupees	131,71,60,000

*Includes Cash and Short Term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Oct. 1, 1943.	Sept. 24, 1943.	Oct. 2, 1942.	Sept. 1, 1939.
Held in the Banking Dept. ..	10,66,69	14,78,20	10,17,68	35,04,49
In Circulation	763,80,26	759,67,73	497,78,55	182,13,17
Total Notes	774,46,95	774,45,93	507,96,23	217,17,66
A. Gold coin and bullion ..	44,41,43	44,41,43	44,41,43	44,41,46
Sterling securities	646,77,20	641,78,37	304,83,39	56,50,11
Total of A.	691,18,63	686,19,80	349,24,82	100,91,57
B. Silver coin	14,89,29	14,88,29	26,31,95	75,87,11
Rupee securities	68,39,03	73,37,84	132,39,46	37,38,96
Silver bullion under coinage				
Percentage of Reserve to Liabilities ..	89.246	88.603	68.755	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Oct. 1, 1943.	Sept. 24, 1943.	Oct. 2, 1942.	Sept. 1, 1939.
Cash	10,79,72	14,94,00	10,29,50	35,15,27
Balances held abroad	108,24,27	108,20,56	88,60,31	10,08,33
Investments	7,58,93	7,56,97	6,47,73	6,81,34
Bills discounted:—				
(a) Internal				
(b) External				
(c) Government of India				
Treasury Bills	1,89,88		14,99	1,15,67
Loans and Advances to the Government	28,00		1,13,00	31,00
Deposits:—				
(a) Government	35,17,81	33,40,98	24,55,69	14,89,43
(b) Banks	73,93,79	73,32,71	64,82,55	28,91,43
(c) Others	6,54,32	10,99,07	3,35,32	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.
August	8,546	1sh. 6d.

IMPERIAL BANK OF INDIA
WEEK ENDED OCTOBER 1, 1943.

	Rs.	Rs.
Liabilities		
Total Capital	5,62,50,000	
Total Reserves	5,75,00,000	
Fixed Deposit, Savings Bank, Current and other Accounts	192,61,21,000	
Loans against Securities per contra ..		
Acceptances for Constituents		
Sundries	1,13,54,000	
Total Rs.	205,12,25,000	
Assets		
Investments—		
Government Securities	123,39,47,000	
Other Authorised Investments	2,29,04,000	
	125,68,51,000	

Advances—		
Loans	12,27,60,000	
Cash Credits and Overdrafts	20,69,24,000	
Bills Discounted and Purchased	2,66,94,000	
	35,63,78,000	

Liability of Constituents for Acceptances per contra		
Dead Stock	1,72,19,000	
Sundries	87,85,000	
Bullion		

Cash—		
In hand and with the Reserve Bank of India	39,38,76,000	
Balances with other Banks	1,81,16,000	
	41,19,92,000	
Total Rs.	205,12,25,000	

SCHEDULED BANKS
(Comparative Statement)
(In thousand Rupees)

	1-10-1943	24-9-1943	2-10-1942	1-9-1939
1. Demand Liabilities				
in India	460,19,81	457,86,59	318,48,10	134,36,49
2. Time Liabilities in India	134,81,26	133,26,25	101,22,47	102,24,34
3. Cash in India	20,41,56	20,60,39	12,34,74	6,69,92
4. Balances with Reserve Bank	72,77,65	72,30,54	62,91,58	25,17,19
5. Advances in India	146,43,64	143,60,79	78,45,57	101,52,16
6. Bills discounted in India	3,87,69	4,16,80	1,50,54	3,57,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue Dept.
July 6	4,81,29	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	18,85,75	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
" 21	15,84,25	8,00,00	0 13 5		3,48,00
" 28	20,10,75	8,00,00	0 13 6		4,79,50
Oct. 4	15,86,50	8,00,00	0 12 0		2,08,50

DATES OF MATURITY OF OUTSTANDING TREASURY BILLS

Date of Maturity.	Amount (000's of Rs.)	Date of Maturity.	Amount (000's of Rs.)
October, 1943—			
2nd	8,02,00	7th	29,75
3rd	5,00	12th	5,00
8th	3,12,25	13th	7,51,25
15th	1,25	14th	43,75
16th	7,88,75	19th	18,00
22nd	31,25	20th	7,84,00
23rd	7,68,75	26th	3,50
28th	4,50	27th	7,82,00
29th	5,00	28th	4,50
30th	7,90,50		
November, 1943—			
5th	6,50	Total	67,19,23
9th	7,63,75		

SUGAR POSITION

1942-43.

Producing Areas.	Production up to 30-9-43.	Despatches during the period 23-9-43 to 30-9-43.	Progressive total of despatches from 1-12-42 to 30-9-43.	Percentage of progressive despatches to production.	Physical stock as on 30-9-43.
U.P.	6,13,243	12,530	4,90,273	79.5	1,22,970
Bihar	2,37,671	6,029	1,77,130	74.8	99,541
Bombay	77,221	1,147	65,152	84.4	12,000
Madras	33,315	636	26,638	78.9	7,127
Punjab	6,579	64	6,128	93.1	451
Bengal	16,537	520	13,067	79.1	3,470
N.-W.F.P.	3,167	7	2,605	80.0	662
Orissa	2,062	3	1,715	82.0	377
Sind	2,008	140	1,469	74.0	539
Indian States	81,804	1,366	71,347	87.4	10,257
Total	10,73,437	22,442	8,55,424	79.7	2,18,463

N.B.—Balance physical stock of 1941-42 sugar as on 30-9-43 was 327 tons.

JUTE FORECAST

Final for 1943

Final for 1943						
Province & States	Areas in Acres		Yield in bales 400 lb. each		Yield in bales per acre	
	1942	1943	1942	1943	1942	1943
Bengal	2,704,075	2,146,255	8,015,820	6,074,140	2.96	2.8
Cooch Behar	36,880	23,720	62,170	38,755	1.69	1.63
Tripura	15,000	12,000	31,000	25,000	2.1	2.08
Bihar	232,900	202,300	354,800*	425,000*	1.52	2.1
Orissa	23,500	23,800	55,975	66,450	2.38	2.79
Assam	320,200	194,000	541,300	319,900	1.69	1.65
Total	3,332,555	2,602,075	9,061,567	6,949,245	2.72	2.67

* Including Nepal.

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
Aug.	100	109	125	160	100	107	126	168
Sept.	101	107	123	162	104	108	126	160
Oct.	103	108	119	164	103	108	123	177
Nov.	104	108	120	170	111	111	129	188
Dec.	108	110	123	179	115	108	136	204
Jan.	109	111	130	193	111	108	130	237
Feb.	107	113	129	195	108	108	129	226
Mar.	105	113	130	198	107	108	132	237
April	105	115	131	214	107	111	136	256
May	106	116	135	214	105	112	141	252
June	106	116	145	216	110	114	152	252
July	108	120	160	216	108	121	160	252

*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)					CALCUTTA (Prices in July 1914=100)				
	Feb. 1943.	Jan. 1943.	Feb. 1942.		Commodities	Aug. '43.	July '43.	Aug. '42.	Sept. '39.
Food and tobacco	207.0	190.8	132.3	Cereals	572	496	174	86	
Other Agr. Com.	193.8	183.3	125.3	Pulses	449	393	166	90	
Raw Materials	172.0	171.5	158.0	Tea	106	130	179	142	
Manufactured Articles	225.5	224.1	162.3	Other Food Articles	579	580	352	125	
Primary Commodities	190.5	182.0	140.6	Oilseeds	323	284	167	106	
All Commodities	197.6	190.4	145.0	Mustard Oil	239	207	97	81	
Chief Articles of Export	187.6	177.2	142.4	Jute, Raw	113	129	67	80	
* Issued by the Economic Adviser, Govt. of India.					Cotton, Raw	176	183	100	75
BOMBAY (July 1914=100)					Jute Manufactures	194	180	123	102
Commodities	No. of Items.	May '43.	Apr. '43.	May '42.	Other Textiles (Wool and Silk)	186	194	136	110
Foodgrains	208	215	152	Hides and Skins	95	95	82	67	
Cereals	189	215	158	Metals	297	332	275	147	
Pulses	276	273	135	Other Raw & Manufactured Articles	211	207	148	95	
Sugar	239	238	166	All Commodities	345	332	192	108	
Other Food	296	259	147	BANGALORE* (Base year 1914=100)					
All Food	232	228	153	Particulars	April '43.	March '43.	April '42.		
Oilseeds	178	185	110	Foodgrains and Pulses	247	239	142		
Textiles (Cotton)	186	176	108	Oil and Oilseeds	265	257	120		
Cotton, Raw	94	94	76	Other Food Articles	282	269	130		
Cotton, Manufactures	340	313	161	Textiles	341	313	133		
Other Textiles	83	83	83	Others	293	161	178		
Hides and Skins	99	99	99	Gen. Index Numbers	282	284	144		
Metals	750	770	669	* Compiled by the Department of Industries and Commerce, Mysore.					
Other Raw Manufactured Articles	232	232	225						
Non-food	282	284	231						
General Index	265	264	204						

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	32 0 0	8 12 0	4 14 0
"	Basmati Sela	Amritsar.	"	21 0 0	22 0 0	..	..
Wheat	Average quality.	Karachi.	"	8 0 5	8 0 5	5 15 0	..
"	"	Hapur.	"	13 12 0	13 10 0	..	..
"	"	Lyallpur.	"	11 2 0	11 2 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 quality.	"	"	8 0 0	8 0 0	..	..
Tea	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 15 0	0 10 5
Tea	For consumption in India.	Calcutta.	"	0 10 4	0 11 3	0 15 6	0 4 4
Potatoes	Great Scot (round)	Mettupalayam	per md.	8 14 0	8 10 0	..	..
Groundnuts	Bold.	Bombay.	per candy of 500 mds.	98 0 0	100 0 0	..	..
Groundnut Oil	Expeller	Madras.	Candy of 500 lbs.	173 8 0	172 0 0	..	..
Castor Oil	Average	Madras.	Candy of 500 lbs.	205 0 0	200 0 0	153 0 0	..
Coconut Oil	Average	Madras.	38 lbs.	17 0 9	16 2 9	..	..
Castor seeds	Average	Bombay.	per candy	16 0 0	16 2 0	11 7 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	16 2 0	15 10 0	11 7 0	7 2 6
Linseed	Small Grain.	Calcutta.	"	..	13 0 0	7 1 0	6 13 6
Sape and Mustard	Toria 9% admixture.	Karachi.	per candy of 8 mds. (656 lbs.)	101 0 0	101 0 0	66 8 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F (Punjab) R.G. Jarilla 3/4"	Karachi.	per candy of 784 lbs.	490 12 0	490 12 0	..	..
"	"	Bombay.	per candy	505 0 0	500 0 0	..	..
Cotton Piece-goods.	Grey Dhori	"	44"x10 yds.	7 12 9	7 12 9	..	..
"	Markin 11 lbs.	"	43"x39 yds.	26 6 0	26 6 0	..	..
"	Grey Leopard	"	per lb.	..	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.	per bale of 400 lbs.	76 0 0	76 0 0	51 0 0	41 8 0
Jute Bags	B. Twills 2 1/2 lbs. 44"x26 1/2, 6x8.	"	per 100 bags.	66 0 0	66 0 0	44 0 0	28 13 0
Wool (raw)	Kandhar (cleaned) Indian quality.	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	9 8 0	9 8 0	7 8 0
"	"	"	to to	10 8 0	10 8 0	10 8 0	8 8 0
"	Goat skins (good quality).	"	per 100 pieces.	110 0 0	110 0 0	95 0 0	100 0 0
"	"	"	to to	130 0 0	130 0 0	115 0 0	115 0 0
Hides and skin (tanned)	Cow hides.	Madras.	per lb.	0 14 11	0 14 11	0 14 4	0 9 8
"	"	"	to to	1 3 9	1 3 9	1 3 1	0 12 10
"	Goat skin.	"	"	2 0 0	2 0 0	1 6 6	1 7 6
"	"	"	to to	2 5 0	2 5 0	1 14 6	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 3	5 5 3	3 13 3
Coal	Selected Jharla.	"	per ton into wagon.	9 12 0	9 12 0	4 12 0	4 0 0
"	"	"	to to	10 8 0	10 8 0	6 8 0	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
Opura	Fair average quality.	Cochin.	per candy of 500 lbs.	158 0 0	158 0 0	155 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 (Oct. 12)—

GOVT. SECURITIES—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
2½% 1948-52 ..	99 10 0	..
3% 1949-52 ..	100 11 0	..
3% 1951-54 ..	100 2 0	..
3% 1963-65 ..	97 14 0	..
3½% G. P. Notes ..	97 8 0	97 8 0
3½% 1947-50 ..	103 6 0	..
4% 1960-70 ..	115 8 0	115 6 0
4½% 1955-60 ..	116 4 0	116 4 0
3% 1945-55 ..	102 6 0	102 6 0
3% 1944 Defence Loan ..	100 0 0	100 0 0

TEXTILES—

Ahmedabad ..	525 0 0	525 0 0
Bombay Dyeing ..	2,027 8 0	2,012 8 0
Central India ..	490 0 0	473 0 0
Century ..	947 0 0	935 0 0
Colaba Land ..	250 0 0	245 0 0
Indian Bleaching ..	228 0 0	223 0 0
Gokak ..	368 12 0	368 0 0
Kohinoor ..	673 0 0	657 0 0
Phoenix ..	680 0 0	632 8 0
Sholapur ..	610 0 0	610 0 0
Simplex ..	283 12 0	292 0 0
Swadeshi ..	607 0 0	605 0 0
Vishnu ..	2,695 0 0	2,700 0 0

MISCELLANEOUS—

Aloock ..	525 0 0	476 8 0
Bombay Burma ..	432 8 0	442 8 0
Belapur Sugar ..	254 8 0	238 0 0
Bombay Burma New ..	150 0 0	150 0 0
Bombay Steam ..	622 8 0	575 0 0
Bombay Tramways ..	160 8 0	162 0 0
British Burma Petrol ..	3 4 0	3 1 3
Scindia Steam ..	39 0 0	37 4 0
Shivrajpur ..	74 8 0	67 8 0
Tata Power ..	1,860 0 0	1,860 0 0
Andhra Valley ..	1,900 0 0	1,902 8 0
Tata Hydro ..	203 8 0	203 0 0
Tata Steel Ord. ..	411 0 0	396 0 0
Tata Steel Defd. ..	2,021 4 0	1,957 8 0
Premier Construction ..	195 8 0	177 0 0
Indian Iron ..	37 4 0	37 4 0
Burma Corporation ..	4 0 0	4 1 6
Associated Cement ..	221 0 0	220 0 0
Indian Copper ..	..	2 7 6
Tata Steel 1st Pref. ..	220 0 0	220 0 0
Tata Steel 2nd Pref. ..	156 12 0	156 0 0

BANKS—

Central ..	78 0 0	78 8 0
Imperial (Fully Paid) ..	1,855 0 0	1,855 0 0
Imperial (Partly Paid) ..	462 8 0	461 4 0
Reserve ..	124 8 0	124 8 0

CALCUTTA (Sept. 25*)

JUTES—

Champdany ..	216 0 0	216 0 0
Anglo-India ..	308 0 0	399 1 0
Belvedere ..	..	407 0 0
Howrah ..	63 4 0	63 2 0
Kamarhatti ..	544 0 0	554 0 0
Baranagore ..	166 8 0	166 0 0

STEELS—

Bhartia Electric ..	15 5 0	15 2 0
Indian Iron ..	37 0 0	35 10 0
Steel Corporation ..	27 5 0	27 0 0
Jessop (Ordinary) ..	..	20 6 0
Kumardhubi ..	7 13 0	7 15 0
Saran ..	7 8 0	7 6 0

TEXTILES—

Elgin ..	82 8 0	80 0 0
Cawnpore Textiles ..	12 6 0	12 7 0
New Victoria ..	3 10 0	..

MINES—

Burma Corporation ..	4 2 0	3 13 0
Consolidated Tin ..	2 8 0	2 9 0
Indian Copper ..	2 3 0	2 9 0

SUGAR—

Balsund ..	11 8 0	11 8 0
Ramnagar Cane and Sugar ..	11 9 0	11 7 0
Samastipur ..	19 6 0	19 0 0
Carew ..	31 13 0	..

MISCELLANEOUS—

Dalmia ..	..	13 0 0
Rohtas ..	..	80 14 0

TEAS—

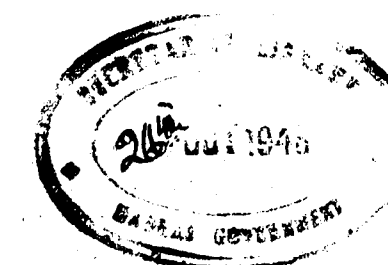
Bishnauth ..	..	46 8 0
East India ..	16 8 0	..
Teesta Valley ..	40 6 0	..

COALS—

Bhalsora ..	9 8 0	..
Raneegunj ..	13 4 0	..
West Jamuria ..	37 6 0	..
Burra Dhemo ..	7 8 0	..

MADRAS (Oct. 8)—

Bruntons ..	15 8 0	..
Spencers ..	12 4 0	..
Mysore Chemicals Ord. ..	25 4 0	..
Mysore Chemical and Fertiliser ..	29 8 0	..
Mysore Silk Filatures ..	25 8 0	..
Vasantas ..	346 8 0	..
Lakshmi Old ..	220 0 0	..
Rajlakshmi ..	272 0 0	..
Sitarams ..	202 0 0	..
Cambodias ..	39 4 0	..
Trichi Mills ..	28 2 0	..
Coimbatore Spinning ..	312 0 0	..
Radhakrishnas ..	403 0 0	..
Janardanas ..	207 0 0	..
Meltur Industries ..	302 8 0	..
Buckingham ..	318 0 0	..
Vellamalai ..	25 2 0	..
Balanoor ..	21 0 0	..
Midlands ..	16 8 0	..
Fringford ..	23 0 0	..
Be Be ..	13 6 0	..



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The Food Conference

THE Food Conference has concluded its three days' session, and the Government have announced their decisions on the Foodgrains Policy Committee report. How far is the solution of the food problem in sight? No affirmative answer can unfortunately be given. Of the three major decisions adopted, statutory price control, rationing, and provincial procurement with central control and direction, the last two had been practically accepted by all provinces except the Punjab. Statutory price control on which the difference of opinion was acute was finally accepted by the Conference and endorsed by Government. But to the immediate solution of the problem, none of the above can contribute effectively. The acceptance of the principle that India should be a net importer of foodgrains during the war and the implementing of the recommendations of the Gregory report that imports of a million and a half tons should be arranged for constitute the more immediate remedy for a situation which is getting out of hand. It is reported that actually a ship laden with foodgrains has landed in a port and has unloaded itself and also that further imports are awaited. We do not know the actual quantities; but until at least 2 million tons arrive the efforts of the Government should not

slacken. The fact of imports and the knowledge that there is a lot of reserve in the hands of the Government can alone inspire the necessary confidence in the Government's ability to deal with the situation.

Indeed more than anything else, in the present circumstances imports alone constitute singly the most hopeful solution of an otherwise intractable problem. They are the sole means available to Government of (a) disgorging the hoards, (b) reducing prices to reasonable levels in areas where they have reached astronomical heights (in parts of Bengal the price of rice is Rs. 88 a maund), and (c) ensuring success in rationing. In spite of all the fuss made all over India the extent of hoarding is unknown. We have yet to get a straightforward account from the Bengal Government of the results of their investigation into hoarding. In several other provinces, it is clear that hoards are a myth. All the previous carry-over had been absorbed. But even if there still exist hoards (and perhaps the Punjab has large hoards) the only way of disgorging them is through such large imports and reserve as will dash the hope of all bulls and compel them to sell.

The anti-hoarding orders cannot be so effective as the fact of a large reserve in the hands of the Government in disgorging the hoards. The so-called hoards are not all of the same type. The hoards of the rural and urban consumer and of the small agriculturist are a natural and legitimate precaution against emergencies and uncertainties. It is as idle to seek to get them out as it is cruel, except when rationing is well under way. But the hoards in the hands of the dealer and the merchant belong to a different category, and Government's machinery and capacity and willingness to deal with them have varied according to circumstances, of which political factors are not the least important. Large reserves with Government will alone afford the easy and effective way of dealing with the matter. It is, therefore, imperative that public opinion should not get lost in mere details but should insist that Government should continue to press upon H.M.G. for imports of large quantities until the food scarcity becomes a mere memory.

Very little has been heard at the Conference of another vital recommendation of the Gregory Committee that production of foodgrains and other consumers' goods needed by the cultivator should be organized. We have been pressing the constitution of a new Production Department which will engage itself in organizing in co-operation with business men the production of a large variety of several kinds of consumers' goods. The ryots who have surpluses in hand will not sell unless they are offered something tangible in exchange. Again the measures so far taken to increase food production have been very feeble and ineffective and there is yet no department at the Centre which is continuously engaged in this task, for the Food Department has its hands fully occupied with the problems of procurement and rationing, etc., while the agricultural department is not organized towards this end.

The Conference did spend some time in discussing the machinery for procurement, and as the Gregory Committee has truly pointed out, the problem of procurement is not one of getting the grain from the surplus provinces and moving it out to the deficit provinces. That problem, simply stated is the stupendous one of getting from every cultivator in every part of India the surplus or balance after the requirements of consumption. The machinery for procurement should, therefore, seek out the surpluses in every little region and necessarily this can be done only by the province or State. But it is right that the Centre has taken upon itself the power of direction, superintendence and control over the provincial procurement machinery. While freedom is given to the provinces and States to devise machinery suited to their needs, the Government have definitely stated that there should be a single procurement agency, preferably a Government procuring agency which utilizes to the fullest extent possible existing trade organizations. The determination of the target figures of surplus and deficits is the crux of the problem. The Gregory Committee recommended that in case of differences of opinion over the target figures, the matter should be dealt with by an arbitration committee. The Conference did not accept the recommendation and the Government have endorsed the decision of the conference. In case of dispute, the matter is to be decided by consultation and discussion with the help of such expert opinion as may be agreed upon by the Governments concerned.

Urban rationing is regarded by Government as a fundamental part of the co-ordinated food plan and we are glad of the Government's confidence that the

administrative burdens imposed by rationing are not beyond their capacity. The success of rationing in some provinces and States gives one hope that rationing on an extended scale will be a success, provided the conditions precedent are not ignored.

Despite some opposition even at the Food Conference, the Government of India have accepted the principle of statutory price control of foodgrains though not in an unqualified form. They are of the opinion that in the present emergent conditions, all-India statutory prices for all foodgrains are an impossibility. They are, therefore, for price control on a provincial, then on a regional and finally on an all-India basis, and with a view ultimately of the eventual building up of an all-India price control have provided that statutory prices cannot be fixed without the consent of the Central Government. It is not surprising that the Government should have accepted the principle of statutory price control; rather the surprise is that the member in charge of Food Department should have at least realized the difficulties and complexities of price control, for his pitch had already been quered by another department. While the Food Conference was wasting its time over the question of price control of foodgrains, momentous decisions had already been taken by another department and a blanket system of price control had been kept ready to be promulgated at the conclusion of the Food Conference. What a waste of time and of argument and discussion! Under the plea that if the cultivator's grain price is to be fixed, all the goods which he has to buy must also have their prices fixed, an extraordinary ordinance has been passed which seeks to fix the prices of all goods sold in India and makes it an offence to sell them above prices fixed for each. Never in history have such paper controls been issued by any Government which even the most ignorant citizen knows will not and cannot be enforced. To fix the prices of hundreds of articles is a task beyond the capacity of this Government, and no Controller-General, whatever may be the mighty name given to him, will be equal to the task. The relative success of textile control and drug control should have prompted the Government to go on extending the list of such controls after taking the necessary precautions in the matter of consultation and control of supplies. Now, how are the prices proposed to be fixed? Nothing is to be sold at a price exceeding 20 per cent. above its landed cost or its cost of production subject to what is allowed by normal trade practice. To determine the costs of production of a thousand and one articles is beyond the wit of a Controller-General and his three deputies. The Ordinance will be either a dead letter or a menace to the safety of the citizen being capable of being misused even against the honest dealer and producer. Let us hope it will remain only a dead letter. In the face of such blanket price control, statutory price control of foodgrains is a mere bagatelle. In any case, why strain at a gnat, when the country is asked to swallow whole camelfuls of controls?

The new Ordinances are very primitive and remind one of the mediaeval times. Indeed, how simple economic problems will be, if they can be solved by the ukases of the Viceregal Lodge? The Ordinances set a limit not only to the quantities that may be held by a dealer and producer but also by every consumer in excess of the quantity reasonably required for the normal use of himself and his family. One has only to visualize the magnitude of the task involved in enforcing these ordinances in order to condemn them as utterly impracticable and futile. The Ordinances will only result in bringing them into disrepute.

India and Multi-lateral Trade

RECENT factual studies of the world trading system have once again emphasized the general multilateral interdependence of the various countries in regard to their international trade. In other words, it is found that, generally speaking, a country does not import from any country the exact equivalent in value of its exports to that country, but pays for its import surplus from that country by means of an export surplus to a third country or series of countries which, in their turn, do the same thing, the chain of international indebtedness being closed as soon as, after a number of stages, the requisite export surplus has been created to the first creditor country. Analysis has revealed that if the ramifications of this international interdependence appear at first sight extremely intricate, they nevertheless arrange themselves into a well-defined pattern. At the same time, under the impact of recent economic forces, this pattern has been steadily changing. Indeed, the change has been, in some aspects, so marked that many have recognized in this the beginning of the disintegration of the multilateral system. The point at issue is not merely the trend towards bilaterality but the changing pattern of multilateral trade itself. The war is forcing the pace of change and clearly, after the war, we shall be faced with the task of adjusting ourselves to the altering international set-up. A clear formulation of India's post-war trade policy requires an adequate appreciation not only of the nature of these changes but also of the forces impelling them.

The multilateral trading system which we knew before the war, had evolved through generations, out of the economic relationship of the various countries. An analysis of the trade balances of these countries reveals a remarkable stability. It has been found that it is possible to draw up a list of the majority of the world's trading countries (representing 90 per cent. of world trade) in such a way that "each country has an excess of imports from practically all countries that precede it in the list and an excess of exports to practically all countries that succeed it." The list could conveniently be abbreviated by grouping together these countries into five broad classes, following the classification of the League publication:—

1. *Tropics*—including Central Africa, the tropical, agricultural and mineral producing countries of Latin America and tropical Asia.
2. *The United States*.
3. *Other regions of recent settlement in the temperate belts*—including the British Dominions and the non-tropical agricultural countries of Latin America.
4. *Continental Europe*.
5. *Non-Continental Europe*—mainly Great Britain.

The coherence of the world trading system lies in the fact that each of these broad regional groups has an import surplus from the groups above it in the list and an export surplus to the groups below it. We can thus discern a general direction of the flow of the balance of merchandise transactions in international trade. Thus on balance, commodities flow from the "tropics" to the other regions lower in the list; and similarly, also for each of the other groups. In 1928, on balance, the commodities flowed, from non-continental Europe to the "tropics" so, that the five regional groups could be arranged in the form of a circular route. This export surplus to the "tropics," however, gradually deteriorated until in 1938 it had been converted into an import

surplus of 270 million dollars. We may, therefore, consider the list to represent the international "gradient" or slope along which commodities, on balance, tended to move in the pre-war days.

This was, indeed, a very remarkable international financial relationship super-imposed on a multilateral trading system. This general inclination of the international trading system has been historically evolved and has been determined by, firstly, the localization of natural resources, secondly, the differential rates of industrialization of the various countries, and, finally, the evolving international debtor-creditor relationship and current financial transactions. Under the impact of recent economic forces all these sets of factors have been rapidly changing and consequently the multilateral trading system has found itself poised on an unstable slope. A reconstruction of the multilateral system, therefore, requires an understanding of this process.

In the first place we find that as a result of the war, the financial relationships among the regional groups have undergone a significant change. On the one hand, the first three groups have appreciably strengthened themselves financially, while, on the other hand, the position of the last two groups has considerably deteriorated. In the first group, the most remarkable is the case of India which has speedily transformed itself into creditor country. The United States has further consolidated its economic power. In the third group, the British Dominions as well as the countries like Argentina have also considerably strengthened themselves in respect of their international financial relationships, by building up their productive apparatus generally and also translating themselves to a net creditor position. As against this the continental Europe will find itself at the end of the war in a very much adverse position, owing to physical destruction as well as grave financial dislocations. Similarly, the position of the fifth group, mainly Great Britain, has also deteriorated in a serious degree. It is not yet possible to measure the order of magnitudes of the degrees in which the position of the various countries has either deteriorated or improved. But there can be no doubt that there is an unsettling accentuation of differences. If we take the list of countries indicating the slope on which international trade moves, we can discern a clear movement towards the extreme poles. This "polarization"—as the phenomenon may aptly be called—indicates that after the war we shall witness an enormous, new pressure on the system of multilateral trade which can hardly survive the testing, unless it can quickly re-orient itself.

A consideration of the other two factors which govern the place which any country occupies in the list, only emphasizes the extremely complicated nature of the forces which would be operating after the war and in relation to which post-war trade policies must be determined. Thus the localization of world natural resources will probably be different after the war from the economic point of view. The economic importance of the various natural resources would change, and the process would be accelerated by the growing importance of substitute materials in future economy. Scientific agricultural technique, including processes like vernalization, means that differences in climate, soil, etc., would count for less and less. All these probably point towards greater equalization of conditions, but they again unsettle the basis on which the pre-war multilateral system was based. The advantages of the

first three groups which are very rich in natural resources, would be lessened. Nevertheless, this factor will probably operate very slowly and would be important only as a long-term factor.

However, the rise of the new and powerful technique of economic planning cannot fail to impress itself forcibly on the system of international trade. As we know, "trade radiates from the industrial regions." Consequently, as the countries which have hitherto been backward, industrialize themselves at rapid rates, they would exercise new and effective pulls on the world's trading system. Countries which are very rich in natural resources will inevitably enjoy comparative advantages in the task of industrialization. Consequently countries in the first three groups will again enjoy a decided advantage over the countries in the last two groups; but within the first three groups, political considerations will decide which countries would embark on economic development first and at what rate.

All these considerations combine to point to the conclusion that after the war, the world system of multilateral trade would be placed under basic and far-reaching pressure for re-orientation and reconstruction. It is against this wider background that we have to view the task of formulating India's international trade policy in the post-war years. The view is being canvassed that after the war India should enter into multilateral trade agreements which, however, it is argued, would not be incompatible with either a measure of protective tariff, or the possibility of some discrimination in favour of empire countries if this is necessary or the protection of Indian exports.

That multilateral trade would enable India, like any other country, to enjoy in a greater degree the advantages of international specialization, goes without saying. The crucial question, however, is the rapidity with which the pre-war multilateral trade system can reorient and readjust itself and the extent to which it would prove itself adequate in view of the rapidly growing needs of our economy in the post-war period. It is too often forgotten that the multilateral trade system such as we knew before the war did not originate suddenly, but was the result of generations of evolution, and that it grew gradually since the 1870's, out of an essentially bilateral trade system organized by Great Britain. In fact, an historical study of international trade would show that it is only with the passage of time that the trade of the newer industrial countries has got itself woven into the fabric of the general multilateral trade system, and in the initial stages the new industrial countries had to content themselves with more or less bilateral trading. In this connection, the experience of Japan is very interesting from our point of view. The League of Nations *Network of Trade* studying Japan's multilateral trade concluded that "her multilateral transactions were rather unstable and did not merge into the world-wide network of trade balances described above. The history of Japanese trade indeed shows that the adjustment of world trade to the requirement of a newcomer,

affecting not only that country and its customers, but in various ways all other countries, is no easy and frictionless process. China and certain minor Asiatic countries, as well as North Africa appear also to settle their multilateral transactions largely outside the world system of trade balances." (p. 83). If India launches an ambitious economic plan after the war, we shall certainly envisage a rate of industrialization far greater than that ever experienced hitherto by Japan. Consequently, it is an illusion to hope that the whole of our post-war swiftly-changing trade requirements could possibly be quickly accommodated within an international multilateral system which itself is under fundamental strains on account of the progressive polarization of international economic relationships.

Enthusiasts of multilateral trade agreements do not indicate clearly what precise programme of action they envisage. Presumably what they contemplate is either a multilateral tariff truce or a multilateral agreement for the gradual reduction of tariff rates by agreed percentages all round. On the contrary, we may contemplate a general multilateral clearing organization such as proposed by Keynes. In the latter case, it is evident that the clearing organization need not necessarily exclude the possibility of peripheral bilateral agreements. In the former case, we should clearly recognize the immensity of difficulties of a general multilateral agreement. The very generality of the agreement means that the benefits accruing to and concessions demanded from any individual country cannot be satisfactorily equated and in such circumstances very little can possibly emerge. Speaking of the futility of multilateral negotiations, Prof. Viner remarks, "The more countries there are participating, the smaller is the pressure on any one country to make concessions, the smaller is the responsibility or credit attaching to any one country or its representatives for the failure or success of negotiations, the greater is the possibility, if the scope of the conference is limited, that for some of the participants the product of the negotiations will appear to be concessions without compensation in return, and the greater will be the opportunity to make empty but generous sounding speeches in the more public meetings while pursuing wholly obstructionist tactics in the business meetings."

What is really at issue is not the "principle of multilateral exchange" which every undergraduate understands, but the task of formulation of a practical trade policy in the light of the governing international economic set-up. As we have seen, on account of the great changes in the international economic configuration, the pre-war multilateral system will require after the war readjustment and reconstruction, which can only be done over a very long period. Meanwhile the requirements of the planned economies of the various countries would be urgent—and overwhelming and cannot be immediately accommodated within the existing multilateral system. Again, for example, we have seen that the general direction of the flow of balance of commodity trade would greatly alter after the war and would possibly be reversed. But the multilateral mechanism cannot be put into back gear

at a moment's notice. Consequently under such a combination of circumstances, we must necessarily have to depend to a large extent on bilateral trade agreements.

The difficulty of the multilateral-enthusiast is his inability to recognize that bilateral trade need not always be in supersession or destruction of pre-existing multilateral trade, but may be in addition to it. In fact in an international setting in which elements of instability predominate, bilateral trade may form the only effective vanguard of an expanding system of international trade. For under such circumstances, it may prove next to impossible to form a multilateral system by fiat or pacts and only when a number of bilateral pacts have been formed along the channels of mutual advantage that it would be possible to integrate those bilateral trade agreements into a well-co-ordinated, multilateral system. It should not be forgotten that even in the 'twenties, multilateral trade did not represent more than 25 per cent. of all merchandise transactions and it would have been possible to cover the great mass of international trade by a system of bilateral agreements. This is not to deny the advantages which accrue from the existence of a wide margin of multi-

laterality, but only to moderate the zeal for the new orthodoxy. At the same time it is relevant to reiterate that the localization pattern of world financial claims and world productive forces have so rapidly and basically changed during the war and will further change after the war that it is not legitimate to draw any conclusions whatsoever from the pre-war trend of volume and distribution of India's trade with respect to its probable post-war volume and distribution. Consequently, even a qualified statement that we should not refuse to consider the possibility of some discrimination in favour of Empire countries if this is necessary for the protection of Indian exports, assumes the colour of special pleading. The possibility of expanding any particular country's export trade, not as an accompaniment of expanding world commerce, but by special measures and at the expense of other countries, is necessarily limited in scope; nor is it always clearly indicated how far such measures could promote general multilateral agreements. Meanwhile we should clearly recognize the creative role which bilateral trade agreements may be made to play in an unsettled, dynamic world—not as an end by themselves but as a preliminary to progressive multilateral integration.

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The Week's Notes

A NATIONAL SYSTEM OF EDUCATION FOR INDIA

Whether the several committees which have been set up by Government will turn out any useful work or not, we cannot tell, but it is gratifying that at least in one important sphere, the country has before it now a carefully worked-out plan of a minimum of national education which was considered by the Central Advisory Board of education at its recent meeting at Dehra Dun. Mr. John Sargent, Educational Adviser to Government has rendered a great service by preparing a memorandum containing proposals for a scheme of education which will provide all children with a certain basic education and enable those who show promise to pass on to high schools, universities and technical and commercial institutions. The most important part of the scheme is that relating to primary and middle education—a system of universal, compulsory and free education for all children between 6 and 14. The cost of such a scheme will be about Rs. 200 crores and it would call for 1.8 millions of teachers to instruct 52 million pupils.

It is estimated that one child in every five will be able to enter the high school stage of education with profit. The high schools will be of two types—academic and technical, but both will aim at giving a good all-round education and preparing the pupils for their future careers. University education will necessarily be confined to those who can profit by it, but no one will be prevented by want of means from entering the high school or the university.

In view of the importance of technical education, the scheme contemplates the establishment of a National Council of Technical Education and provides for the cost to be borne by the Central Government. Not the least important part of technical instruction is agricultural education. Apart from technical high schools, technical instruction should meet the needs of different classes of industrial workers—the managerial class, research workers, the supervisors class, skilled artisans, semi-skilled and unskilled workers.

THE FINANCIAL ASPECT

It will thus be seen that the plan is all-embracing and covers every aspect of education. Liquidation of illiteracy within 25 years is also provided for in the plan. Naturally the cost of the plan judged by the present scale of expenditure on education will appear to be beyond the capacity of the country. To provide for an educational budget of about Rs. 313 crores of which Rs. 277 crores will have to come from public funds (when only Rs. 30 crores is actually spent now, of which only Rs. 17½ crores come from public funds) will appear to be almost impossible, and indeed criticism has already been levelled against the scheme that it is financially impracticable.

We do not agree. The country will have to decide what amount of education within what period it desires to have. If it has the will, the money will be forthcoming. The cost may be reduced to some extent by integrating the Wardha system with the Sargent plan. Further the full cost will have to be met only after some years. The country's financial capacity will not remain static and when national income increases, a larger part will have to be appropriated to education. Indeed the condition for economic development in India being the creation of educated and trained agricultural and industrial workers, money spent on education will be a valuable and profitable investment. India can have no future unless her educational system is reorganized immediately. We are glad that Mr. Sargent has made no secret of the fact that what he has

offered is a basic minimum below which no nation can afford to fall.

SURPLUS BALANCES

The 'transfer' problem in foreign exchange or the problem of how international transfer of purchasing power by means of liquidating external credits or debts can be effected has been vested with a new importance by the provision for the 'abnormal' war balances in the British and American currency proposals. The balance of payments of a country must always balance. A deficit arising on income account may be covered by a short term or long-term loan as the case may be, but ultimately all transactions have to be settled by the transfer of commodities and services. Thus a debtor country can pay its annual interest charges or repay its external debt only by an export surplus in goods and services in the last analysis, including, of course, the export of gold. Equally a creditor country can get its claims paid only in terms of goods, services and bullion. The period over which the transactions are spread may be five years or a decade or much more; but in actual life it is a continuous and dynamic process. India's case typifies the principle. For more than a century and until recently India was a debtor country and was meeting her annual charges by an export surplus in goods. If the goods did not go directly to our creditor Britain, they were sold to countries which in turn sold to Britain, and thus the multilateral transfer was made. Now we are a creditor country with £750 mn. to our credit in Britain. How can we realize these claims? We may, if we choose, import bullion. But that is not desirable and will mean immobilizing our assets in an unproductive metal. We might pay off the remaining foreign debts and take over the commercial assets in this country. But even that cannot wipe out our surplus. We might more usefully import producers' goods to launch a huge scheme of industrialization. This is by far the most important and productive use we can make of our assets.

METHODS OF CLEARANCE

These producers' goods we can get either bilaterally from our debtor Britain or multilaterally through a circuit; again over a short period or fairly long period. If Britain is made to pay off the entire debt at once at the end of the war, she will have to find a net export surplus of Rs. 1,000 crores either in India or elsewhere, and may strain her standard of living. But what concerns us more is that if we have to take repayment immediately, we must be ready to absorb a net import surplus of Rs. 1,000 crores. Even with an ambitious plan of industrialization, a period of 5 to 10 years may not be too much to spread our purchases over. In fact this might become essential, if we remember that a national Government of our own may not come into being for two or three years after the war.

Admitting that we shall have to take payment in goods and/or services in the ultimate analysis, we may set out the dangers to be guarded against. We must not be made to accept second-hand and worthless goods. We must still have freedom to levy a tariff on competitive goods and give protection to other industries we might start. In other words, we must have a selective import trade control to help the fostering of new and the protection of old industries. But is all this compatible with the maintenance of an export surplus which has been the dominant feature of our trade and which we would like to retain by sustaining our exports generally in demand all the world over? A persistent and recurring net export surplus is

obviously impossible as long as we remain a creditor country. But a prosperous export trade is quite consistent *without an export surplus*. If we view the process of trade as dynamic and growing, and not as static and limited, we shall see that our prosperous export trade will enable us all the better to import those desirable capital goods for our industrialization. Our net import surplus in the final reckoning must come both from the credits built abroad now and the exports to be maintained after the war. But in the process, we shall have become a net importing country, a position by which Britain had kept up her standard of living for over a century.

The Committee of the Federation of Indian Chambers of Commerce and Industry could not certainly have been unaware of these implications and responsibilities of India's new position. They were perfectly right in demanding that under no circumstances should the country be compelled to "readjust her surplus position through measures which would, on the one hand, open the markets for competitive goods from abroad to India, and on the other, restrict her industrial development." But it is necessary that while seeking to safeguard our own economic and financial position in the post-war world we should not give the impression that we are ignorant and unaware of our real interests or that we are unwilling to face up to the problems of a temporary or permanent creditor country.

FERTILISERS FOR INDIA

It is not known what decisions were arrived at at the meeting of the Fertilisers Committee under the chairmanship of Sir A. Ramaswami Mudaliar, Supply Member. The immediate problem before the country is two-fold. The first is to arrange for the import of chemical fertilisers to the extent of at least 200,000 tons, an amount which is twice the pre-war consumption of India. Without increased imports the Grow More Food campaign will prove infructuous. Other countries with far less acreage use much more of fertilisers. Even a small country like Egypt consumes 500,000 tons a year. Internal production is woefully inadequate being about 30,000 to 40,000 tons. The difficulties of getting imports are said to be (a) unavailability of supply, and (b) lack of shipping space. Both are, of course, real difficulties, but it is possible to exaggerate them. The Middle East Supply Council was able to send more than 200,000 tons of fertilisers to the countries of the Middle East in less than two years. Today fertiliser is said to be the principal item shipped to the Middle East and it is realized that food shortage can be relieved quickly by import of fertilisers as three tons of food can be raised for every ton of fertiliser import. What is possible for the Middle Eastern Countries must be possible for India.

The second problem which is both a short and a long-range one is to arrange for internal production. The chief raw materials required, gypsum and coke are available in the country; only the necessary plants must be imported. It will, of course, take twelve to eighteen months to install it and get it going. But even then the argument for immediate import under the Lend-Lease scheme is irresistible. The war may last for two to three years, and it is always safe to ensure against further food shortage. The industry is one which has a strong claim for permanent existence and hence even if the war ends sooner than expected, and we should build it up. The only question is how to organize the industry. It is clear that without Government's assistance it is impossible to expect it to be established and this for two reasons. In the first place the capital required is very large and, secondly, the world's capacity after the war would very probably

exceed the world's consumption, and no private industrialist would care to risk his capital unless assured of as much protection and State aid as may be required. The best thing in the circumstances will be to float a corporation to whose capital all existing Indian chemical firms may be invited to subscribe on a guarantee of interest. The State will have its own nominees on the Board and should assure the industry of all necessary forms of aid.

THE ANTI-HOARDING AND ANTI-PROFITEERING ORDINANCES

On several occasions we have felt considerable sympathy for those who residing at Geneva or Washington have had to present studies based on official literature, for often times official documents have hardly any relation to realistic conditions. Any student of war-time economic controls in different countries will risk his reputation if on the basis of official regulations he were to institute comparisons regarding the degree and methods of control. It is possible that some countries which lay down very comprehensive regulations on paper may have very little effective control while others less ambitious may exercise actually real control. Administration is the essence of successful legislation especially in social and economic matters. We are constrained to make the above observations after reading the very comprehensive and all-embracing controls promulgated recently which are designed to prevent hoarding on the one hand and reduce, if not eliminate profiteering on the other. As a gesture to the agriculturists of the Punjab whose representatives would not listen to price fixation unless any and every article which the cultivator has to buy has its price also fixed, the Ordinances may have value. Again if the Government's desire were to persuade the United Nations who have no appreciation of the difficulties of the Indian social and economic environment that they have done everything which may be expected of them, perhaps the ordinances will have done some good. But if the intention were really to achieve success, the Government could not have proceeded in a worse manner. The Ordinances expect of the citizens impossible virtues of citizenship. To cite one instance "No person shall have in his possession at any one time a greater quantity of any article to which the section applies than the quantity necessary for the reasonable needs of himself and his family for a period of three months etc." and "any person having in his possession a quantity exceeding that permitted by or under the Ordinance shall forthwith report the fact to the Controller-General or other officer empowered in this behalf...."

There is no excuse for promulgating such patently unworkable laws, especially as the lines of attack have been indicated to them by the way in which they have partially succeeded in controlling textiles. They should have gone on increasing the range of the articles to be brought under control in co-operation with those engaged in the business as producers, or dealers. Better results could have been secured that way, and even if success were not achieved, there would have been no danger of the laws being brought into contempt.

FOOD POLICY IN MYSORE

Mysore was one of the earliest administrations to conserve its stock and supplies of foodgrains in the present food emergency in the country. The staple crops of the State are rice and ragi. While in ragi the State is fairly self-sufficient, it does not normally grow enough rice for its requirements. The bulk of the State's rice supplies comes from the southern districts of Mysore and Mandya, adjacent to the Madras Presi-

dency, and when a ban was imposed on exports of these grains shortly after the commencement of the war, it resulted in widespread and considerable smuggling across the border not only from these districts but from the northern and eastern districts as well. The rules promulgated during the last December harvest prevented a person who was not a landowner from stocking paddy except under licence. Though this facilitated keeping a check over stocks, hoarding on the part of the growers and surreptitious flow of stocks from mills to the black market could not be prevented owing to a total lack of co-ordination in policy between the central and district administrations. The control of inter-taluk and inter-district movement of foodgrains aggravated rather than relieved the supply position in the urban centres. Early this year these were faced (particularly Bangalore City) with a serious shortage of rice and ragi, until a few months ago when rationing had to be introduced in Bangalore.

Recently Mr. M. A. Sreenivasan, the Minister for Industries and Civil Supplies has outlined the new food policy of the State, many features of which are welcome in the rectification of past mistakes and in giving a constructive and bold lead to the district administrations and the public in ensuring adequate supplies and equitable distribution of foodgrains. The anti-hoarding drive inaugurated in August last has brought out stocks of grain amounting to nearly 6 lakhs of pallas (1 palla is 100 seers) valued at nearly a crore of rupees. A period of six weeks was fixed within which stockists were invited to offer their surpluses for purchase at enhanced rates, and at the end of this period requisitioning of undeclared stocks had to be resorted to. To prevent an excessive flow of grains from rural areas, the Minister has assured that definite instructions have been given that the quantities required for rural consumption should be left behind in Government depots there. The financing of purchases and the balancing of supplies between surplus and deficit areas in the State are in effect, if not on paper, a State subsidy for food prices. Because, according to the Minister, the disparity between Government's purchase and retail sale prices does not in many cases cover transportation and handling charges, and the State's import of rice from Sind and the Punjab involves a loss of 13 lakhs of rupees as it has to pay prices prevailing in those provinces to obtain supplies and these are much higher. One palla of rice is now sold in Mysore at about 26 rupees while the same quantity and quality is sold at Rs. 30 in Sind and about Rs. 40 in the Punjab. The price of ragi in Mysore is only half the prevailing price in Bombay and Orissa.

Over a thousand depots run under Government, co-operative and licensed auspices are at present engaged in distribution in the State. Mr. Sreenivasan's schemes include the extension of rationing into other urban areas and severe measures against corruption and smuggling.

WASTE IN TRANSPORT

Despite all the tall claims made by the Member for War Transport that the available transport capacity is put to maximum use, there is reason to think that there still exists much avoidable waste. Introducing the budget of Travancore in the State Legislature recently, Sir C. P. Ramaswamy Iyer, the Dewan stated: "On account of the difficulties of Provincial autonomy, on account of various other reasons which is not within my province to go into just now, we are getting 750 tons of rice from Kashmir—750 tons of rice travelling painfully and laboriously through the United Provinces, the Central Provinces, Bombay, Hyderabad and Madras, reaching Trivandrum in a circuitous way. One would have thought that an alternative solution was

possible, that Kashmir may have book adjustments with the United Provinces, that the United Provinces may have current account with the Central Provinces, that the Central Provinces may co-operate with Madras and that Madras may co-operate with Travancore. These are matters of very high policy into which I shall not enter at present." Point is lent to this criticism by the report now received that 12,000 tons of paddy will shortly be sent from Baluchistan to Travancore and Cochin to ease their difficult rice position. What is the answer of those in charge of these 'matters of very high policy' to this criticism?

RAILWAYS AND THE PUBLIC

Many places are 'open to everyone' only in theory, while in practice only those that have a surfeit of money or influence, or preferably both, can have access to them. In peace-time hospitals, some educational institutions and certain departments of Government are examples of such places. In war they multiply. When the extent of services available to the public is severely curtailed, as happens in war-time, there is a stampede for the little that is available, and even with the increased price for such services, only the opulent and influential can get at them. At present in our country the railways are a case in point. The allotment of carriages for military movements and the utilization of wagons for the transport of war materials coupled with the greatly diminished imports of rolling stock, are the main reasons for their defect. Even when people travel only when they must, it is extremely difficult to get accommodation in trains, and that, it is a problem for the poorer passengers to buy tickets. It is now common knowledge that corruption is rampant in the sale of railway tickets. The graft obtained is distributed between a chain of unscrupulous exploiters from the coolie and constable to the chief ticket collector and sergeant, as the *Statesman* has recently pointed out in its columns on the basis of a first-hand investigation at a Calcutta station. Many times the passengers have to pay more as a tip than for the journey itself. As in all such cases, women and the aged are the worst sufferers.

Corruption, however, appears to be prevalent equally where goods traffic is concerned. It is now almost impossible for a person who is not a business man to obtain wagon space without great influence. And the members of the merchant community to whom transport is the very life blood of their avocation have in many places to bid with the booking clerks to have wagons allotted. The small trader who cannot afford such illegitimate "incidental expenses" has to suffer. Thus, the very people that are expected to work at a sacrifice during war-time are demanding it from the public for their own benefit. Recently a Press Note from the Government of India has assured the public that vigorous steps are being taken by the Railway authorities to detect malpractices. This is welcome news, but we are afraid, that there is not much time to start "detecting" things now. Strong steps by higher authorities at the bigger stations are necessary forthwith if the mounting misery of the travelling public is to be alleviated.

PAMPHLET ON ECONOMIC PLANNING

Our first pamphlet, 'Principles of Economic Planning', in the series *EASTERN ECONOMIST PAMPHLETS*, with a Foreword by Mr. G. D. Birla is now available at the office of the *EASTERN ECONOMIST*, at rupee one a copy.

SPECIAL ARTICLES

Indian Poverty—A Sample Survey

By V. A. Madhavi

THE appalling nature of Indian poverty, for so long urged by investigators, has become more generally understood in recent years. Poverty and poverty conditions have now caught the imagination of many people and books have been published dealing with the question. These, however, are not quite so up to the mark in India unlike in other countries. Workers here are inclined to think that the limits of investigation have been reached owing to certain obstacles to further progress in research, viz., the difficulty in obtaining data, etc. To give one example only; the surveys carried out by associations like the Y.W.C.A., the Red Cross Society, etc., have not hitherto been scientific and successful. The time may come when further interest and deeper studies will be able to fill many a breach. There are important problems to be solved and remedies to be effected in connection with the mass poverty in India. "The awakening of social conscience throughout India," says Dr. Radhakamal Mukerji, "has demanded the recognition of certain minimum economic rights." Among these rights the claims of adequate wages, decent housing and education must be considered to be of supreme importance.

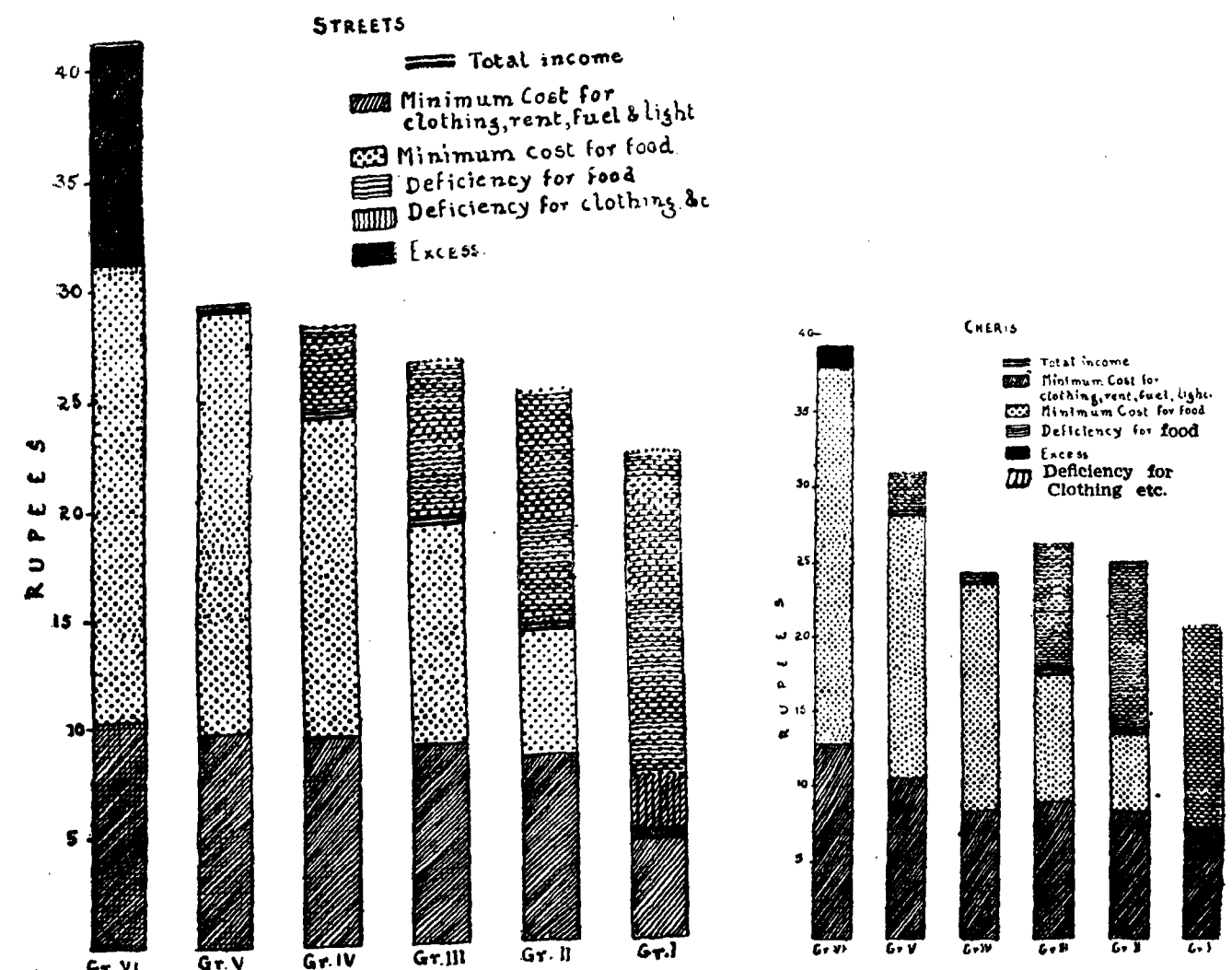
Experimental surveys have shown that the task of measuring poverty is not easy. As poverty partly depends upon smallness of earnings, we certainly may adopt a level of earnings below which poverty might be said to begin. But it should be noted that poverty is in the last analysis the inability to satisfy desires and from this point of view it cannot be measured

satisfactorily. Or, in other words, the quantitative measure of poverty is arbitrary and perhaps not very useful for an "understanding" of poverty. The method adopted by the majority of writers is, however, to fix a poverty line which is necessarily arbitrary and to classify families, at above or below it, those who fall below being in poverty.

THE POVERTY SURVEY OF PURASAWALKAM

With a view to studying the conditions of poverty in the City of Madras, a survey was started in 1937 and completed in about a year's time. As the whole of the City could not be surveyed, one municipal division, namely, Purasawalkam, was taken up and but 2,500 families were studied. The method of enquiry was that adopted by Mr. Rowntree in his study of York: that is a house-to-house enquiry of all families whose income was less than Rs. 50; families whose incomes exceeded Rs. 50 were left out as they would in any case not be above poverty. The purpose of the enquiry was to portray the actual facts of poverty in Madras so that readers may judge for themselves. No inference can be drawn from this regarding poverty conditions in general in the country. But it is reasonable to assume that the conditions prevalent here are similar to those to be found elsewhere. "As here, so there" is a safe rule with regard to poverty in India.

The percentage of families that fall below this line fixed at Rs. 21 for the average family of father, mother and two children below 12 years is, according to this



survey, 75. The average monthly income of a working class family is, as revealed by the investigation, Rs. 17-11-6. If from this the average required for clothing, rent, fuel and light calculated at Rs. 7 for the average family of three equivalent adults is deducted the amount left for food for the average family of 3.7 equivalent adults is Rs. 9-1-5. Dr. Aykroyd's food quantities, if converted into money values, would give the cheapest minimum diet for a man as Rs. 5. Since the average amount available for food for the family is only Rs. 9-1-5, it follows that there must be serious deficiencies in its diet. In point of fact it has been calculated that 3 out of every 4 families live upon diets which do not reach minimum calorie requirements.

The diagrams on the previous page show the amount available for food and the cost of food at 1939 prices for average-sized families in different income groups. It will be seen that only the sixth income group in the *cheries* and the fifth and sixth in the streets have any income in excess of its minimum requirement. Income group 5 in the *cheries* is paradoxically enough even slightly worse than group 4 in respect of expenditure because, although its average income is higher than the latter, it shows a deficiency in its food supply to a large extent. Group 5 in the *cheries* may be said to be balanced. There is only a little deficiency of food. Group 3 and group 2 have to go without proper supply of food, while group 1 has not only insufficient food but this insufficiency is chronic. It will be noticed that the insufficiency is in inverse proportion to the income level. (The diagrams are construed on the basis that first rent and clothing and fuel are provided for and the deficiency is shown in food supply. It will be equally valid to draw a diagram to show that all the income is first spent on food and that the balance alone is then spent on rent, clothing, etc., in which case the deficiency will be shown in respect not of food but of other necessary items.)

The following table gives the total income of each of the six groups as well as the total number of families and the total number of persons.

Income Groups.	Total Income.	Number of Families.	Number of Persons.
	Rs. a. p.		
1 (Rs. 10 and below 10)	4,387 2 0	803	2,975
2 (Rs. 10-15)	6,134 9 0	445	1,889
3 (Rs. 15-20)	7,352 15 0	393	1,766
4 (Rs. 20-25)	6,843 6 8	289	1,359
5 (Rs. 25-30)	7,028 8 0	244	1,261
6 (Over Rs. 30)	12,060 8 9	298	1,663

The total income of 803 families in the lowest income group (or about 33 per cent. of the families investigated) consisting of 946 men, 1,019 women and 1,010 children is as seen in table above Rs. 4,387-2-0. This works out roughly at Rs. 1-12-5 per adult per month or a little over 11 pies a day. (A child is taken as half an adult). One wonders whether it is possible for anyone to subsist on such income. Perhaps, it is not as incredible as it sounds.

HOUSING

The Special Housing Committee of the Corporation of Madras wrote in 1934 that "a house was regarded as overcrowded in which the number of rooms was less than half the number of inmates." On this basis, the calculations show that 940 out of a total of 1,490 live in conditions of overcrowding. The actual extent of overcrowding would be greater if the size of the rooms

are considered, the average size of the rooms surveyed being only 6'x6'. The Corporation standard is 80 sq ft. for two persons.

The following table shows that overcrowding is greatest in one-roomed accommodation, 835 out of 940 overcrowded dwellings (or 90 per cent.) being one-roomed. It is interesting to note that overcrowding steadily decreases with the increase of rooms. (This table and the next one relate only to street houses. In the *cheries* the dwellings consist of one-roomed huts of more or less the same size. The extent of overcrowding here is gauged from the figures of the size of families in each *cheri* and the number of huts it contains.)

No. of rooms.	No. of dwellings.
1	835
2	88
3	16
4	1
Total overcrowded	940
Total number of working class dwellings in the streets	1,490
Percentage overcrowded	63.1

The table below shows the average income and rent of the six income groups and the percentage of income paid as rent by each group.

	Income.	Rent.	Average Rent as
	Rs. a. p.	Rs. a. p.	percentage of Income.
Grade 1	206 8 10	112 5 3	54.4
" 2	484 13 3	114 4 2	23.6
" 3	731 2 6	139 3 2	19.0
" 4	875 14 7	150 1 2	17.1
" 5	989 14 10	155 8 1	15.7
" 6	1,502 9 4	227 10 7	15.2
Total	4,790 5 0	899 0 5	18.7

It will be seen that about 19% of the income of the working classes goes for rent. That is to say from every rupee that comes into the family by way of income nearly As. 3 has to be deducted for payment of rent, which leaves only As. 13 for other necessities. Since poor class families are obliged to regard rent as the first charge upon their incomes, no extra money can be spent on it except at the expense of other necessities. As food is the only item on which reduction can be made, families with low incomes but paying increased rents have to go short if food.

INDEBTEDNESS

The indebtedness of the working classes is especially distressing from the economic point of view. According to this estimate, 913 families in the streets out of a total of 1,490 and 937 in the *cheries* out of a total of 982 owe debts. The proportion of families who are in debt is thus about three-fourths of the whole.

The amount of debt of the families now surveyed is 4,19,384-4-6, the average per family in the different income groups in the streets and in the *cheries* being as follows:—

	Streets.			Cheries.		
Grade	Number of families.	Average per indebted family.		Number of families.	Average per indebted family.	
		Rs. a. p.			Rs. a. p.	
Grade 1	244	215 5 3		382	125 13 1	
" 2	170	222 2 3		168	156 11 2	
" 3	155	256 8 8		135	154 5 4	
" 4	106	404 6 11		82	193 8 7	
" 5	108	315 6 3		58	228 15 5	
" 6	130	462 1 10		62	325 3 10	

It may be interesting to note that the debt of the lowest income group—that is taking the area as a whole—is about double its annual income. The burden of debt heavy as it is, is aggravated by monthly interest payments. The rates are very high, the usual interest charged for unsecured debts being 75% and 150%. It is

never less than 37%, that is 6 pies on the rupee per month.

Of the causes of indebtedness low earnings combined with their irregularity constitute the main factor. Any interruption to the earnings caused by sickness or unemployment adds to the difficulty and forces the worker into debt. Once in debt, the worker is unable to extricate himself from it and continues to be in debt with no prospect of redemption. Marriages, funerals, etc. are other occasions of borrowings and there is undoubtedly a large degree of improvidence. But improvidence in the economic condition under which the worker lives is not surprising. He spends rather freely when he gets any income at all and then starves or borrows.

On the recommendation of the Royal Commission on Labour, legislation has been enacted for the protection of certain classes of industrial workers against attachment of their wages and provident funds and against intimidation and molestation for the recovery of debt and also against imprisonment. But such legislation covers only a small section of the poor population in this country and is at best a palliative. The real remedy can come only when wages and conditions of life improve and when the workers acquire by education habits of prudence and forethought.

University of Madras.

IMPORTS OF MOTOR VEHICLE SPARE PARTS AND ACCESSORIES FROM THE UNITED STATES, CANADA AND THE UNITED KINGDOM.

In future, imports of motor vehicle parts and accessories from the United States, Canada and the United Kingdom will be governed by the following principles:—

(i) in the case of imports from the United States, on the basis of a fixed value of parts and accessories per vehicle in essential use in India at present;

(ii) in the case of Canada, up to a proportion of the value of actual exports from that country in the year 1941;

(iii) in the case of the United Kingdom, up to a definite value.

2. Parts and accessories for each make of vehicle in use in this country will be obtained only from the country from which such makes were originally obtained.

3. Arrangements have already been made to obtain factory and other parts for General Motors and Ford vehicles and factory parts for all the United Kingdom makes through the existing main vehicle importers. A certain portion of the total quota for the import of parts from the United States is being offered to the firms who have imported vehicles of makes other than General Motors and Fords from the United States in the past. The balance quota available from the several countries is proposed to be utilized for the import of miscellaneous, electrical and replacement parts as follows:—

(i) from the United States—parts, other than factory parts, for all makes except those of General Motors;

(ii) from Canada—parts not exceeding 70 per cent. in value of those actually exported from Canada to India during 1941, the imports to be made only by the same firms to whom exports were made from Canada in 1941, the value referred to being the factory value;

(iii) from the United Kingdom—all parts, excluding factory parts and batteries.

The proposed imports under clauses (i), (ii) and (iii) above will be on a commercial basis and the importers will have to establish the necessary credits

with the exporters in the countries concerned. The Government of India will, however, assist with these imports in consultation with the foreign Governments concerned.

4. Applications together with information in the form below should be made *not later than 30th November, 1943*, by firms desiring to import parts and accessories under the conditions indicated above:—

(a) if from the U.S.A. and/or Canada, to the Assistant Controller of Road Transport (Provision), Department of War Transport, New Delhi, and

(b) if from the U.K., to the Secretary, U.K. Motor Vehicle Spare Parts Advisory Panel, 71, Park Street, Calcutta.

Country of origin	Name of Suppliers			
Classes	Value of imports. (Please furnish duty paid landed cost).			
	1938	1939	1940	1941
	Rs.	Rs.	Rs.	Rs.
Proprietary parts				
Replacement parts				
Electrical parts				
Spark plugs				
Others				
Total				

Name and address of applicant.....

Separate forms should be used for U.S.A., U.K. and Canada. Information in respect of U.S.A. and U.K. is required for 1938, 1939 and 1940, and in respect of Canada for 1941 only. Detailed indents should accompany the application.

5. On receipt of applications and indents, definite quotas by value for parts to be imported from each source will be allocated and the necessary import licences will be granted by the Chief Controller of Imports. The Government of India reserve the right to allocate individual quotas, issue import licences and certify indents, only for such parts as they consider to be essential.

WAR TRANSPORT DEPARTMENT.

Is the Sugarcane Price Fair?

(Contributed)

NOW, on the eve of the crushing season which commences in November, the question of appropriate minimum prices payable by the sugar factories for sugarcane deserves careful consideration. The problem of any price determination is controversial owing to the clash of interests involved. The adequacy or otherwise of a particular price is always considered by the different sections primarily in the light of their own interests. And yet the most striking feature today is the uncommon unanimity among all sections of the public opinion which condemn the present cane price of ten annas per maund as inadequate. The cane cultivator, the sugar manufacturer as well as the consumer of sugar are all equally dissatisfied and urge an upward revision of the price. To the cultivator the existing price is unremunerative and discouraging to production. The industrialists who are primarily concerned with securing adequate supplies for the factories at present as well as in future fear that supplies will not be forthcoming. The consumer who was denied 25 per cent. of his normal sugar last year feels that there is no warrant for his restriction of consumption when there is so much productive capacity in the country, and is, therefore, prepared to pay a high price to stimulate production.

The nationalist wanting the expansion of his country's trade abroad, the business man conscious of his opportunities and the economist with certain boldness of imagination, have further reasons of their own to advocate a higher price for cane. If India is not to lose the opportunity of capturing and exploiting the favourable conditions for her sugar in the markets of her neighbouring countries, presented to her through the destruction of Javanese industry, it is imperative to produce more than the normal consumption needs. Since the prices prevailing in foreign markets are often several times higher than those in our country, we can afford to produce at much higher costs for the sale in our foreign markets. As a matter of fact, we may pay higher prices to the cane cultivator, permit more lucrative dividends to the sugar industry as well as cheapen sugar to our domestic consumers at the same time. This may appear to be paradoxical, but it can be done, if only we market a tenth part of our sugar production in foreign countries today. The fabulous prices secured abroad may easily permit a domestic price below even the actual costs of production. All that is necessary is a vigorous production drive to produce enough not only for our domestic needs but also for those who are offering us fabulous prices abroad. This calls for high and remunerative price for cane to the cultivator and satisfactory margin of profits for our industrialists.

What may be regarded as a fair price for cane under the present day costs of cultivation needs to be ascertained. The exact determination of price is a difficult task, for the conditions under which cane is cultivated in different parts of the country are not identical. The normal difference in the pre-war days in the cost of raising a maund of cane varied from annas 3 to annas 6 from one part of the country to another. Further the constituent elements of costs and their relative importance also differ from one locality to another. But for the purposes of sugar control a uniform price has to be decided upon which treats the cultivators and industry in all localities fairly, so far as it is possible. In determining such a uniformly applicable price it is best that we examine the costs of production of cane in an unirrigated locality in North Bihar which produced cane at the lowest cost normally but has been more adversely affected owing to the rise in war-time costs than irrigated regions where costs

have not risen so much. It may be noted that the yield per acre in the locality is as high as 400 maunds without irrigation, and it may be regarded as a locality where the cultivation is carried on with more than average efficiency conditions. The total costs and net returns from sugarcane, paddy (*Aghani*) and Rabbi in 1939-40 are compared with those in 1942-43. Sugarcane occupies the field for the whole year, while the other two crops can be raised within the same period. So it is necessary to compare net returns of cane crop with those of the two crops put together.

COMPARATIVE COSTS OF CULTIVATION PER ACRE

<i>Sugarcane—</i>		Rate per unit of items		Total cost per item	
Items of cost and no. of units.		1939-40	1942-43	1939-40	1942-43
				Rs.	Rs.
Ploughing, 120 at	6 as. 1 Re.			45-0	120-0
Seeds 60 mds.	„ 6½ 10 as.			24-6	37-8
Transplanting 3 units	„ 4 as. 12 as.			0-12	2-4
Manuring 4 carts				2-12	6-0
Ridging initial 10 units	„ 4 as. 12 as.			2-8	7-8
Ridging second time 5 units	„ 7 as. 1 Re.			2-3	5-0
				77-9	178-4
Price of Total yield 400 mds.	„ 7½ 10 as.			186-4	250-0
Less cost				77-9	178-4
Net Return				108-11	71-12
<i>Paddy (Aghani)—</i>					
Ploughing, 20 „	6 as. 1 Re.			7-8	20-0
Seeds 60 srs.	„ 1 as. 3½ as.			3-12	13-2
Transplanting 15 units	„ 4 as. 12 as.			3-12	11-4
Harvesting 10 units	„ 4 as. 12 as.			2-8	7-8
Winnowing 2 units	„ 4 as. 12 as.			0-8	1-8
				18-0	53-6
Price of Total yield 30 mds.	„ 2½ Rs. 8 Rs.			75-0	240-0
Fodder	„			4-0	10-0
Total return				79-0	250-0
Less cost				18-0	53-6
Net Return				61-0	197-10
<i>Rabbi—</i>					
Ploughing 60 units	„ 4 as. 12 as.			15-0	45-0
Seeds 60 srs.	„			60-0	12-0
Harvesting 6 units	„ 4 as. 12 as.			1-8	4-8
Winnowing 2 units	„ 4 as. 12 as.			0-8	1-8
				23-0	63-0

Price of Total yield 16 mds.	„ 4 Rs. 10 as.	64-0	160-0
Fodder		4-0	10-0
		68-0	170-0
Total Return		23-0	63-0
Less cost		45-0	107-0
Net yield from cane		1939-40	108-11
„ „		1942-43	71-12
Net yield from <i>Aghani</i> and Rabbi		1939-40	106-0
„ „		1942-43	304-10

The analysis of comparative costs shows that the net returns from cane that were slightly higher than those from the two other crops put together, in 1939-40 are now less than a quarter of the latter. While the net returns from the other two crops have almost tripled between 1939-40 and 1942-43, that from cane has actually decreased over 30 per cent. It is also evident from the analysis that a price of approximately Re. 1-4 is called for to equalize the return from the cane crop with those from others.

This price if granted, will mean an increase of 200 per cent. in the profits over those pre-war; but the profit may not be considered too high, because the rise in the general cost of living has been no less than that. But if the Government succeeds in controlling the prices of foodgrains and cane grower's articles of consumption to a greater extent than it has done so far, a lower percentage of profits might be justified. The percentage rise in his profits might be adjusted to whatever cost of living might be estimated to prevail during 1944 as a result of deflationary drive. But the reasonable limits of achievement of any deflationary drive must be considered with reference to the fact that the general price structure in the country has fast adjusted itself on the basis of 774 crores of rupees in place of 172 crores of rupees in circulation in 1939. This is a limiting factor to the extent of ceiling possible in respect of any article. The textile controller has failed to drive his ceiling below 200 per cent. above pre-war prices and the food controllers in most provinces have permitted a rise of 400 per cent. to 500 per cent. Thus no sudden fall in the general cost of living can be expected in the near future and the best efforts cannot possibly drive it lower than 100 per cent. above pre-war. So taking for granted the element of cost which has risen almost 300 per cent. There is really not much scope of pressing down the net returns any lower than the limit suggested. Thus the price per maund of cane might be fixed in the following manner:

Present Cost of Cultivation	.. ..	178	4	0
Pre-war Net returns	.. ..	108	11	0
100 per cent. increase to allow for the higher cartage costs and costs of living	.. ..	108	11	0
Price for 400 maunds	.. ..	395	6	0

Then a price of Re. 1 per maund including cesses might be considered fair.

The dangers of the price falling short of Re. 1 per maund are obvious. They can be easily visualized as untold misery for the cane grower this season and shortage of supplies to the factories in the next. The replacement of sugarcane by other crops is fairly easy and if the returns from the former are to be so low and compare so unfavourably with the other two crops it might be regarded as inevitable. Such a substitution has not taken place this season and the acreage under cane is reported to have improved, contrary to what might be considered as natural according to our calculation; this is because the *gur* control was introduced late in the season when the crop had been long in the field and major items of costs had already been incurred by the cultivators. Only 20 per cent. of the cane cultivated is consumed by our factories and the control price of 10 annas was valid for only that percentage of cane production. It was the price of *gur* which consumed over 71 per cent. of cane that was of greater importance to the cultivator. The price of this commodity rose in sympathy with his costs of production and cost of living. The factories did not get supplies adequate for their purposes and cane was diverted to making *gur*. Many factories actually paid higher prices than 10 annas, in order to be able to crush some cane at all. The introduction of provincial control over *gur* in the U.P. came late in the season and remained largely ineffective and its incidence was mainly upon the middlemen instead of the cultivator. The high prices of *gur* actually secured the cane grower better returns than those accruing to the producers of foodgrains. This explains the fact that the acreage under cane has not decreased this season. But the outlook has changed altogether for the cane grower with the introduction of *gur* control. The price relation of a ratio of 2:1 that is sought to be maintained between sugar and *gur* indirectly fixes the price of cane used in *gur* production as well. The price of sugar is based on the cane price of 10 annas and if the price of *gur* is to be based on the present price of sugar the price of entire cane production is related to that level of ten annas per maund which has been demonstrated to be totally unrelated to the prevailing costs of production. If the price is not revised immediately much of the land normally under cane would be diverted to Rabbi crop this winter. The sugar industry would come to a standstill and the consumer would have little sugar in 1945. So far as the present season is concerned it would mean a hard lot for the cultivators and diversion of considerable amount of cane for fodder and destruction of the cane distantly situated from the factories for fuel. We can not hope for a drive for maximum sugar production nor for benefiting nationally from the high prices in foreign markets, for despite *gur* control which has been a measure for coercing the cultivators to supply his cane to the factories, the factories would not get enough of cane to utilize their capacity.

The sugar industry has been very apprehensive regarding cane supplies this year and in the next, and when the Indian Sugar Mills Association wrote to Government of India for a revision of minimum cane price the food department replied "the Government of India do not find any justification to take the matter at this stage when the cane for the next season has already been planted a few months ago." The culti-

vator who had planted in the hope of high returns through *gur* was deprived of his legitimate expectations through a measure to control its price coming late in season. The food department appears to be enjoying a sense of inward satisfaction at its cleverness in having the necessary acres sown with cane and at the feeling that the cultivator was well within its grips. Needless to say that such shortsighted and meanly calculating attitude is far from what the cultivator could expect from the Government. Governments are known to come to the relief of cultivators in all lands when prices are unremunerative or there has been over-production. Here we have an instance of a Government taking advantage of the helplessness of cultivators after he has sown his crops and trying to force unremunerative prices on them after shackling their alternative opportunity.

Another argument put forward by the department against revising sugar and cane prices was that the policy of the Government of India is to bring about deflation. In the price we have argued for cane, we have already taken into account the chances of a more successful price control this year. What needs to be pointed out in this connection is that the higher price asked for cane is not to make the cultivator more opulent. It is just to give him the standard of living he had before the war, which was far from being any-

thing high. To refuse him his legitimate price is to upset the rural economy of the cane producing areas, and make it a depressed area craving for relief.

It is relevant to consider the likelihood of a rise in the price of sugar as a result of the rise in the price of cane. It has to be noted again that there need be no rise in the sugar price at all, if we succeed in compensating losses in domestic market with gains in foreign ones, after we have realized a high degree of production. In case it does not materialize the rise in sugar price need not be in the present proportion to the cane price. The present price of sugar is based on a recovery of nine per cent. from cane. The recovery for the last three years in all the important sugar producing areas has been much higher. It has often been higher than 10 per cent. and always higher than 9.75 per cent. Assuming the latter to be the minimum basis for the fixation of future sugar prices, we can reasonably expect a lower proportionate rise of sugar prices. But the case for the minimum price of Re. 1 rests on the need to mitigate the undeserved misery of the grower and therefore the actual price which our opulent classes have to pay for their sugar is hardly relevant, though there is no reason why sugar price may not be increased a little if it is necessary. We still hope that Government will act with wisdom and foresight and fix the price of cane at a level which will be just and fair to the cultivators.

The Eastern Economist

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THE WORLD ABROAD

Industrial Uses of Silver

(From Our Washington Correspondent)

WASHINGTON, Oct. 18 (By Cable).

THERE was little public discussion on the proposed international currency stabilization pact here last week but it is learnt that the so-called Senatorial silver bloc which had been strangely silent ever since the Pearl Harbour is busily shaping a plan that silver be used proportionately with gold in the stabilization of world currencies. This Senatorial Group wielded powerful influence domestically before the war but its ability in moulding Treasury's policy internationally is still an unknown factor. Mr. Patrick McCarran, Senator for Nevada, and leader of the Congressional silver bloc, commenting on these proposals said: "There can be no sound international monetary stabilization system unless it rests both on silver and gold." He said that he has been studying the part which silver can play in post-war stabilization, but was not prepared to divulge the detailed programme silverites will sponsor. Mr. Elmer Thomas, Senator for Oklahoma, said that he understood the silver bloc will propose that silver be used in a specific ratio to gold in any stabilization plan. Mr. Thomas is Chairman of the Senate Silver Committee, but he emphasized that Oklahoma does not produce silver and hence he is interested merely from a financial standpoint.

This connection it is important to note because Mr. Thomas has for a long time been the advocate of "controlled inflation" and was one of the foremost supporters for increased gold price during the early days of the New Deal. Hence it is likely that he will enthusiastically aid Senate silverites if he believes their ideas would stimulate higher prices after the war. Mr. Thomas told the writer that silverites desire "to dignify the value of silver" which is described as a valuable metal that will be used widely after the war, "because there was only thirty milliard dollars of gold in the world. In my opinion gold will in future be used only in the settlement of balances." Mr. Thomas said that nations should agree on the ratio between silver and gold on the basis William Jennings Bryan calculated half a century ago—sixteen to one ratio—which today would be seven to one since silver produced at present is only seven times as much volume as gold.

Silverites will meet formidable Congressional opposition of which one leader will be New York's Representative Emanuel Celler, whose Bill is now before the House Committees, to abolish silver purchase laws enacted in 1933, whereby the Treasury buys newly mined domestic silver at 71.11 cents per ounce. Mr. Celler said: "I am going to fight for total wiping out of silver purchase laws from the statute books. Government should no longer be a dupe for silver miners." He added that silver laws had been a boon to foreign producers of silver who sell to American industrialists for approximately 45 cents per ounce. He contended that the Government now has "a vast hoard of silver obtained through a gigantic subsidy to silver miners. Silver purchase laws were political, enacted in return for the support of nine Senators of silver producing States. There is plenty of precious metal without silver to back up all world's money."

The U.S. Government has at present one and a half milliard ounces of non-monetary silver, continued Mr. Celler, and almost the same amount of monetary

silver which he said should be "sent towards war" through industrial uses, and permitted to seek its own price level. Congress enacted in last spring a measure making silver available to industrialists but at the same price Treasury pays. Meanwhile metallurgists have estimated that silver is going into consumption for war and civilian uses at the rate of 100 million ounces yearly while additional millions of ounces of silver are being used to conserve copper in such applications as bus bars, in huge new aluminium mills throughout United States.

Discussing this development, Mr. G. H. Niemeyer, President, Handy and Harmon, largest United States bullion dealers observed: "The reason why silver could overtake the huge volume of work it is now doing is the result of wide research in pre-war years. It is expected that the war-time knowledge which industries have acquired regarding the advantages of silver and its alloys will bring wider use after the war is won." For many years before the war silver brazing alloys were used in electrical, refrigeration and air-conditioning industries. During the war development of new large-scale uses has been accompanied by production economies opening broad new industrial outlets for silver. It is reported that one large automobile manufacturer appropriated substantial sums for surveying the feasibility of using silver brazing alloys in fabricating metal parts. Thus it is possible that Congressional breast-beaters who all seek to stimulate the monetary use of silver after the war may find much of their thunder stolen by industrialists who have developed a utilitarian market for the white metal. In such an event "sound money" advocates will have one dragon less to fight while western silver miners may see a new era of prosperity in hitherto unpredictable consuming channels.

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Cloth Control

THE events which led to the establishment of control in the cloth trade are now well-known. The crescendo in cloth prices had reached the limit of its anti-social effect by May, 1943, if not much earlier. The price racket had put cloth very much beyond the reach of the vast mass of consumers. That nearly 80 per cent. of the proceeds of the E.P.T. came from the textile trade provided a rough measure of the profiteering which prevailed and this, without taking into account the exploitation by the merchants and retailers. It was no longer possible to allow cloth prices to rise still higher without shaking the consumer's faith in nationalist industry and therefore, without endangering the future of the industry itself after the war when it might have to face inevitable vicissitudes. It was this realization that prompted the industry readily to co-operate with Government in the scheme of control, when once Government which had all along been apathetic to the consumer's interest suddenly announced its decision to institute all-embracing control. Equally, a genuine desire to give relief to the consumer animates the energy behind the control measures which the industry has been putting since June last.

But how did the unhealthy situation come about? On the eve of the outbreak of the war, the industry had not yet recovered from the recession of 1937-38, and was actually contemplating a reduction in working hours. But the war changed the entire outlook for the industry, even though in 1939-40 there was actually a fall in output from the previous year. The growing demands of war for cloth from the Supply Department which rose from 300 million yards in 1939-40 to the estimated volume of 1,200 million yards in 1942-43, together with the increase in the exports and decline in the imports resulted in the growing shortage of civilian supplies. With the entry of Japan into the war, the substantial imports from that country were cut off, and India became the most important cloth-supplying country for all the markets in Africa, the Middle and Far East. The output of the handloom industry which was estimated at 1,800 million yards in 1938-39 had also suffered a serious setback due to a drastic curtailment in the supplies of yarn. Imports of yarn had declined by nearly 90 per cent. and exports had risen by 50 per cent. Internal supply was stretched upon by heavier demands for making camouflage nets, hosiery etc. So that the output of handlooms on the eve of control could hardly have exceeded 500 million yards. In the cumulative result, in the year 1942, only a quantity of 1,800 million yards was left available for civilian consumption, compared to the peace-time consumption of nearly 6,000 million yards.

Some part of this shortage is reflected in the figures of mill production, imports and exports of cotton piece-goods in the last four years given below:

(In million yards)			
Year	Production	Imports	Exports
1938-39	4269.3	647.1	177.0
1939-40	4012.4	579.1	221.3
1940-41	4269.4	447.0	390.1
1941-42	4493.5	181.5	772.4
1942-43	3281.3	12.9	720.4

(Provisional for Jan. 1943.)

But even this serious crisis in civilian supply could not answer wholly for the abnormal and ugly turn cloth prices had taken. There was profiteering and its admission is implicit in the general agreement among the trade interests to curtail prices by anything like 20 to 40 per cent. now. The following figures of cloth

prices of some typical varieties will afford some evidence:

	August 18, 1939 Rs.	March 13, 1942 Rs.	May 20, 1943 Rs.
Longcloth (standard quality) per lb. . .	0 8 6	1 2 10	2 10 0
Domestics per lb. . .	0 7 0	1 2 2	2 8 0
Dhoties 32" x 9 yds. of 1-3/4 lbs. . .	0 9 6	1 2 0	2 14 0
Yarn, No. 10½s. per lb.	0 4 5	0 9 7	1 11 6
Yarn, No. 20s. per lb.	0 6 1	0 15 0	2 13 0

The control measures were decided upon by negotiation between the industry and Government in the first week of June, 1943. The first unfavourable reaction of the industry to the decision to control was dispelled by the assurance that control would not involve ignorant bureaucratic decisions upon the technical matters of the industry and that the industry would have to control itself. In the middle of June, the *Cotton Cloth and Yarn (control) Order*, 1943, was promulgated, embodying the essentials of control. The Textile Control Board consisting of 25 persons representing the interests of the cotton textile industry, raw cotton, labour, distribution and the consumer was inaugurated on June, 28, 1943 under clauses 10 and 11 of the control order to advise the Government through the Textile Commissioner. The Board has set up eight sub-committees on Industries, Exports, Distribution, Transport, Cotton and Hand-loom, including the Mill Stores and Priority Assistance Committee, and the Cotton Movement Panel which were already in existence. The Board is expected to meet once in two months; but the committees would meet oftener to grapple with the multitudinous and knotty issues coming within their respective spheres.

The provisions in the control order to come into effect at once and therefore expected to bring immediate succour to the consumer were those pertaining to the holding and disposal of stocks. Under the order, all manufacturers and dealers have submitted by August 15, 1943, declarations of stocks of cloth and yarn held by them on July 31, 1943. Although nothing short of a census of the retail and wholesale cloth trades in the country would enable the Government to secure the fulness and veracity of these declarations, official evidence has shown that the returns disclosed the existence of about 2,700 million yards of cloth and 215 million pounds of yarn and that with mill production higher than at any time before, there is no reason why supplies of cloth should not be readily available to consumers at controlled prices.

Under the order, no cloth or yarn manufactured before August 1, 1943, shall remain in full bale after 31st August, 1943, and all such cloth shall be finally disposed of by retail sale not later than October 31, 1943. The cloth merchants clamoured for an extension of time, but Government took a bold stand in not granting it and agreed that if in spite of their best efforts the merchants found it impossible to sell off all stocks, Government would take over the unsold stocks at a discount ranging from 5 to 7½ per cent. on specified ex-mill prices. In no case were the purchase prices to exceed the actual cost to the dealer plus reasonable carrying charges but excluding interest. It was made clear that such purchases would be confined only to those genuine cases where disposal was impossible and that the offer of purchase also would not be open for an indefinite period. This arrangement is expected to secure the orderly flow of supplies to the markets.

Further measures to gain the same end are provisions laying down that (a) after July 31, 1943, all cloth and yarn produced by a manufacturer shall be marked by him with the date of packing in the manner specified by Government; and (b) that all cloth and yarn so marked shall be finally disposed of by retail sales within six months of the date of packing. Other powers taken include the right to inspect books and premises, direct and even seize stocks and get the necessary information from any business. The escape of goods to black markets especially in the Indian States has been sought to be prevented by similar measures of control in those regions also. Many States like Mysore, Baroda, Hyderabad have already enacted the necessary legislation.

II

But the crux of control is prices, and the scheme will be judged by the country by the measure of the price fall which it will bring about and sustain. The determination of fair prices bristles with numerous difficulties and has given rise to acute difference of opinion. It is no longer possible to produce cloth anywhere near the price at which it used to be produced before the war. All the elements of costs have gone up. Wages of labour have nearly doubled and the cost of essential mill stores has gone up by 150 per cent. Raw cotton prices too have recorded an increase over the pre-war level, though the ban on futures, the elimination of speculative influences and the fixing of a 'floor' and a 'ceiling' for raw cotton, together with the Government's assurance to buy raw cotton when these limits were trespassed and to provide the required quantity of raw cotton to the mills if necessary, have served to impart an element of stability so essential for the success of cloth control.

Further Government have also undertaken to provide reasonable supplies of textile stores at controlled rates. The Cotton Textiles Directorate is already controlling the movement of raw cotton with the aid of the Cotton Movements Panel, and also the import and distribution of reeds, healds, shuttles and bobbins. The Government have examined the cost of all raw materials used in the industry and on the advice of the Mill-stores and Priority Advisory Committee of the Textile Control Board, have announced ceilings for bobbins and imported shuttles which took effect from August 25, 1943. These ceilings will be enforced by Government, if need be, by orders under the Defence of India Rules for supplies at or below these rates on the holders of the stocks.

The wage bill, an important element in the cost, can be kept within reasonable bounds only by the co-operation of labour. Thanks to dearness allowances and bonuses, the condition of workers in the textile industry is much better than that in many other industries and while a reduction in the wages may not be desirable, further increases can be kept within bounds. The recent decision of the Bombay Industrial Court rejecting the petition of the Ahmedabad Mill-owners' Association for a reduction in the dearness allowances on the plea of controlled cloth prices is quite welcome not only as a measure recognizing the minimum rights of labour, but as one conducive to industrial peace so necessary to increased production just at present. But equally, an increase in these allowances also is not welcome because of the paramount need of keeping down manufacturing costs in the interests of the community at large which has not failed to champion labour's cause in the past. Further the large-scale provision of grain, cloth and other necessities of life at the employer's shops at controlled rates offsets the rise in prices.

Even a 30 to 40 per cent reduction in the prices may not put cloth within the reach of the poor consumers, and may leave them at a level about 300 per cent above the pre-war level. But there are difficulties

in assuring the minimum to the population at prices at which they can buy. Even in peace-time the population was not adequately clothed. The provision of a decent minimum of clothing to every citizen is part of the problem of securing the national minimum, and should be kept distinct from the present scheme whose object is only to check war-time profiteering. Even then, about 50 per cent. of the loomage capacity of the industry is devoted to the production of standard cloth, and the relief to the masses is to be sought for in making the standard cloth scheme a success. Of the balance of the productive capacity, 10 per cent. is devoted to meet the needs of the Defence Services at very low margins of profit, while these official ceilings apply to the rest of the output.

The fixation of the fair prices is an extremely controversial issue. The Chairman of the Board recently stated that the actual weighted average increases, in the costs of manufacture, of cotton, wages, stores, fuel and coal and war-risk insurance charges in the period, August-September-October, 1943, over the period February-March-April, 1942, which were admitted by the Government were roughly 120, 68, 47, 32 and 2.5 per cent. respectively, while the total general increase was from 75 to 90 per cent. Others have disputed the validity of the comparison, if not the figures. The costs are accurately determinable only by the 'insiders' of the trade; those outside have to rely on the integrity of those inside the industry. For this reason, an added responsibility rests on the Textile Control Board, which should exercise constant vigilance and dispell the consumer's suspicions by affording him the maximum relief.

The Board in its meeting on August 19, 1943 announced ceilings for certain standard varieties of cloth and yarn, and have now undertaken to fix the maximum prices for all varieties not covered before, amounting to more than 2,000. They have further arranged to stamp the ex-mill and retail prices on each piece of cloth and each bundle of yarn, to reduce the present ceilings as from December 1, 1943, and to review these prices at three monthly intervals to readjust them if necessary. Moreover, they have made it an offence for manufacturers to sell and for merchants to buy unstamped goods or at prices above these ceilings. All these reveal the earnestness of purpose of the Board and given the dealers' goodwill, for which there is no cause for withholding, the statutory prices can be enforced.

The wind out of the sails of the criticism of the merchanting classes has been taken by the fair, in fact, generous margins of profit allowed to them. The retail prices are 20 per cent. (including transport charges) above the ex-mill prices, and in order to prevent the wholesaler appropriating unto himself an unduly large share of the margin, the Chairman of the Board has provisionally fixed 7 per cent. as the share of the retailer, one which he has enjoyed as the normal standard.

While in relation to the 'standard' profit computed in costs this margin is not high, it is in fact so from the point of view of the consumer. If it is not possible to adopt the 6¼ per cent. allowed for in regard to standard cloth without eliminating the normal trade channels of distribution, at least the possibility should be further explored of eliminating some at least of the stages in the distributive process so as to reduce the price, say, by a further 3 per cent., a reduction which cannot be regarded negligible at present. Further, the industry itself and Government can make direct arrangements for the sale of cloth by utilizing their existing sales agencies. In that case, only the transport and other incidental charges need be added.

A minor theoretical question is what costs should be taken as basis in fixing ceiling prices—those of the representative, or the most efficient or the least effi-

cient firm. Since the aim of control in war is the maximization of output, prices have been so fixed as to enable even the least efficient firm to contribute its quota to production. Thus the standards of competitive economy have been put in abeyance for the duration of the war. This will have an important bearing on future industrial policy when after the war inefficient firms which have been propped up by the war boom will be unable to face normal competition from within or without.

III

Regulation and rationalization of production so as to lead to a 20 per cent increase in output is perhaps the most important step towards the provision of cheap cloth to the consumer. But it is on this matter that very little information has been given by the controllers. The desirability of as many mills as possible working three shifts of 7½ hours and 7-day in the week less 25 holidays in the year was stressed. At present many mills are working three and some double shifts. The main difficulty to the general adoption of triple shifts is the scarcity of labour. In Bombay city alone the mills which in 1939 were employing 130,000 workers are now employing 220,000 workers, and another shift would require the employment of at least 80,000 hands more, which, within the present inadequacy of housing, sanitation and other social services in Bombay and with more attractive opportunities of employment in the interior centres, should be regarded as a formidable obstacle. The second difficulty is that of making satisfactory provision for the heavy depreciation of machinery and plant due to high pressure working. Absence of reserve machinery, lack of opportunity for periodical overhaul or maintenance, the increased wear and tear due to the employment of new hands, and the detrimental effect of postponing repairs to the next shift arising from piece rates—all these have increased the rate of depreciation, while the actual provision allowed for on the basis of the price paid for the existing plant is entirely inadequate for replacement at much higher cost.

Rationalization of types and schedules of counts in India is difficult for various reasons. Indian mills have shown a high degree of individualism. As the *Indian Textile Journal* has pointed out, each mill has specialized in its own lines of manufacture, each has its own formulas for yarn composition and cotton mixing, and each caters to its own distinctive markets. Looms in each mill have been finally adjusted for manufacturing particular types and the introduction of control would bring in its train radical changes in machinery set-up, besides making it necessary to recondition large parts of the plant and equipment. Neither the Government nor the Control Board have cared to take the public into confidence as to what steps of rationalization have been taken. Even in the standard cloth, as many as 109 varieties are permitted to cater to the varied needs of consumers. There has perhaps been some limitation on the varieties of cloth produced by a mill, though the mills using imported cotton seem ill-adapted for manufacturing utility cloth. At any rate, progress has been halted by the feeling that rationalization now undertaken involving huge adjustments of plants, etc., might prove entirely unsuitable and wasteful after the war and that there is in fact no overwhelming need for this measure to increase output which can in an equal degree be achieved otherwise. Besides, the system of compensation for the transfer of plant, loss of markets and profits, etc., such as has been evolved in Britain might prove too cumbersome and beyond the competence of the Government. In any case, the public have a right to know what has been done in the matter and to be satisfied that the control can succeed without recourse

to these cumbersome measures. If any experience in voluntary rationalization were gained now, how valuable would it prove to be in peace when a Government of our own, embarking on an ambitious plan of industrialization, could easily economise capital resources without curtailing the supply of cloth by continuing these schemes of rationalization.

The standard cloth as well as those for defence purposes does involve some measure of rationalization, and seeing that 50 per cent. of the mill capacity is to be devoted to the production of standard cloth, estimated at 2,000 million yards within one year and that the maximum reduction in other cloth prices will still leave those varieties beyond the means of the bulk of poor consumer, efficient and speedy distribution of standard cloth is the only effective way of meeting the requirements of the population. Yet most Provincial Governments and States have not shown much efficiency and enthusiasm in making it a success. A first allotment of 25 million yards in February, 1943, and a later one of 150 million yards were shared by the Provinces and States on a population basis. But the order for 1,000 million yards placed in August seems to have been interrupted by frequent cancellations due to the Provinces and States finding the varieties unsaleable. It is imperative that the mills raise the specifications, give them colour and design, make them attractive and cheap and arrange to distribute them throughout the country. This is essential even to the successful reduction of the prices of other varieties.

Even after five months of the inauguration of control, it is too soon as yet to judge of its working. The only criterion of its success is the measure in which reduction in prices is effected and sustained for the rest of the war period and supply is made in adequate quantities. The coming months are crucial for this reason. But even in these preparatory months, two distinct gains have been made: First, some degree of confidence has been infused in the mind of the consumer that profiteering will no longer be tolerated and that prices are bound to go down. Secondly, despite the mutual distrust between the unresponsive bureaucracy and industry in this country, it has been shown that voluntary co-operation is possible in the larger interests of the community.

From the broader view point of social policy, this latter aspect is full of interest and promise for the future. The textile industry has enjoyed a unique measure of public support. The scheme of voluntary control of industry by co-operation with Government is unique in the history of the relations between the State and industries in this country. Whether this will provide the model for the future regulation of industry by Government will depend on how far the industry is going to subordinate sectional interests to common weal. In every country and notably in Britain, most of the war-time industrial controls are worked by the representatives of the business themselves. A non-specialist bureaucracy is ill-qualified to tackle the technical matters of industry which are increasingly coming within the sphere of Governmental control. The problem of equipping the civil servants with technical knowledge is one of higher administrative policy. Meanwhile only public opinion and a solicitude for national welfare can deter the technicians of industry installed in these controls from taking advantage of the bureaucracy's ignorance of technical matters. In Britain, the method of co-operative control has achieved distinct success. In India it has just begun. In the measure in which the textile industry rightly employs the autonomy afforded to it in the scheme of control, in that measure will it inspire public opinion with confidence in voluntary, instead of coercive methods.

FROM THE PROVINCIAL ANGLE

Bombay Letter

MARKET REACTIONS TO BOMBING IN MADRAS—
INITIAL SETBACK AND QUICK RECOVERY—
RELIEF WORKS IN BIJAPUR
(From Our Correspondent)

BOMBAY, Oct. 16.

THE week under review would have been uneventful but for the few bombs dropped by a lone Japanese raider on Madras on Monday night. This provided some fresh incentive for operators in the local market to make some quick turnabouts. The bullion market staged a spectacular advance following this news. Prices of gold and silver jumped by more than Rs. 5. the former to Rs. 83-8 and the latter to Rs. 129-4. Such a sudden rise as usual brought about profit-taking which wiped out a part of the earlier gains. As the week progressed the market tended to be steady with narrow fluctuations in prices and limited turnover. The Reserve Bank continues to sell gold, but displays no interest whatever to check the spiralling up of prices. The Bank is merely taking advantage of the high prices obtainable in the Indian bullion markets, and has apparently no anti-inflationary purpose. Floating stocks of gold are estimated at 200,000 tolas, daily arrivals at the rate of 15,000 tolas and the offtake is placed at 20,000 tolas.

Price movements in silver were greatly influenced by those of gold. On the last day of the week, silver lost nearly Rs. 3 from the level of Rs. 128 reached during the early part of the week due to heavy selling by speculators and profit-taking. The latest quotations are as under:—Gold—Ready mint Rs. 82-2-6; Guinea Rs. 55. Silver Rs. 126.

Stock Exchange

The bombing of Madras brought about a flutter in the share market. Weak "bulls" who had bought in the beginning of the week with the intention of closing their deals just before the close of the week got panicky and started unloading. The result was a big drop in the value of speculative scrips, notably Tata Iron and Steel Deferred which dropped by more than Rs. 100 in the course of a few minutes. The nervousness however proved to be a temporary affair and the fact that the bombing was a nuisance raid and there was no repetition of the affair brought about a restoration of confidence. At the time of writing there has been

Bengal Letter

FOOD POSITION—GOVERNOR'S REVIEW—
PANDIT KUNZRU ON BENGAL'S CRISIS—
COAL TROUBLE

(From Our Correspondent)

CALCUTTA, Oct. 15.

THE new Governor of Bengal, Sir Thomas Rutherford, has reviewed the food position in Bengal in the course of a recent broadcast talk. There is a great deal of window-dressing in the statement which is intended to show off the Government to the best advantage and there is a clever attempt to shift the blame for the food crisis on others. The Governor, however, has not quite been able to disguise the failures of the Government. He has had to confess that "it is this price racket—based on security—which has been

a perceptible improvement in values and the undertone of the market is steady. However, operators are cautious and prefer to await developments on the eastern frontier of India.

The request of the Indian Stock Exchanges to the Finance Member to enable them to extend the time-limit for giving or taking deliveries in respect of hard cases seems to have been granted by the Government as per the addition to rule 94-C of the Defence of India Act. Whereas an executive officer of a Stock Exchange can extend the time-limit, the amended rule requires to record in writing the reasons for such extension. This means that facilities will be given only where the delay to square up the contract within the time limit has been due to genuine difficulties and to circumstances beyond the control of the parties concerned. The gilt-edged market was unperturbed in the week but for a slight fall of about As. 4 in the value of 3½ per cent. Rupee Paper and 3 per cent. 1963-65 Loan.

'Grow More Food' Campaign

The Government of Bombay are carrying on an intensive campaign for food production. As many as 7,600 meetings were held in various districts. Of the sum of Rs. 8 lakhs placed at the disposal of Bombay for the purpose, the sum of Rs. 3 lakhs has been set apart for interest-free *Taccavi* loans to lessees of cultivable waste lands, Rs. 2-1/4 lakhs for the supply of improved seeds at concession rates and Rs. 2 lakhs for concessional supply of manures. In addition, the Bombay Government have set aside Rs. 10 lakhs for the free distribution of seeds in areas likely to experience a shortage of seeds and proposed to buy 4,150 tons of groundnut cake manure for sale at concession rates. Famine-stricken Bijapur has received the attention of the Governor of Bombay who recently visited the district. Works schemes, including bunding arrangements are being undertaken in Bijapur at the cost of Rs. 75 lakhs. The value of these works will be quite clear if it is recalled that in the course of one year Government have spent Rs. 1 crore in famine relief, an amount more than five times the annual revenue of Rs. 18 lakhs from the district.

killing the people just as much as the scarcity." But why have the Government failed to stop the price racket? To the extent that the price racket is due to scarcity, it was for the Government to make energetic endeavours to ensure adequacy of supplies. Far from doing this, the Government for a considerable length of time dug their heads, in the ostrich-like fashion, into the sands of the delusion that there was sufficiency of foodstuffs in the province. The singular and tragic incompetence of the Government in dealing with the problems of price control are so patent that it seems amusing that the Governor should speak of some form

of social pressure as the remedy for price racket. The Governor's apologia for official bungling is revealed in a still more ridiculous light when he refers to the difficulty of the Bengal Government in coping with an almost unmanageable problem because the Government has had to struggle against considerable elements of the population both in village and town.

Deficit in Food Supplies

The grim reality which is writ large upon the face of entire Bengal is the big deficit in the supply of foodgrains relatively to demand. The Governor in his broadcast talk has not quite been able to explain away or ignore this fundamental fact. According to calculations made by him, Bengal requires per month even on the merest subsistence basis about 6½-lakh tons of rice. He goes on to say that the province is short of normal requirements by not less than seven weeks' food. This means that in respect of rice alone a shortage of about 11-lakh tons has to be reckoned with. What is the possibility of making up the shortage? The Governor refers to the fact that foodgrains of the order of 415,000 tons has been brought into the province on Government account from March to the end of September. He further makes the calculation that if we get 250,000 tons of other foodgrains from outside in the next three months we may turn the corner. But it is plain that while the amount of import that has already been made plus the import that may come in future make the total 665,000 tons, the shortage even on the Governor's own showing is over 10-lakh tons. In other words, the imports notwithstanding a shortage of four-lakh tons has to be taken into account. How then does the Governor hope that the province may turn the corner on the basis of the specified amounts of past and prospective imports? Altogether, the Governor presents a wholly misleading picture. This becomes all the more apparent when it is remembered that statistical data that have been presented by the Government in the past regarding the existence of adequate foodstuffs in the province have proved utterly false. The Governor places his reliance upon 18-lakh tons of *Aus* crop which, if the cultivators can be induced to bring out, will solve in Bengal's food problem until the *Aman* rice comes in. But *Aus* crop even as Mr. Suhrawardy had occasion to admit in the past is mostly consumed by the cultivators and only a small quantity of it really comes to the market. Enquiry in

well-informed official circles reveals that the Government's programme for the purchase of 65-lakh maunds of *Aus* crop at a cost of Rs. 16 crores has so far failed utterly. Quite plainly the Governor's optimism rests upon very insecure foundation.

Pandit Kunzru's Statement

Pandit H. N. Kunzru who is now in Bengal to study the conditions prevailing here has in the course of a statement brought out in vivid language the tragic and poignant situation of the province. Referring to Calcutta he has said that there is hardly any part of the city where he did not find human beings looking like corpses and starving wretches and rummaging the dustbins and heaps of garbage for a few foodgrains. In regard to the conditions in some of the interior parts of the province, particularly in the Contai and Tamluk subdivisions, Mr. Kunzru has used words that are simply touching. "The horrors that I saw in the Contai and Tamluk subdivisions are well-nigh indescribable," he said. Pandit Kunzru has highly praised the work done by non-official organizations for the relief of the people, and indeed he goes so far as to say that it was the example of such work that compelled the Bengal Government to move faster than they would otherwise have done. A very important fact emphasized by Pandit Kunzru is that both official and non-official agencies are unable to give adequate relief because of the lack of foodgrains.

Coal Trouble

The coal trouble here continues unabated. The official view is that sufficient quantities of coal are arriving in the city and that there is no shortage of domestic coke. Figures are cited to show the arrivals of wagons containing domestic coke into Calcutta. But so far as the domestic consumers are concerned, they find in practical experience that only very small and inadequate quantities of coal are doled out from some shops. In some quarters the correctness of the announcement made by the Controller of Coal Distribution has been openly challenged. In any case even if adequate quantities of coal are arriving the authorities should make it clear why they are not available to the people. If this be due to faulty distribution some promptness and vigour in doing away with the same is called for.

U.P. Letter

FOODGRAINS FOR BENGAL—A NEW TRADE ORGANIZATION—THE ANTI-HOARDING ORDINANCE

(From Our Correspondent)

CAWNPORE, Oct. 18.

I HAD referred in these columns a couple of weeks ago to the refusal of the U.P. Government to permit export of foodgrains by charitable organisations from the United Provinces to Bengal. The reason given for the refusal was that there was not enough transport to export the foodgrains that had been earmarked for Bengal by the official agency. The charitable organisations didn't give up the matter but approached the Government of India in the Food Department. As a result of this the U.P. Government have now agreed to facilitate dispatches of foodgrains by such organisations to Bengal. The consignments have, however, to be booked to the Director of Civil Supplies, Bengal, under advice to any particular approved charitable organisation for

which they are intended. The charitable organisation is not permitted to make any exports direct but only through the Regional Food Controller of the area concerned, who will submit bills covering the cost of all such consignments to the organisation making dispatches. Advantage of this arrangements has already been taken by the Hindu Sangh, who have sent two wagons of wheat through the Regional Food Controller.

Muslim Chamber of Commerce

The United Provinces too is to have a Muslim Chamber of Commerce. Articles of Association of the U.P. Muslim Chamber of Commerce were approved and office-bearers for the first year were

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electd at the preliminary meeting held last week. The President is Haji Md. Hamza, proprietor of the National Tannery of Cawnpore, the Senior Vice-President is Mr. Ghazanfarullah, and Junior Vice-President Mr. Md. Sharif. The promoters, who number 23, are very sanguine of enrolling over 300 members shortly. Support for the new Chamber of Commerce by the Muslim traders and industrialists from all over the Province is assured.

It is needless to lament over what was inevitable. The trade and industries in the hands of the Muslims in the province have expanded considerably during the past two or three years, and economic power affects political power. Apart from safeguarding the economic interests of its members, the Chamber is also capable of promoting their political interest.

The seat of the Muslim Chamber of Commerce will be in Cawnpore, like the other three Chambers of Commerce of the Province, namely, the Upper India Chamber of Commerce—representing predominantly European interests and the oldest trade organisation of the Province,—the United Provinces Chamber of Commerce, formed nearly 29 years ago and representing predominantly Indian (one might say Hindu) trade and industrial interests, and the Merchants Chamber of Commerce formed less than ten years ago, and which included among its members a fairly representative section of Muslim interests.

Anti-profiteering

The Central Government's Anti-profiteering and Anti-hoarding Ordinance has not aroused much enthusiasm among people of this Province. There is

little delusion about the capacity of the Government organisations to enforce such Ordinances. The one under discussion goes further than anything attempted so far by the Central or Provincial Governments or, as some put it, by even the Government of the United Kingdom where they have a far better system of enforcing governmental control measures. No one can defend the black market and profiteering but it needs a lot of optimism for anyone to think for a moment that the new Ordinance is going to help us very far. If, however, it succeeds in fighting the black market, the Government's critics would naturally ask why such a simple thing was not thought of by them before the prices of such everyday necessities like blades and tooth paste shot up to staggering heights.

Stock Exchange

The Cawnpore Stock Exchange, which had temporarily suspended its activities, has resumed business. The U.P. Stock Exchange Association are responsible for its organization and fairly satisfactory business is being put through. Local scrips, like the New Victoria, the Cawnpore Textiles, the B.I.C., etc., are very popular, and it is likely that the Hindustan Commercial Bank's scrip might also be added to the list soon. The revival of the Stock Exchange is a symptom of the changed money conditions in the country and also of returning confidence with regard to the international situation.

The revival of the Stock Exchange has led to a number of applications for *Reuter's* teleprinter news service, and the Telegraph Department has been hard put to it to meet this sudden demand for quicker news service.

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A DELHI DIARY

NEW DELHI, Oct. 21.

The arrival of the new Viceroy, Lord Wavell, has opened a new chapter for New Delhi—that, at least, is the hope in many quarters. In one sense, it is true that the change in the Viceroyalty does not bring any new excitement to official circles, for Lord Wavell is a familiar figure to most of the officials in the Secretariat. With the exception of one or two, all the Members of Government have known Lord Wavell as a friend and colleague. His Private Secretary, Mr. Jenkins, who has been in New Delhi for the last ten years and more in one official capacity or other, is even a more familiar figure. So far as personalities are concerned, the changes mean nothing new, but in New Delhi at any rate, there is some measure of speculation about possible changes in policy, not so much in the political field which seems as uncertain as before but in the military and economic fields. Lord Mountbatten has already had his consultations with military chiefs and has now, it is believed, a fairly firm grip on the problem. There is the food question which Lord Wavell is understood to have fully discussed with the authorities in Whitehall. Early next week Lord Wavell is expected to have a full meeting of his Council and review the food question in the light of the discussions at the last Food Conference and the views of Provincial Governments. Even those who are inclined to be most optimistic do not anticipate anything spectacular in the near future. According to the new Viceroy's friends, Lord Wavell is a believer in quiet efficiency. And it will be, therefore, his first task to impart more decision and energy in the Government of India's administration.

There has been a rush of Ordinances during the last few days of Lord Linlithgow's regime. It was evidently the outgoing Viceroy's desire to give effect to as many of the Council's decisions as possible before the new Viceroy takes charge. From the economic point of view the most important of the Ordinances is the Anti-Hoarding and the Anti-Profiteering Ordinance. For the purpose of enforcing this Ordinance, a large organization is being set up under Mr. C. C. Desai as Controller-General. It is understood that all the Provincial Governments and leading States have given their support, but the success of the measure depends largely upon the Central Government itself. If there is no proper co-ordination between the Central Government's agency and the provincial and States authorities, the measure is bound to fail. It has not yet been revealed by the Government of India what measures are proposed to be taken to secure this co-ordination. It has not yet been announced also what commodities will be brought under control for the purposes of this Ordinance and what articles are going to be exempted—further, what will be the principle or plan observed in this connection. The Government have already taken separate action in connection with textile prices. There are a number of articles of common use—ordinary consumer goods which are both imported and locally manufactured. Certain articles like drugs, bicycles, umbrellas, soaps, razor blades etc. are already reported to be under consideration, but it is necessary in the first place that the Government of India should have reliable statistics in their possession and also a clear policy which will neither place any handicap on industries nor increase black market conditions in the country. If the administration of the Ordinance falls below the required standard, the result may only be increased difficulties both for the consumer and the trade.

What do the Government of India propose to do in order to enlist public co-operation and prevent corruption or maladministration? The Government of India have done well in appointing an Indian—an experienced official of the Supply Department—as the first Controller-General. It would be a good thing if the Deputy

Controller-Generals and the Inspectors are drawn from the trade or industrial life of the countrymen who have close knowledge of the problems of the people and can inspire public confidence. It is also necessary to have consumer boards in as many centres as possible and also a central committee associated with the Controller-General in order to secure close touch with public opinion. Though the Food Conference has ended with an official announcement of policy by the Government of India, the difficulties facing the latter have by no means ended. Immediately after the conference Sir Chhotu Ram, who led the Punjab delegation, stated publicly: "No statutory control has been applied or will be applied to the price of wheat or any other foodgrains in the Punjab." As regards rationing, another Minister of the Punjab Government has only gone so far as to agree that "if after making satisfactory arrangements in deficit areas there was still need the Punjab Government would have no objection to a fair trial to the scheme for rationing in urban areas. If the four-day discussions in the Food Conference can be said to have revealed anything at all, it is the failure of the Government of India to take quick decisions and enunciate a clear policy and secondly, exercise that moral authority necessary for exacting support and co-operation from the Provinces and the States. Still the question remains unanswered—why is it that, in spite of four Food Conferences and the considered recommendations of the Foodgrains Policy Committee, there is still no proper Central direction or co-ordinated policy? In the conference itself strong speeches were made by the Punjab Ministers. The latter have practically threatened that if the statutory price control scheme is forced on the province against their advice, the Ministry will be unable to cope with the situation and will have to resign.

Certain interesting facts were disclosed by the Punjab Ministers in the course of their speeches at the conference. They referred to the pool price charged by the Government of India for the sale of wheat and said that as the Punjab had up to August 15 exported about 2,50,000 tons, the total amount of difference on the basis of price paid in the Punjab markets and the pool price charged from the deficit provinces came to over Rs. one crore. What did the Government of India do with this money? The Punjab Government's claim was that this amount should be earmarked for the benefit of the consumers or the growers. Another contention of the Punjab Ministers was that if the Government Departments like Railways felt justified in raising the wages of their employees and in addition set aside large sums of money for running subsidized shops there is no less justification for them to strive for better prices of primary commodities in the interests of the growers. They further demanded of the Government of India that before making any attempt to scale down the prices of primary commodities the prices of other commodities and consumers goods should also be lowered and arrangements made for their supply to the rural population in an organized and adequate manner.

The Central Board of the Reserve Bank which met in New Delhi last weekend—its first meeting with Mr. Deshmukh as Governor—had the advantage of discussing in detail the United Kingdom proposals for an international clearing union and also hearing from Sir Theodore Gregory at first-hand an account of the London discussions in which he represented India. The Central Board has, it is said, agreed in principle to participation in any international union after the war subject to due protection of India's rights. A formal resolution on the subject will be adopted at the next meeting. It is likely that the subject will be brought up for discussion during the ensuing session of the Central Legislature.

ARGUS.

NEWS PAGE

"No statutory control has been applied or will be applied to the price of wheat or any other foodgrains in the Punjab," declared Sir Chhotu Ram, leader of the Punjab delegation to the Food Conference, commenting on the decisions of the Conference.

President Roosevelt told the Press recently that he is opposed to any post-war tariff on natural rubber to protect the new American synthetic rubber industry.

As a measure of relief to Government servants in the inferior services and attenders whose small stock of provisions, utensils, and other articles were washed away by the recent floods in the city of Madras and the outlying areas, the Government of Madras have decided to grant interest-free advances.

A third agreement for the provision of supplies to the Soviet Union was signed in London on October 19, between the United Kingdom, United States, Canadian and Soviet Governments, by which the first three undertake to supply armaments, equipment and foodstuffs to Russia.

Deflationary proposals which are under the Bihar Government's consideration recommend a 50 per cent. increase in the entertainment tax and 25 per cent. increases in the court and registration fees. A tax on retail sales of a number of specified commodities will also be levied shortly.

Addressing a conference of business executives at Boston, Sir Gerald Campbell, British Minister to the United States, declared that the British Government looked forward to expanding world economy in which co-operation with a view to increasing the total amount of trade will take precedence over competition in a restrictive market.

The All-India Manufacturers' Organization has formed a provincial board for C.P. and Berar in order to carry out the programme of industrialization in the province.

Lord Beaverbrook may have something to tell Parliament shortly on the controversial problem of freedom of air—anyone can fly anywhere—as against the sovereignty of the skies—each country maintaining sovereignty over its own skies and bases under those skies.

Producers participating in the new Government of India scheme to secure maximum output of rubber in

the immediate future will be required to intensify tapping on 80 per cent. of their tappable acreage and to slaughter tap the remaining 20 per cent. In compensation for the accelerated exhaustion of the yield from the trees so tapped the Government of India will pay producers, after the cessation of hostilities, the cost of replanting the areas slaughter tapped.

Mr. Henry J. Kaiser said in New York recently that he not only believed that it was possible for the U.S. merchant marine to operate without subsidies after the war, but that he intended to operate such a shipping line after the war on an entirely new basis with each crew sharing the profits of its particular ship.

The Government of Bombay have fixed maximum prices for *bajri*, *jowar* and paddy beyond which no person can sell or offer for sale in wholesale quantities in any district in the province. The ceilings vary from district to district and according to quality.

Mr. Churchill speaking in Parliament last week on the British coal industry said that the principle of nationalization was accepted by all provided proper compensation was paid. The present system of control plans would be continued after the war until Parliament shall decide on the future structure of the industry.

Sind is understood to have proposed to the Government of India the capitalization of the Barrage debt and of the subvention, and has expressed its readiness to meet the difference which it expects may be about four and a half crores of rupees by one lump sum payment.

A message from the United States suggests that 20 wildcat wells will be drilled on 100,000 sq. miles in Iran and Iraq by the United States Government through the Petroleum Reserves Corporation.

PUBLIC NOTICE

Holders of all licences for textile Mill stores falling under item 72 (I) of the Indian Customs Tariff which are valid for shipment up to the 31st December, 1943, are informed that where shipment is not made against the licences before the date of expiry, the licences will stand automatically revaluated to cover shipments made in the period January-June 1944.

2. It will not be necessary to return the licences to the issuing authorities for formal revalidation.

GLEANINGS

UNITED NATIONS BANK

A tentative proposal for a United Nations bank for post-war reconstruction and development, to supplement the proposed international stabilization fund, has been released by Harry D. White, monetary adviser to the United States Treasury Department. According to the proposal the bank will encourage private financial agencies to provide long-term capital for the sound development of productive resources in member countries and when necessary, will co-operate with and supplement private capital for such purposes. The capital of the bank will amount to approximately 10,000,000,000 dollars, subscribed by member countries. A large part of the capital will be reserved as a surety fund against securities guaranteed or issued by the bank. Initial and subsequent payments are to be made partly in gold and partly in currency. The proportion paid in gold will not exceed 20 per cent. and the payment will be fixed by a schedule which considers the adequacy of the gold holdings in each of the member countries. The local currencies held by the bank will be re-purchased by the member countries with gold at the rate of two per cent. subscriptions annually. The bank may guarantee loans made with private capital to any member government and, through the government, to any of its political sub-divisions and to business and industrial enterprises in the member country. The bank may participate in loans made with private capital or make loans from its own resources only when the borrower is unable to secure funds from private investment sources on reasonable terms. In passing upon any application to guarantee, participate in or make a loan, the bank will consider the soundness of the investment project or programme, the budgetary position of the member government guaranteeing the loan and the prospective balance of payments of the member country. Further, the following general conditions regarding such loans must be fulfilled: (1) the national government of the member country must fully guarantee the payment of interest and principal; (2) a competent committee must investigate and approve the investment project; (3) the terms of the loan must be reasonable; (4) on guaranteed loans, the bank must be compensated for the risk it assumes.

With the approval of the member countries, the bank may guarantee international loans placed in their countries, and with similar approval, the bank may sell the gold or the foreign exchange held by the bank after consultation with the International Stabilization Fund.—U.S.O.W.I.

CULTIVATION ON TANK BEDS

Under the Mysore Land Revenue Rules, the beds of tanks in the State cannot be given for cultivation during the dry season, except in special seasons of scarcity of rainfall when the Deputy Commissioner may give the bed of any tank for cultivation for a season subject to certain conditions.

With a view to increasing the supply of food-stuffs in the present emergency, the Revenue Commissioner in Mysore suggested that the tanks in the State might be classified under two categories, viz., those which supply water for wet crops during the rainy season and those which supply water for wet crops during summer and that the beds of the tanks

of the former category might be granted as and when they are laid care on *Eksal* tenure for growing pulses and vegetable during summer (from February to end of April or May) subject to the condition that such grants do not in any way affect the safety of the tanks or the use of the available water for irrigation purposes. The Chief Engineer agreed with this proposal which has been sanctioned by Government.

WAR ECONOMY EXHIBITION

In a well-arranged and carefully-planned exhibition—unfortunately not open to the public—held in London recently, examples were shown of how material and labour have been made into "more from less." These examples include small and large savings, and the London *Economist* of August 14, gives the following summary of them: *Timber*: Consumption has been cut by 60 per cent., and home production, which amounted to 4 per cent. of consumption before the war, now accounts for 60 per cent. In building concrete has in some cases entirely replaced timber. Tent pegs which were made from hard wood, are now mechanically cleaved from waste wood and have saved 700,000 cubic feet of wood. Textile rollers and lapping boards made from waste paper and wood saved over 50,000 tons of wood. *Paper*: The proportion of home produced paper has risen from 18 to 76 per cent., and the cuts in the size of newspapers and civilian consumption have enabled it to be used as a substitute for scarcer materials in a variety of war goods. *Iron and Steel*: Different methods of production have eliminated waste. Electric forging saves 60 per cent. The wastage in the making of bolts has been reduced from 60 per cent. to 5 per cent. by the introduction of new methods. On ammunition of all calibres 400,600 tons of steel have been saved since the war began. In the Bofors gun, 80 per cent. of the weight of iron and steel has been saved. *Substitutes*: Great ingenuity has been exercised; glass is substituted for steel; paper and fibre for metals, light alloys and wood; lead for tin; plastics, fibres and textiles for rubber. *Labour*: Processes have been split up in some cases and in others combined, so that one operation does the work of two, especially in inspection. Welding instead of riveting has saved labour as well as material. *Salvage*: Every scrap of material possible is used again. Of every 100 unserviceable battle dress, 70 are repaired, of which 10 are reissued and 60 are dyed and used by industrial and agricultural workers. The remaining 30 become 'shoddy' and are used in the making of new material. Army boots are remade, and over-shoes and slippers are made of pieces of fire hose.

VOTING IN U.S.A. CURRENCY PLAN

An important feature of the revised American Currency Plan is the adoption of a new formula for calculating the quotas of member countries and their voting rights. Information which has been received shows that, under this revised plan, the quotas and voting rights of some of the important countries will be as follows, although it is not yet known as to what exactly is the new formula on which the former is based.

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Countries	Quotas (In million)	No. of votes
United States	2,929	3,029
United Kingdom (including colonies)	1,275	1,375
Russia	763	863
India and Burma	367	467
China	350	450
Canada	278	378
South Africa	175	275
Australia	149	249
Brazil	107	207
Mexico	63	163
New Zealand	54	154
29 other United and Associated Nations	3,554	6,454
Total	14,064	18,064

From the foregoing, it will be noted that the number of votes for each country has been calculated on the basis of one vote for the equivalent of 1 million dollars plus 100 votes. This is, of course, in accordance with the provisions of Clause one, Chapter V of the original Currency Plan. But what one would be interested to know now is the formula adopted for calculating the quotas of member countries on which, as already mentioned, no information is available. On the basis noted above, the combined quota of India and Burma works out to a little over 2.5 per cent. of the total and the voting rights would be 2.6 per cent. These constitute a negligible proportion and, as such, this country cannot hope to have any effective voice in the affairs of the Fund. As Russia is reported to have declined to participate in any plan for an international monetary mechanism, there may be redistribution of quotas, but this will not, in any case, appreciably alter the position of India as indicated above. The whole arrangement then will be a purely Anglo-American one.—*Commerce*, October 16, 1943.

SULPHUR DEPOSITS

Two years of operations in and around the extinct volcano of Koh-i-Sultan in Western Baluchistan have confirmed the possibility of obtaining reasonable quantities of sulphur for Indian industry. Since the beginning of the operations in 1941 and the subsequent technical planning undertaken by the Utilization Branch of the Geological Survey, considerable quantities of sulphur ore, containing 50 per cent. pure sulphur, have been extracted from these parts and supplied to Indian industry. The Utilization Branch has so far concentrated on two out of three main sulphur bearing localities of Koh-i-Sultan. Side by side with the extraction of ore containing 50 per cent. sulphur, a survey and examination of lower grade ores in these localities was undertaken by the Utilization Branch. These investigations have revealed that there is large quantity of lower grade ore which can yield additional quantities of sulphur if they are mixed with ores of a richer quality. This mixing is now being done and the process is likely to increase the output by more than 25 per cent. Experiments are also being carried out to refine the lower grade ores either by washing or by treating them in some other suitable manner.

KEYNES' HIDDEN PURPOSE

"A shortlived reaction which followed the Armistice (1918) was turned into a strong boom by our Government's continued loans to Europe," said Dr. Benjamin M. Anderson, Professor of Economics at the University of California at a meeting of the Chamber of Commerce at Los Angeles. "Our exports to Europe continued on great scale. We had an export surplus of 410 million dollars in January, 1919. In June, 1919, we had an export surplus of 625 million dollars of which nearly 600 million was with Europe. Our markets continued to be drained of goods. Our commodity prices rose. We went into our violent post-war boom of 1919-20 and our violent crisis of 1920-21. This crisis was due precisely to what the Keynes-Morgenthau plans propose to repeat, the artificial support of foreign exchanges without the correction of the fundamentals.

"One of Lord Keynes' hidden purposes grows, I think, out of his recollection of this episode. Section 14 of the Keynes Plan says: 'This would give every one the great asset of multilateral clearings, whereby (for example) Great Britain could offset favourable balances arising out of her exports to Europe against unfavourable balances due to the United States . . . How indeed can any country hope to start up trade with Europe during the relief and reconstruction period on any other terms?' It would indeed have been very nice for England if the proposed Keynes or Morgenthau arrangements had been in existence during the boom of 1919-20, if there had been an international fund into which she could have poured the francs and the lire and the drachmae as constituting liquidation in full of her dollar and sterling obligations to the United States. Then she would have had her profits clear of risk—so long as she took pains to remain net debtor to the deteriorating international fund. But we should have been net creditor and it would not have been good for us.

"One other hidden purpose of the Keynes Plan, swallowed whole by the Morgenthau Plan, is to relieve England of the burden of paying great sums of capital now frozen in England and belonging to men and institutions in foreign countries. Without the relief on this score England will be hard pressed after the war, an embarrassed debtor rather than a powerful creditor. If this frozen debt can be put into the international bank, however, and England can be given more than the twenty-three years provided for in the Morgenthau Plan to pay it off, she is relieved of the burden. The creditors of the fund bear the burden and the United States will be the chief creditor of the fund.

The attitude of the Morgenthau and Keynes Plans towards "abnormal war balances" is a very discreditable one. By what right can we refuse to give back to the outside world the gold which they have sent here for safety and which they have every right to demand back? By what right can England refuse to honour the sterling balances of the Scandinavian banks which have trusted her, or withhold the gold of the National Bank of Norway which is supposed to have come to England when the Germans invaded that country? By what right can England hope after the war to continue to freeze funds owned by the Dominions in the sterling bloc or by India? If England cannot pay let her say so frankly, beg the indulgence of her creditors, and do the best she can. She will find a sympathetic financial world which believes in her long-run future and which will make concessions, and extend financial aid. But let us not create a great international financial mechanism, under which the United States and a few other financially strong countries find this burden unloaded on them."—*The Cotton Trade Journal*, May 29, 1943.

ing new money into circulation and thus check a subsequent rise of prices. We do not favour all varieties of taxes; but it remains an indisputable fact that taxation and borrowing, once the necessary amount of medium of exchange has been injected into the industrial economy, constitute the only sound method of war finance.

University of Allahabad.

Yours, etc.,
J. K. MEHTA.

IK.M. to whom the above was sent has the following comments to make:

No one will take exception to Mr. Mehta's main contention that taxation and borrowing constitute the only sound method of war finance and that India's method of financing foreign government's expenditure in India is inflationary. But the fiscal difficulties still remain. We cannot go on accumulating sterling without issuing notes, because the total cover for currency is 100 per cent only, the proportion of sterling is already 89 per cent and the limit to our sterilising sterling by cancelling rupee securities is set by the volume of the latter now at Rs. 68 crores. The only reaction in Britain to our criticism that the issue of notes against sterling is inflationary is the mischievous suggestion that the rupee commitments should be shifted on to India's shoulders, which, if implemented, will throw an unbearable burden on us without enabling us to defeat inflation and deprive us of the foreign exchange assets we are building up. In the coming year if the far eastern offensive is to be launched from India as the base, a weekly expenditure of Rs. 20 crores may not be too much. Can we raise by taxes and loans a sum of the order of Rs. 1,000 crores in one year? Even assuming, without admitting that the necessary favourable political and psychological conditions are satisfied, it is next to impossible to raise the amount by loans,

while taxation actually provides very little scope at this stage.

The only real remedy in the circumstances is the imposing of a limit to the mopping up of real resources from civilian consumption, accompanied by an increased supply of consumers' goods so as to prevent the appalling suffering caused by the present methods of finance. From this point of view even if Britain raises loans in India it offers no relief to the Indian consumer. The substance of our complaint is that the depriving of the Indian consumer of his essential needs is the fatal defect of our war finance; imports and production rather than more loans and taxes can meet India's special case.]

COMPANY NOTES

KOTHARI TEXTILES, LTD., MADRAS

The sixth annual report of the Board of Directors of the Company submitted to the shareholders together with the Statement of Accounts for the year ended 30th June, 1943, discloses the very satisfactory results obtained in the working of the Company, though the period was marked by heavy fluctuations in the prices of foreign cotton as well as in the products of the Mills. After allowing for depreciation a sum of Rs. 1,18,279, the Report shows a profit of Rs. 23,96,255. Out of this the amounts appropriated for provision of taxes and reserve fund are Rs. 17,21,500 and Rs. 5,48,380 respectively. From the balance Directors have recommended a dividend of 6 per cent. (free of tax) on the preference shares and Re. 1-8-0 (free of tax) on ordinary shares. The very large increase shown under insurance is due to premia paid under the Government War Risk Insurance Scheme covering buildings, machinery and stocks.

BOOK REVIEWS

RATIONALE OF FOOD CRISIS: A PLEA FOR RATIONING—By Maharaja S. C. Nandy of Cosimbazar. The Author, 302, Upper Circular-Road, Calcutta. Pp. 30.

In this pamphlet sketching India's present food position in general and Bengal's in particular, the author starts by pointing out how in England the rise in the cost of living has been kept within reasonable limits by a combination of rationing, extended cultivation and change in dietary habits. He proceeds to review the working of the Basic Plan in India and how it threatens to founder on the well-known rock of "insufficient co-ordination." The Food Conference's indecisions regarding basic procurement *versus* free trade betrayed confusion and irresponsibility. In Bengal the only result of the food drive to unearth stocks has been to drive out food from the mofussil areas to Calcutta, and this with the addition of the activities of the Government purchasing agents has resulted in widespread rural distress. Rationing for which the author has put up a powerful plea has now been accepted by Government. He advocates increasing food supplies through extensive and intensive cultivation, and is perhaps a little over-optimistic in hoping for quick results therefrom.

HOW TO SECURE INDIAN INDEPENDENCE. By 'Sutlej.' Oxford University Press. Pp 22. Price As. 8.

'Sutlej' and the Oxford University Press deserve to be congratulated upon bringing out this well-written, objective, vigorous and entertaining book. The writer starts on the assumptions of Complete Independence for India (dismissing Dominion Status as ridiculous)

and the representative character of the Congress and the Muslim League, the former as covering Hindu and the latter Muslim public opinion. But he might not be factually correct when he says that Muslim membership of the Congress is "negligible" (p. 5). He then bases himself on a division of India into Hindustan and Pakistan—a division to be brought about on the basis of the racial content in the districts of the north-eastern and north-western zones of India and involving, if necessary, the transfer of populations between territories. In this connection he appears to underestimate the difficulties of the Sikhs in the Punjab. He suggests a Constituent Assembly—rather an apology for one—which will meet *after* the division of the country, in Hindustan and Pakistan, while a Constituent Assembly worth the name should meet *before* the division and decide whether the division shall take place or not. Only that can be self-determination in full. As regards the Indian States, he completely ignores the rights of their subjects and talks of the Princes framing their constitutions (p. 21). Obviously readers will differ from Sutlej's conclusions according to their political predilections. But this is a pamphlet for everyone to read.

BOOKS RECEIVED

HOW TO SECURE INDIAN INDEPENDENCE.

By 'Sutlej.' Oxford University Press. Price As. 8.

THE ECONOMICS OF INDIAN AGRICULTURE.

By Dr. B. V. Narayanaswamy and P. S. Narasimhan. Part I. Rochouse and Sons, Ltd., Madras.

A STUDY OF THE INDIAN MONEY MARKET.

By Bimal C. Ghose. Oxford University Press, 1943.

Price Rs. 7-8.

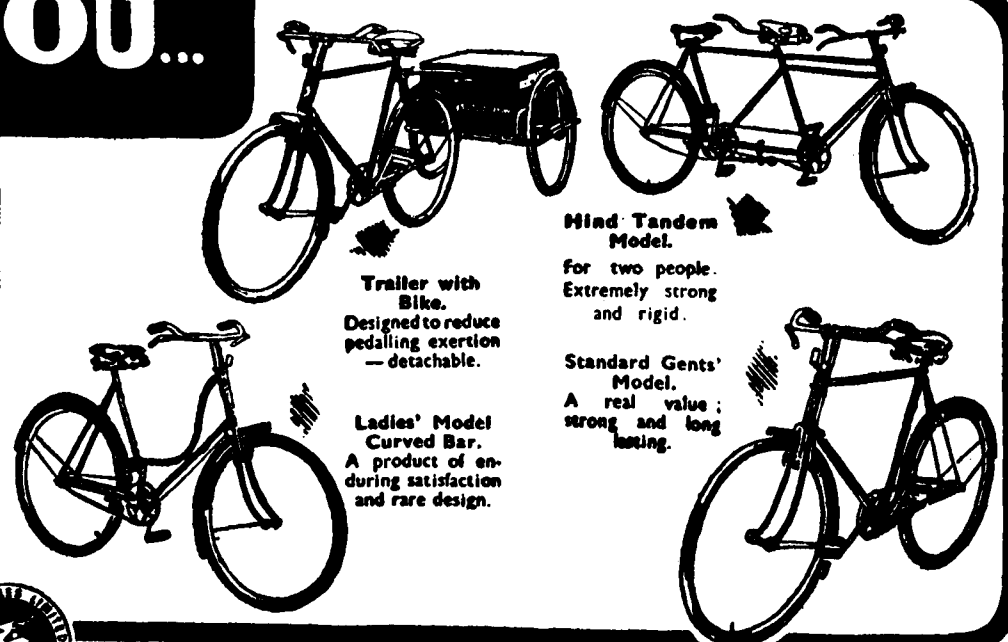
THE HALF-YEARLY JOURNAL OF THE MYSORE

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March, 1943.

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INVESTMENTS

(From Our Correspondents)

BOMBAY, Oct. 20.

It has been a quiet week both in the gilt-edged section and in industrial shares. It was hinted last week in these columns that rumours of a new Government of India Loan were in the air. On Saturday announcement was made of a 3 per cent. 1966-68 Funding Loan at Rs. 98 for Rs. 25 crores. On Friday 1963-65 Loan was quoting at Rs. 97-15. The rate for the new Loan is, therefore, in keeping with the market rate for similar loans after allowance is made for the now usual Government policy of issuing a new loan on slightly stiffer terms. There is no doubt demand for a new loan of this nature; it, however, remains to be seen how much of it is immediately absorbed and how much will have to be supplied to market gradually as and when the market can take it. The loan is for the purpose of funding the unfunded debt of Government just as a special issue of 1963-65 loan was made a few months ago for funding purposes. The reaction on the price of 3-1/2% Government Paper was interesting. On Friday 3-1/2% Paper was quoting Rs. 97-4. There was little change on Saturday following the new loan announcement. All through Saturday last Government Paper was on offer around this rate; on Monday the undertone was better and paper recovered to Rs. 97-8. Official sale was not forthcoming even at Rs. 97-8 and business was done up to Rs. 97-10. Enquiry has again subsided and paper was offered at Rs. 97-8. During the last three months market has absorbed 3-1/2% Rupee Paper as it has never done before. It is common knowledge that large amounts were purchased for short-term speculative purposes. Such weak holders received a first rude shock when Japanese bombing of Madras was known. Since then nervousness and doubt has dominated in the minds of the weak holders; slightest decline adds to their nervousness and on that account the tone of the market has remained hesitant. So long as weak holding is not largely liquidated, the market offers little promise for a rapid rise or a large turnover; it is as well that market gets time for digestion. It was estimated in these columns that after taking into consideration favourable war news, the absorbing capacity of the market for 3-1/2% Rupee Paper is Rs. 10 crores a month. The floating stock is estimated at about Rs. 5 crores clearly. Therefore, it may take a few weeks before the market is stabilized around the present prices. The optimists looking forward to 3-1/2% Rupee Paper touching par may, therefore, have to wait before further rapid rise in Rupee Paper can take place. Industrials are also dull; the announcement of the Textile Control Board to fix prices of all varieties of piecegoods at about 30 per cent. lower than the present price which the retailers have to pay is the main reason for quiet tendency in the textiles; add to that the ever present fear of enemy bombing and a series of drastic ordinances of Government controlling prices of foodgrains and other articles and it becomes clear that the present quiet tone

in the market cannot but continue. Associated Cements have met with considerable selling pressure and the price has declined from about Rs. 222 to Rs. 213 on rumours of a lower dividend than Rs. 8 which was paid last year. Steel shares have also recorded further falls from last week, today's closing quotations being Rs. 1,900 and Rs. 389.

NEW DELHI, Oct. 21.

Stocks and Shares

It did not take long for the share markets to recover from the setback caused by the stray enemy air activity on the east coast, and towards the close of the week, business was on a less restricted scale and prices in almost all sections showed an upward trend. In Calcutta, sugars experienced rather unusually heavy demand followed by coals, while jute and tea issues proved a firm and rising market. In Bombay, the week shifted the emphasis from textile shares to steel shares on reports about the increase in price payable by Government on war orders. Most of the textiles closed on the minus side after going ahead considerably, the leading counters bearing the brunt of the selling pressure. Locally, cottons, except, of course, Delhi Cloth Ordinaries, after recording slight increases, were quietly steady. Abortive attempts were made by certain interested parties to hammer down Delhi Cloths, but they themselves were caught in the manipulation. The market has taken the final dividend of Rs. 2-12 per share as quite satisfactory, particularly in view of the high liquidity of the finances of the Company, and its huge present and potential profit-earning capacity. Including the amount carried forward from the previous year, the total profits for the year (ended June 30, 1943) after allowing Rs. 20 lakhs for depreciation, amounted to Rs. 2,24,45,947. Rs. 1,70 lakhs have been set aside for taxation, while allocations to General Reserve, Reserve for fall in prices, and Reserve for Dividend Equalization Fund amount to Rs. 6 lakhs, Rs. 15 lakhs and Rs. 1 crores, respectively. The Chemical Factory is consolidating its position, so also the Confectionary Works at Daurala. A factory for the manufacture of power alcohol was constructed during the year at Daurala. The factory has been completed and spirit drawn. The profits from all these sources will be reflected in the next report.

The most important feature of the market was, however, the Rampur Maize. The quotation gained in one big leap 12 points from the last week's price. It is rumoured that the Company will issue bonus shares, or in the alternative, a final dividend of Rs. 10 per share, with the result that these shares are now quoting Rs. 112-8 with buyers over. Amrit Banaspati, Chemicals and Perfumeries had a quiet market with narrow fluctuations, while Delhi Flours and Ganesh Flours reported business at Rs. 20-8 and Rs. 64-4, respectively. Rampur Distilleries and Gwalior Breweries were weak around Rs. 13 and Rs. 7-8 premium.

Treasury Bills

The tenders for the Central Government Treasury Bills opened on 12th October, 1943, showed that an amount of Rs. 12.28 crores was offered as against Rs. 15.87 crores in the previous week, although due to keener bidding the rate remained the same at as. 12 per cent. Tenders at Rs. 99-13-3 were accepted in full and those at Rs. 99-13-0 were allotted 68 per cent. In the week ended October 8, 1943, treasury bills for Rs. 522 lakhs were sold in favour of the Issue Department of the Reserve Bank.

The total amount offered for the Madras Government's tender for Rs. 1 crore of three months' treasury bills was Rs. 165 lakhs. Only Rs. 60 lakhs were accepted at the average rate of Re. 0-13-7.

Reserve Bank

The striking feature of the Reserve Bank's statement for the week ended October 8, 1943, is the sharp

rise in note circulation by Rs. 9.75 crores, the highest rise since 6th August, 1943. The total note issue rose by Rs. 8.82 crores to Rs. 783.29 crores. On the assets side, sterling securities have gone up by Rs. 10 crores, and rupee securities by Rs. 22 lakhs. In the Banking Department, Government deposits increased by Rs. 14.22 crores and balances held abroad by Rs. 8.53 crores. Bankers' deposits came down by Rs. 9.43 crores.

New Loan

To assist further in the funding of the temporary liabilities created in connection with the repatriation of sterling loans, the Government of India have announced the issue of a 3 per cent. Funding Loan, 1966-68 for Rs. 25 crores. The loan will be issued at Rs. 98 and will be repayable at par not earlier than 1966 and not later than 1968. The loan will be open for public subscription from October 22 and will be closed as soon as the total subscriptions reach Rs. 25 crores and in any case not later than October 26, 1943.

HAPUR, Oct. 18.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Oct. 18.

Piecegoods

In the piecegoods market, conditions were more satisfactory during the early part of the week compared to the last two or three weeks. Consuming centres such as Calcutta, Cawnpore and Delhi have begun to take up their requirements. Local buying has been restricted but export trade has proved a little helpful. The approach of *Diwali* has also contributed to an improvement in the market. The uncertainty about "ceiling" rates and the various Press-notes issued on the subject have led to a sort of nervous feeling in the market. The statement issued by the Chairman of the Textile Control Board that consumers after December 1 will obtain cloth at about 30 per cent. cheaper has created uneasiness in the market, but at present attention is concentrated on *Diwali* sales which are expected to be helpful. Leopard cloth 35" and 37" are quoted at Rs. 2-5-6 per lb. and sheetings in 35" by 30 yds., 9-10 lbs. are quoted about Rs. 1-15 per lb.

Cotton

In the spot market, conditions are somewhat easy. New crop Sind NT after touching Rs. 665 went down to Rs. 645 and is today quoted at Rs. 650 per candy. Punjab 289F new crop is quoted Rs. 30 above Sind NT. Punjab LSS was sold at Rs. 600, old crop. The attention of the market was focussed on the continuance of rains in Berar, C.P. and Khandesh where Jarilla and Khandesh varieties are grown. It is expected that if there are no further rains the quality will be affected only in the early part, whereas the quantity of the crop will not be affected.

Seeds

Business in Khandesh quality groundnuts on wagon supply condition, for December delivery was done at Rs. 18-7 and December/January delivery at Rs. 18-6. "Bold" was being quoted at Rs. 103. Some business for Madras Marmagao December/January delivery on wagon supply condition was done at Rs. 17-15 and for October at Rs. 19-1. Ready Khandesh quality on bazaar terms was sold at Rs. 106 per candy.

The week under review witnessed a declining tendency in the grain markets at Hapur and from the present market conditions a further decline in prices is anticipated in the future. The visit of a reconnaissance aeroplane over Madras and statutory price control over essential foodgrains account for this decline, besides other economic causes. The proceedings of the Food Conference at New Delhi which concluded yesterday, were very anxiously followed here by the traders. The promulgation of the Hoarding and Profiteering Prevention Ordinance which has come into force is welcomed in some circles.

Wheat

The arrivals of wheat averaging 100 maunds daily are moving to the markets in small parcels. *Khattis* of wheat were opened during the week and the stock has come down to 174 *khattis*.

Juar

The market showed an indefinite and uncertain trend in the early part on possibilities of imposition of control on juwar and around selling activity. It later on turned steady on jobbers' coverings and on the reports that the control measures would not be applicable to juwar. Towards the close, there was again a decline owing to lack of the bull operators. Price variations were irregular. Juwar *Poos* opened at Rs. 6-12-9 and closed at Rs. 6-15-4½. The highest and the lowest peaks touched were Rs. 7-1-9 and Rs. 6-12-9 respectively.

Urad

The undertone was easy on account of general selling. Urad Magh opened at Rs. 12-15 and closed at Rs. 10-0-6, touching the highest and the lowest at Rs. 13-6 and Rs. 12-14-6 respectively. The prices were easy owing to increased arrivals which averaged 1,500 maunds daily.

The following are today's quotations: Wheat Rs. 13-5-3; Stock 174 *Khattis*. Gram: Rs. 11-6-9; Stock 4 *khattis*. Barley: Ready Rs. 9-6-6; Stock 10 *khattis*. Arhar Ready Rs. 9-13-6; Stock 268 *khattis*. Gur Ready Rs. 11-4.

CURRENT STATISTICS

BANK OF ENGLAND				
(000's omitted)				
	Oct. 13, 1943.	Oct. 6, 1943.	Oct. 14, 1942.	Aug. 30, 1939.
	£	£	£	£
Total Bullion ..	1,880	1,888	1,514	263,700
Public Deposits ..	7,500	7,800	8,200	31,100
Other Deposits ..	203,100	205,400	187,300	129,100
Of which Bankers' Deposits ..	148,400	150,200	135,300	90,100
Government Securities ..	150,800	152,200	154,800	113,100
Other Securities ..	16,900	16,200	20,700	31,000
Of which Discounts and Advances ..	1,400	1,900	2,400	6,400
Notes and coins ..	59,100	60,600	35,200	34,200
Notes in circulation ..	992,700	991,300	846,300	529,500
Ratio of Reserve to Liabilities ..	28.08%	28.42%	18.02%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)				
	Oct. 7, 1943.	Sept. 30, 1943.	Oct. 8, 1942.	Aug. 31, 1939.
	\$	\$	\$	\$
Resources—				
Total Reserves ..	20,341,000	20,344,000	20,810,000	14,660,616
Total Bills Discounted ..	2,000	13,000	8,000	6,190
Bills bought in open market ..				500
Total U.S. Government Securities ..	8,387,000	9,168,000	3,592,000	2,426,190
Liabilities—				
Federal Reserve Notes in actual circulation ..	15,309,000	15,243,000	10,798,000	4,609,280
Deposits — Member Bank Res. Acct. ..	11,903,000	12,054,000	11,801,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note: Liabilities combined ..	68.15%	68.71%	85.5%	86.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON OCT. 8, 1943.

ISSUE DEPARTMENT				
	Rs.	Rs.	Rs.	Rs.
Liabilities—				
Notes held in the Banking Dept. ..	9,74,27,000			
Notes in circulation ..	773,54,86,000			
Total Notes Issued ..	783,29,13,000			
Assets—				
A. Gold Coin and Bullion—				
(a) Held in India ..	44,41,43,000			
(b) Held outside India ..				
Sterling Securities ..	656,77,20,000			
Total of A. ..	701,18,63,000			
B. Rupee Coin ..	13,71,25,000			
Govt. of India Rupee Securities ..	68,39,25,000			
Internal Bills of Exchange and other commercial Paper ..				
Total Rs. ..	783,29,13,000			

Ratio of Total of A. to Liabilities: 89.518 per cent

BANKING DEPARTMENT

	Rs.	Rs.	Rs.	Rs.
Liabilities—				
Capital paid up ..	5,00,00,000			
Reserve Fund ..	5,00,00,000			
Deposits—				
(a) Government				
(1) Central Government of India ..	36,29,12,000			
(2) Government of Burma ..	26,47,000			
(3) Other Government Accounts ..	12,84,29,000			
(b) Banks ..	64,50,79,000			
(c) Others ..	8,43,68,000			
Bills Payable ..	2,12,22,000			
Other Liabilities ..	5,27,13,000			
Total Rs. ..	139,73,90,000			

Assets				
	Rs.	Rs.	Rs.	Rs.
Notes ..	9,74,27,000			
Rupee Coin ..	10,87,000			
Subsidiary Coin ..	1,99,000			
Bills Purchased and Discounted—				
(a) Internal ..				
(b) External ..				
(c) Government Treasury Bills ..	2,39,85,000			
Balances held abroad* ..	116,77,20,000			
Loans and Advances to Governments ..	31,00,000			
Other Loans and Advances ..				
Investments ..	7,44,16,000			
Other Assets ..	2,94,76,000			
Total Rs. ..	139,73,90,000			

* Includes Cash and Short-term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)				
	Oct. 8, 1943.	Oct. 1, 1943.	Oct. 9, 1942.	Sept. 1, 1939.
Held in the Banking Dept. ..	9,74,27	10,66,69	9,11,79	35,04,49
In Circulation ..	773,54,86	763,80,26	507,11,75	182,13,17
Total Notes ..	783,29,13	774,46,95	516,23,54	217,17,66
A. Gold coin and Bullion ..	44,41,43	44,41,43	44,41,43	44,41,46
Sterling securities ..	656,77,20	646,77,20	314,83,39	59,50,11
Total of A. ..	701,18,63	691,18,63	359,24,82	103,91,57
B. Silver coin ..	13,71,25	14,89,29	24,59,25	75,87,11
Rupee securities ..	68,39,25	68,39,03	132,39,47	37,38,96
Silver bullion under coinage ..				
Percentage of Reserve to Liabilities ..	89.518	89.246	69.590	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)				
	Oct. 8, 1943.	Oct. 1, 1943.	Oct. 9, 1942.	Sept. 1, 1939.
Cash ..	9,86,93	10,79,72	9,21,30	35,15,27
Balances held abroad ..	116,77,20	108,24,27	85,47,60	10,08,33
Investments ..	7,44,16	7,58,93	6,50,90	6,81,34
Bills discounted—				
(a) Internal ..				
(b) External ..				
(c) Government of India Treasury Bills ..	2,39,85	1,89,88	14,99	1,15,97
Loans and Advances to the Government ..	31,00	28,00	40,00	31,00
Deposits—				
(a) Government ..	49,39,88	35,17,81	16,73,20	14,89,43
(b) Banks ..	64,50,79	73,93,79	66,52,76	26,91,43
(c) Others ..	8,43,88	6,54,32	3,42,20	1,24,37

STERLING PURCHASES

(000's of £)				
	Total Amount Purchased.	Average rate.		
1943:—				
January ..	8,132	1sh. 6d.		
February ..	11,076	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.		
August ..	8,546	1sh. 6d.		

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	116	113	136	208	119	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	156	278	110	109	145	254	107	110	117	173
April	105	115	131	214	107	111	136	256	101	107	136	x223	110	107	149	268	106	113	138	291	110	124	155	279	110	120	148	267	108	111	121	176
May	106	116	135	214	105	112	141	271	103	107	142	234	109	108	155	299	111	113	145	317	112	122	158	309	101	113	155	..	109	110	123	177
June	106	116	145	224a	110	114	152	..	104	111	149	252	108	114	175	336	109	116	160	361	116	126	178	317	100	109	162..	..	109	111	131	183
July	108	120	160	225	108	121	160	..	104	115	153	266	109	126	190	341	108	120	181	361	119	134	199	312	102	114	166	..	109	115	136	185

* 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.

(a) Figures from June onwards relate to the calendar month and not to the month ended 15th June as before.

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.	May '43.	Apr. '43.	May '42.
Foodgrains ..	..	208	215	152
Cereals ..	7	189	215	158
Pulses ..	2	276	273	135
Sugar ..	3	239	238	166
Other Food ..	3	298	259	147
All Food ..	..	232	228	153
Oilseeds ..	5	178	185	110
Textiles (Cotton) ..	..	186	176	108
Cotton, Raw ..	5	94	94	76
Cotton, Manufactures..	6	340	313	161
Other Textiles..	2	83	83	83
Hides and Skins ..	3	99	99	99
Metals ..	5	750	770	669
Other Raw Manufac- tured Articles ..	4	232	232	225
Non-food ..	..	282	284	231
General Index ..	..	265	264	204

CALCUTTA

(Prices in July 1914=100)

Commodities	Aug. '43.	July '43.	Aug. '42.	Sept. '39.
Cereals ..	572	496	174	86
Pulses ..	449	393	166	99
Tea ..	106	130	179	142
Other Food Articles	579	580	352	125
Oilseeds ..	323	284	167	106
Mustard Oil ..	239	207	97	81
Jute, Raw..	113	129	87	80
Cotton, Raw ..	176	183	100	75
Jute Manufactures.	194	190	123	102

and Silk)	196	194	136	110
Hides and Skins ..	95	95	82	67
Metals ..	297	332	275	147
Other Raw & Manu- factured Articles..	211	207	148	95
All Commodities ..	345	332	192	108

BANGALORE*

(

IMPERIAL BANK OF INDIA

WEEK ENDED OCTOBER 8, 1943.

Liabilities	Rs.	Rs.
Total Capital	..	5,62,50,000
Total Reserve	..	5,75,00,000
Fixed Deposit, Savings Bank, Current and other Accounts	..	193,46,56,000
Loans against Securities per contra	..	..
Acceptances for Constituents	..	..
Sundries	..	1,21,30,000
Total Rs.	..	206,05,36,000
Assets	Rs.	Rs.
Investments—		
Government Securities	127,00,63,000	
Other Authorised Investments	2,35,03,000	
		129,35,66,000
Advances—		
Loans	12,32,77,000	
Cash Credits and Overdrafts	21,13,73,000	
Bills Discounted and Purchased	8,43,85,000	
		41,90,32,000
Liability of Constituents for Acceptances per contra	..	..
Dead Stock	..	1,72,19,000
Sundries	..	92,71,000
Bullion	..	..
Cash—		
In hand and with the Reserve Bank of India	..	29,69,89,000
Balances with other Banks	..	2,44,59,000
		32,14,48,000
Total Rs.	..	206,05,36,000

SCHEDULED BANKS

Comparative Statement

(In thousand Rupees)

	8-10-'43.	1-10-'43.	9-10-'42.	1-9-'39.
Demand Liabilities in India	462,53,34	460,19,81	318,30,43	134,36,49
Time Liabilities in India..	135,48,36	134,81,26	101,80,40	102,24,34
Cash in India	21,59,91	20,41,56	11,99,50	6,69,92
Balances with Reserve Bank	63,19,42	72,77,65	65,35,74	25,17,19
Advances in India	149,00,11	146,43,64	78,29,20	101,52,16
Bills discounted in India	3,92,62	3,87,69	1,61,28	3,57,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue Dept.
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
" 21	15,84,25	8,00,00	0 13 5	..	3,46,00
" 28	20,10,75	8,00,00	0 13 6	..	4,79,50
Oct. 4	15,86,50	8,00,00	0 12 0	..	2,08,50
" 12	12,28,00	8,00,00	0 12 0	..	5,22,00

DATES OF MATURITY OF OUTSTANDING TREASURY BILLS

Date of Maturity.	Amount (000s of Rs.)	Date of Maturity.	Amount (000s of Rs.)
October, 1943—			
2nd	8,02,00	7th	29,75
3rd	5,00	12th	5,00
9th	3,12,25	13th	7,51,25
15th	1,25	14th	43,75
16th	7,98,75	18th	16,00
22nd	31,25	20th	7,84,00
23rd	7,68,75	26th	3,50
28th	4,50	27th	7,92,00
29th	5,00	28th	4,50
30th	7,90,50		
November, 1943—			
5th	6,50	Total	67,19,25
6th	7,63,75		

SUGAR POSITION

1942-43.

Producing Areas.	Production up to 30-9-43.	Despatches during the period 23-9-43 to 30-9-43.	Progressive total of despatches from 1-12-42 to 30-9-43.	Percentage of progressive despatches to production.	Physical stock as on 30-9-43.
U.P.	6,13,243	12,530	4,90,273	79.5	1,22,970
Bihar	2,37,671	6,029	1,77,130	74.6	60,541
Bombay	77,221	1,147	65,152	84.4	12,069
Madras	33,315	636	26,638	78.9	7,127
Punjab	6,579	64	6,128	93.1	451
Bengal	16,537	520	13,067	79.1	3,470
N.-W.F.P.	3,167	7	2,505	80.0	662
Orissa	2,092	3	1,715	82.0	377
Sind	2,008	140	1,469	74.0	539
Indian States	81,604	1,366	71,347	87.4	10,257
Total	10,73,437	22,442	8,55,424	79.7	2,18,463

N.B.—Balance physical stock of 1941-42 sugar as on 30-9-43 was 327 tons.

JUTE FORECAST

Final for 1943

Areas in	Acres	Yield in bales	Yield in bales
1942	1943	1942	1943
Province & States		400 lb. each	per acre
Bengal	2,704,075	2,146,255	8,015,820 6,074,140 2.96 2.8
Cooch Behar	36,880	23,720	62,170 38,755 1.69 1.63
Tripura	15,000	12,000	31,000 25,000 2.1 2.08
Bihar	232,900	202,300	354,800* 425,000* 1.52 2.1
Orissa	23,500	23,800	55,975 66,450 2.38 2.79
Assam	320,200	194,000	541,300 319,900 1.69 1.65
Total	3,332,555	2,602,075	9,061,567 6,949,245 2.72 2.67

* Including Nepal.

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	32 0 0	9 14 0	4 14 0
	Basmati Sela	Amritsar.	"	21 0 0	21 0 0	..	..
Wheat	Average quality.	Karachi.	"	8 0 5	8 0 5	5 15 0	..
		Rapur.	"	13 5 3	13 12 0	..	..
		Lyallpur.	"	10 7 0	11 2 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 quality.	"	"	8 0 0	8 0 0	..	..
Tea	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 15 0	0 10 5
Tea	For consumption in India.	Calcutta.	"	0 10 4	0 10 4	0 15 6	0 4 4
Potatoes	Pahari Haldwani	Cawnpore	per md.	18 12 0	..	..	..
Groundnuts	Bold.	Bombay.	per 500 lbs.	98 0 0	100 0 0	49 15 0	..
Groundnut Oil	Expeller	Madras.	per 500 lbs.	175 0 0	173 8 0	..	..
Castor Oil	Average	Madras.	per 500 lbs.	207 0 0	205 0 0	145 0 0	..
Coconut Oil	Average	Madras.	38 lbs.	..	17 0 9	..	..
Castor seeds	Average	Bombay.	per candy	16 0 0	16 0 0	13 4 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	16 6 0	16 2 0	11 7 0	7 2 6
Linseed	Small Grain.	Calcutta.	"	..	..	11 4 0	6 13 6
Rape and Mustard	Toria 9% admixture.	Karachi.	per 8 mds. (656 lbs.)	99 0 0	101 0 0	61 12 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F (Punjab) R.G. Jarilla 3/4"	Karachi.	per candy of 784 lbs.	486 0 0	490 12 0	..	..
"		Bombay.	per candy	..	505 0 0	..	..
Cotton Piece-goods.	Grey Dhori 44"X10 yds.	"	"	7 12 9	7 12 9	..	..
	Markin 11 lbs. 43"X38 yds.	"	"	26 6 0	26 6 0	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	..	..
	No. 20s.	"	"	17 8 9	17 8 9	13 5 4	3 12 10
Jute	Raw Firsts.	Calcutta.	per bale of 400 lbs.	..	76 0 0	53 0 0	41 8 0
Jute Bags	B. Twills 2 1/4 lbs. 44"X26 1/2. 6X8.	"	per 100 bags.	..	66 0 0	50 0 0	28 13 0
Wool (raw)	Kandhar (cleaned)	Karachi.	per md.	55 0 0	55 0 0	50 0 0	32 0 0
	Indian quality.	"	"	..	..	..	..
Hides and skin (raw)	Cow hides (Agras).	Calcutta.	per 20 lbs.	9 8 0	9 8 0	9 8 0	7 8 0
		"	"	10 8 0	10 8 0	10 8 0	8 8 0
"	Goat skins (good quality).	"	per 100 pieces.	110 0 0	110 0 0	100 0 0	100 0 0
		"	"	130 0 0	130 0 0	120 0 0	115 0 0
Hides and skin (tanned)	Cow hides.	Madras.	per lb.	0 14 11	0 14 11	0 14 6	0 8 8
		"	"	1 3 6	1 3 9	1 3 6	0 12 10
	Goat skin.	"	"	2 0 0	2 0 0	1 7 0	1 7 6
		"	"	2 5 0	2 5 0	1 15 0	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	5 5 3	3 13 3
Coal	Selected Jharla.	"	per ton into wagon.	9 12 0	9 12 0	4 12 0	4 0 0
		"	"	10 8 0	10 8 0	6 8 0	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.	..	158 0 0	142 0 0	43 8 9
Cement	Indian Swastika.	Calcutta.	per ton f.o.r.	60 0 0	60 0 0	44 0 0	..

*RETAIL PRICE INDEX NUMBERS (BY GROUPS) AT 15 SELECTED RURAL CENTRES
DURING THE MONTHS FEB. TO MAY 1943.

Name of Centre	Cereals				Pulses				Other articles of food				All Food				Fuel & Lighting				Clothing				Miscellaneous			
	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May
Eastern Zone																												
Bamra (Orissa) ..	89	89	111	132	99	96	106	129	97	104	109	118	96	100	108	122	100	110	129	129	99	108	121	142	98	95	100	105
Malbang (Assam) ..	100	111	138	184	110	115	120	120	98	101	108	118	100	104	112	123	105	105	105	107	119	134	144	150	107	109	119	138
Rajapur (Bengal) ..	122	200	270	324	93	91	94	127	94	87	97	107	95	94	106	121	97	99	98	98	99	112	124	143	106	110	119	145
Shankargarh (U.P.) ..	98	99	107	139	101	104	120	141	88	86	98	99	94	95	106	123	100	100	100	100	108	129	133	143	99	97	112	139
Sonali (Bihar) ..	108	147	210	262	100	103	104	107	94	99	108	121	97	108	113	142	77	80	81	81	93	98	130	153	102	114	132	139
Northern Zone																												
Multapi (C.P.) ..	100	109	114	133	100	106	116	133	102	112	117	126	101	110	116	129	100	100	89	89	104	118	112	120	115	155	180	200
Nana (Jodhpur) ..	73	65	68	71	90	103	102	102	97	90	91	94	91	85	89	92	115	127	128	105	119	126	130	133	101	92	113	143
Salamatpur (Bhopal) ..	116	120	118	142	104	93	100	115	95	100	100	105	101	102	104	114	99	99	99	105	114	139	149	..	99	142	142	164
Shujabad (Punjab) ..	126	107	104	135	100	97	96	105	102	93	95	104	109	99	98	115	99	93	94	95	120	128	135	156	105	97	111	126
Gujar Khan (Punjab) ..	125	105	101	121	101	95	92	108	99	91	94	109	103	94	95	110	97	97	97	92	108	131	131	146	107	106	104	117
Southern Zone																												
Krishna (Hyderabad) ..	96	111	130	136	93	102	103	101	100	112	117	121	99	111	118	122	100	100	100	100	101	118	130	133	97	102	123	127
Lakh (Bombay) ..	111	106	106	113	89	91	97	104	92	98	98	110	93	97	98	109	†	†	†	†	106	131	137	135	96	108	121	127
Malur (Mysore) ..	101	101	107	107	103	109	126	130	101	111	113	116	101	103	115	118	86	88	88	102	103	143	176	103	105	124	143	
Muniguda (Orissa) ..	95	99	110	110	97	103	113	113	97	101	105	105	97	101	107	107	109	86	86	86	102	108	143	146	97	100	107	104
Kudchi (Bombay) ..	100	109	120	130	97	99	105	128	103	110	116	122	102	109	115	124	100	100	100	100	103	123	129	136	103	112	121	149

* Provisional Figures.

† Figures for January not available.

STOCKS AND SHARES

BOMBAY (Oct. 19)—

GOVT. SECURITIES—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
2½% 1948-52 ..	99 10 0	99 10 0
3% 1949-52 ..	100 11 0	100 11 0
3% 1951-54 ..	100 2 0	100 2 0
3% 1963-65 ..	98 0 0	97 14 0
3½% G. P. Notes ..	97 9 0	97 8 0
3½% 1947-50 ..	103 6 0	103 6 0
4% 1960-70 ..	115 8 0	115 8 0
4½% 1953-60 ..	116 4 0	116 4 0
3% 1945-55 ..	102 5 0	102 6 0
3% 1944 Defence Loan ..	100 0 0	100 0 0

MISCELLANEOUS—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Alcock ..	518 12 0	525 0 0
Bombay Burma ..	412 8 0	432 8 0
Belapur Sugar ..	244 0 0	254 8 0
Bombay Burma New ..	147 8 0	150 0 0
Bombay Steam ..	617 8 0	622 8 0
Bombay Tramways ..	160 8 0	160 8 0
British Burma Petrol ..	3 0 6	3 4 0
Scindia Steam ..	36 7 0	39 0 0
Shivrajpur ..	70 8 0	74 8 0
Tata Power ..	1,815 0 0	1,890 0 0
Andhra Valley ..	1,885 0 0	1,900 0 0
Tata Hydro ..	202 8 0	203 8 0
Tata Steel Ord. ..	388 0 0	411 0 0
Tata Steel Defd. ..	1,692 0 0	2,021 4 0
Premier Construction ..	185 0 0	195 8 0
Indian Iron ..	36 14 0	37 4 0
Burma Corporation ..	3 15 0	4 0 0
Associated Cement ..	213 8 0	221 0 0
Indian Copper ..	2 7 6	..
Tata Steel 1st Pref. ..	220 0 0	220 0 0
Tata Steel 2nd Pref. ..	153 8 0	156 12 0

	This week	Previous week
	Rs. a. p.	Rs. a. p.

BANKS—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Central ..	77 0 0	78 0 0
Imperial (Fully Paid) ..	1,860 0 0	1,855 0 0
Imperial (Partly Paid) ..	467 8 0	462 8 0
Reserve ..	123 0 0	124 8 0

CALCUTTA (Oct. 18)—

JUTES—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Champdany ..	..	216 0 0
Anglo-India ..	384 4 0	398 0 0
Howrah ..	63 4 0	63 4 0
Kamarhatti ..	649 0 0	544 0 0
Baranagore ..	167 0 0	168 8 0

STEELS—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Bhartia Electric ..	..	15 5 0
Indian Iron ..	37 0 0	37 0 0
Steel Corporation ..	27 2 0	27 5 0
Jessop (Ordinary) ..	20 12 0	..
Kumardhubi ..	..	7 13 0
Saran ..	7 14 0	7 8 0

TEXTILES—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Elgin ..	80 0 0	82 8 0
Cawnpore Textiles ..	12 5 0	12 6 0
New Victoria ..	8 9 0	..

MINES—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Burma Corporation ..	4 1 0	4 2 0
Consolidated Tin ..	..	2 8 0
Indian Copper ..	2 8 0	2 3 0

SUGAR—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Belsund ..	12 0 0	11 8 0
Ramnagar Cane and Sugar ..	..	11 9 0
Samastipur ..	20 0 0	19 8 0
Carew ..	26 3 0	21 15 0

MISCELLANEOUS—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Dalmia ..	17 6 0	..
Rohtas ..	31 4 0	..

TEAS—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Bishnauth ..	39 3 0	..
East India ..	..	16 8 0
Teesta Valley ..	38 9 0	40 8 0

COALS—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Bhaigora ..	9 12 0	9 8 0
Raneegunj ..	..	13 4 0
West Jamuria ..	36 12 0	37 0 0
Burra Dhemo ..	..	7 8 0

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War and Industrial Relations

WRITING on the eve of the war, after his visit to India Mr. Harold Butler, Director of the International Labour Office, made the following pregnant observation. "In fact, the problem of industrial relations may perhaps be considered to be the chief problem confronting Indian industry at the present time and one upon which further industrial development to some extent depends." Considering the relatively small number of industrial workers in India, the prevalence of labour conflicts has been unusually marked. Since the last war there have been periodical waves of unrest and discontent accompanied by long and protracted strikes which in turn were followed by periods of comparative quiescence. But even in relatively peaceful times strikes have been many, and on the whole it must be admitted with regret that Indian industry has yet to find a solution to one of the potent causes of disharmony and dislocation in its sphere.

Thus the widespread turmoil of 1921 and 1922 resulting in 376 and 272 cases of strikes was followed by a diminution of strikes until the appearance of a second wave of unrest in 1928. The depression in 1930

once again reduced the intensity of unrest with the result that in 1932 the number of strikes was only 118, the smallest on record. But from 1937 again judging from the number of strikes and that of the workers involved unrest and discontent seem to have increased in intensity. The number of stoppages of work was 379 and 399 respectively in 1937 and 1938, affecting 6,48,00 workers and 40,000 workers and involving a loss in working days to the extent of 9 million in each year. The advent of popular governments in the provinces, it is said, revived the hopes of the workers, and the turn in industrial prosperity perhaps improved the prospects of successful strikes.

The effects of war on industrial relations are inconclusive. Judging from the number of stoppages of work it cannot be said that industry has a quieter or more pacific period now than before. The number of strikes since 1939 has been as high as in the previous years. Indeed 1942 was the high water mark of disputes. The number of strikes was 654 affecting 8,20,000 workers and involving the loss of 5.3 million working days. No other period could compare with this year in the intensity or dimensions of the unrest. But

1942 was an exceptional year, and the strikes in August, September and October were due to special circumstances of which political disturbances were the most important. Government have been anxious to avoid any disturbance likely to hamper war production and towards their objective have been pursuing the double policy of promoting measures which will reduce strikes on the one hand and of arranging for machinery to prevent stoppages of work. Positively their action has been designed to promote all schemes of welfare, *e.g.*, provision of cheap grain, establishment of canteens, payment of dearness allowances, framing of standing orders relating to wages and other conditions of employment etc. Negatively they have taken powers to prevent strikes and lock-outs by making them a penal offence unless proper notice is given and until two months have elapsed after the Court of Inquiry or Board of Conciliation, if one is set up, have given their findings. The Government have also been ready to refer the disputes to arbitration lest they should lead to prolonged strikes.

On the side of the employers too there is marked anxiety to keep the workers in the main contented and pacific. Wages have increased in all industries and dearness allowances in proportion to the rising cost of living have been freely granted especially where industries have been earning large excess profits. In all cases industrial workers have had the benefit of guaranteed foodgrains, and on the whole industrial workers as a class are relatively better off during this war than other sections of the population. Hence published figures of the number of strikes, number of workers affected, number of days lost etc. are somewhat misleading and do not reflect the comparatively peaceful times that industry is having during war time.

This is on the whole good and satisfactory, but the true testing time will come after the war when both employers and workers will have to face more trying periods of disorganization following the end of the war. It is therefore necessary to deal with the problem of industrial peace from a somewhat wider angle and from the long-range point of view. Many look to legislation for solution. While good legislation is certainly a help, it suffers from a great many limitations. Even the present emergency legislation prohibiting strikes and lock-outs and providing for reference to conciliation and arbitration, has not prevented the occurrence of a large number of strikes and this, despite the fact that in every way conditions are favourable to successful enforcement of legislation. In peace-times however, the limitations of legislation as a weapon against stoppages of work flow from the well known fact that it is absolutely impossible to coerce thousands of workers into accepting a position which they detest. Compulsory arbitration and binding awards suffer from another defect. The tendency to look to external authority to settle disputes is fatal to the evolution of internal machinery for industrial peace. As for binding awards, if they are to command sufficient confidence to justify their enforcement they must rest on the application of criteria which are accepted by the public beforehand. But the framing of acceptable criteria in respect of wages and a number of other questions is almost beyond the capacity of any arbitral authority, as industrial problems do not lend themselves to easily reducible formulas. That is why despite the good intentions of the Bombay Industrial Disputes Act of 1938 and the marked improvement in machinery which it provides for settlement of industrial disputes, we doubt whether its penal provisions, its reliance on external governmental machinery, its compulsory postponement of strikes for a considerable period and its cumbrous procedure for recognition of trade unions have been conceived on right lines. The earlier Conciliation Act of 1934 providing for conciliation on a voluntary basis was constituted on more

prudent lines and should have been allowed to develop by a process of evolution based on experience. In any case war-time arbitration machinery cannot be the foundation for a permanent machinery of industrial peace.

The search for remedies must be preceded by an analysis of the causes of disputes. It is a trite saying that prevention is better than cure, and that strikes are but a symptom of deep-rooted disease and will not disappear unless the causes are removed. These causes are partly psychological but mainly economic. Wages still constitute the major cause of disputes in India as elsewhere, but questions concerning the relation between workers and management or between some workers and others compendiously termed as personnel rank only next in importance to wages. Alleged victimization, dismissal of workers actively associated with trade unions, non-recognition of unions, the dishonesty and corruption of jobbers or other intermediaries—these are the causes of disputes in one out of every five that occur. These can be solved only by the creation of a more favourable psychological setting and atmosphere. For this purpose two things are essential: (1) Welfare work in every individual factory which will provide for the formation of a Works Committee where all questions affecting the workers' welfare and interests will be examined and decided and (2) the development of trade unions on sound lines, which will create in the workers a sense of responsibility. Both are not easy to achieve; they will take time. But they are both worthy ends to be pursued, and unless employers and workers bend themselves to achieve them, the prospects of any durable peace in industry will be remote.

Economic factors are less intractable and can be treated with better chances of success. The payment of minimum wages in all trades where wages are low and of an economic wage where workers are organized and employed in organized industries will go a long way to reduce discontent. Each industry should, besides paying satisfactory wages, organize schemes of insurance and security and seek the help of Government for a subsidy or subvention to such recognized schemes.

Above all what is required is a sense of partnership in industry. Where the bulk of the workers are ignorant, uneducated and liable to be swayed this way and that by agitators, it is not easy for the employer to get into an attitude of regarding the workers as partners in his business. But it would be unfair if therefore he pursues a line of masterly inactivity. The workers' lot has been none too happy or enviable. The employees are in a position to do a lot for them and educate them and raise the level of their understanding and responsibility. At present in a number of factories the workers are not consulted or taken into confidence whenever changes in their conditions of work are made. The Bombay Act already referred to has by providing for prior consultation of and acceptance by the workers of changes in working rules rendered a distinct service to industrial harmony. This feature of the Bombay Act should be made compulsory all over India. But even after everything is done, it is foolish to expect complete harmony and peace in industry. Wider issues like workers' share in management and industrial organization are bound to crop up and will disturb peace time and again. That however is no reason why all that may and can be done to promote peace should not be done. The future industrial development of India depends in a large degree upon the success with which employer and workers are able to solve their common difficulties and problems, and upon their finding the key to better harmony and more satisfactory mutual relationship. To the extent to which both realise that they are partners in service to the people through their work in industry, to that extent the prospects of industrial peace will be bright.

Post-War Re-equipment of Industries

IT is certainly not too early that the Government of India have taken up the question of the immediate post-war requirements of capital goods by Indian industries. The question of capital re-equipment of Indian industries was raised by the Commerce Member in his opening address to the recent meeting of the Post-War Reconstruction Policy Committee on Trade and Industry. The Committee, it is understood, has decided the terms of a questionnaire to be addressed to industries to elicit factual data on which definite plans for post-war developments can be based. The Government are also addressing a circular letter to Chambers of Commerce, Industrial Associations and manufacturing firms who are considered likely to be interested, asking them to inform without delay of the capital goods which they would require for delivery from overseas within a period of two years after the end of the war, to replace worn-out machinery and for the normal development of the industry. The ostensible reason put forward for this early requisition of indents is that orders from all over the world for heavy plant and machinery are already being placed on the chief manufacturing countries who are likely to be in a position to make deliveries after the war, so that there is the apprehension that in view of the huge demand in relation to potential capacity to supply, industrialists may have to be disappointed unless indents are placed early.

This, however, raises certain questions of the greatest moment from the point of view of the balanced development of our economy. For example, the Government will be faced with the most difficult task of the formulation of correct principles governing the allocation of priorities in respect of shipping, foreign exchange and supply of capital goods from abroad. During the war, the question of priorities has been made more tractable by reason of the fact that if needs of the war economy have been of an over-riding nature, they have also been more or less calculable. On the contrary, as the war economy swings back to adjust itself to the requirements of peace economy, certain incalculable factors will be brought into operation. A huge amount of pent-up demand for consumers' goods will immediately clamour for release. The demand for many kinds of durable consumers' goods like clothing, housing, etc., has been to a large extent postponed during the war on account of high price and scarcity or non-availability of supply, while in the case of many other kinds of consumers' goods there has been forced denial or abstinence. All this potential demand will tend to be actualized after the war. Again on the side of industry and commerce also, there would be a general movement for re-stocking and re-equipping. The general distribution of national income has considerably changed during the war, while surplus capital funds have accrued to the various sectors of our economy, not in proportion to the genuine long-term post-war requirements of those sectors, but largely guided by the trends and flows of industrial and commercial opportunities during the war. At the end of the war, the immediate urgencies in respect of both consumers' and producers' goods would make themselves felt. But after a time this short-term pressure of demand will abate and demand will fall in line with the more permanent and long-term development of our economy. To that extent there is an element of incalculability in the nature and structure of post-war demand for consumers' as well as producers' goods. If in the allocation of priorities especially in regard to capital goods, the Government are moved by extraneous considerations and not by the short-term and long-term needs of our economy, there is the grave danger of introducing such structural maladjustments

as will greatly add to the general instability of our economy in the post-war period. There is, therefore, need for greatest circumspection and appreciation of the trends and possibilities of our economy, in the formulation of principles for the allocation of post-war priorities for the import of capital goods. The political inclinations of the Government cannot serve as the basis for the wider social and economic policy which should govern post-war developments.

The capital requirements of our industries after the war naturally fall into two broad divisions—the short-term and immediate requirements and the more long-term requirements for the expansion and development of industries. During the war, there has been considerable expansion of production, partly by extension of plants and partly by intensive working of the existing plants. However, on account of the short-sighted policy followed by the Government, the policy of extension of productive capacity by importation of the needed machinery was not vigorously pursued. Indeed the importation of machinery, etc., has been so restricted that industries have been unable even to maintain normal repairs and replacements. The machinery has been worked to death, so to speak, and apart from essential repairs to keep machinery running, there has been little opportunity for regular and periodical stoppage for any serious overhaul or maintenance or suitable rest-pauses to relieve the "fatigue" to which running machinery is liable. If the machinery is worked double shift or triple shift, the rate of depreciation is more than doubled or trebled. But owing to the difficulty of importing spare parts or necessary equipments, the maintenance of machinery has fallen into heavy arrears. Similarly, roads, railways, rolling stocks, public utilities, and other capital equipments of the country which have been placed at the disposal of the United Nations, have suffered heavy physical depreciation and deterioration, and a considerable volume of arrears of maintenance are accumulating. While in some case excess stocks have been deliberately built up as a sort of insurance against uncertainty, as a general rule, stocks in industry and commerce have fallen below normal. Thus from all these sources, there is a considerable back-log of potential demand for re-stocking and re-equipping which will make itself felt as soon as the stringency of circumstances imposed by the war is removed.

At the same time industry has been labouring under serious handicaps in the shape of the fiscal policy of the Government which pays scant attention to the maintenance of capital equipment of industry. Thus although Mr. M. S. A. Hydari, the Secretary to the Industries and Civil Supplies Department, said on June 1, 1943: "It is realized, of course, that multiple shift working involves a heavy strain on machinery and consideration will have to be given to the problem of making satisfactory provision in respect of depreciation rates to cover the greater wear and tear and so as to make possible rehabilitation after the war," the position has still not been put on a satisfactory basis. Existing allowances for depreciation for extra shifts are only 50 per cent. of normal, although, as we have already pointed out, a double shift involves a more than doubling of the rate of physical depreciation. The depreciation allowances are calculated on written down values which bear no relation to replacement cost. Again with excess profits tax at 80 per cent., industries are under great strains in building up an adequate reserve for postponed renewals and re-equipment after the war. If money value of working capital does not continually rise in accompaniment of rising prices, business stands in grave risk of silently eating into its

capital and finding itself at the end of the war with depleted working capital. Thus on account of both working capital and fixed capital, industry may find itself seriously crippled at the end of the war because of the shortcomings of our fiscal system. Much of the profits accruing in war-time are being dissipated in the shape of inflated cost items, like excessive bonuses and allowances. However, after paying 80 per cent. excess profits tax, two-thirds of the remainder are held in trust on behalf of industry by the Government and to that extent they form a rehabilitation fund which will be available for utilization in the purchase of new machinery after the war.

If our industry emerges out of the war with old machinery and obsolete methods of production, it will be seriously handicapped in the competitive struggle with British and American industries which have experienced considerable rationalization during the war. In Great Britain maximum mobilization of man-power has forced industrial concentration and rationalization. The process of de-concentration will be beset with numerous difficulties and undoubtedly a measure of concentration and rationalization will survive as one of the permanent results of the war. In India, too, a similar process of concentration and rationalization has been effected during the war, although on a much smaller scale. But here, too, the transition from a concentrated stage to one of free production will be beset with difficulties. In India there is a special circumstance. Many of the industrial equipments which have been received on lease-lend basis, have been fully bought by Indian industries, but anomalously enough, the Government has thought fit to attach a condition in many cases that the Government may take back the machines at any time it chooses. This has added an element of instability in the war-time industrial expansion during the war and has prevented even that measure of rationalization and planning which could be effected within the restricted importation of machinery.

Not all the expanded plant capacity effected during the war will retain commercial value after the war. But much of it will and can be converted to peace-time use. If industry is to strengthen its competitive position, it will not only have to take up the arrears of maintenance, but will have to largely renovate its equipment and use better and rationalized methods of production. We can, therefore, discern two stages of reconstruction during the post-war period: *firstly*, there will have to be an improvement of working conditions, coupled with re-planning, re-tooling, improvement of existing layouts and the effecting of the heavy arrears of renewal and re-equipment; and, *secondly*, there will have to be completely fresh equipment of mills with new machinery and better methods of production which will go along with erection of new factories, and extension of productive capacity in consonance with the needs of an expanding economy. With the importation of parent machine tools, a comparatively small machine tool industry has been built up during the war. We can now produce many kinds of special steels and the non-ferrous industries have also been stimulated. We shall, therefore, be able after the war to satisfy a part of our demand for tool steel, taps, dies and small tools. Nevertheless, it still remains true that for the bulk of our requirements of high-grade equipments for replacement as well as rationalization and extension we shall be fully dependent on foreign supplies. Unfortunately, as in the case of depreciation allowance against wear and tear, so in the case of the building up of a reserve for modernization and expansion, our fiscal system is heavily tipped. As a result, for the triple purpose of replacement, rationalization and expansion, our industries will probably have to depend to a large extent on outside capitalization rather than ploughing back of internal capital. Such a process of diffusion of capital

may be a socially desirable process, but nevertheless, the failure of industry to build up an adequate reserve for replacement, rationalization and expansion, constitutes a point of serious weakness.

However, the principles on which priorities should be granted for the importation of capital goods for these three purposes, remain a task of paramount importance. The same problem, *mutatis mutandis*, will also face British industry after the war and considerable attention has been paid there to this task. Recently, Sir George Schuster in an article in *The Times* contended that "nothing can be more important than to have well-laid plans for the re-equipment of British industry and for marshalling our national resources for this purpose." He demanded a clear-cut knowledge of Government policy and the satisfaction of four demands: (1) The timely completion and publication of a comprehensive factual appreciation of the structure and equipment of British industry, (2) the preparation of a unified national programme based on this appreciation, (3) a financial policy to support this programme, and finally, (4) a proper arrangement of decentralized executive agencies to put it into effect.

Here is a clear-cut demand for a comprehensive factual survey of relevant data and the formulation of an effective plan to govern a national policy for re-equipment and modernization of industry. Without such a comprehensive factual survey and well-conceived policy, no rational scheme for the granting of priorities for importation of capital goods is possible. In the absence of either of these, grant of priorities would be governed either by the political bias of the Government or the irresponsible operation of "pressure groups." The result might well prove economically disastrous, if this leads to structural mal-adjustments which cause our post-war economy to wobble from crisis to crisis. But the conclusion cannot be resisted that in the context of the utmost importance of the problem, the belated efforts of the Government to make a factual survey of the needs of our industry are as rudimentary as inadequate. If the Government's efforts are to be of any pragmatic value, we need a more comprehensive survey of the structure, equipment and post-war potentialities of our industry. Such a factual survey can be the basis for the formulation of a "unified national programme," which need to be supported, as Sir George Schuster says, by an adequate financial policy. The Government has not only no such programme, and no financial policy to back it, but its fiscal system itself is as antagonistic as possible to private programmes for re-equipment, modernization and expansion.

What the Government proposes is merely to call for indents for immediate post-war requirements for import of capital goods. But the requirements for renewal and maintenance merge imperceptibly with the requirements for modernization and expansion. In other advanced industrial countries, the problem of reconstruction is merely a problem of rehabilitation—of putting back the economy on a peace footing. But here in India the primary problem is that of modernization and expansion and not merely renewal or maintenance. Consequently, the mere call for indents which the Government now proposes can be no guide to a proper assessment of the true post-war needs of our economy. As our fiscal system has lacked the correct principles of a sensible depreciation and obsolescence policy, the indents will largely conform to the fortuitous accrual of financial reserves guided by war-time profitability and not the long-term needs of the economy. The fact is that however extensive the sector of private enterprise might be in our post-war economy, the Government cannot get away from playing its directive role without disastrous consequences. This

is especially because the Government's measures for economic control which are being slowly but steadily perfected cannot be suddenly withdrawn immediately at the end of the war, and, secondly, because during the immediate post-war years the Government must needs assume the task of distributing priorities in regard to the allocation of shipping space, foreign exchange and supply indents from foreign countries. The nature and direction of the development of our post-war economy will be appreciably conditioned by the manner in which the Government plays its directive role. But the rudimentary questionnaire which the Government is now issuing is totally inadequate in equipping the Government to play its role properly. For the mere collection of private indents does not carry with it the correct principles for the allocation of priorities, which can only be done on the basis of a "comprehensive factual appreciation of the structure, equipment and potentiality" of our industries. Private indents will necessarily be based on the accidental circumstance of war-time reserve combined with what the private industrialist visualizes as the needs of his own industry. Naturally there will be the tendency for him to identify his own interests with the interests of national economic development—a identity which may not really exist. The kind of industry that should be promoted and speeded up after the war may be very different from those envisaged by the private industrialist. Hence priorities should be based on the "unified natural industrial programme" determined by considerations of social utility and not merely on the indents of trade and industry.

For the formulation of a really unified national policy involves such wider issues and considerations

that "advice" tendered by individual sectors can have only partial value. The post-war profitability of the various industries will depend largely on the broader national policy which is adopted in regard to tariff and trade as well as the scope of the plan for concerted economic development. For example, there has been considerable war-time expansion of our productive capacity in the steel or the textiles industry. If no concerted plan for economic development is accepted and executed, these industries will find themselves saddled with excess capacity at the end of the war. On the other hand, if any such concerted plan is put through, the expanding purchasing power in the hands of the masses and the expanding investment needs, would create a steadily growing market for these industries. It follows that even the immediate post-war urgencies cannot be detached and isolated from the broader national policy in regard to trade, tariff, money and industrialization. The Commerce Member was on sure grounds when he said: "In the exigencies of war conditions industries are necessarily organized, mobilized and shaped to meet the exigencies of war production, but it is time that we must try to plan the future, assess the place of these war industries in post-war conditions specially their relationship to others that may come into being and give our thoughts to other human and social aspects of life and conditions of industrial labour in order that men may not decay with a mere accumulation of wealth." But, nevertheless, one cannot help wondering whether the means adopted are commensurate with the ends in view and whether the end of the war will not find the Government quite ill-equipped to face its task, and with the same old complaint, "too little and too late."

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Future of Civil Aviation

AT the Empire Conference on Civil Aviation held recently a common view-point is said to have been reached between Britain, Dominions, India and the colonies. In a statement on the subject, Lord Beaverbrook has stated: "We have the immediate duty to equip ourselves as soon as may be possible with civil aircraft. We must collaborate with the Dominions and India and the colonies in this immense project." Immediately after the last Great War, Britain led the world in civil aviation, and though in the inter-war period the British Government had neglected to encourage further development, Britain in 1939 headed the international list of route mileages with 98,077 miles, the U.S.A. following with 72,632. Britain's record has fallen now. The pressure of war has compelled Britain to concentrate on the production of fighters and other aircraft which will have no use in peace, while the U.S.A. by devoting a third of her capacity to making transport planes, has secured a flying start. The five globe-trotting senators have claimed U.S.A.'s right to the numerous air bases she has built all over the world and from which her aircraft is operating now. But President Roosevelt, dismissing the idea of possession of air bases, has stood by the principle of 'innocent passage,' by which free use of the air ports in any country would be available to any other country. Internal aviation would of course be owned and operated by the individual countries concerned. While a common Empire or United Nations policy cannot be evolved until China and Russia, which are too pre-occupied with land fighting to get their share of aircraft production can devote their due attention to this matter, other Empire countries are busy specifying aims and drawing detailed plans. Australia has planned that all her small towns will be linked by air, that there will be aerodromes every 150 to 300 miles with feeder services to small towns, and that new types of aircraft for the purpose should be manufactured at home. The Canadian Minister of Munitions and Supply, Mr. C. D. Howe has stated that Canada at present engages 100,000 men in aircraft production and 200,000 in military aviation and that she will have her share in air transport with other countries, especially in Trans-Atlantic crossings. The South African Minister of Transport lays down three principles on which the aviation policy of the Union should be based: (1) association with the British commonwealth (2) special consideration of South Africa and (3) the maximum development of South Africa's international air services. But what about India?

Not only have the Government of India been hostile to the growth of aviation industry in this country, as witness their refusal to start an aeroplane industry and the readiness with which they renewed the agreement with Imperial Airways in 1938 without consulting Indian opinion; but India has been represented at the recent Empire Conference by officials who are inherently incapable of securing a fair deal for us. Even apart from the question of proper representation what should be India's share in any scheme of Empire air transport? We may lay down the same principles as South Africa has done and we are entitled to their recognition. We can readily co-operate in any Empire policy if India's rights in respect of ownership, management and control in any scheme of aircraft production and distribution to be evolved are equal at least to those of Britain, Canada or any other Dominion for that matter. As Air Marshal Sir Guy Garrod, Deputy Air Officer Commanding-in-Chief, the Air Forces in

India recently declared, "India's needs for internal civil air lines are as great as those of the United States of America. . . . India is an ideal country for the development of civil aviation. The large distances between its main centres of population and industry call for the most rapid means of communication. Moreover the great inter-continental trunk routes for air traffic between Europe and Africa on the one hand and Asia and Australia on the other pass across India." There will thus be a vast expansion of maintenance and repair facilities and of organizing and managing staffs in India, together with the employment of young men now trained, not to mention the production of the necessary number of aircraft in this country.

On this last question in particular there will be great difficulty. The world's productive capacity for aircraft is likely to be far in excess of the needs of national and international civil aviation. Lord Beaverbrook has stated that Britain would need only 2,000 planes after the war for civil aviation and that would not afford a great basis for aircraft production. India's needs, if her present scope is adequately developed, will be much greater because of her larger area and population. In any case if the internal needs of no one country can provide the basis for the establishment of a giant factory, a joint effort of the Empire countries as was considered at the recent conference in the shape of a cartel or syndicate may be called for, and we may as well clearly lay down the pre-conditions of India's effective participation in such a project. In the first place, India's share in the ownership, control and direction of the organization should be commensurate with her importance, having regard to her area, population and unlimited scope for the growth of civil aviation. In other words her ownership and representation on the Board of Management and on the higher personnel should be in proportion to her importance. At any rate it should in no manner be less effective than that which would fall to Britain's or Canada's or any other Dominion's lot; and the organization should under no circumstances be used as a convenient instrument of bargaining by U.K. at the conference with other United Nations. In the second place, India should have an equal share with any other participant in the matter of employment and training of technical, managerial and other personnel in the concern. In the third place, India may agree to the location of the factory in any suitable area dictated by considerations of economics and strategy; but may claim an equal locational advantage as any other country, say, England or Australia, both because she has abundant and rich reserves of bauxite and aluminium ore essential to the industry and because she occupies, according to informed Allied military opinion, the most strategic position in the east. The strategy in the western hemisphere can easily be met by the aircraft capacity of Russia and the U.S.A. Lastly, irrespective of any Empire policy to which we might become a party, we should enjoy the freedom to retain within the borders of this country the nucleus of an aircraft industry which will not only afford to our young men desirable opportunities of technical training, knowledge and research, which might otherwise prove difficult and costly, but also be capable of expanding easily to satisfy a growing internal demand for air services. Except on these terms, participation in an Empire scheme will be both unprofitable and unsafe. In view of the issues involved we shall revert to the subject in another article.

The Week's Notes

ECONOMIC DISINTEGRATION IN BENGAL

The acute food crisis in Bengal could not fail to bring to bear enormous economic pressure on different economic strata of rural and urban society and in many sectors signs of disintegration have become visible. The great efforts made in recent weeks to relieve the situation in Calcutta have apparently made little impression, while conditions in the interior have shown signs of further deterioration. This time of the year there is a stringency in the food market even in normal years, and this year super-imposed on the general food crisis, the situation has assumed grave aspects. There are probably one lakh and a half destitutes in Calcutta today. But the situation among the lower middle class in urban areas is no less acute. Due to fear of social obloquy, the lower middle classes cannot go to the relief kitchens, but it can be safely said that a great majority of this stratum of society are living on one meal a day. Cases have become increasingly frequent where families from this stratum of society have been forced to sell their household utensils and other household effects from sheer economic pressure. Many who have been dependent on income from small urban properties have been forced to sell out and live on capital. In the villages also, the class of landless labourers working on the land has greatly increased in number. Owing to the high price of grains, in many cases the labourers on the land are paid not in kind but in cash which has no relationship with the rising cost of living. This proletarianized labour force soon run through their small cash resources and form an impecunious mass which tends to gravitate to the urban areas in the off-season and further complicate the situation there. This provides a sort of photographic negative of the picture we previously had of our industrial labour force periodically returning to the villages. But the position of even the small farmers is not as enviable as we imagined. More and more the small farmers and the landless labourers are selling their land, houses and household effects in order to procure the wherewithal to purchase bare necessities of food. A press message from the sub-division of Gai-bandha in the district of Rangpur, Bengal, brings out the appalling rural impoverishment and acute food scarcity, revealed by the magnitude of land transactions resorted to by the agriculturists. It transpires that under Garibandha police station alone as many as 540 deeds of sale, lease and mortgages were executed in three days from October 17 to 19. Such a state of affairs constitutes an amazing evidence of the rapidity with which the lower urban and rural classes are disintegrating economically under our very eyes. Manifestly society in Bengal is having a severe testing and especially at the lower ends, it has got alarmingly frayed.

PROBLEMS BEFORE THE HEALTH COMMITTEE

The Health Survey and Development Committee recently appointed by the Government of India has commenced its labours. In his message to the opening meeting of the Committee, the Viceroy has touched upon some of the defects of our health organisation deserving attention. In the highly organised countries of the world a large-scale system of social services, comprising maternity and child welfare, sickness insurance, slum clearance and rehousing, and well-equipped hospitals and highly qualified medical men, guards the health of the community. But in India we have traversed only a

small part of the road to national health. Our system of preventive and curative medicine is still in its rudimentary stages of organisation. Vast rural areas are for ever in the grip of epidemic and endemic diseases without prompt and adequate service. Our mortality rates are generally very high and rates of infantile and maternal mortality simply appalling. The state of housing and water supply in the rural areas is abominable. But it is no less so in the urban areas. In the words of the Viceroy, "In our cities we have slums which are a disgrace to a civilised country." Work so far done to clear slums and rehouse the slum dwellers is utterly inadequate. In short, the Health Committee has to survey the entire range of preventive and curative medicine, estimate the number of hospitals, clinics, welfare centres and doctors requisite to the attainment of the minimum, work out practicable schemes of urban and rural slum-clearance and water supply and last but not the least, arrive at the order of magnitude of the public expenditure that will have to be incurred to finance the immediate and ultimate requirements of the plan. The task is an immense one, one of the greatest importance to the future of this country. Fortunately, no narrow, or rigidly defined terms of reference have been laid down to fetter the freedom of the Committee's enquiries. Sir Jogendra Singh has rightly stressed that the Committee should survey the whole field and produce a plan of national health. Sir Joseph Bhowe, the Chairman of the Committee, has assured us that they would not approach the interpretation of their task in any narrow spirit. Mr. Sargeant, the Educational Commissioner, has already produced a comprehensive and all embracing plan of national education. We look forward to the Health Committee's labours resulting in an equally comprehensive plan of national health.

A CLIMB DOWN

Persistent pressure and propaganda have brought victory to the cloth dealers. After taking an initial bold stand in refusing an extension of time, the Government of India have now found convincing reasons to extend the final disposal of cloth and yarn manufactured before August 1, by December 31. Insistence on final disposal by the end of October might harm the consumer! People will no longer be inclined to hoard cloth and yarn. Production has been speeded up and cloth prices brought under effective control. The future trend of prices will definitely be downward and not upward. Insistence on sale by the end of October might drive stocks underground. So runs their argument. Yet the dealers have won and the Government have lost. Ever since the promulgation of the Order, the dealers have been withholding a substantial volume of stocks from the market and playing for time, so that when the end of October was in sight they could with an air of plausibility point to the 2,700 million yards of declared stocks and contend with an air of injured innocence that the huge stocks could not be disposed of all at once. Government have permitted such a situation to develop by their failure to bring about sales of these stocks in the abundant period of nearly five months from the middle of June. Government's claims to have conclusively brought down cloth prices and assured adequate production and supply still remain to be verified. Desirable or not, the market, retail and wholesale, did not react to the existence of these large hoards. Indeed but for the certain knowledge that Government will climb down, it is difficult to explain the resistance of the market

even to desirable price falls. The arrangement for the distribution of standard cloth, which, in their view have had a salutary effect on prices, are, it is common knowledge, notoriously unsatisfactory. What guarantee have we, after all this, that if the stocks are not disposed in the coming two months a further extension will not be granted, and that for the distribution of other cloth too efficient arrangements have been made? The aspect of distribution in the control scheme is the least satisfactory, and the present amendment does not improve it.

BULLION HOARDING VERSUS FOOD HOARDING

To few economic and political questions can answers be given in a simple affirmative or negative. The *Financial News* claiming a knowledge of Indian affairs which obviously it cannot possess, affirms categorically that the people of India, lacking other objects of expenditure, concentrate their purchasing power on food and draws the conclusion that "the disappearance of food supplies (underground) has obliged the Allies to divert stocks and precious shipping space to India to avoid accentuation of the famine and that it is false economy to sacrifice ship space and supplies to avoid sacrificing bullion." This statement is illustrative of the sort of half-truth in which most people not intimately acquainted with Indian conditions indulge. The failure to face the fact of shortage of food supply in India is both tragic and disingenuous. It has stood in the way of bringing relief to the suffering humanity in the country and now that some relief is forthcoming, it is wrong to divert attention from the compelling need to send out foodgrains to India. As for the question of satisfying the hoarding propensities of the people by exporting gold and silver to India there is no doubt that if the demand could be met, it will to some extent stop further increases in price. But the actual physical shortage of essential goods would still be there; that can only be remedied by greater production, rationing and price control. We have already expressed our conviction that the import of silver at its present high price will be undesirable; apart from the large pressure on shipping space which the import of silver to the extent of say, Rs. 200 to 300 crores, will involve, the inevitable decline in prices which will follow the end of the war will cause great loss of value in the people's silver hoards. If imports are practicable, they should be confined to gold. Gold import will relieve the inflationary pressure more readily and will not involve the same risk of loss of assets after the war as silver.

GERMANY'S ECONOMIC GRIP ON EUROPE

The tentacles of economic domination which Germany has so inexorably stretched out throughout the continent of Europe, especially during the last four years of war, present extremely complex and difficult problems to the task of economic rehabilitation which will present itself after the defeat of Germany. The process of integration of the entire European economy under German domination and control has itself been the natural accompaniment of total mobilization for war. But special circumstances like the bombing offensive on the West have also forced a great measure of interpenetration of German and European industrial organizations. On the one hand, great German industrial trusts like the Herman Goering Werke and I. G. Farbenindustrie have extended their control over practically every industrial concern in Europe through a variety of devices like direct financial control and indirect technical control, e.g., by withholding small but vital parts of machinery, essential chemicals or catalysts and so on. During the war when all sources of raw materials and industrial equipment are necessarily controlled, German control of all industrial concerns in Europe has necessarily acquired a new compre-

hensiveness. Very often decisive financial control of industries in occupied Europe has been taken up by seemingly legal means by means of purchases which are, however, paid for out of occupation costs imposed on the same countries. It would be a most laborious task to follow in details the amazing network of ramifications of financial control which has woven together the entire continent—all threads of ultimate control being in the final analysis gathered up in one or other of the great German trusts. Further, especially the I.G. Farbenindustrie has organized the entire continent on the basis of self-sufficiency and systematic use of substitute products, so that the different sectors of the continental economy have become so intimately linked up in a new fabric of interdependence that it would not be easy for the industries to break away from this and return to the "natural" order after the war. The bombing offensive on the West has also forced a considerable migration of German industry towards the eastern non-German countries, e.g., the Upper Silesian basin, comprising the German part of Silesia, Polish Silesia and the former Czech parts. The Protectorate of Czechoslovakia is now worked to capacity to such an extent that there has been an acute housing crisis throughout the Protectorate. Today, under a new decree, proprietors of rooms can only dispose of such rooms if they obtain permission from the Chairman of the Armaments Commission. All this point to the magnitude of the migration of German industries. This, together with the inevitable process of radical rationalization has caused such an amazing degree of interpenetration of German and non-German interests that it would be nearly a hopeless task to disentangle those interests and get back to the pre-war economic order. The Germans have not directly challenged proprietary rights as such, and this has rendered the task of disentanglement even more difficult. Even after German military power has been broken in Europe, it would be no easy task to straighten out the complex and entangled skein of intra-European economic relationships.

HYDRO-ELECTRICITY IN INDIA

The development of power at a cheap price is almost the *sine qua non* of modern industrialization. Of the two sources of power, coal and electricity, the latter is the more extensive in most countries including India as also the more economic. Apart from the fact that we can better utilize coal power after conversion into thermal electricity, our resources in hydro-electric power alone can form the basis of intensive industrialization after the war. India possesses a potential reserve of about 27 million kilowatts out of an estimated world total of 410 million kilowatts (or about 7 per cent.), while we have developed only half a million kilowatts so far. To give an interesting comparison, while our potential resources are nearly five times those of Japan, our developed resources are only one-fifth of hers. The place of this power source in post-war reconstruction was reviewed at the meeting of the Reconstruction Policy Committee held on Monday. The Labour Member who presided rightly laid emphasis on devising ways and means at an early date for securing generating plants as there would occur a rush for capital goods after the war. Indeed, considering the fundamental nature of hydro-electricity power-generating plants should be put first in our post-war order for capital equipment. The Commerce Member relevantly observed that the scientific development of Indian agriculture may itself depend upon the extensive electrification of the country as the production of inorganic fertilizers at a cheap price was largely dependent on cheap power. So does the aluminium industry. The consideration that agriculture will have to become and remain our biggest industry should alone make planners in this country get to business in the

matter at once. The suggestions which the Electrical Commissioner put before the Committee make a very decent start but are not quite encouraging for a planned development policy. He saw the possibility of schemes totalling about 700,000 k.w. of generating capacity as ranking for serious consideration in the immediate post-war programme. Though that means more than doubling our developed resources, its percentage to our potential resources continues to remain rather insignificant. The Commissioner also suggested an All-India advisory body to assist in the preparation of power schemes and in schemes for their financing. But a preliminary need appears to be a complete and authoritative survey of the existing resources and of their possibilities in exact economic terms, i.e., in terms of the extent to which they are economical to the industrialization of different regions in the country. In this connection the Commerce Member rightly appealed to the provincial and State Governments to take a long-range view of hydro-electric power in India and co-operate on an all-India basis. The possible regional advantage of a scheme should not be allowed to be vitiated by the sectional considerations within it—a danger greatly present in this matter in our country.

TEA GARDEN LABOUR

The report of the Controller of Emigrants for the year ending September, 1942, reveals a deterioration in the none too good conditions under which the Indian labourer toils to provide the world its tea and the planters their profits. A tendency to employ cheap child labour at the cost of the adult is evident. A decline in family earnings and worsening of the conditions of living is the inevitable result of such a tendency. Another evidence of increasing poverty is perhaps the marked downward trend in the amount of remittances which the emigrants have made to their homes. For instance in 1942 the amount sent was Rs. 1,75,816 as compared to Rs. 2,20,05 in 1941. The average monthly cash earnings in the two valleys of Assam are reported to be as follows:

	Assam Valley			Surma Valley		
	1942	1941		1942	1941	
Men	8 11 5	8 2 1		6 15 0	5 8 10	
Women	7 2 10	6 8 4		5 7 1	4 12 4	
Children	5 4 0	4 0 4		2 11 0	3 3 5	

One is constrained to ask: can such wage be regarded as fair or decent. Figures speak for themselves. Even when we allow for the fact that rice was supplied at the concession rate of Rs. 5 per maund and certain cloth allowances were made the extent of which has not been revealed, it is easy to realize that far from being adequate to maintain a family, the wages paid to a man in these gardens are not even enough to give him the minimum standard of nutrition and decency in food and clothes. It is obvious that in these plantations the whole family of man, woman and child must toil to eke out a margin of subsistence. Much has been made of the rise of a few annas in the wages of these labourers between 1941 and 1942. But when it is remembered that the cost of living has risen from 50 to 100 per cent. in most parts of the country and the wages paid in other industries have increased two to three times, this little rise appears totally disproportionate. The injustice of the case appears all the more glaring when we contrast the little increase in the wages of tea garden labour with the increase of 100 to 200 per cent. in the price of tea during the latter half of 1942 and the early part of 1943. It is thus evident that the labourers in the tea gardens fettered with their three-year contracts and D.I.R. Rules have been made to work in an area rendered insecure by enemy bombings for a small rise in wages. But the most disquieting feature of all is the increase in death-rate from 18.72 to 19.21. The death-rate in tea gardens is

normally higher than in other parts of Assam, and no amount of gloss can hide the fact that conditions of health that were already deplorable are going from bad to worse.

Instead of taking serious notice of these deplorable conditions in the tea gardens revealed by the report, the Government are diverting the public's attention to non-essentials. We are told about the increase in the number of schools, and the popularity of football and hockey. But such stunts can deceive nobody. The tea industry is a sheltered industry in every sense of the term. It is almost a monopoly; it is far removed from the welcome sunshine of publicity and public opinion. The public have no means of studying conditions for themselves, and have to rely on these reports which are not as informative and objective as they might be. Why should not the industry run on a profit-sharing basis? Instead of trying to deal with these important problems, the Government betray a complacent and smug attitude which is as deplorable as it is mistaken.

BHAVNAGAR STATE BUDGET

In his opening speech at the first budget session of the Bhavnagar Dara Sabha, the Dewan President, Mr A. P. Pattani, referred to the new War Profits Tax which was expected to yield Rs. 12 lakhs, and stated that it would be utilized partly as a fund for development of commerce and industry after the war and partly to liquidate illiteracy. The War Profits Tax is a moderate levy based on the excess profits over a datum period and has been approved by the Dara Sabha. The budget showed a revenue estimate of Rs. 75.55 lakhs and an expenditure of Rs. 96.97 lakhs, the deficit being proposed to be met by utilizing the interest on reserve funds and the net income from railways. Reviewing the food situation, the Dewan stated that it was proposed to introduce rationing in Bhavnagar city but that he was for getting adequate supplies of foodgrains before the actual introduction of rationing.

WAR-TIME CURRENCY AND PRICES

The May Number of the League of Nations monthly bulletin of Statistics reveals certain interesting facts. There may be a world of difference in the social philosophy of the Nazis and our Allies, but there is a striking similarity in their economic policy of shifting the burden of inflation to the countries subject to them. While by far the greater real burden of the war is borne by the U. K., Germany and the U.S.A. the countries that have been faced with the largest expansion of currency, rise in wholesale prices and cost of living are Bulgaria, Finland, Iraq, India and other politically dependent countries. The sharp advances in the foreign asset (Sterling) reserves of India, Iraq etc., compare with the reichmark balances of Belgium, Finland, Netherlands and the Protectorate of Bohemia and Moravia, indicating the excess flow of goods and services to the master peoples.

The present position of Germany is often compared these days to her plight in 1918. There might be some similarities strategically, but there is none in the economic sphere. As a contrast to the phenomenal rise in prices, which was 30 per cent. officially in 1918 and the expansion of German currency which was a prelude to the memorable inflationary catastrophe of 1921, it is worth noticing that the German prices have registered the least percentage rise (9 per cent.) and their currency expansion does not compare very unfavourably with that of the U.S.A. After the present war possibly China will earn the unenviable distinction of being the worst possible inflationist country, with the inevitable breakdown of her currency system—a position held by Germany in the last war. The cost of living in China is said to have increased by 2,149 per cent. over the 1939 level by August 1942 according to the League figures. It is difficult to conceive the human misery which this figure of a rise of cost of living indicates.

SPECIAL ARTICLES

Planning and the Rule of Law

By F. A. Hayek

[Professor Hayek is an economist of international reputation. His strong bias against planning is well-known. Although his ideas run counter to those of many of us who are believers in planning, they merit our attention. We publish below the first part of his article exclusively sent to us for publication. The second will appear next week.—Ed.]

Recent studies in the sociology of law once more confirm that the fundamental principle of formal law by which every case must be judged according to general national precepts, which leave as few exceptions as possible and are based on logical subsumption, obtains only for the liberal competitive phase of capitalism.

[—K. Mannheim]

NOTHING distinguishes more clearly conditions in a free country from those in a country under arbitrary government than the observance in the former of the great principle known as the Rule of Law. Stripped of all technicalities this means that government in all its actions is bound by rules fixed and announced beforehand—rules which make it possible to foresee with fair certainty how the authority will use its coercive powers in given circumstances, and to plan one's individual affairs on the basis of this knowledge.* Although this ideal can never be achieved perfectly, since legislators as well as those to whom the administration of the law is entrusted are fallible men, the essential point, that the discretion left to the executive organs wielding coercive power should be reduced as much as possible, is clear enough. While, of course, every law restricts individual freedom to some extent by altering the means of which people can make use in the pursuit of their respective aims, under the Rule of Law the government is prevented from stultifying individual efforts by *ad hoc* action. Within the known rules of the game the individual is free to pursue his personal ends and desires, certain that the powers of government will not be deliberately used to frustrate his particular efforts.

The distinction between the creation of a permanent framework of laws within which productive activity is guided by individual decisions, and the direction of productive activity by authority is thus really a particular case of the more general distinction between the Rule of Law and arbitrary government. Under the first kind of order the government confines itself to fixing rules how and under what conditions the available economic resources may be used, leaving the decision for what ends they are to be used to the individuals. Under the second kind of order the government directs the use of the means for particular ends. The first type of rules can

*According to the classical exposition by A. V. Dicey in the *Law of the Constitution* (8th ed. p. 198) the rule of law "means, in the first place, the absolute supremacy or predominance of regular law as opposed to the influence of arbitrary power, and excludes the existence of arbitrariness, of prerogative, or even of wide discretionary authority on the part of Government." Largely as a result of Dicey's work the term has, however, in England now acquired a narrower technical meaning which does not concern us here. The wider and older meaning of the concept of the rule or reign of law, which in England had become an established tradition which was more taken for granted than discussed, has been most fully elaborated, just because it raised what were these new problems, in the early 19th century discussions in Germany about the nature of the *Rechtsstaat*.

be made in advance, in the shape of formal rules which do not aim at the wants and needs of particular people. They are intended to be means, to be merely instrumental in the pursuit of the people's various individual ends. And they are, or ought to be, intended for such long periods that it is impossible to know whether they will assist particular people more than others. They could almost be described as a kind of instrument of production, helping people to predict the behaviour of those with whom they have to collaborate, rather than as efforts towards the satisfaction of particular needs.

Economic planning of the collectivist type necessarily involves the very opposite of this. The planning authority cannot confine itself to provide opportunities for unknown people to make whatever use they care to make of them. It cannot tie itself down in advance to general and formal rules which prevent arbitrariness. It must provide for the actual needs of people as they arise and choose deliberately between them. It must constantly decide questions which cannot be answered by formal principles, and in making these decisions it must set up distinctions of merit between the needs of one person and another. When the Government has to decide how many pigs are to be reared, how many buses are to be run, which coal mines are to operate, or at what prices boots are to be sold, these decisions cannot be deduced from formal principles, or fixed for long periods in advance. They depend inevitably on the circumstances of the moment, and in making them it will always be necessary to balance against each other the interests of various persons and groups. In the end somebody's views will have to decide whose interests are more important; and these views must become part of the law of the land, a new distinction of rank which the coercive apparatus of government is used to impose upon the people.

The distinction which we have just used between formal law or justice and substantive rules is very important and at the same time a most difficult one; it is almost impossible to draw it precisely in practice. Yet the general principle involved is clear enough. The difference between the two kinds of rules is the same as that between laying down a Rule of the Road, as in the Highway Code, and ordering people where to go; or, better still, between providing signposts and commanding people which road to take. The formal rules tell people in advance what action the State will take in certain types of situations, defined in general terms, without reference to time and place or particular people. They refer to typical situations into which anyone may get and in which the existence of such rules will be useful for a great variety of individual purposes. The knowledge that in such a situation the State will act in a definite way, or allow people to behave in a certain manner, is provided as a means which people can use in making their own plans. Formal rules are thus merely instrumental in the sense that they are expected to be useful to yet unknown people, for purposes for which these people will decide to use them, and in circumstances which cannot be foreseen in detail. In fact, that we do not know their concrete effects, that we do not know what particular ends these rules will further, or which particular people they will assist, that they are merely given the form most likely on the whole to benefit all people affected by it, is the most important criterion of formal rule in the sense in which we here use this term. They do not involve a choice between particular ends or particular people simply because we cannot know beforehand by

whom and in what way they will be used. This attribute of a formal rule—our ignorance of the concrete incidence of its effects—is merely another aspect of the fact that it can be used for a great variety of purposes and that it is made and announced before the opportunity for its use arises.

In our age, with its passion for conscious control of everything, it may sound paradoxical to claim it as a virtue that under any system we shall know less about the particular effects of any measure that the State takes than would be true under most other systems: that a method of social control should be described as superior because of our ignorance of the concrete results which will spring from social decisions. Yet this consideration is in fact the *rationale* of the great liberal principle of the Rule of Law. And the apparent paradox dissolves rapidly when we follow the argument on which it is based a little further.

This argument is two-fold: according to the one, the economic argument, with which we are not mainly concerned here, the State should confine itself to establishing rules applying to general types of situations and allow individual freedom in everything which depends on the concrete circumstances of time and place, because only the individual concerned in each instance can fully know these circumstances and adapt his action to them. If these individuals are to be able to use their knowledge effectively in making plans, they must be able to predict actions of the State which may affect their plans. But if the actions of the State are to be predictable, these must be determined by rules fixed independently of the concrete circumstances which can neither be foreseen nor taken into account beforehand; and the concrete effects of such actions will be unpredictable. If, on the other hand, the State were to direct his actions so as to achieve particular ends, its action would have to be decided on the basis of the full circumstances of the moment and would therefore be unpredictable. Hence the familiar fact that the more the State plans the more difficult planning becomes for the individual.

Still more important is the second, moral or political, argument with which we are here mainly concerned. If the State is precisely to foresee the incidence of its actions, it means that it can leave those affected no choice. Wherever the State can exactly foresee the effects on particular people of alternative courses of action, it is also the State which chooses between the different ends. If we want to create new opportunities open to all, to offer chances of which the people can make what use they like, the precise results cannot be foreseen. General rules, genuine "laws" as distinguished from specific orders, must, therefore, be intended to operate in circumstances which cannot be foreseen in detail and where, therefore, it cannot be known beforehand what will be the effect on particular ends or particular people. It is for this reason alone that it is at all possible for the legislator to be impartial. To be impartial means to have no answer to certain questions—to the kind of questions which, if we have to answer them, we decide by tossing a coin. In a world where everything was precisely foreseen, the State could hardly do anything and be impartial. But where the concrete effects of government policy on particular people are known, where the government either directly aims at such particular effects, or, because the measure is not intended as a general and lasting rule but is aimed at a particular situation, the government cannot help knowing the concrete effects, it cannot be impartial. It must, of necessity, take sides, impose its valuations upon people and, instead of assisting them in the advancement of their own ends, choose the ends for them. As soon as the concrete effects are foreseen at the time a law is made, it ceases to be a mere instrument to be used by the people and becomes instead an instrument used by the law-giver

upon the people and for his ends. The State ceases to be a piece of utilitarian machinery intended to help the individuals in the fullest development of their individual personality, and becomes a "moral" institution—where "moral" is not used in contrast to immoral but describes institution which imposes upon its members its views on moral subjects—whether these views be moral or highly immoral. In this sense the Nazi or any other collectivist State is "moral" while the liberal State is not.

It is sometimes argued that all this raises no serious problem because in the kind of question which the economic planner would have to decide he need not and should not be guided by his individual prejudices, but could rely on the general convictions of what is fair and reasonable. This contention usually receives weighty support from those who have experience of planning in a particular industry and who usually find that there is no insuperable difficulty in arriving at a decision which all those immediately interested in will accept as fair. The reason why, in fact, this experience proves nothing is, of course, the selection of the "interests" concerned when planning is confined to a particular industry. Those most immediately interested in a particular issue are not necessarily the best representatives of the interests of the whole society. To take only the most characteristic case; when capital and labour in an industry agree on some policy of restriction and thus exploit the consumers, there is usually no difficulty about the division of the spoils, in proportion to former earnings or on some similar principle. The loss which is divided between thousands or millions is usually simply disregarded or yet quite inadequately considered. If we want to test the usefulness of the principle of fairness in deciding the kind of issue which arises in economic planning we must apply it to some questions where the gains and the losses are seen equally clearly. In such instances it is readily seen that no formal principle such as fairness can provide an answer. When we have to choose between higher wages for nurses or doctors and more extensive services for the sick, more milk for children and better wages for agricultural workers, between employment for the unemployed and better wages for those already in employment, nothing short of a complete system of values in which every need of every person or group has a definite place will provide an answer.

In fact, as in any society, planning becomes more and more extensive it becomes necessary to qualify legal provisions more and more by reference to what is "fair" or "reasonable." One could write a history of the decline of the Rule of Law, the disappearance of the *Rechtsstaat* in terms of the progressive introduction of these vague formulae into legislation and jurisdiction, and of the increasing arbitrariness and uncertainty of and the consequent disrespect for the law and the judicature which in the circumstances could not but become an instrument of policy.

Planning thus necessarily involves deliberate discrimination between particular needs of different people, and allowing one man to do what another must be prevented from doing. It must make it a legal rule how well particular people shall be off and what different people are allowed to do. It means in effect a return to the rule of status, a reversal of that "movements of progressive societies" which, in the famous phrase of Sir Henry Maine "has hitherto been a movement from status to contract." Indeed, the Rule of Law, more than the rule of contract, should probably be regarded as the true opposite of the rule of status. It is the Rule of Law, in the sense of the rule of formal law, the absence of legal privileges of particular people designed by authority, which alone safeguards that equality before the law which is the opposite of arbitrary government.

Cambridge. (To be continued.)

THE WORLD ABROAD

Restoring Cotton Consumption

(From Our Washington Correspondent)

WASHINGTON, Oct. 25 (By Cable).

THE United States cotton producers and cotton textile manufacturers last week planned a three-point programme designed to restore cotton to the primary place in American agriculture after the war and indirectly to affect growers worldwide. The post-war campaign formulated at the annual meeting of the Cotton Textile Institute in New York City included, firstly, improvement of the quality of American cotton and increased yield per acre, secondly, fixation of the annual domestic consumption goal at 8 million bales and, thirdly, raising the proportion of cotton piecegoods exported from five to ten per cent. of the total production.

Stress on the necessity for improving the quality merely echoed the pleas made last summer at a similar meeting at Memphis, but last week's speakers were able to claim substantial progress. Mr. C. C. Smith, Director, Cotton Division of the Commodity Credit Corporation, reported that mills generally used better grades since the beginning of war. He said the grade of Upland cotton ginned through September 30 was substantially above that of the same period a year ago, i.e., 1,368,000 bales strict middling and higher white and extra white were ginned through September 30 or 478,000 more than the same quantities in 1942 crop. Mr. Smith added that the average staple length 1943 was 31.9 compared to 31.8 last year.

The drive for increased domestic consumption was keynoted by Mr. Oscar Johnston, President, National Cotton Council, who also urged educating the populations of Europe, the Far East and the Latin America to such extensive use of cotton that the per capita consumption will be raised to three pounds annually, thus offsetting United States over-production. Mr. Johnston also discussed the reduced acreage programme instituted several years ago between Memphis and Vicksburg, and revealed that as much cotton is now grown on 42 per cent. of the acreage as produced when 72 per cent. as much land was used. He further reported despite labour shortage Mississippi does not intend to increase acreage next year but, nevertheless, expects to produce at least as large a crop as the previous.

Experts who attended the convention agreed that domestic consumption could well average more than 8 million bales annually after the war. There was less unanimity, however, regarding needs of cotton. It is believed here that European stocks of cotton are virtually exhausted. Even assuming that there were increased plantings due to war it is doubtful if the combined cotton production of Spain, Italy,

the Balkans and Turkey exceeded 200,000 bales. It is calculated that normal purchases of American cotton after war should average 1,300,000 bales for England and 2,400,000 for the Continent.

The two-price system after the war was favoured by most of those attending the convention—with exports subsidized by Government to enable the United States to compete in world markets.

Mr. William C. Planz, President, Textile Export Association, advocated a two-point method for adequate development of post-war textile exports, firstly, proper perspective of American needs by business and economic delegates which the United States sends to the peace conference, and secondly, export subsidy bringing the cost of United States cotton to world price level and counteracting in the least part wage differential against the United States.

Mr. Planze said: "Normally the volume of exports is roughly only four to five per cent. of the total production of cotton piecegoods. We have got to make as 'much' of exports as British do, and if we do it well exports can take not five per cent. but ten per cent. of our production. If that is achieved, profits will come from the remaining 90 per cent. which can be sold at profit and not loss or just 'breakdown'."

Several speakers told the convention that too much emphasis is being placed on synthetic fibres as chief competitors of cotton whereas actually great inroads have been made in recent years by wood and paper into markets which were formerly cotton outlets. Thus wooden venetian blinds have replaced cotton awnings due to fire hazard while wooden containers and paper bags have been substituted for cotton bags. Paper towels and other paper household products are similarly being used instead of cotton manufactures.

Mr. John Scatterry, Vice-President, New York Cotton Exchange, stressed the vital functions of cotton futures markets in maintaining economic balance when war ends and Government cancels contracts. Mr. Scatterry opined that price swings would not be as large as immediately after Pearl Harbour or after the last war, but "there is foreseeable range in price fluctuations, 4 cents a pound in raw cotton during the next twelve or sixteen months—approximately 18 to 20 cents." Mr. Scatterry estimated "free stock" not in Government loan or ownership totals five million bales. "If any appreciable part of these five million bales starts moving in any direction the price gyrations of four cents is going to seem a conservative prediction. Futures market is going to function in a big way to cushion any such movement. It must be used to protect and preserve capital. Do not underestimate the necessity of this capital insurance."

Treasury's Monetary Policy

(From Our London Correspondent)

LONDON, Oct. 25 (By Cable).

THE appointment of Sir John Anderson as Chancellor of the Exchequer in place of the late Sir Kingsley Wood has been received with general approval, at least in so far as personal qualities are concerned. It is too early to do much speculation about the policy he is likely to pursue. But there are some indications which lead one to expect a certain amount of change in the monetary policy pursued by his predecessors. No doubt there will not be any abrupt change in the treasury policy of today, whatever changes the new Chancellor has in mind; if he has such, will be introduced in day to day decisions rather than in the way of a general change.

Sir John Anderson has been trained in Civil Service tradition but he is keen to have his own opinions and may not be so easily persuaded by advisers as his immediate predecessor. The latter was always ready to listen to new ideas and he definitely had the gift of making the best of expert advice. This, rather than his own expert knowledge, made him one of the most successful Chancellors of the Exchequer. On the other hand, Sir John Anderson had to deal with vast problems in his last office and is credited with a fairly open mind. Often he has been called in as arbiter on inter-departmental problems. But his leanings towards competitive economy are known, and on monetary matters he appears to stand much nearer the orthodoxy than did Sir Kingsley Wood. It is known, too, that Professor Robbins, of the London School of Economics, is his favourite economic adviser. Robbins, of course, is all for a new sort of *laissez faire* policy and the London School of Economics outlook on monetary theory and policy, of which he is the leading teacher, is on many important points opposed to Keynes.

From this one may conclude that there is at least a chance that the cheap money policy pursued for more than a decade by the Treasury may come under review at an early date. It is also likely that Sir John Anderson will be more inclined to listen to those American and other economists and interests who want a return to something like the gold standard of old. How far the Cabinet would be willing to support him in such a policy it is difficult to say. There would, no doubt, be forthcoming a goodly amount of support for a revision of the strict cheap money policy from many sections of Parliament. Though it will mainly be City influence, it will none the less be fairly strong.

This writer does not think that the forces mentioned will be seeking for an entire revision of the policy. What they demand is, rather, a loosening of the reins of the Treasury on the rate of interest. On the question of a return to the gold standard Parliament will, however, put up a fight of opposition. It should not be said, however, that the new Chancellor of the Exchequer has as yet in any way committed himself on any of these matters.

Sir Kingsley Wood's last piece of work was made known on the morning of his death when the White Paper on the "pay as you earn" method of income tax collection was published. Tentative beginnings with

this system were made in the past. The railway workers and for some two years civil servants paid their income tax by having it deducted from their wages and salaries. Under the new scheme all wages and salaries which are on a weekly basis will be affected. It does not include wages and salaries on a monthly basis. This automatically leads to some strange anomalies. A young bank clerk earning fifteen pounds a month will have to pay his income tax in two lump sums six or more months after he has earned it. A works manager earning a weekly wage of ten pounds will have the benefit of weekly deduction.

A strong demand for including all salaries and wages in the scheme has already been made, both by the Press in general and by affected parties. Thus whilst Sir John Anderson, when introducing the appropriate Bill in Parliament, will have little difficulty in getting the support of members for the principle of the scheme, will have to work hard to convince Parliament that there are any specific difficulties preventing him to include all wage and salary earners in the Bill. It is, of course, possible that he and the Government may change their minds before the Bill is introduced or during its passage. But that has to be seen.

The new tax collecting system is fundamentally simple. The tax payer is assessed in advance not on his past or probable future earnings, but on his personal and dependants' allowances. These allowances are known in advance in the majority of cases. Where any change takes place during the tax year, say a man gets married or has an increase in his family, adjustments are made immediately the change is notified to the tax authorities. The employer has to deduct the tax when paying wages.

He will be furnished with a book of tables showing the exact amount of tax to be deducted each week. The different combinations of allowances have been tabulated in the form of different codes. As many as 30 different codes, to account for the various possible combinations, have been worked out. Thus the employer is notified which code supplies to any particular employee. If, during the year there is a change, as indicated above, a new code card is issued to the employer and henceforward he deducts tax according to the new code.

Under this system there will be ascertained at the end of the week the amount of tax due from the wage earner on the total amount of wages paid up to date, this amount of tax being calculated by allowing against the total amount of wages the proportionate part of the personal reliefs due to him for the whole year. The amount of tax to be deducted in any particular week will be (a) the tax due on the aggregate wage up to and including that week, less (b) the tax already deducted in the previous weeks of the year.

Thus, at the end of the first week the tax to be deducted will be tax on the basis of allowing against the wage for the week 1/52nd of the reliefs for the year: at the end of the second week the tax to be deducted will be the excess of (a) the tax on the aggregate wages

for the two weeks, allowing against those wages 2½nds of the reliefs for the year, over (b) the tax already deducted in the first week; and so on throughout the year.

It will be seen that the factor governing deduction is the liability on the aggregate earnings up to date, which may be termed the "cumulative" tax. The deduction in any week will be the "cumulative" tax less the tax already deducted in the previous weeks of the year. The determination of the tax to be deducted with reference to the aggregate wages so far earned in the year ensures that deductions keep pace with the accruing liability; this avoids the excessive deductions of tax in cases of fluctuating earnings that would result if one looked only at the earnings of a particular week as the basis for determining the amount of tax to be deducted in that week.

Where wages fall or cease temporarily, it may happen that the "cumulative tax" up to the end of a particular week is less than the aggregate amount of tax deducted in previous weeks; in that event the system provides for a repayment of tax to be made forthwith by the employer equal to the excess of the aggregate amount of tax already deducted in previous weeks over the "cumulative tax" up to the end of the week in question. Where a refund falls to be made to an employee, the employer will normally have in hand tax already deducted from other employees. If it should happen that the employer

is not in funds for this purpose, e.g., in the case of a small business with only few employees, he would be put in funds by the Inland Revenue.

The great advantage of this system is that the wage earner has no longer to worry about his income tax. Once he has his code card and has checked it as being correct, e.g., allowing for all his reliefs due, he can check the deductions made from week to week. Apart from some small adjustments at the end of the tax year, adjustments which in most cases would amount to merely a few shillings, he knows that the wages he receives are his own. No longer will he be faced by income tax demands of fifty to a hundred pounds long after he has earned and, most likely spent, his wages. And the gain for the Inland Revenue will be in the speedy and spread out collection of tax as well as the almost complete elimination of tax "not recoverable."

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EMINENT ECONOMISTS

II Lord Keynes

By E. da Costa

BETWEEN theoretical economists pursuing, in a world apart, the straight and narrow path of pure reason and practical business men gifted, as they believe, with profound intuition in practical affairs almost surpassing reason itself, there is not unnaturally a great gulf. But the conclusions of economists have often been treated with equally scant courtesy by public authorities from whom they might have expected greater consideration. Like the poets, economic theorists have too often been beautiful ineffectual angels beating their luminous wings in the void. In part the blame rests with the economists themselves. A house divided against itself cannot stand and economists down the years have presented to the practical world a sorry picture of uncertainty, indecision, and disharmony. Theories of value, of money, of capital and, more recently, of employment have succeeded one another with wearisome monotony only to make confusion worse confounded. The practical man could justly complain that, from out of this Tower of Babel, there emerged not the calm voice of academic truth but the wildest confusion of tongues. In England, in particular, the British Treasury and the conservative old lady of Threadneedle Street do not cherish, with one important exception, any deep regard for the teaching of the economists or for their recommendations in the sphere of practical policy. That exception, strangely enough, is John Maynard Keynes who may fitly be described as the most heterodox of British capitalist economists and the most daring advocate of extended control over the field of investment and private enterprise. In him, though indeed fitfully, the British Treasury has found, among British economists, a pearl of great price. Twenty four years ago, Keynes was the official representative of the British Treasury at the fateful Paris Peace Conference of 1919. He also sat as deputy for the Chancellor of the Exchequer on the Supreme Economic Council. In disagreement with the policy then pursued, he resigned from these bodies and for well over a decade thereafter, his was a voice in the wilderness preaching ineffectually on many matters—against the premature return to the gold standard in 1925, for a vigorous policy of public works during the great depression, and at all times for monetary reform. His teaching fell for many years on barren soil and, even today, many of its implications are still imperfectly realized. But time has wrought many a change and has brought with it that tide in the affairs of men which taken at the flood leads on to fortune. In 1940, Keynes expounded a new and revolutionary method of paying for the War. In 1941, the new principle was incorporated in the British Budget. In 1942, Keynes was again official representative of the British Treasury discussing in America lease-lend operations and high finance including post-war currency stabilization plans. Today in 1943, as Lord Keynes, a Peer of the Realm, he enjoys the fullest confidence of His Majesty's Government, and apparently the warm admiration of a shaken business world. In him and through him, the theoretical economists, public authorities and practical business men have (mirabile dictu!) made common cause.

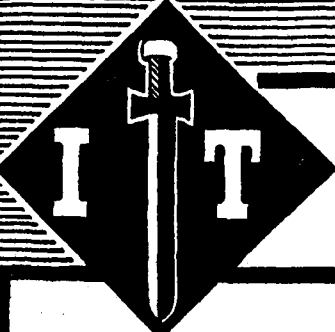
The son of John Neville Keynes, author of 'The Science and Method of Political Economy' and Chairman for many years of the Special Board for Economics and Politics at Cambridge, Keynes may be said to have had an early call to economics. But he chose to follow mathematics both at Eton and Cambridge where he was twelfth Wrangler in 1905. But his interest in economics was soon awakened and his

first book published in 1913 was on Indian Currency and Finance. This was appropriate enough because he had in the interval a spell at the India Office and became a member of the Royal Commission on Indian Currency and Finance. It is possible that problems of Indian Currency and finance first drew Keynes to money and monetary reform in which he has made such valued contributions to economic science. His most important writings—the *Treatise on Money* and the *General Theory of Interest, Employment and Money*—are in this field which he has made so peculiarly his own. But he is no narrow specialist and his *Treatise on Probability* is a reminder to us that he is philosopher and mathematician as well, and his other works, particularly his *Essays in Persuasion*, and *Essays in Biography*, exhibit the tremendous range of his wider and more personal interests.

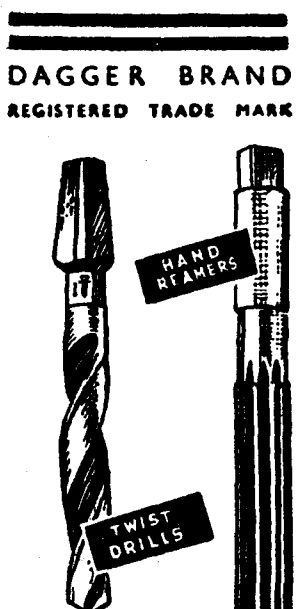
Few men of our time possess such great versatility and are gifted, in such ample measure, with those qualities which make for quick and spectacular success. A Mathematical Wrangler, he can think in words with almost the same precision as with symbols and he can sway the thought of his readers not only by sustained argument, but by a great gift of exposition, even of rhetoric, aided by every literary device which makes books live in the minds of men. His *Economic Consequences of the Peace*, would easily take its place in history were it only for its wonderful picture, perhaps the truest ever painted, of the supreme tragedy of the Big Four in the Paris negotiations of 1919, entangled at one of the most decisive moments of all history, not by the complex problems confronting them, but by their own desperate limitations. Even in the *General Theory of Interest, Employment and Money* which is professedly academic, there are flashes of literary genius which will make it live in the language long after the controversies which it has raised have happily died away. With a mastery of every device of the writer's art, Keynes has been able to capture the minds and the imagination of a great people in a manner which has no parallel in economic history. It is because of the faith which he has thus created that so many in a sorely troubled world look to him to provide a solution of the economic ills which have so heavily stricken the life and thought of our times.

It may well be that this will prove too great a task for any man. But Keynes brings to it two rare and compelling qualities. The first of these is a free and open mind and an attitude of self-criticism and absence of dogma and bias which ensures that every possible solution will be fully reviewed with justice, with candour, and with honesty. Not once but several times he has, when he has erred, gone back upon himself and altered, in the most radical manner, his own theory and practice. Secondly, Keynes is gifted with an amazing intuition, almost as powerful as his reason, which enables him to cut through many difficulties and go straight to the heart of any problem. In the social sciences there are vast areas which refuse to yield their fruit to unaided reason. If intuition without the steady force of reason is often dangerous, reason without the helping hand of intuition is barren. Together they must proceed and in Keynes they have attained a rare and almost unique combination.

Keynes' contribution to economic science is twofold. In the first place, he has made a great negative contribution by displaying with characteristic vigour the defects of classical analysis and by indicating the directions in which it needs drastic restatement if it is



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to meet the needs of the present time. To devotees of the classical analysis this may appear to be only an extension of their methods to fresh fields and pastures new. But the *General Theory* is not, as might be supposed, merely an extension of classical analysis or a generalization of its conclusions. Its conclusions in many important respects differ radically from those arrived at by the classical economists. We need only give one illustration of many points of divergence. On the classical system, for example, the whole model appears to be in stable equilibrium, the stabilizers in the system controlling any marked deviations from equilibrium. It is to Keynes that we owe the demonstration that the sense of false security given us by classical economics has no basis in fact. When the unreal assumptions of classical economics are relaxed, the system would appear to be inherently unstable and, in particular, it lacks a stabilizer sufficiently strong to maintain a continuous fall in the rate of interest adequate to maintain progressive investment. At a time when classical economics was drifting steadily away from realities, the *General Theory* has served as a great beacon light recalling economic science to the path of realism from which, during what may yet prove to have been a Dark Age in economic thought, it had so lamentably strayed.

Opinions may well differ on the more positive and constructive side of Keynes' work. His main achievements are in the field of capital and monetary theory and in the analysis of investment and the factors which mainly influence it—the propensity to consume, the marginal efficiency of capital and liquidity preference. These factors are by no means new, but it was left to Keynes to exhibit their due importance in relation to the problem of output and employment. And, whether or not we accept the Keynesian analysis of the working of these factors, there can be no doubt that all future work in this field must necessarily take the considerations which he has raised very seriously into account. The *General Theory* which marks the close of an era and the opening of a new age, is the great line which divides the economic thought of our times.

The path of a reformer is no easy one and, unduly conscious of the obstructions in his way, Keynes, in his reforming zeal, has, perhaps, sometimes overstepped the mark. While the criticisms of the classical analysis which the *General Theory* contains are not unfair, it may at least be claimed on behalf of the classical economists that Keynes has not succeeded in evolving a complete theory to replace the analysis which he has all too successfully demolished. We may take a single example—Keynes' theory of interest—to illustrate this point. He rightly considers the classical theory of interest inadequate; in his own words, "the notion that the rate of interest is the balancing factor which brings the demand of saving in the shape of new investment forthcoming at a given rate of interest into equality with the supply of saving which results at that rate of interest from the community's psychological propensity to save, breaks down as soon as we perceive that it is impossible to deduce the rate of interest merely from a knowledge of these factors." It is not to be doubted that this criticism is formally correct but it applies no less to Mr Keynes' own theory of the money rate of interest. For, according to Keynes, the money rate of interest is determined when the functional relationship between liquidity preference and the total quantity of money is given. But this notion breaks down when we realise that it is impossible to deduce the rate of interest merely from these factors. And, unless the money rate of interest is connected in some known form with the real rate of interest corresponding to a given inducement to invest, his whole theory explains as little of the real world as the classical analysis. May it not be said that Keynes' theory

is infected with the same fatal poison as the classical theory, except that, like the scorpion, it carries the sting in its tail?

It may well be doubted whether a complete theory of the rate of interest in a dynamic system is possible. It is, perhaps, a realization of this possibility which makes Keynes treat the rate of interest as one of the independent variables of his system. For, in the general analysis we appear always to be one equation short, except in the particular and very unusual case of full equilibrium treated by the classical economists. The search, therefore, for a theory of the rate of interest may well prove, except in a limited system, like the search for the philosopher's stone, doomed to failure. It may, indeed, be possible to prove, as with the famous mathematical problem of squaring the circle, that a solution of the whole problem in dynamic conditions is not possible. But possible or not, there exists today no formally complete theory of the rate of interest and in this respect Keynes has not succeeded in repairing the breach which he has made. May it not be said that in this, as, indeed, in other things, he has not been without sin when throwing the first stone?

It would also be possible to find fault sometimes with the form rather than the substance of Keynes' criticism of classical analysis. Marshall, in the evening of his day, looking back over the labour of many years, made the profound observation that there was no statement of economics which was both short and accurate. This is a caution which Keynes has not always laid to heart. Gifted with all the arts of rhetoric, he sometimes lapses from his high standard of accuracy because of an imperfect generalization which attempts in one fell sweep to cover all the ground. Dealing with problems of liquidity preference, for example, he makes the statement, "The history of India at all times has provided an example of a country impoverished by a preference for liquidity amounting to so strong a passion that even an enormous and chronic influx of the precious metals have been insufficient to bring down the rate of interest to a level which was compatible with the growth of real wealth." No one conversant with the economic history of India can accept so sweeping a generalization as being other than a travesty of the facts. The assumption behind the generalization is that liquidity preference withholds from the capital market so large a percentage of saving that there is no capital available for industrial development. Actually the facts prove that far from this being the case, there are vast idle balances because the other requisites for the creation of real wealth and, in particular, a strong inducement to invest, are lacking. To blame the country's liquidity preference which, in itself is the result of a lack of inducement to invest, is not merely to mistake cause and effect; it is hopelessly to simplify the explanation of our troubles and to lead us into the false belief that, if only we would not worship the golden calf, all would be well.

Public life constitutes a danger and a distraction to the votaries of learning. For the public mind cannot be arrested except by a vigorous statement which, because of its very emphasis, fails to represent the whole truth. Public utterances therefore, only half reveal and half conceal the soul within. For an economist, Keynes has the failing of being too public a figure. No man can serve both Truth and Politics for, as Bernard Shaw has reminded us, truth telling is often incompatible with the defence of the Realm. It is the misfortune of Keynes that his contact with the political world has involved some lapse from scientific accuracy and it is the misfortune of economic science that it has lost that large fraction of Keynes which has been given to politics.

But when a true balance of his contribution to economic science is struck, who will deny that here is the most original economist of our time and, so far as the capitalist system is concerned, the most daring reformer of our age? For Keynes has come not to destroy but to save the existing order. Keenly alive to its defects, he has sought to build a better world on the foundations of the old. He has done more to effect a rehabilitation of capitalist economics than any man of our generation and he deserves well of all those who find in capitalist economics a haven and a refuge. The *General Theory* may well be for them a new gospel for it provides the basis on which a new philosophy of capitalist teaching can be built. That teaching would show that, with the inevitability of gradualness, reform can suspend revolution and the Marxian day of judgment can be indefinitely postponed. For the forces which have been brought to bear on our economic system, particularly as a result of a long period of war control, have exerted so powerful an influence on the organization of production, that it is more than likely that the owners of the means of production will no longer resist salutary changes needed for the good of the nation no less than for their own. The acceptance of Keynes and all he represents by the City of London is one indication of their profound change of outlook. In that change there is hope. The alternative to Reform is Revolution. There is much hope to be found in acceptance by the

capitalist world in England of reform which is necessary to stay revolution. The Beveridge Plan and the rise of Keynes are true portents of the future. Keynes is the prophet and the *General Theory* the new testament of the coming order. Together they will strive to create a new Heaven and a new Earth for the old Heaven and the old Earth have passed away. But there will be no sudden break but only gradual adjustment and wise reform, so that the capitalist system, which has done so much to develop the wealth of mankind, may still continue in altered channels to carry us through troubled times to the dawn of a new and better world.

Jaipur.

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FROM THE PROVINCIAL ANGLE

Madras Letter

FLOOD RELIEF MEASURES IN THE CITY—LOANS FOR IRRIGATION WORKS—CRISIS IN HAND-LOOM STANDARD CLOTH

(From Our Correspondent)

MADRAS, Oct. 24.

THE floods in the City and in the Chingleput district have come and gone, but they have wrought the worst havoc and misery. The rains have been unprecedented, and as much as twenty inches have been recorded in a day at one place. The number of tanks breached has come to 200 now, half of them being Public Works Department tanks and the other half being Minor Irrigation tanks. Over 40,000 people have been rendered homeless in the City. The feeding arrangements made by the Government are to be discontinued at the end of the week, and several non-official relief committees have been started to give effective aid to the affected people. The City Corporation discussed the situation and voted Rs. 50,000 to the Mayor's Relief Committee. The housing of the people rendered homeless has indeed become a problem. Most of these people are slum-dwellers, and about 189 slums had existed in the City. The Housing Committee which went into this question some years ago estimated that about a crore of rupees should be required to reconstruct these slums, but that report has never been seriously considered either by the Government or by the Corporation, with the result that the slums had continued to be a blot on Madras. But, now that the slums have been completely damaged, the view is held in certain quarters that a ten-year plan of reconstruction should be prepared. This can be effectively done only by constituting the City Improvement Trust. This was raised at a public meeting convened by the Mayor of Madras, and Sir Hugh Hood, I.C.S., Adviser to H.E. the Governor, agreed that "the formation of the City Improvement Trust and slum clearance are pressing needs." And before the week is out, the Government of Madras have acted on the suggestion with commendable quickness; for, it is now officially learnt that the Government propose to publish a Bill for the constitution of the Trust. For the present, the Government are providing the affected people with free grants of building materials like bamboos. But the City is not yet completely out of the wood, as the rainy season has just now begun and any reconstruction plan of a temporary character must take this into consideration. The floods have been responsible in pushing up the prices of certain essential commodities, as evidenced by a rise of three points in the cost of living for the past week. The transport difficulties following the floods have now been relieved completely.

The Food Production Drive

The Madras Government are carrying on the food production drive with great zeal. In response to public appeals to develop irrigation by wells, certain schemes in this direction have been sanctioned. In the Ceded Districts and in the Chittoor District well irrigation has been the established practice. The Government

have now allotted a special grant of Rs. 1 lakh initially for each district for sinking wells. Loans are to be given for this purpose and the District Collectors have been instructed to make a special drive in the direction. Six other districts have also been selected and a similar scheme has been sanctioned for them, with an allotment of over Rs. 62,000. The districts selected are areas dependent on rain or wells for irrigation and the schemes are sure to be welcomed by the ryots, provided no tiresome conditions in the grant of loans are imposed. Large tracts of cultivable lands belonging to the several temples in the Presidency have remained fallow till now, and a drive to produce food crops in these lands is being undertaken. In the matter of trade, rice merchants who have been thrown out of the business consequent on the introduction of rationing are still grouching against the Government. Recently, a conference of these merchants in the City and in the mofussil was held at the premises of the Southern India Chamber of Commerce. There was a lengthy discussion on the position of these merchants *vis-a-vis* rationing now operating or about to be introduced in the different centres. On the basis of the discussion, representations have been made to the Government to associate merchants with the rationing system and thus maintain normal channels of trade intact.

Handloom Standard Cloth

Early last month I mentioned that the sales of handloom standard cloth were poor and that stocks have accumulated. The Madras Handloom Weavers' Provincial Co-operative Society was faced with a crisis, as the mills from whom the yarn was obtained had to be paid. The Government are understood to have increased their guarantee to the Society, but the trouble does not seem to end there. There has been no improvement in the sales. A drive is now being made to effect sales, and various merchants are being cajoled, so to say, to undertake the sales on a commission of three per cent. But the response has not been encouraging. That apart, the Society, not being able to utilize all the yarn obtained, is now trying to sell in the open market about 2,500 bales of yarn with the threatening prospect of yarn prices being reduced in the proposed revision of ceiling prices. It may be remembered that these yarns were obtained at panel prices some months ago and are now lying at various centres of the Presidency. But as these yarns are said to be stamped and as such should be disposed of by the end of the month, dealers seem to be unwilling to buy them up. The Supply Department, Southern Circle, is also reported to be anxious to sell in Madras about 700 bales of yarn produced by the various mills in South India. These have created a stir in the market, and the mercantile community are questioning the propriety of such sales.

Bombay Letter

IMPLEMENTING FOOD DECISIONS—MORE RATIONING—MACHINERY FOR PROCUREMENT (From Our Correspondent)

BOMBAY, Oct. 24.

THE Bombay Government have decided on implementing the recommendations of the Central Government in regard to rationing in larger towns and restrictions on overmilling. Rationing is to come into force in four district towns having a population of one lakh almost immediately—*viz.*, Ahmedabad, Surat, Sholapur and Hubli. Poona is already under the rationing scheme. The scheme will be extended later to about ten important towns in the districts having a population of between 50,000 and 1,00,000. Dhulia, Belgaum, Mahabaleshwar and Panchgani are among those covered by this scheme. The possibilities of rationing kerosene in rural areas are also being examined. Though these steps will account for only a small proportion of the 21 million people in the province, they cover the main urban areas which do not at all produce food and which, owing to their financial strength are liable to cause supply difficulties unless controlled.

Regarding rice milling, Government have made it obligatory on rice millers to take out licences for which applications must be made before the 25th of this month. In the licensing conditions, it has been laid down that paddy shall be passed through the huller only once if the machines are of the single huller type. In the case of machines of the double huller type, it will be passed only through the first huller; and in automatic machines, the milling will be stopped as soon as rice receives half the polish. It is expected that milling would increase the bulk of the rice by 10 per cent.

Government are busy organizing the necessary machinery for building up reserves by making purchases of foodstuff in rural areas. In the Deccan the services of the Revenue Officials and Co-operative organizations will be utilized as purchasing agencies while the co-operation of the normal trade channels will be sought in Gujarat. Regarding *Bajri* and *Jowar*, the trade machinery not being sufficiently organized, the Government will have to build up the necessary purchasing organization. As part of this plan, the Government have "ceiled" by a Gazette notification the prices at which *bajri*, *jowar* and rice could be sold by anybody in the districts. These prices are fixed after taking into account the prices the farmer has to pay for his other needs and the fair prices that he used to get before the onset of agricultural depression in 1930.

Bullion Prices

Lively fluctuations marked the colourful trading in the bullion market. In the battle of wits and the game of manoeuvring sentiment by rumours, bears fared badly. The rise in the recent weeks has brought forth comments from London. The *Financial News* dubs the boom in Bombay as illustrating the primitive peoples' liking for gold. However, the sting in the comment is taken away by the very important place given to gold in the American Currency Plan. The *Times* City Editor thinks that if fresh bullion purchases could be considered as an indication that money is being switched over from commodities to gold, the development is not unwelcome. The *Financial Times* blames the Indian Government for creating a condition whereby sales of actual metal can be made only to hoarders and those able to pay. How the Government can make actual bullion available to those unable to pay is rather difficult to understand. The paper calls

for "drastic measures," but what these should be, the paper is unable to suggest.

Further comments from expert sources are varied. When stable conditions are restored some years after the War, the present prices would obviously not be maintained. In the meantime whatever could be done by a stroke of the pen has been done. Once the market feels it is likely to get its wanted supplies, then—and not till then—would gold find its level as warranted by the circumstances then and the position of gold in the currencies of the world.

The closing quotations are:—

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" Silver	Rs. 128-40

Stock Exchange

The Bombay Stock Exchange showed a reactionary tendency during the week due to the realization that in the absence of the supporting influence of a short interest, prices are likely to show a drop that may be out of proportion to any bearish factors which the market may encounter. While it is true that there are sales against actual holdings which are generally covered on small declines before the end of the week and thus help to rally the prices, they are not sufficient to arrest a fall in prices brought about by substantial unloading. Another reason for the reactionary mood is that the present levels are considered high and there are always sellers on important rallies in prices. Although money conditions continue to be easy, investors are cautious for many reasons. The vigorous anti-profitsteering and anti-hoarding measures envisaged in the recent Ordinances are bound to have a sympathetic sobering effect on market values. Though the full scope and implications of the Ordinance limiting profits to 20 per cent are not yet known a cautious attitude pending clarification is natural. Investors also await developments on the Burma Front as well as the fixing of cloth prices. The approach of Diwali has led to a certain tapering off of activity on the Exchange. The week's trading has brought about fractional losses. In the Securities market, the announcement by the Government of India to float a new loan, 3 per cent 1966-68 at Rs. 98 was favourably received last Saturday. The general view now appears to favour a small all-round rise in gilt-edge quotations.

Piecegoods

Market conditions continued to be unsatisfactory. Consuming centres took up only their immediate requirements while the buying for export helped the market somewhat. Diwali may bring more business in this market. The Government of India on Friday issued an order under the Defence of India Rules, prohibiting the movement of cloth by rail except in accordance with certain general and special permits, issued by them to merchants and mills. This order does not apply to yarn. The broad object of the order is to ensure that cloth is sold and moved by rail rationally *i.e.*, from surplus areas to the nearest deficit zones, as far as possible, in the direction of the flow of empty wagons on the railways. With a view to encouraging the movement of cloth by coastal steamers and countrycraft so as to reduce as far as possible the burden on railways, the Government of India have undertaken to cover, with effect from October 23, marine war-risk on such transport for a period of three months.

Bengal LetterCRITICAL DAYS AHEAD—DEFECTS OF FAMINE
RATIONS—POST-WAR RECONSTRUCTION

(From Our Correspondent)

CALCUTTA, Oct. 22.

Post-War Reconstruction

WE are facing in Bengal now the most acute phase of the food crisis. The days ahead will be most difficult and critical unless special and timely efforts are made to mitigate the rigours of the steadily worsening famine conditions. The depletion of whatever foodstocks existed in the province is too patent, and everybody is looking forward to the coming *Aman* crop, which is the main rice crop of the province, in the hope of relief from present distress and suffering. But the *Aman* crop would be available near about the middle of December and we shall have to pass many hard days in the meantime. The shortage will become more and more acute on the eve of the coming of the winter crop. Even in normal times some scarcity is felt at about this time. Two problems therefore come to the fore in the present stage of the Bengal crisis. The one relates to the question of securing plenty of supplies from outside during the next few weeks when shortage is certain to be felt more acutely than at any time in the past. The other relates to the adoption of immediate and comprehensive measures with a view to make the most effective and advantageous use of the coming *Aman* crop in the best interest of the province.

Nutrition Problems

The Bengal Medical Relief Committee have in the course of a Press statement made urgent references to the nourishment problem that is inextricably bound up with the relief work that is now being carried on under Government auspices. Referring to the quality and quantity of gruel prescribed by the Government of Bengal for free kitchens the Committee point out that such gruel provides only 325 calories per feed. They go on to say that the gruel is deficient in many dietary essentials apart from protein and calories and that the proportion of the *bajra* is too high in the gruel causing diarrhoea to large sections of the unaccustomed consumers. The Committee urge the prescription of a modified form of gruel yielding 1,275 calories for an adult person. The unduly low and inadequate nourishment provided by the gruel had indeed been a subject of comment and criticism in the Press for some time past. The opinion given by the Medical Relief Committee authoritatively reaffirms the apprehensions that had been felt and expressed in this regard. There can hardly be any doubt that the mortality rate due to starvation would not have been as high as it is now if it had not been for the poor quality and quantity of gruel served to the distressed. It is urgent that the Government should give timely and proper heed to the issues raised by the Medical Committee.

U.P. LetterANNUAL CONVENTION OF SUGAR TECHNOLOGISTS
—SECONDARY INDUSTRIES FOR TECHNICIANS
IN OFF-SEASON—ECONOMY IN SULPHUR.

(From Our Correspondent)

CAWNPORE, Oct. 25, 1943.

A large number of sugar technologists from all over India attended the Twelfth Annual Convention of the Sugar Technologists' Association of India held in Cawnpore on October 21 and 22. Mr. Lalchand presided and delivered an interesting, though brief, address.

Speaking with reference to what he had achieved in his own factories he said that a sugar factory can easily become the centre of intensified economic activity. The technical staff and the factory which remain idle for two thirds of the year, he stressed, could be utilized for starting a number of subsidiary and

secondary industries. At Walchandnagar, the molasses is utilized for the production of rectified and methylated spirits. The plant for it was designed in India and fabricated at Bombay. Its capacity is 1,500 gallons per day. One of the bye-products of this activity is yeast. Oil and Vegetable Ghee industry had developed out of the necessity for supplying oilcakes for cattle on the cane farm. A soap industry had been set side by side a dairy industry. Cardboard, rough paper, blotting paper and filter paper were being produced from cane trash. At Ravalgaon the manufacture of confectionery and sugarcandy was going on. What had been achieved at these two factories could be a model to the other bigger sugar manufacturing units in India. This would also solve the problem of seasonal unemployment for technicians in the sugar industry of the U.P. and Bihar. The factories which cannot find employment the year round for their men might have to consider the provision of retention fees ranging from 25 to 50 per cent. of the working-period salaries in the off-season. The consumption of sugar per head per year in India is 7 lbs. (excluding *gur*), and this could be easily raised considerably. For this reason Mr. Lalchand Hirachand felt that India needed to produce more sugar. There was a large scope for increasing sugar consumption in the shape of confectionery, syrup, fruits, preservatives, etc. A high tribute to the valuable services rendered to the sugar industry by Sir T. S. Venkataraman, by introducing a series of new varieties of canes, was paid by Mr. Lalchand Hirachand.

The recommendations of the Disciplinary Committee of the Association for standardization of terms of employment, for compulsory enrolment of technical men as members of the Association and for drawing up standard rules of professional conduct had raised a storm from the employers who thought that it was a direct encouragement to trade unionism. Mr Lalchand thought it would be wiser to keep the Association separate from such activities which should be the proper function of the Employees' Association.

Sulphur Economy

The scarcity of sulphur has been presenting a big problem not only to the sugar but other industries as well. Baluchistan sulphur has not met the large hopes raised before the excavations were commenced. Much interest was, therefore, aroused among the visitors to the Convention who were invited to see the working of the process by which the Baluchistan sulphur ore can be burnt directly in a powdered form and is a great improvement on the methods followed so far which is a very wasteful one. The new process is of great utility in sugar, textile and other industries

where sulphur dioxide is used as an agent for bleaching. Mr. J. K. Srivastava, Managing Director of the New Victoria Mills, the eldest son of Sir J. P. Srivastava, the Food Member, is responsible for this invention and the patent has been taken out under the title of "Improvements in and relating to the burning of sulphur in pure and impure form."

On October 20 was held in Cawnpore the Joint Convocation of the Imperial Sugar Technological Institute and the Harcourt Butler Technological Institute. The former is run by the Central Government and the latter, out of which the former has grown, is managed by the U.P. Government. In the course of an interesting Convocation Address Dr. Sir Zia-ud-din had some home-truths to tell the sugar manufacturers of India. He said that though temperamentally a free trader he had accepted the theory of protection, for he realized that every other country in the world had built high tariff walls. But as the burden of protection given to any industry ultimately falls on the consumer, he expects to be repaid in the form of low prices after the industry had developed. He recalled that manufacturers were not satisfied with the profit ensured them by the high rate of protection. They raised sugar prices further and they paid to the growers for their cane prices as low as 2 and 2½ annas per maund. After referring to the fall in sugar consumption, Dr. Zia-ud-Din said that the war had saved the situation for the millowners, but they should not forget that after the war the Indian sugar industry would have to compete with Java where the methods of cultivation were four times as efficient as in India.

Textile Market

There was a sudden drop in prices in the textile market in Cawnpore on the district authorities circulating a Press Note drawing the attention of the people concerned to the provisions of Section 14, Clause (2), of the Central Government's Cotton Cloth and Yarn Order, 1943. The Press Note stated that all non-text-marked bales in respect of which exemptions had not been obtained must be finally opened and disposed of by October 31. Failure to do so, the Press Note added, would lead to prosecution and seizure of cloth. This Press Note caused panic in the textile market for it is estimated that there are as many as 30,000 bales in the market without the tex-mark. The local authorities had no knowledge of the possibility of the Government of India postponing the date for the final disposal of the non-text-marked cloth, and this caused a sudden drop in prices. An unofficial message suggesting the possibility of the Government of India not insisting on the provisions of the above clause had some reassuring effect, however.

Sind LetterRATIONING PREPARATIONS—"NO SUBVENTION,
NO DEBT"—NEGOTIATIONS WITH
CENTRAL GOVERNMENT.
(From Our Correspondent)

KARACHI, Oct. 24.

SIND is rapidly progressing towards rationing. The Government have issued a comprehensive communiqué detailing the various organizations which would be employed for distributing rationed articles. The required staff is also being got ready. It merely involves the transfer, for all practical purposes, of

the men who had been till recently connected with the A.R.P. work. Vagrants, beggars and the homeless, in general, will also be enumerated and be given ration cards, entitling them for free supplies. Then again, the quota of ration has been raised, and a system of coupons will be introduced in order to facilitate procurement of supplies by the public. To equip itself with the necessary stocks of foodgrains

prior to the introduction of rationing, which is known to commence by the middle of November, the Civil Supply Department of the Government of Sind has already begun requisitioning wheat stocks in Karachi, and so far 50,000 bags have been acquired. In addition, the recent drive against hoarding has resulted in the unearthing of about 20,000 tons of rice and paddy. The Government of India have also now fixed the full quota of foodgrains which would be sent out from Sind during the remaining part of this year at 275,000 tons, apart from the 199,000 tons of wheat and 150,000 tons of wheat products already dispatched to deficit areas which include Bombay, Madras, Cochin, Travancore, Mysore and Bengal. No exports will, however, be sent from Sind until the new crop comes to the market.

Barrage Debt

Conditions of prosperity caused by the favourable food situation, increased yield from land revenue as a result of the enforcement of the new rates of assessment and more profitable sales of land in the barrage area have encouraged the Government of Sind to revive their demand of the Central Government for a revision of the Barrage Debt. Sir Ghulam Hussain, the Premier, who was in Delhi lately in connection with the Food Conference, has, on return, expressed the desire of the Government in the slogan: "No Subvention, no Debt." He is reported to have made an offer to the Government of India on these lines and stated that Sind was prepared to the funding of the Barrage Debt and paying off any balance which might arise after the necessary adjustment of the subvention she now receives annually under the Niemeyer Award. It is learnt that this might cost the Provincial Government about Rs. 5 crores, the difference between capitalization of the debt and subvention. In this connection, it might be stated that Sind has to pay during the current year Rs. 106 lakhs to the Central Government by way of interest towards the debt, as well as Rs. 75 lakhs towards the repayment of the principal. The subvention is Rs. 105 lakhs. The interest to be paid is charged at 4½ per cent. per annum. Sind has always been contesting that the rate is too high compared to the interest of any Government loan, but has not so far been able to secure a reduction. The claim for revision of the Barrage Debt was, for the first time, made by the late Mr. Allah Bux as Finance Minister in his Budget for the year 1941-42, and the thread has now been taken up by Sir Ghulam Hussain. It is expected that the ungrudging and willing co-operation the Provincial Government has offered the Centre in the matter of food supplies to deficit areas might lead to a sympathetic attitude on the part of the latter in regard to Sind's claim. But the problem, however, is not so easy of solution.

Coastal Traffic

A strong plea for the reservation of coastal traffic to Indian shipping and for a fair deal for Karachi

"in proportion to the extent of her trade and her importance" was recently made by Karachi merchants to Mr. J. P. Mehta, Joint Controller of Shipping, who was here on an official visit. It was pointed to him that since the commencement of the war, Karachi has not been fairly treated in the matter of allotment of shipping space for the United Kingdom ports. The local mercantile bodies had two years ago entered into a great deal of correspondence with the British Ministry of Shipping with regard to allotment of shipping space for cotton exported from India to the United Kingdom. Similarly, it had complained that in the matter of exports of oilseeds to coastal ports and of other produce to Persian Gulf ports, Karachi trading interests had been very much handicapped. The position with regard to cotton has, however, since changed, in that it is now exported on behalf of the British Ministry. And, on account of these considerations, it is urged that "the interests of one major port should not be overlooked for the benefit of another." Besides, facilities for the running of regular passenger service by steamer between Karachi and Bombay and Cutch and Kathiawar are also claimed, if only to relieve the congestion at present experienced in the railways.

Cloth Control Order

In pursuance of the regulations lately issued for the control of textile prices, the Government of Sind have passed the Cotton Cloth and Yarn (Regulation of Seizures) Order, extending to the whole of the Province. Under this Order, officers appointed to inspect accounts books or other documents and conduct searches under Clause 19 of the Cotton and Yarn Control Order, have been authorized to seize any cotton cloth or cotton yarn or anything found in, or on, the premises searched, and, in particular, any books which the office has reason to believe, have been, are being, or are about to be used for the purpose of or in connection with any contravention of the Control Order. The officers are also empowered to lock up or otherwise close and seal any godown or premises or portion thereof, in which any contravention of the provisions of the Order have been found committed.

Water Supply Scheme

The Government of India are stated to have addressed a letter to the Provincial Government asking them to urge the Corporation to expedite payment of the further instalment of contribution towards the new water supply scheme, and stating that, if the payment is not made immediately, the work on the scheme might have to suffer. In this connection, it is learnt that though the second instalment of the loan recently raised by the Corporation for the purpose of water supply scheme has been over-subscribed, and the money received, it has not yet been made over to the Government.

A DELHI DIARY

With unexpected ease the new Viceroy, Lord Wavell, has settled down to his new duties. The very first Member whom he called for consultation was Sir J. P. Srivastava, the Food Member. After a full meeting of the Council on Monday when the food situation was reviewed he left for Calcutta by air the next morning and expects to be there the whole week. Owing to the meeting of the National Defence Council which is coming up next week the Viceroy has to hurry back, but it is reported to be his intention to take certain immediate decisions to deal with the Bengal famine—largely with the help of Army authorities. Very probably one of the senior Provincial Governors—someone with the experience of Sir Maurice Hallett or Sir Hawthorne Lewis—will be appointed permanent Governor of Bengal. No definite indications are, however, yet available regarding the new Viceroy's plans. There is likely to be a conference of Governors before the end of November when both political and economic questions will be discussed. The Viceroy's intention is evidently to deal with the famine question first before tackling the political issue.

In the Secretariat itself there has been great activity owing to the large number of meetings and conferences that have been called. The Military Accounts Committee examined Defence expenditure in 1941-42. It has now been disclosed that the total effective expenditure on Defence services and supplies in India that year was Rs. 289 crores—an increase of about Rs. 170 crores over the previous year's total. The amount charged against India came to Rs. Rs. 95.5 crores. There has been a good deal of dissatisfaction in Assembly circles over the present methods of allocating Defence expenditure. As, in view of the impending Mountbatten offensive which may be expected any moment, there have also been various reports about the allocation of the expenditure incurred in reconquering Burma, there is a desire that the whole question should be fully discussed during the coming session of the Central Legislature. It is not yet known whether the Finance Member will be able to make any statement during the coming session. Very probably he may prefer to leave the matter over for discussion during the Budget session. I understand that one or two Members are also giving notice of resolutions for the appointment of a committee to consider the United Kingdom and the United States schemes for post-war Clearing Unions or Stabilization Funds.

The publication of the Sargent memorandum outlining a 300-crore scheme for national education has been followed by the first meeting of the Health Survey and Development Committee. As this committee is not expected to sit continuously, it may take some months for its report to make its appearance, but there is little doubt that the cost of any scheme for national health will also run into some hundreds of crores. The Viceroy referred in his message to alum clearance, the malaria scourge, village health and sanitation and certain other matters. Sir Jogendra Singh was much more outspoken in his address. What he visualised as the result of the labours of the

committee was "a plan of national health which will help our men and women to secure a full share of the pleasant things of life, decent homes, productive employment and an improved wage standard." It is inconceivable, he said, that in the future we shall be content with the slow progress of the past. There is, however, some misgiving in regard to these grandiose schemes which are being prepared by a number of committees at considerable cost to the tax-payer. Are the Government considering also the question of financing these big schemes? Sir Jogendra Singh merely said: "It is given to me to prepare the ground and sow the seed: it will be the privilege of those who follow to nurse the seed and reap the harvest." There is little use in appointing committees and preparing reports if they are to remain a dead letter. What is of even greater importance at the moment is the settling of ways and means to finance these schemes. Unfortunately, even on the question of the safeguarding of our sterling assets, the Government of India have not yet made their intentions clear—nor are they showing any great inclination to take the public into their confidence and give satisfactory assurances.

Some stir has been created in New Delhi by the speech of Dr. Ambedkar at the meeting of the Reconstruction Policy Committee on Post-war Public Works and Electric Power. He came out as a strong champion of industrialisation. Pleading for cheap and abundant electricity, Dr. Ambedkar said: "At every decade this negative balance between population and production is increasing in an alarming degree, leaving India with the inheritance of poverty, more poverty and chronic poverty. A rot has set in. It can only stop when agriculture is made profitable. Nothing can open possibilities of making Agriculture profitable except a serious drive in favour of industrialisation." As certain observations of the Labour Member at the last Tripartite Labour Conference gave rise to misunderstanding this unqualified demand for an active policy of industrialisation as the only way to remove poverty has caused a good deal of satisfaction in non-official circles. But the question is—what are the Government of India doing now to promote industrialisation and to ensure that India is able to hold its own in the fierce world competition which will come after the war?

I understand that the Department is considering the appointment of an Indian Agent-General with his headquarters in Jamaica. An important addition to the Viceroy's staff is the appointment of Sir Archibald Rowlands as War Adviser—to help in the discharge of certain special duties connected with certain departments of the U.K. Government and S.-E. Asia Command which have been entrusted to the new Viceroy. As he was Military Financial Adviser in India for some time during the term of Sir James Grigg as Finance Member, Sir Archibald has already some experience of Indian administration. Another important official appointment is the selection of Sir James Pitkeathly as Director-General of Aircraft Production in the Supply Department with his headquarters in Calcutta.

ARGUS.

NEWS PAGE

A small committee with Sir Theodore Gregory as chairman has been appointed to determine and report on what principles dearness allowance should be fixed. The committee will include two representatives each of the provinces, employers and labour.

Bicycles, footwear of all kinds, fountain-pens, optical lenses, safety razors and blades, tooth paste, vegetable ghee, imported foodstuffs, silk goods, woollen cloth and hosiery, are some of the articles affected by three Notifications recently issued under the new Anti-Hoarding Ordinance. Dealers, producers or importers as the case may be, of these articles are required to declare stocks, maintain records of sale and purchase transactions or give information regarding landed cost or cost of production as the case may be.

In view of the difficult food situation prevailing in Kashmir, it is understood that the Food Department has allotted to this State a further quota, of 4,000 tons of wheat and 1,000 tons of barley, from the Punjab. The Rewa State is believed to have declared a surplus of 4,570 tons of foodgrains made up of rice, wheat and gram. The whole quantity has been allotted to Bengal.

The creation of a Directorate-General, Aircraft, in the Supply Department, has been announced in a Press Note. It will deal with all work undertaken by the Supply Department connected with the repair and maintenance of aircraft and production of aircraft components.

In order that there should be no undue interference with the delivery of wheat products which the flour mills in the Punjab have contracted to supply to the Governments of deficit areas, consequent upon the recent order freezing wheat stocks pledged to the banks in the Punjab, the Central Government have arranged to release stocks of wheat to flour mills for milling purposes, in quantities not ordinarily exceeding at any one time, the amount required for 7 days' milling by any mill.

A Government of India Civil Defence Training College will be established at Hyderabad (Deccan) to meet all requirements of training of students nominated by the Provinces and other public bodies. All the other Government of India Civil Defence Schools, which numbered six, have now been closed, and the demands outstanding on them have been passed on to the new institution.

The recent meeting of the Military Accounts Committee directed its attention mainly towards the arrangements made by the Supply Department to meet the growing demand for war supplies, which included the harnessing of small-scale and cottage industry to war purposes. Cottage industries supplied substantial quantities of items like locks, blankets, camouflage nets and pith-hats to the Defence Services. The total value of contracts placed by the Supply Department in the year 1941-42 was Rs. 184 crores compared to Rs. 78 crores in the previous year.

Various proposals to give concessions to colliery workers with a view to increasing the output of coal were discussed on October 23 in New Delhi at an inter-departmental conference called by the Central Government in which the representatives of the several mine-owners' organizations also participated.

The Government of India are addressing a circular letter to trade associations and manufacturing firms who are considered likely to be interested, asking them to inform Government without delay of the capital goods which they will require for delivery from overseas within a period of two years after the end of the war, to replace worn-out machinery and for the normal development of the industry. This is not to interfere with any private arrangements already made, but to assist them to obtain goods which they may be unable to secure by their own unaided efforts.

According to a recent report, the Government of Madras are actively considering the question of discontinuing prohibition in the four districts of the presidency in which it has been in force, for alleged reasons of increasing illicit distillation and public apathy.

The quantity of quinine sulphate in stock in India at the end of the year 1941-42 was 220,000 lbs. The normal annual consumption of quinine in India is estimated to be about 210,000 lbs., of which India at present produces 90,000 lbs. One thousand acres of land have been planted with cinchona for the extraction of quinine according to the Russian method and it is hoped that by 1946 India will produce about 30,000 lbs. of quinine from this plantation.

The Gur Controller for India has directed that no gur shall from November 1, be transported from the provinces to areas outside those provinces and certain specified territories adjoining them except under a permit issued by the Gur Controller.

As the exportable limit for tea has been fixed this year at 421 million pounds, but the Tea Controller has received offers for only 389 million pounds, leaving a quantity of 32 million pounds uncovered, it has been decided, at a conference of tea interests held recently in New Delhi, that to enable tea growers and small growers in particular to sell their quota rights at reasonable prices the Tea Controller as sole exporter will purchase according to requirements *pro rata* direct from all estates wishing to sell their allotted quota rights at a fixed price of 2 as. 6 ps. per pound.

The Government of India have decided to fix Rs. 550 as the statutory ceiling price of cotton in terms of the Indian Cotton Contract, and to safeguard the interests of the growers they will take the necessary steps to ensure that the price does not fall below Rs. 400.

GLEANINGS

PRICE CONTROL IN BRITAIN

Compared with the last war, the rise in prices (in Britain) since 1939 has been appreciably less marked, whatever yardstick is employed for its measurement, writes the London *Economist* in its issue of July 31. This can be shown by comparing the movement of three indices, each of which is calculated on a similar basis for both periods:

PRICE MOVEMENTS DURING THE PRESENT AND LAST WARS

	End of First War Year.	End of Second War Year.	End of Third War Year.	End of 3½ Years.
Wholesale Prices—				
July 1914=100	129	158	214	226
Aug. 1939=100	145	161	165	169
Cost of Living—				
July 1914=100	125	145	180	190
Aug. 1939=100	121	128	129	128
Weekly Wage Rates—				
July 1914=100	110	120	140	160
Aug. 1939=100	113	121	130	132

Broadly, the Government has limited the expansion in the volume of spendable incomes in the hands of the public and of business firms by restraining, but not entirely prohibiting, rises in wage rates and distributable profits, and by a drastic increase in direct personal and business taxation, as well as in indirect taxes on essential goods and services. It has evolved a closely interrelated pattern of checks and balances with the object of restraining upward movements in prices rather than freezing them at the pre-war level. Government has also fallen back on a careful system of costing with the aim of discouraging extravagance in the use of scarce resources without stifling initiative.

Price control has been steadily extended until it covers virtually all goods and all essential personal and household goods. Control is exercised from the raw material—whether home produced or imported—to the finished article in the shop, generally by way of maximum prices or profit margins. In order to implement its policy of stabilizing the official cost of living index, the Government subsidized the prices of many foodstuffs, but essential personal and household goods are normally sold to the consumer on a cost basis. Luxuries, as well as many "conventional necessities," have, quite justifiably, been allowed to find their own level; their prices are, in fact, increased by heavy indirect duties.

POST-WAR CIVIL AVIATION

It has been widely suggested that the mission of Lord Beaverbrook, who has rejoined the Government, will be able to deal with civil aviation from the British Commonwealth's standpoint, writes Donald Tyerman, Deputy Editor of the London *Economist*. The setting up of some permanent body inside the British Government framework with specially selected officials is rumoured. Interest before these official and semi-official reports came mainly in recent weeks from private sources, mostly shipping companies. One after another, chairmen of Britain's shipping lines have announced that their companies have taken power to run air lines. It has not yet been decided publicly what form Britain's civil aviation will take after the war, privately run or Government operated. There is in existence the British Overseas Airways Corporation, a Government controlled Corporation operating in wartime within the

framework of the Transport Command of the Royal Air Force. Whether it is intended that there should be competition on world and Empire routes between different British companies or whether there is to be a monopoly of air transport is still not settled and the decision of shipping companies with their great experience to run air lines if they can, has made an early decision desirable and even necessary. Many hold the view that some kind of international agreement about the character and organization of world routes must precede the determination of a national policy.

President Roosevelt's conversations with Mr. Churchill turned, it is reported, upon the principle of "freedom of air." That is to say, the line along which the President and the Prime Minister were apparently thinking was national operation of privately run and competitive international air lines with permission to use air ports of all countries without discrimination—but with internal air lines in each country reserved for operation by national concerns. In Britain there is division of opinion on this point. Many people, including of course shipping companies, believe that "freedom of air" with competition is the best method. On the other hand, there is considerable belief that civil aviation is too important and too closely linked with military aviation to be left to private and competitive methods. Some have suggested for these reasons complete internationalisation of all trunk routes and operation of all through lines by some kind of international body. Others have suggested a compromise solution by which civil aviation internationally would be run in concert by groups of nations within fixed spheres of operation—the American region, British Empire region, European region, Asiatic region and so on.

ELECTRONS FOR FOOD STERILIZATION

Dr. Arno Brasch, who made history in 1931 at his plant on Monte Generoso in the Italian Alps by harnessing 20,000,000-volt lightning flashes, discovered that these powerful electrons can be used to sterilize and preserve foods without destroying vitamins, changing the flavour or producing chemical changes—objectionable results of the usual ultra-violet ray methods of pasteurization and sterilization. Dr. Brasch believes that further experiments will prove that most foodstuffs can be sterilized with 12,000,000 to 15,000,000 volts. It is already possible to destroy all germs in water, milk, fruit and meat in a split second, and according to the scientist, it may be possible to use electrons to reduce the toxicity of nicotine in tobacco and to decompose the caffeine in tea and coffee. He believes that free ultra high-speed electrons can also be used to transform propane, butane and similar gases into petrol and to produce toluol, which is an important raw material in the production of TNT, nylon and synthetic rubber.—U.S.O.W.I.

GOVERNMENT AND BIG BUSINESS

In contrast to the United States, whose anti-trust laws have engaged the public attention for 50 years, and where the Department of Justice is required by law to keep a lookout for any monopolistic practices, their growth in Great Britain during the inter-war years excited little comment, either by the public or the Government, writes the London *Economist* in its issue of July 31. It is only recently that the extent of such practices and their evil consequences have been revealed and widely condemned, and, in view of the secrecy in which many enterprises are

shrouding their transactions, it is hardly surprising if some of the popular criticism has been misdirected. Lord McGowan, Chairman of the Imperial Chemical Industries, who took up the defence of big business and international cartels—he calls them international trade agreements—in general, and of his company in particular, missed the point of the criticism. The apprehension voiced by members of both the Labour and Conservative parties has been directed less at big business units as such than at monopolistic practices in all their guises, and, in particular, at what Mr. Herbert Morrison called last April “the great assortment of cartels, price rings, federations, price-fixing combines, and so forth.....which have monopolized the control of their industry and its market, and are in a position to impose their terms of trade on their customers and on the community.” Large-scale business units as such have come under fire, not because they are large, but to the extent that they pursue restrictive policies when they succeed in establishing monopolies. A fully integrated concern has at least the opportunity to achieve the maximum of economies and pass them on to the consumer. The State would be right to insist on means of making certain that the big concern does its duty; to oppose it merely because it is big would be silly.....But in the long run, and as a matter of principle, the existence of such combines can only be justified if they deliver the goods—that is, if they demonstrate their ability to keep pace with the industries in other countries in technical progress and economic efficiency, and if they do not have to rely for their bargaining strength abroad on Government aid for domestic restriction.

EXPORT OF GUR FROM U.P.

Referring to the report that the Government of the United Provinces, having imposed a ban on export of *gur* to other provinces, are purchasing it from the exporters at a fixed price and reselling the same to them for export purposes at an enhanced rate, the Committee of the Federation of Indian Chambers of Commerce and Industry, during the course of a communication, addressed to the Government of India, state that this particular measure might succeed in keeping down the price of *gur* inside the Province but is bound to enhance the price of *gur* to the consumers in other provinces and is, therefore, sure to defeat the policy of deflation, so far as the whole of the country is concerned, which the U.P. Government seem to be following. The Committee also point out that the U.P. Government's action does not merely deny to the manufacturer of *gur* or its exporter a higher price than the local price but it also enables the Government to earn profits for themselves. This means that they have adopted a new principle of coming into the market for trade transactions and making profits thereon. Moreover, it is tantamount to imposing a burden of taxation on the consumers of *gur* outside the province to whom, as to the vast population of the country, *gur* is an article of daily food. The Committee, therefore, request the Government of India to take necessary steps to induce the Government of the United Provinces to withdraw the ban and to allow the export of *gur* within the limits of export surplus of the Province.

COTTON CONTROL IN CHINA

Cotton has been placed under strict Government control in Shensi, Honan, Hupeh and Hunan as an important war material. No unauthorized dealing in cotton is allowed in the four provinces in order to ensure an adequate supply for military needs. Special inspection centres are also established at Wanghsien, Luchow, Chungking and other Szechwan cities to bring more effective control over this important material. The Government plans to keep on hand 1,000,000 piculs of cotton this winter to meet military demands. Of this quantity, 500,000 piculs will be secured by Government purchases in China's four leading cotton producing provinces—Shensi, Honan, Hupeh and Hunan. Shensi will supply 500,000 piculs at \$6,000 per picul. Hupeh will sell to the Government 200,000 piculs of cotton, Honan 100,000 piculs and Hunan 100,000 piculs. The purchases will be made through the Bureau for the Control of Cotton, Cotton Yarn and Piecegoods of the Ministry of Finance and the different Provincial Governments. Another 100,000 piculs of cotton will be obtained through the collection of land tax in kind on cotton farms. This system, first introduced this year, is being applied in 26 Shensi cotton producing centres, as well as in eight hsien in Hunan, eight in Hupeh and 11 in Honan. The cotton is to be collected in the two months of October and November.

The Government is also encouraging the transportation of cotton to Free China from territories under Japanese occupation to frustrate the Japanese plan to rob Chinese cotton. Protection against enemy molestation will be provided by Chinese frontline troops. Besides, the merchants are allowed to mortgage their cotton stocks with the Government banks to facilitate transaction and transportation. Sinkiang, where fine cotton is produced in the southern part of the province, will play an important part in the clothing of the country's warriors. Cotton will be shipped from Sinkiang to Free China textile centres to augment the cotton supply. Thousands of spindles are now on their way to the frontier province to reinforce the textile industry in Sinkiang.—C.I.B.

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LETTER TO THE EDITOR

A POPULATION POLICY INDIA

Sir,—Speaking at Birmingham on India's food situation, Mr. Amery complained of an unprecedented increase in India's population during the last few decades. We have added, between 1931 and 1941, 50 million to our population or 5 million a year and “every month,” says Mr. Amery, “there are 400,000 more mouths to be fed.” This is really a matter of grave concern. We have been multiplying at an alarmingly rapid rate unequalled by any country in the world. Even our production, as is amply borne out by the findings of our economists, has failed to keep pace with the growth of population. The widespread prevalence of malnutrition, death and disease and our low per capita income are hard economic facts which should not leave any room for doubt regarding the severity of pressure on our resources.

The relevant question here is, what has the Government of India done to put a stop to this multiplication of numbers? Has the Government framed a definite population policy to be put into practice? The present chaotic conditions in the country would not have arisen if the growth of

population had been kept within reasonable limits. Even now the Government of India can compensate its past indifference and deliberate neglect by appointing a small committee, composed of officials and economists to draw up a well-conceived and comprehensive population policy for India. The Government should not lose any time in implementing the recommendations of such a committee.

Our drive during the next ten years should be to reduce our birth-rate from its present level of 34.1% per mille to a civilized level of 15% per mille. The intensification of the birth-control movement among the masses, the provision and popularization of cheap and effective contraceptives and the opening of a network of birth-control clinics in the country are some of the measures designed to check the growth of numbers.

I have a presentiment that if this central problem of Indian economy is not solved in an effective manner, all our efforts at Post-war Planning to make India a happy, prosperous land will be frustrated.—

Yours, etc.

M. L. SETH.

18th October, 1943.
Sialkot City.

COMPANY NOTES

THE UNITED COMMERCIAL BANK LTD.

Amidst great enthusiasm, the United Commercial Bank, Limited opened its Delhi Branch on October 16 in a spacious and gaily decorated building (Bhagirath Palace) near the Reserve Bank of India in Chandni Chowk. Leading business magnates, citizens and some of the directors of the Reserve Bank, who had come here to attend their meeting, were present. Over 800 people attended the opening. The Bank's Chairman, Mr. G. D. Birla, the Bank's Director, Mr. M. L. Dahanukar, the Bank's General Manager, Mr. B. T. Thakur, and the local Manager, Mr. J. D. Mehta, received the guests. Amongst those present were Sir Purshotamdas Thakurdas, Sir Shri Ram, Mr. E. M. Birla, Seth Ramkishan Dalmia, Sardar Bahadur Sardar Ranjit Singh, Lala Ralyaram, Mr. K. D. Kohli, Mr. Devadas Gandhi, Mr. Balmukand Sawhney, Bawa Bachittar Singh, Seth Ramchand Lillaram, Dr. P. S. Lokanathan, Mr. N. C. Mehta, I.C.S., Mr. Vidya Sagar Pandya, Sardar Mohan Singh, Rai Sahib Ulfatrai, Seth Bhagirathmal, L. Narain Datta, L. Amar Nath Gupta, Rai Sahib Chela Ram, Seth Moolchand, Seth Sitaram, Mr. Jai Nath, Mr. B. D. Bhambri and Mr. K. L. Dargan.

The Bank has a paid up capital of Rs. 1 crore, very influential Board of Directors and a capable executive. As soon as the Branch was opened, there was rush for opening accounts and it is estimated that Rs. 80 lakhs of deposits were received at the time of opening. When both the directorate and the executive are inspired by motive of service, it is but clear that the Bank must receive great popular support and encouragement. In order that the Bank may pay due attention to the local needs, it has a very influential local Advisory Committee consisting of:—

Seth Ram Chand Lila Ram (M/s. M. Lillaram and Sons), Sardar Bahadur Sardar Ranjit Singh, Seth Banwari Lal Balkishan Das (M/s. Bhanamal Gulzarimal), Seth Beni Pershad Jaipuria (M/s. Beharilal Beni Pershad), Lala Raiyaram (M/s. Ralyaram Mela Ram), Seth Kanshi Ram (M/s. Daya Ram Rambilas), Bawa Bachittar Singh (Messrs. Bawa Glass Works) and Setn Mool Chand (Birla Cotton Mills).

It is evident from the great response received by the Bank that it will soon achieve a leading position in the banking circle of the city.

EASTERN ECONOMIST PAMPHLETS

No. I

PRINCIPLES OF ECONOMIC PLANNING

Foreword by G. D. Birla.

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LABOUR SECTION

Labour Legislation in Indian States

By A. N. Agarwala

I

THE large measure of unfair criticism generally levelled against Indian States on economic grounds is, to an extent, rooted in the ignorance of critics regarding the existing state of affairs and recent developments in such areas. It is really unfortunate that a thorough study of the economic conditions and recent economic developments in Indian India has not yet been made. It is no wonder, then, that their general economic backwardness is taken to be a stick good enough to beat them on any score. But such a study, if made, would definitely reveal that in so many respects Indian States are more sinned against than sinning. In matters industrial, it is generally taken to be an accepted truth that Indian entrepreneurs are shifting industries to Indian States because of the general *laissez faire* attitude of the Governments in these areas and the comparative absence of labour legislation regarding hours of work, conditions of work, payment of wages, compensation in regard to industrial accidents and diseases and so forth. That this view is essentially out of date needs to be emphasized. It is the natural advantages of production, the availability of cheap labour, the proximity of consuming centres and the absence of competition, which are the real points of attraction to industries flowing within the ambit of Indian States rather than the wrongly alleged cause of lax labour legislation there. The net cost of these enactments to employers figures so little in the total cost of production as to make a *prima facie* case against the allegation of industrial shift to Indian States on account of this reason. The economic truths that high wages are low wages and better working conditions lead to economy have their application to this country as well and while no practical efficiency tests have yet been made, there is no ground for the inference that such measures do not lead to greater efficiency. The comparative indifference of industrialists in our country, which is so remarkably impressed on the mind of one connected with the framing of such legislation, is partly ascribable to this fact.

It might be pertinently objected that the enactment of labour legislation is only one part of the story; the other and the more important part is the way in which these Acts are administered. Now, it is a moot point as to whether British India or Indian India is more lax in the administration of labour legislation. But, it is a well-known fact that the provisions of the Payment of Wages Act, Workmen's Compensation Act, Factories Act, etc., are evaded in broad daylight in British India, partly due to lack of knowledge of these provisions, partly by careful and shrewd devices adopted by entrepreneurs to pass through the meshes of the law, partly due to lack of proper supervision and partly due to the corruption of the inspecting staff. Labour legislation in British India is admittedly one of the worst administered branches of legislation and it would be incorrect to dogmatize off-hand that the conditions in Indian States are worse than those in British India. However, so far as labour legislation itself is concerned, the main Indian States, which appear on the industrial map of India, have been following a very progressive policy and are by no means far behind British India. In what follows we would show how in almost every direction of labour legislation, Indian States are marching along with British India and rub shoulders with her.

It will be best to begin this survey with the legislation governing factory conditions, which is considered to be the most important item of the Labour Code of a country. Of the various factors governed by it, hours of work are of great importance, since they are supposed to loom large in the composition and make-up of the labour costs. The Indian Factories Act XXV of 1934 limits the hours of work for a male adult to 54 in a week (Section 34) and 10 in a day (Section 36). It is interesting to note that the Mysore Factories Act of 1938 (Sections 34 and 36) and the Cochin Factories Act of 1937 (Sections 34 and 36) place the same working hour limits. The Kashmir Factories Act of 1899 also prescribes ten-hour day (Section 30) and 54-hour week (Section 28). The Hyderabad Factories Act IV of 1341F has 60-hour week (Section 31) as was provided in the Indian Factories Act of 1922 now repealed. The Indore Factories Act VIII of 1929 follows Hyderabad in this regard (Sections 30 and 31). Section 34 (1) (I) of the Baroda Factories Act of 1940 enacts that no adult worker shall be allowed to work in a factory for more than ten hours in any day, but there is no weekly hour limit. Evidently factory-owners in Indian States are not, as a rule, given any more latitude in this regard than the employers in British India.

What is true of working hours is true of payment for overtime as well. Following the lead of British India, the laws of all Indian States make provision for granting exemptions from the above-mentioned hour-limits in certain necessary cases and grant a higher pay for overtime. The provision of Section 47 of the Indian Factories Act in this respect, it will be remembered, is that overtime up to 60 hours a week is to be paid at time-and-a-quarter rate and beyond this at time-and-a-half rate. Section 47 of the Mysore, Travancore and Cochin Acts makes exactly similar provisions. Section 46(1) of the Baroda Act entitles the worker, working for more than 10 hours a day, to 1½ times his ordinary rate of pay. In Jammu and Kashmir (Section 39) the worker becomes entitled to 1½ times his normal pay on working for more than 60 hours a week or 11 hours a day in respect of such overtime. Hyderabad (Section 35) and Indore (Section 34) provide that when a worker works for more than 60 hours in a week, he becomes entitled to 1½ times his normal wage in respect of overtime. Here again we find Indian States on the whole boldly following the lead of British India.

An important item of every Code of Labour Legislation is to protect children and women from over work. The Indian Factories Act of 1934 has reduced the hours of work of children (i.e. workers between the ages of 12 and 15 years) to five hours a day at the maximum. "Adolescents" (i.e. workers between the ages of 15 and 17 years) can be employed as adults only if they have been medically certified to be fit to work as adults; otherwise they will be treated as children. In none of the important Indian States, e.g., Travancore, Baroda, Cochin, Hyderabad, Mysore and Jammu and Kashmir can a child below 12 years be employed in a factory while in Indore the age-limit is only one year less, namely, 11 years. In Travancore, Cochin, Baroda, Mysore and Jammu and Kashmir, no child worker can be made to work for more than 5 hours a day while in Hyderabad and Indore this period is 6 hours.

There are also limitations with regard to the time of the day during which child workers can be made to work. Section 54 (3) of the Indian Factories Act requires that no child shall be allowed to work in a factory except between 6 a.m. and 7 p.m. (13 hours' range). The same time limits are to be found in Cochin (Section 54), Baroda (Section 53), and Jammu and Kashmir (Section 46). Mysore and Indore provide the time limits as between 5 a.m. and 7 p.m. (Sections 54 and 26 of their respective Acts), a 14 hours' range. The time limits in Hyderabad (Section 27-b) are 5-30 a.m. and 7 p.m., a range of 13½ hours only. Travancore's time-limits are the least, from 7 a.m. to 5 p.m., a range of 10 hours only (Section 54). This Travancore Act is more strict than the British Indian Act in this regard.

The Indian Factories Act of 1934 introduced a new principle (Sections 51-53) whereby young workers between the ages of 15 and 17 years have been classed as "adolescents" and they can be employed as adults only if they are medically certified to be fit to work as adults. This salutary provision has been widely followed by most of the industrialized Indian States. The States of Cochin, Baroda, Jammu and Kashmir, Mysore and Hyderabad have adopted this provision verbatim. The Factories Act of Hyderabad, which has been modelled after the Indian Factories Act of 1922, does not contain any such provision; and the Indore Factories Act, which walks in the footsteps of the Hyderabad Act, is in the same position.

Employment of women is also generally safeguarded by Labour Codes, as female labour, being cheap, is likely to be exploited with serious consequences to the health of women workers and the health of the coming generations. It is, therefore, an intelligent provision of the Indian Factories Act (Section 36) that no woman worker can be made to work for more than 10 hours a day in a seasonal or non-seasonal factory and that no exemption from this rule can be granted to any woman worker [Sec. 45 (1) (a)]. Section 45 (1) (b) also provides that no woman shall be allowed to work in a factory except between 6 a.m. and 7 p.m., a 13 hours' range. Like provisions are to be found in various Indian States. In Travancore (Section 36), Cochin (Section 36) and Jammu and Kashmir (Section 30), ten hours per day is the maximum period for which women workers can be made to work. It is only Indore which still retains 11-hour period (Section 27-b). In none of these States can an exemption be granted from this. The time-limit of 6 a.m. and 7 p.m. has been followed in Cochin (Section 45-b), Baroda [Section 34 (1) (I)], Mysore (Section 45-b) and Kashmir and Jammu [Section 37-A (b)]. In Travancore the time-limits have been more strictly placed at 7 a.m. and 5 p.m. (Section 45), a ten hours' range only. In Hyderabad (Section 28-a), these limits are 5-30 a.m. and 7 p.m., and in Indore (Section 27-a) 5 a.m. and 7 p.m. The state of legislation in all these States is remarkably in keeping with Indian legislation.

Provision for inspection in an appropriate manner is absolutely essential in order to ensure that the foregoing provisions of the Act are not evaded. Chapter II of the Indian Factories Act of 1934, therefore, makes

provision for the inspecting staff. Section 10 authorizes the Provincial Governments to appoint Inspectors of Factories and Chief Inspector of Factories and states that every District Magistrate is an Inspector for his district. Section 11 authorizes Inspectors to enter into a factory, make necessary examination of premises and registers and take evidence and exercise other powers necessary for carrying out the purpose of the Act. Section 12 authorizes the Provincial Governments to appoint certifying surgeons whose certificates shall remain valid up to a period of three months only. Chapter II of every Factory Act passed in Indian States makes provision for inspection. The provisions in most cases are almost identical with those of the British Indian Act (Cf. Travancore Act, Sections 10-12; Cochin Act, Sections 10-12; Baroda Act, Sections 10-12; Mysore Act, Sections 10-12). Provisions in the Factories Act of Jammu and Kashmir (Sections 8-10) are almost similar while the Hyderabad Act (Sections 4-8 ff.) and the Act of Indore (Sections 3-7 ff.) make some additional provisions as well. The provisions with regard to inspection of factories in Indian States are as good as in British India and in some cases even better.

Chapter III of the Factories Act of the various Indian States has been modelled after the same chapter of the Indian Factories Act and makes like provisions as a general rule, regarding cleanliness, ventilation, artificial humidification, cooling, overcrowding, lighting, water, sanitary conveniences, precautions against fire, safety of building and machinery and so forth.

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INVESTMENTS

(From Our Correspondents)

MADRAS, Oct. 24.

Business has been done under very difficult conditions during the early part of the period under report. Continuous heavy rains and the subsequent floods caused a temporary dislocation of traffic, and very lethargic conditions prevailed. The air-raid on Madras last week failed to distract public attention. The Stock Exchange was hardly affected except in certain speculative textiles where, too, prices after an early decline rallied again. In the Government Securities market, there was a substantial turnover. Three and a half per cent Paper and 3½ per cent. Loans 1947-50 were in good request. Three per cent. Loans 1963-65 were a firm market advancing to Rs. 98-3. Amongst Provincial Loans, Madras Loans 1952 and 1953 were done at par. State Loans were in demand, but 4 per cent. Mysore were offered at one time with the quotation declining to Rs. 123-6. The new funding loan of the Government of India carrying interest at 3 per cent., subject to tax, repayable in 1966-68 with the issue price at Rs. 98 opened today. The loan will be closed in any event on the 26th instant or as soon as Rs. 25 crores are received.

In the Banks section, Indians fully paid were very firm, the quotation rising to Rs. 272. Bank of Mysore were also firm. Reserves were dealt with up to Rs. 119. In the textile section, there was an easier tendency during the early part of the period. This was due to the plague persisting in Coimbatore and the consequent expectation of a fall in the production in the last quarter of the year. The uncertainty regarding ceiling prices was another factor. Janardhanas and Rangavilas were done at Rs. 200. Buckinghams improved to Rs. 292. Mysore Spuns and Mysore Silk Filatures were firm. In the Planting section, the turnover was on a small scale. Rubbers proved more difficult than teas and coffees. At the close, a better sentiment prevailed and quotations were steady. Cochin Malabars were done at Rs. 18 and O. Valleys at Rs. 15-4. Periakaramalais, Peermades and Nilgiri Neerugundis were other active shares. Rajagiris and Midlands lost ground. In the Miscellaneous section, there was a broadening of business in electrics and sugars. Most of the local electric company shares came in for business. Deccan sugars and Travancore sugars were firm. Jeypore sugars eased slightly as the dividend was not up to market expectations. Mettur Chemicals and Fertilizers were very popular and several transactions were marked. Bruntons were active and rumours were still persisting about the change in the management of the company. The Mysore group of industrial shares were steady. Mysore Papers were done at Rs. 24-14.

NEW DELHI, Oct. 27.

Treasury Bills

The total amount of Rs. 14.57 crores was offered for the Government of India treasury bills opened on

October 19, 1943, as against Rs. 12.28 crores last week. Tenders at Rs. 99-13 were accepted in full and those at Rs. 99-12-9 were allotted about 18 per cent. The average rate was Re. 0-12-1 as against Re. 0-12-0 last week. During the week ended October 15, 1943, Government of India treasury bills for Rs. 5,40,75,000 were sold in favour of the Issue Department of the Reserve Bank.

A total amount of Rs. 191 lakhs was offered for Assam Government's tender for three months treasury bills for Rs. 150 lakhs opened on October 14, 1943. Tenders at Rs. 99-12-9 were accepted in full and those at Rs. 99-12-6 were allotted roughly 82 per cent. The amount accepted was Rs. 150 lakhs, the average rate being As. 13-11 per annum.

Reserve Bank

The main feature of the statement of the Reserve Bank for the week ended October 15, 1943, is the remarkable increase in sterling securities by Rs. 17.98 crores to the level of 674.75 crores. This has been to some extent offset by a fall in the rupee securities by Rs. 9.98 crores. The rise in the total note issue is Rs. 7.52 crores being accounted for by an increase of Rs. 297 lakhs in the notes in circulation and of Rs. 454 lakhs in the notes held in the Banking Department. The authorities have been systematically trying to check the increase in total note issue against the accumulation of sterling by cancelling rupee securities. Thus rupee securities which stood at Rs. 108.33 crores on July 30, 1943, now stand at Rs. 58.41 crores, a fall of over Rs. 50 crores. But what can the authorities do when this amount of Rs. 50 crores too is similarly cancelled?

Trend of Bank Advances

The consolidated statement of the scheduled banks for the week ending October 8, 1943, shows a rise of above Rs. 3 crores in deposits, and of Rs. 256.47 lakhs in advances, as well as a fall of Rs. 958 lakhs in the balances with the Reserve Bank. The volume of advances of the scheduled banks has no definite trend in recent months. No doubt from January to May, 1943, the advances had risen sharply from Rs. 100.23 crores to Rs. 141.35 crores, and the annual report of the Directors of the Reserve Bank drew pointed attention to this feature. But the price fell off latterly and advances ranged from Rs. 142 crores to Rs. 144 crores in June-August 1943. In September and the first week of October, 1943, some definite growth in them is visible. The amount on October 8, 1943, is Rs. 149 crores as against Rs. 143.83 crores on September 3. With the coming of what is called the busy season shortly, there may be some further increase in advances. But the underlying conditions of cheap money remaining the same and with export bills dried up and bank advances too held under control, any hardening of rates is unlikely. For the same reason, the latest funding programme of the Government of India for Rs. 25 crores is sure to be welcomed by the market.

478. The quotation for LSS continued steady at Rs. 600.

Regarding foreign cottons, there was a rather sharp break in prices of East Africans of about Rs. 50 due to fears of increased Egyptian cotton imports under the new scheme of controlled buying by the Government, and the prospects of a crop of 350,000 bales of Uganda cotton next season. A bearish feeling was imparted to Indian staple varieties by an export trade control notification by which exports of Indian cotton with a staple length of ¾ inches and above to any destination will be prohibited. Why this is done is not

given. As the U.K. takes from India cotton of ¾ inches and over, exports to U.K. will be entirely stopped. The reason is extremely difficult to understand. The effect of this notification will be to force down the prices of cotton in India. The market has interpreted it bearishly and the sharp fall in the Punjab and Sind varieties is largely due to it.

In the local groundnut market the nominal quotation on Bazar terms for bold was Rs. 102, Coromandel quality Rs. 103 and Khandesh quality Rs. 105. Business in Khandesh quality on delivery terms has been done for November-December delivery at Rs. 18-12-0 and for December-January delivery at Rs. 18-9-0. Madras-Marmagao on wagon supply condition for December-January delivery was sold at Rs. 18.

The nominal quotation for Madras castor seeds is Rs. 19-8-0. Bold linseed was quoted at Rs. 17-2-0 for ready delivery, while on wagon supply condition the same was quoted at Rs. 16-12-0.

A Buenos Aires report states that official estimate of export surplus of linseed is 697,000 tons. It also states that the Grain Board reduced linseed prices a further fifty centavos. Further a report from Winnipeg states that one million bushels of Canadian linseed have been released for the United States.

The Government of Bombay have issued an order prohibiting the export of groundnut cakes from Bombay Province to any place in India except under a licence.

MADRAS, Oct. 24.

Groundnuts

The prohibition by the Government of Madras of the transport of oil seeds (groundnut, gingelly, castor, cotton and coconut) from the province except under a permit from the Commissioner of Civil Supplies was the important event in the market during the period under report. The purchases by the British Ministry of Food are bound to be allowed, and the view is held by merchants that a quota may be fixed for the different exporters in regard to other exports. Normally, Madras has been exporting groundnuts to Bombay and Bengal, and this will be severely curtailed. The prohibitory order has created an easier tendency in the market and prices have slightly declined. Firms' limits after being steady at Rs. 82 closed easier at Rs. 80-8. Firms bought fairly large quantities during the week. Calcutta buyers have withdrawn from the market, and it is stated that they are having over 3,000 tons in the City and in the upcountry centres for export. If this is not allowed to be exported, they will be forced to sell in the Presidency and the market is bound to come down. The British Ministry of Food have not done any business till today and have rejected offers at £35-12-6. It is stated that the rejection was due to the small quantities offered, but further offers have been made. With fairly widespread rains in the districts, harvesting operations have commenced and the stock may be expected to come on the market very soon. The oil market too was easy and the quotation has declined by about Rs. 2 to Rs. 173. Demand was fair and a fairly large volume of forward business has been done with Bombay.

Skins And Hides

This market continued to be uninteresting and business done during the period was very poor. Supplies were very scarce in the kip market. Local demand was very active but here again supplies were very inadequate. Business with both London and New York has become very unattractive due to the local market ruling higher than the overseas markets. It is stated that large number of contracts of

supplies of dry salted goat skins to America remain to be fulfilled, and in view of the insistence of particular sizes great difficulty has been experienced in obtaining supplies.

Yarns

Demand was very poor in the yarn market. The reports from Bombay that the ceiling prices would be marked down caused a set-back in the local market. The attempts made by the Provincial Handloom Weavers' Co-operative Society and the Supply Department to sell yarn were also responsible for a decline in the prices. Mills have been anxious to sell during the period but dealers have refrained from doing business.

HAPUR, Oct. 25.

In the *juwar* market prices have not undergone any material change. They were easy in the beginning, but later on became steady and towards the close again turned easy and finished at lower levels. The turnover on the whole was moderate with operators taking limited interest. In view of the easiness of other commodities and favourable crop conditions, any firmness in prices is not expected. *Poos* prices opened at Rs. 6-14-4½ and closed at Rs. 6-14-11¼, touching the highest and the lowest levels at Rs. 7-0-11¼ and Rs. 6-14-11¼ respectively.

Urad

The forward market ruled firm due to local speculators' support, while the spot values were easy. No further firmness in *urad* prices is anticipated on account of official ban on the exports of this commodity. Crop conditions are so far excellent and a good outturn is expected. *Urad Magh* opened at Rs. 12-13-6 and closed at Rs. 13-1-6, the highest and the lowest peaks touched during the week being Rs. 13-5-0 and Rs. 12-13-6 respectively.

Bardana

The tone of the market was steady owing to good demand and speculative purchases. Arrivals continue to be small. The jute production is estimated smaller than last year's. Transactions of *chet* delivery have also commenced in the market.

Gur

Prices for old *gur* remained firm throughout the week due to encouraging demand from all sides. Purchasers are taking little interest in new *gur* owing to fears of damage. There were good arrivals of old *gur* in the local market, and it is expected that the arrivals would increase. Arrivals of new *gur* have not yet begun on a good scale as the prices are unremunerative to the farmers. The farmers are also busy with the sowing operations of *rabi* crops. The daily arrivals averaged 1,500 maunds.

Grains

Prices of grains are steadily sagging due to the decisions of the Government of India regarding food followed by quick freezing of wheat stocks in the Punjab and of requisitioning wheat in other provinces. The arrival of a second wheat cargo at an Indian port also caused easiness in prices. The arrivals of wheat averaged 200 maunds daily. The stock is computed 170 *khattis*. With effect from the 1st November, 1943, five shops are being opened here for rationing to sell foodgrains at control prices to persons whose monthly income is below Rs. 15.

The following are today's quotations: Wheat Rs. 12-8-9; Gram Rs. 10-10-9; Stock 4 *khattis*. Barley Rs. 9-2-3; Stock 10 *khattis*. Peas Rs. 10-8; Stock 101 *khattis*. *Arhar* Rs. 9-8; Stock 268 *khattis*. *Gur New* Rs. 9-8; Old Rs. 12. Rapeseed Oil Rs. 39.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Oct. 24.

Buyers showed increased indifference towards cotton in the spot market this week. It seems that they are awaiting the decision of the Government regarding the reopening of 'futures' trading as well as the announcement of new cloth "ceilings." The quotation for new crop Sind N.T. registered a sharp decline of over Rs. 40 per candy, from the last week's level, mainly due to an absence of buyers. Business in new crop Khandesh fine Jarilla January 15 delivery, was done at Rs.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Oct. 20, 1943	Oct. 13, 1943	Oct. 21, 1942	Aug. 30, 1939
	£	£	£	£
Total Bullion	1,933	1,890	1,567	263,700
Public Deposits	23,600	7,500	7,200	31,100
Other Deposits	194,830	203,300	190,600	129,100
Of which Bankers' Deposits	140,700	148,300	138,700	90,100
Government Securities	158,000	150,600	158,200	113,100
Other Securities	17,300	16,900	20,200	31,000
Of which Discounts and Advances	1,400	1,400	2,600	6,400
Notes and coins	58,600	59,100	34,500	34,200
Notes in Circulation	993,400	992,700	817,000	529,500
Ratio of Reserve to Liabilities	26.81%	20.06%	17.45%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Oct. 21, 1943	Oct. 14, 1943	Oct. 22, 1942	Aug. 31, 1939
	\$	\$	\$	\$
RESOURCES:				
Total Reserves	20,296,000	20,303,000	20,821,000	14,660,610
Total Bills Discounted	10,000	18,000	7,000	6,190
Bills bought in open market				550
Total U. S. Government Securities	8,914,000	9,061,000	4,225,000	2,426,190
LIABILITIES:				
Federal Reserve Notes in actual Circulation	15,444,000	15,393,000	10,968,000	4,609,280
Deposits—Member Bank Reserve Account	12,002,000	12,021,000	12,304,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note - Liabilities combined	69.0%	69.1%	63.1%	66.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNTS AS ON OCTOBER 15, 1943

ISSUE DEPARTMENT

	Rs.	Rs.
Liabilities		
Notes held in the Banking Dept.	14,28,43,000	
Notes in circulation	776,52,40,000	
Total Notes issued	790,80,83,000	
Total Liabilities	790,80,83,000	
Assets		
A. Gold Coin and Bullion:—		
(a) Held in India	44,41,43,000	
(b) Held outside India		
Sterling Securities	574,75,01,000	
Total of A.	719,16,44,000	
B. Rupee Coin		13,22,91,000
Government of India Rupee Securities		58,41,48,000
Internal Bills of Exchange and other commercial Paper		
Total Assets		790,80,83,000

Ratio of Total of A to Liabilities: 90.94 per cent.

BANKING DEPARTMENT

	Rs.	Rs.
Liabilities		
Capital paid up	5,00,00,000	
Reserve Fund	5,00,00,000	
Deposits:—		
(a) Government		
(1) Central Government of India	29,67,84,000	
(2) Government of Burma	26,75,000	
(3) Other Government Accounts	9,60,67,000	
(b) Banks	68,02,18,000	
(c) Others	9,21,53,000	
Bills Payable	2,41,53,000	
Other Liabilities	5,26,68,000	
Total	134,46,68,000	

Assets

	Rs.
Notes	14,28,43,000
Rupee Coin	11,43,000
Subsidiary Coin	1,52,000
Bills Purchased and Discounted:—	
(a) Internal	
(b) External	
(c) Government Treasury Bills	49,97,000
Balances held abroad*	108,56,25,000
Loans and Advances to Governments	66,00,000
Other Loans and Advances	
Investments	7,40,38,000
Other Assets	2,92,68,000
Total	134,46,68,000

*Includes Cash and Short term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Oct. 15, 1943	Oct. 8, 1943	Sept. 1, 1939	Oct. 16, 1942
Held in the Banking Department	14,28.43	9,74.27	35,04.49	11,50.13
In Circulation	7,76,52.40	7,73,54.86	1,82,13.17	5,11,73.24
Total Notes	7,90,80.83	7,83,29.13	2,17,17.66	5,23,23.37
A. Gold Coin and bullion	44,41.43	44,41.43	44,41.45	44,41.43
Sterling securities	6,74,75.01	6,58,77.20	59,50.11	3,22,83.39
Total of A	7,19,16.44	7,01,18.63	1,03,91.57	3,97,24.82
B. Silver Coin—Rupee Securities	58,41.48	68,39.25	37,38.66	1,32,39.46
Silver bullion under Coinage				
Percentage of Reserve to Liabilities	90.94	89.518	63.149	70.185

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Oct. 15, 1943	Oct. 8, 1943	Sept. 1, 1939	Oct. 16, 1942
Cash	14,41.33	9,88.93	33,15.27	11,60.71
Balances held abroad	108,56.25	1,16,77.20	10,08.33	81,98.50
Investments	7,40.38	7,24.15	6,81.34	6,81.63
Bills discounted:—				
(a) Internal				
(b) External				
(c) Government of India Treasury Bills	49.97	2,39.83	1,15.67	31.97
Loans and Advances to the Government	66.00	31.00	31.00	33.00
Deposits:—				
(a) Government	39,54.76	49,39.68	14,89.43	17,12.61
(b) Banks	68,02.18	64,50.79	26,91.43	65,16.49
(c) Others	9,21.53	8,43.88	1,24.37	3,43.06

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	7,008	1sh. 6d.
August	8,548	1sh. 6d.
September	8,371	1sh. 6d.

IMPERIAL BANK OF INDIA
WEEK ENDED 15TH OCT. 1943

	Rs.	Rs.
LIABILITIES		
Total Capital	5,62,50,000	
Total Reserve	5,75,00,000	
Fixed Deposit, Savings Bank, Current and other Accounts	195,48,06,000	
Loans against Securities per contra		
Acceptances for Constituents		
Sundries	1,29,36,000	
Total	208,14,92,000	
ASSETS		
Investments:—		
Government Securities	129,72,80,000	
Other Authorized Investments	2,39,34,000	
Advances:—		
Loans	12,39,11,000	
Cash Credits and Overdrafts	21,22,96,000	
Bills Discounted and Purchased	2,17,16,000	
Liability of Constituents for Acceptances per contra		
Dead Stock	1,72,20,000	
Sundries	93,58,000	
Bullion		
Cash:—		
In hand and with the Reserve Bank of India	34,94,07,000	
Balances with other Banks	2,64,70,000	
Total	508,14,92,000	

SCHEDULED BANKS

Comparative Statement

(In thousand Rupees)

	15-10-43	8-10-43	16-10-42	1-9-39
Demand Liabilities in India	466,33.86	462,53.34	321,02.47	134,36.49
Time Liabilities in India	136,61.65	135,48.36	102,15.17	102,24.34
Cash in India	22,11.41	21,59.91	12,91.13	6,69.62
Balances with Reserve Bank	65,81.00	63,19.42	63,20.79	25,17.19
Advances in India	152,31.78	149,00.11	78,60.64	101,52.16
Bills discounted in India	4,03.31	3,92.62	1,79.07	3,37.29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue Dept.
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
" 21	15,84.25	8,00.00	0 13 5		3,48.00
" 28	20,10.75	8,00.00	0 13 6		4,79.50
Oct. 4	15,86.50	8,00.00	0 12 0		2,08.50
" 12	12,28.00	8,00.00	0 12 0		5,22.00
" 19	14,57.00	8,00.00	0 12 1		5,40.75
" 25	12,89.00	8,00.00	0 12 9		3,18.00
DATES OF MATURITY OF OUTSTANDING TREASURY BILLS					
Date of Maturity.	Amount (000s of Rs.)	Date of Maturity.	Amount (000s of Rs.)		
November, 1943:—					
5th	6.50	19th	16.00		
6th	7,63.75	20th	7,84.00		
7th	29.75	26th	3.50		
12th	5.00	27th	7,92.00		
13th	7,51.25	28th	4.50		
14th	43.75				
Total				67,19.25	

SUGAR POSITION 1942-43.

Producing Areas.	Production upto 7-10-43	Despatches during the period 1-10-43 to 7-10-43.	Progressive total despatches from 1-12-42 to 7-10-43.	Percentage of progressive despatches to production.	Physical Stock on 7-10-43.
U.P.	6,13,243	11,056	5,01,329	81.8	1,11,91
Bihar	2,37,671	5,311	1,82,441	76.8	55,230
Bombay	77,221	1,719	66,871	87.0	10,350
Madras	33,912	385	27,026	79.7	6,886
Punjab	6,579	14	6,142	93.4	437
Bengal	16,537	327	13,394	81.0	3,143
N.W.F.P.	3,167	6	2,511	79.3	656
Orissa	2,062	43	1,758	84.0	334
Sind	2,008	82	1,551	77.2	457
Indian States	81,603	395	72,242	88.5	9,362
Total	10,74,034	19,941	8,75,285	81.5	1,98,769

N.B.—Balance physical stock of 1941-42 sugar as on 7-10-1943 was 323 tons.

CURRENCY CIRCULATION & COMMERCIAL BANK DEPOSITS*

July, 1939=100

Country	Date	Note	Sight	Total
		Circulation	Deposits	Deposits
Bulgaria	XI 1942	614	..	193
Finland	II 1943	450	330	167
	III 1943	468	..	..
Iraq	XII 1942	274	336	210
	XI 1942	440	..	..
India	I 1943	351	280	194
	III 1943	381	..	..
Hungary	XII 1942	337	208	175
	III 1943	339	..	..
Turkey	VII 1942	283	195	160
	III 1943	335	..	..
France	I 1943	311	..	253
	III 1943	329	..	..
Canada	II 1943	292	211	140
	IV 1943	314	..	..
Belgium	XII 1942	298	166	180
	III 1943	308	..	..
Roumania	X 1942	276	189	212
	III 1943	305	..	..
Netherlands	I 1943	290	166	173
	III 1943	289	..	..
Germany	XII 1941	220	194	199
	III 1943	278	..	..
Australia	II 1943	263	213	139
	III 1943	271	..	..
Portugal	XII 1942	254	419	327
	I 1943	..	430	336
Japan	XII 1942	247	209 (XI)	214
Peru	II 1943	242	225	200
United States	IV 1943	235	172	157
Denmark	II 1943	224	240	153
	III 1943	227	..	..
Chile	I 1943	222	145	134
	II 1943	..	148	135
Union of S. Africa	XI 1942	212	217	199
New Zealand	II 1943	191	218	162
	IV 1943	201	..	..
Mexico	I 1943	188	317	266
	III 1943	197	..	..
United Kingdom	II 1943	190	187	157
	III 1943	193	..	158
Sweden	II 1943	187	125	113
	III 1943	188	..	..
Ireland	XII 1942	189	..	136
	III 1943	181	..	..
Colombia	II 1943	179	196	183
	III 1943	178	..	..
Brazil	IV 1942	152	137	147
	IX 1942	177	..	..
Switzerland	XII 1942	151	128	112
	III 1943	148	..	..
Argentina	I 1943	142	187	141
Venezuela	XII 1942	129	170	..
	IV 1943	133	..	..

* The League of Nations Monthly Bulletin of Statistics.

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	75.33	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	195.00
August	81.80	66.62	2.65	4.32	4.83	3.61	8.19	172.02	987.02
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	124.29	97.13	4.49	6.73	6.14	4.18	11.20	231.67	1,634.58
December	111.50	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	6.49	7.74	8.25	4.51	13.95	292.79	1,004.55
July	170.79	153.77	7.11	9.95	8.96	8.25	17.25	275.71	1,380.26
August	140.07	127.87	5.64	7.70	6.69	6.24	13.60	307.81	1,688.07
September	132.17	139.31	8.96	8.61	8.12	5.27	15.33	317.77	2,005.84
Week ended Sept. 3 ..	32.95	38.61	2.18	2.48	1.62	1.42	3.50	82.76	1,770.83
" " " 10 ..	27.25	32.82	1.99	2.43	2.21	1.37	4.12	72.19	1,843.02
" " " 17 ..	39.76	32.71	2.55	2.09	2.39	1.22	4.11	84.83	1,927.85
" " " 24 ..	32.21	35.17	2.24	1.61	1.90	1.26	3.60	77.99	2,005.84

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 Whole- sale Prices (July 1914=100)
	During Month	Progressive	During Month	Progressive			
1940-41		+ 19.11	..	+ 33.23	+	52.34	119
1941-42		+ 132.40	..	+ 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
August	+ 14.26	+ 111.06	+ 47	+ 10.81	+	121.87	345
September	+ 5.04	+ 116.10	— 14	+ 10.87	+	126.77	349

* Including Government of India one-rupee notes from July, 1940.

† Figures for India only from June, 1942.

WHOLESALE PRICES AND COST OF LIVING †

1st Quarter of 1943

January-June 1939=100

Wholesale Prices. Cost of Living.

India	257	..	U.K.	167	129
Finland	232	185	Costa Rica	167	154
Switzerland	205	148	New Zealand	140	..
Chile	197	182	Japan	137	127
Peru	196	139	U.S.A.	136 (141*)	123
Denmark	194	..	Canada	134	118
Argentina	191	113	Australia	133	..
Spain	182	165	Mexico	130	139
Sweden	180	143	Germany	109	109
Norway	179	150	Iran	..	347

* Irvine Fisher's Index.

† League of Nations Monthly Bulletin of Statistics.

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	32 0 0	9 14 0	4 14 0
	Basmati Sela	Amritsar.	"	20 12 0	21 0 0	..	..
Wheat	Average quality.	Karachi.	"	8 0 5	8 0 5	5 15 0	..
		Rawpur.	"	12 8 9	13 5 2	..	..
		Lyallpur.	"	10 10 0	10 7 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 quality.	"	"	8 0 0	8 0 0	..	..
Tea	For export.	Calcutta.	per lb.	0 15 9	0 15 0	0 15 0	0 10 5
Tea	For consumption in India.	Calcutta.	"	0 9 8	0 10 4	0 15 6	0 4 4
Potatoes	Pahar Haidwani	Cawnpore.	per md.	18 12 0	18 12 0	..	..
Groundnuts	Bold.	Bombay.	per 500 lbs.	102 0 0	98 0 0	49 15 0	..
Groundnut Oil	Expeller	Madras.	per 500 lbs.	174 12 0	175 0 0	..	..
Castor Oil	Average	Madras.	per 500 lbs.	207 0 0	207 0 0	145 0 0	..
Coconut Oil	Average	Madras.	36 lbs.	18 0 9	..	..	..
Castor seeds	Average	Bombay.	per candy	19 8 0	16 0 0	13 4 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	17 2 0	16 6 0	11 7 0	6 13 6
Rape and Mustard	Toria 9% admixture.	Karachi.	per 8 mds. (656 lbs.)	98 8 0	99 0 0	61 12 0	36 12 0
Cotton (raw)	AFine M.G. 4-F (Punjab) R.G. Jarilla 3/4"	Karachi.	per 704 lbs.	457 4 0	486 0 0	..	..
"		Bombay.	per candy	478 0 0	505 0 0	..	..
Cotton Piece-goods.	Grey Dhoti Markin 11 lbs.	"	44"x10 yds. 43"x38 yds.	7 12 9 26 6 0	7 12 9 26 6 0	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	..	..
"	No. 20s.	"	"	17 8 9	17 8 9	13 5 4	3 12 10
Jute	Raw Firsts.	Calcutta.	per bale of 400 lbs.	71 0 0	..	52 0 0	41 8 0
Jute Bags	B. Twills 2 1/2 lbs. 44"x26 1/2, 6"x8.	"	per 100 bags.	67 0 0	..	50 0 0	26 13 0
Wool (raw)	Kandhar (cleaned) Indian quality.	Karachi.	per md.	60 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 11 to 1 3 6	0 14 11 to 1 3 6	0 14 6 to 1 3 6	0 9 8 to 0 12 0
"	Goat skin.	"	"	2 0 0 to 2 5 0	2 0 0 to 2 5 0	1 7 0 to 1 15 0	1 7 0 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	5 5 3	3 13 3
Coal	Selected Jharla.	"	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 6 0
Copra	Fair average quality.	Cochin.	per 500 lbs.	163 0 0	..	142 0 0	43 8 0
Cement	Indian Swastika.	Calcutta.	per ton f.o.r.	99 0 9	99 0 9	44 0 9	..

*RETAIL PRICE INDEX NUMBERS (BY GROUPS) AT 15 SELECTED RURAL CENTRES
DURING THE MONTHS FEB. TO MAY 1943.

Name of Centre	Cereals				Pulses				Other articles of food				All Food				Fuel & Lighting				Clothing				Miscellaneous			
	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May	Feb.	Mar.	Apr.	May
Eastern Zone																												
Bamra (Orissa) ..	89	89	111	132	99	96	106	129	97	104	109	118	96	100	108	122	100	110	129	129	99	108	121	142	98	95	100	105
Malbang (Assam) ..	100	111	138	184	110	115	120	120	98	101	108	118	100	104	112	123	105	105	105	107	119	134	144	150	107	109	119	138
Rajapur (Bengal) ..	122	200	270	324	93	91	94	127	94	87	97	107	95	94	106	121	97	99	98	98	99	112	124	143	106	110	119	145
Shankargarh (U.P.) ..	98	99	107	139	101	104	120	141	89	86	98	99	94	95	106	123	100	100	100	100	108	129	133	143	99	97	112	108
Sonaili (Bihar) ..	108	147	210	262	100	103	104	107	94	99	108	121	97	106	113	142	77	80	81	81	93	98	130	153	102	114	132	139
Northern Zone																												
Multapl (C.P.) ..	100	109	114	133	100	106	116	133	102	112	117	126	101	110	116	129	100	100	89	89	104	118	112	120	115	155	180	200
Nana (Jodhpur) ..	73	65	68	71	90	103	102	102	97	90	91	94	91	85	89	92	115	127	128	105	119	126	130	133	101	92	113	143
Salamatpur (Bhopal) ..	116	120	118	142	104	93	100	115	95	100	100	105	101	102	104	114	99	99	99	105	114	139	149	..	99	142	142	164
Shujabad (Punjab) ..	126	107	104	135	100	97	96	105	102	93	95	104	109	99	98	115	99	93	94	95	120	128	135	156	105	97	111	126
Gujar Khan (Punjab) ..	125	105	101	121	101	95	92	108	99	91	94	109	103	94	95	110	97	97	97	92	108	131	131	146	107	106	104	117
Southern Zone																												
Krishna (Hyderabad) ..	96	111	130	136	93	102	103	101	100	112	117	121	99	111	118	122	100	100	100	100	101	118	130	133	97	102	123	122
Lakh (Bombay) ..	111	106	106	113	89	91	97	104	92	98	98	110	93	97	98	109	†	†	†	†	106	131	137	135	96	108	121	127
Malur (Mysore) ..	101	101	107	107	103	109	126	130	101	111	113	116	101	108	115	118	86	88	88	102	103	143	176	103	105	124	143	
Muniguda (Orissa) ..	95	99	110	110	97	103	113	113	97	101	105	105	97	101	107	107	109	86	86	86	102	108	143	146	97	100	107	104
Kudchi (Bombay) ..	100	109	120	130	97	99	105	128	103	110	116	122	102	109	115	124	100	100	100	100	103	123	129	136	103	112	121	149

* Provisional Figures.

† Figures for January not available.

STOCKS AND SHARES

BOMBAY (Oct. 26)—

GOVT. SECURITIES—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
2½% 1948-52 ..	99 10 0	99 10 0
3% 1949-52 ..	100 11 0	100 11 0
3% 1951-54 ..	100 2 0	100 2 0
3% 1963-65 ..	98 0 0	98 0 0
3½% G. P. Notes ..	97 8 6	97 9 0
3½% 1947-50 ..	103 6 0	103 6 0
4% 1960-70 ..	115 8 0	115 8 0
4½% 1955-60 ..	..	116 4 0
3% 1945-55 ..	102 5 0	102 5 0
3% 1944 Defence Loan ..	..	100 0 0
TEXTILES		
Ahmedabad ..	502 8 0	520 0 0
Bombay Dyeing ..	1978 12 0	1961 4 0
Central India ..	484 8 0	470 0 0
Century ..	908 0 0	900 0 0
Colaba Land ..	245 0 0	236 0 0
Indian Bleaching ..	242 0 0	229 8 0
Gokak ..	359 0 0	357 0 0
Kohinoor ..	651 0 0	646 0 0
Phoenix ..	702 0 0	687 8 0
Simplex ..	240 0 0	279 0 0
Swadeshi ..	594 0 0	581 0 0
Vishnu ..	2625 0 0	2025 0 0

MISCELLANEOUS—

Alcock ..	576 4 0	518 12 0
Bombay Burma ..	425 0 0	412 8 0
Belapur Sugar ..	255 0 0	244 0 0
Bombay Burma New ..	150 0 0	147 8 0
Bombay Steam ..	687 8 0	617 8 0
Bombay Tramways ..	159 0 0	160 8 0
British Burma Petrol ..	3 0 9	3 0 6
Scindia Steam ..	38 8 0	38 7 0
Shivrajpur ..	74 0 0	70 8 0
Tata Power ..	1855 0 0	1815 0 0
Andhra Valley ..	1830 0 0	1835 0 0
Tata Hydro ..	199 0 0	202 8 0
Tata Steel Ord. ..	396 8 0	398 0 0
Tata Steel Defd. ..	1925 0 0	1892 0 0
Premier Construction ..	190 8 0	185 0 0
Indian Iron ..	38 2 0	36 14 0
Burma Corporation ..	3 15 0	3 15 0
Associated Cement ..	216 8 0	213 8 0
Indian Copper ..	2 9 0	2 7 6
Tata Steel 1st Pref. ..	220 0 4	220 0 0
Tata Steel 2nd Pref. ..	156 4 0	153 8 0

BANKS—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Central ..	80 12 0	77 0 0
Imperial (Fully Paid) ..	1872 8 0	1860 0 0
Imperial (Partly Paid) ..	462 8 0	467 8 0
Reserve ..	126 8 0	123 0 0

CALCUTTA (Oct. 25)—

JUTES—

Champdany ..	212 8 0	..
Anglo-India ..	388 0 0	394 4 0
Howrah ..	62 12 0	63 4 0
Kamarhatti ..	547 0 0	649 0 0
Baranagore ..	161 0 0	167 0 0

STEELS—

Indian Iron ..	36 14 0	37 0 0
Steel Corporation ..	26 12 0	27 2 0
Jessop (Ordinary) ..	21 10 0	20 12 0
Saran ..	8 1 0	7 14 0

TEXTILES—

Elgin ..	..	80 0 0
Cawnpore Textiles ..	12 5 0	12 5 0
New Victoria ..	9 2 0	8 9 0

MINES—

Burma Corporation ..	3 15 0	4 1 0
Consolidated Tin ..	..	2 8 0
Indian Copper ..	2 7 0	2 8 0

SUGAR—

Belsund ..	13 6 0	12 0 0
Ramnagar Cane and Sugar ..	11 13 0	..
Samastipur ..	20 10 0	20 0 0
Carew ..	26 13 0	26 3 0

MISCELLANEOUS—

Dalmia ..	..	17 6 0
Rohtas ..	31 4 0	31 4 0

TEAS—

Bishnauth ..	39 8 0	39 3 0
East India ..	16 4 0	..
Teesta Valley ..	..	38 9 0

COALS—

Bhalgona ..	10 4 0	9 12 0
Raneegunj ..	31 4 0	..
West Jamuria ..	37 10 0	36 12 0
Burra Dhemo ..	7 14 0	..

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The Bengal Famine

THE famine in Bengal is pursuing its relentless course and exacting daily its heavy toll of human lives. The nation has been stirred to its depths. The British Government unwilling to face up to the inconvenient fact of their own and the Government of India's responsibility have at least been driven by public opinion to take action which even now is very tardy. The basic principle of British administration which was also its pride and even boast was said to be that no human life would be allowed to perish on account of lack of food. Now loss of life is going on not in hundreds but in thousands each week; and yet neither the British Prime Minister nor the Secretary of State has given one reassuring word that they would bend all their energies to prevent the slaughter that is going on, due to man's incompetence and perversity. Here in India the Government have betrayed such an awful lack of imagination and efficiency that they have allowed a situation to develop which has gone out of control. Mere Indianization of Executive Council has proved to be not merely futile but dangerous in creating a sense of complacency in the face of a major economic disaster. As long as the fountain of political power rests in Whitehall and is allowed

to flow only to the Viceroy's Lodge, Indianization can afford no satisfaction to the public as it means nothing to the people in terms of their own welfare and happiness. Only a Government that derives its power and authority from the people can act boldly and make themselves felt with the British Government. One has only to recall what Mr. Curtin, the Prime Minister of Australia, was able to extract from the allied nations by way of materials and equipment for the war to realise the helplessness of the Government of India to make any impression upon the British authorities.

The problem in India is far too serious to be solved by any piece-meal or patched-up measures. Bengal's famine is only a portent. Famine stalks all through the land and is not confined to Bengal though it is seen at its worst in that province. In Travancore, Cochin and Malabar the situation is, if anything, worse than in Bengal, as the Dewan of Travancore has pointed out. In the ceded districts in Madras, in Orissa and in parts of Bombay conditions are as near famine as one can think of. It is not the scarcity of food during the last few months alone

that has brought about this tragedy. The causes are more deep-seated; and unless the root causes are understood solution will not be easy.

The true causes of the tragedy that we are to witness lie in the methods of our war finance. Under the cloak of a glittering financial carpet covering, it is said, large reserves of sterling to India's benefit the Country has been depleted of its scanty resources of consumers' goods of all kinds. We have time and again repeated in the *Eastern Economist* that only after a minimum of basic needs is guaranteed to the Indian masses, should resources be drawn to war purposes either on our own account or on British account. This is the A.B.C. of war finance in every country. No country, Britain or U.S.A. however much it may have drawn resources to war effort has failed to guarantee the minimum standard of living. Indeed in Britain and U.S.A. the standard of food consumption has increased during the war. India is most unfortunate in its Finance Department which has had no understanding of the elements of the problem. No one would have grudged war efforts on a more gigantic scale, if our economy had been geared to a quick and revolutionary rise in the scale of our productive organization. The cry of those who have been laying emphasis on scarcity has been this: Produce more. The more you produce the more will be available for the purposes of the war after the basic civil needs are met. That cry went unheeded; and so to-day human tragedy is writ large on the face of this country which has done nothing to deserve this fate except perhaps its toleration of inefficient governments.

Were scarcity regional, it could be set right. Our old famine policy was based on regional scarcities combined with an over-all abundance or at least sufficiency over the whole country taken together. Two other assumptions both essential were also absolutely realized in practice. One was that foodgrains would move from the farthest corner of India to the famine-stricken area and every other thing would be subordinated to quick transport. Transport was our weapon of attack then; not the bottle-neck which it now is. The second assumption was that no matter where the foodgrains were, they could be got hold of and sent. India was one unit for administrative purposes. None of the assumptions on which successful famine policy was executed now hold good. There is over-all scarcity; the fact of availability of foodgrains in one part of India is no guarantee that it would be available elsewhere; nor is the willingness to send out grains any certainty that they would actually move because transport is deficient and often unavailable. Thus a number of little pools has grown up which have accentuated the problem of distribution.

In the light of the above facts we have to seek the remedies. The immediate problem is two-fold; to control the famine and prevent its appearance in the same or other regions. Control of famine can be effective only when adequate supplies are got hold of. The Governor of Bengal is no doubt right in saying that he has not sufficient supplies at hand to declare Bengal a famine area and take responsibility for famine relief. But the responsibility is there and must be faced whether you declare it a famine area or not. Imports in large quantity should flow continuously for they hold the key to the immediate solution. All available internal supplies should be governed, and this means that every part of India should work up loyally to a well-planned scheme of procurement. The *Aman* crop in Bengal is said to be good, but it is feared that there will not be enough labour for harvesting it on account of the flight or devitalization

of much of the rural population. The only way of relieving this scarcity of labour is to divert the military to this task, and since a large number of our troops has been recruited from rural areas, it should be easy for them to engage in this operation. Lord Wavell who has started well in his career by requisitioning the military to handle the problem of distribution and relief in affected areas should also direct the military to aid in harvesting operations.

Preventing the recurrence of famine requires a complete reversal of our financial and economic policies. The Country should not be asked to undertake any further responsibility for feeding the armed forces quartered in India. A big production drive should be organized which will embrace the production of all kinds of essential food and other articles of necessity. India should be administered as one economic unit, and no amount of provincial autonomy should be allowed to make inroads into the economic integrity of India.

But the after-famine problem is even more important. The restoration and rehabilitation of the damaged economy of Bengal and other provinces will require all the co-ordinated efforts of every department of Government. For every one that dies, there are tens of persons who are enfeebled and debilitated. To restore them to conditions of normal health is no easy task. The pauperization of millions of people of the Country will have a highly demoralising effect. The effects of the vicious poor law of the later eighteenth and early nineteenth centuries in England had been the undermining of the morale and efficiency of the English poor for nearly a hundred years. We cannot hope to build a strong, healthy and self-respecting nation on gruel kitchens. We must make our economy highly productive, the workers strong and efficient and build up our agricultural and industrial organization on a basis which would never permit scarcity and famine to re-appear. Our eyes have been opened as never before, to the extreme precariousness of our food economy and "Never Again" in war or in peace should be our aim. For this purpose our task is to prepare immediately a plan of re-employment of all labour that is seeking employment, putting our agriculture on a scientific basis and guaranteeing them food and other articles of necessity on a scale which will make up for the people's dietary deficiencies in the past.

Such a plan should embrace not merely a public works policy but a policy of planned rural development in which the Departments of Agriculture, Forests, Irrigation, Health would each contribute its share. To put it at the lowest, the wear and tear of labour on account of ill-nourishment and diseases should receive as much attention at least as the wear and tear of the machinery which is being excessively worked up. Failure to do this would mean that the next generation would consist of enfeebled and weak men and women. The cumulative effects of this vicious circle of famine, death, enfeeblement, and therefore decline in production can easily be visualised. If India is going to solve her population problem in this wise by allowing millions to die hungry and naked, she would for ever have earned the just obloquy and disgrace at the bar of world opinion. India and her people are on trial. How quickly they act and bring under combat the forces of famine scarcity and disease will be the test of their capacity. The Bengal famine is only a portent. The problem is all India and cannot be tackled on anything less wide than on a national basis and on a bold and imaginative scale.

India and Lease-Lend Aid

RECENTLY a press message gave out that negotiations between India and the United States for direct lease-lend agreement have been suspended for the time being and, consequently, the old procedure by which India received lease-lend aid via the United Kingdom would continue. That such a negotiation was in process or contemplation had been reported off and on for a long time, but the precise reasons which led to the actual suspension of the negotiations after their commencement are not available to the public. Indeed from the very beginning, the transactions under lease-lend and the commitments and obligations arising out of them have been enveloped in such an impenetrable veil of secrecy and mystery that the public was naturally misgiving about the whole affair. Efforts to elicit clarification of India's position vis-a-vis lease-lend transactions beat themselves vainly on this impervious Government, which has failed to take note of the measure of public concern in this regard.

It will be recalled that during the last war the United States gave huge loans to the Allies, but efforts to get repayment coupled with the international trade policies of the various countries, especially of the United States, only led to utter discomfiture and ultimately to economic disaster. Memories of these naturally still linger in American mind, but the compulsions of modern war are so overpowering that willy-nilly the United States has again been steadily but inevitably drawn into the vortex of affairs. Thus she moved from strict neutrality to "cash and carry" and thence through lease-lend to belligerency. The fundamental idea behind lease-lend was to "eliminate the dollar sign" and to make the maximum mobilization of inter-allied war effort possible and independent of the limitations of financial calculations. The Lease-Lend Act enacted on March 11, 1941, enabled the President "to sell, transfer title to, exchange, lease, lend or otherwise dispose of" defence articles to the Government of any country whose defence the President declares to be vital for the defence of the United States, subject to the fulfilment of certain conditions.

Section 3(b) of the Act lays it down that "the terms and conditions upon which any such foreign Government receives any aid authorized shall be those which the President deems satisfactory and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory." These terms and conditions are set forth in the Master agreements and the reciprocal aid agreements which are negotiated with the various Governments. Provision is made for ensuring that "the lease-lend programme will be in accord with latest developments of America's foreign policy, its economic defence and its strategic production situation." Further, as the Assistant Secretary of State, Mr. Acheson, giving evidence before the House of Representatives Foreign Affairs Committee investigation on lease-lend said, lease-lend has become "an indispensable instrument of our foreign policy." Some have even gone to the length of suspecting that lease-lend may become the thin end of a wedge to further American imperialism. It is therefore clear that, especially in view of the far-reaching nature of the terms and conditions attaching to lease-lend aid, it is of paramount importance whether we enter into direct negotiations with the United States or whether we receive the aid through alternative channels and alternative arrangements.

Australia and New Zealand entered into direct lease-lend agreement with the United States on

February 23, 1942. But, although India was declared eligible for lease-lend aid on November 11, 1942, she has not yet entered into direct lease-lend agreement. Consequently, the procedure of receiving help and future repayment in respect of India, so far, is as follows: The United States gives lease-lend help to the United Kingdom which passes it on to India. The goods given to India are used in three ways: (a) a portion is used for Indian troops sent to the Middle East and hence is H.M.G.'s liability; (b) a portion is sold to Indian business men who pay in rupees, the proceeds being taken to a Suspense Account; and (c) balance is meant for the Indian Army which is Government of India liability. Any quantitative estimate of the magnitude of aid received under these different heads is difficult, especially in view of the confusing differences between sums appropriated, amounts actually allocated, sums "obligated," amount spent, amount of commodities transferred and amount actually received in India after a perilous sea voyage. Roughly speaking, about 60 per cent. of allocated supply safely arrives in India owing to the hazards of sea voyage. It was estimated early this year that total aid allocated to India was Rs. 94 crores, of which Rs. 47 crores was liability under (a), Rs. 10 crores under (b) and Rs. 37 crores under (c). It was also announced, however, that lease-lend aid given to India up to January 1, 1943, was \$295 mn. The volume of lease-lend export during the first quarter of 1943 to China, India, Australia and New Zealand was \$186 mn. Assuming India's share of this was one-third and assuming that the same rate has continued till today, lease-lend aid received up-to-date by us could be generously estimated at \$500 mn. roughly; and the rate at which we are receiving aid today would be \$250 mn. per annum. It is possible, however, that the rate has been accelerated recently on account of the creation of the East Asian Command.

The United Kingdom is supposed to pay under the Mutual Aid Agreement in three ways: (1) to return left-over lease-lend materials and other acceptable materials at the end of the war, (2) to give reciprocal aid—goods and services which can be provided from the sterling area to America or American forces in British theatres of war, and (3) to enter into discussion with the United States to create conditions of freer trade after the war, including the abolition of discriminatory treatment in international commerce and expanding production which are "the material foundations of the liberty and welfare of all peoples." However, the final terms of settlement are deliberately left nebulous, "until the extent of the defence aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interest of both the United States of America and the United Kingdom." President Roosevelt has also declared that "no financial reckoning will take place at the end of this war. In return for lease-lend aid, the United States will expect no nation to do more than fight her utmost to rid the world of Nazism and Japanese militarism," and again on August 26 last that "victory and secure peace were the coin in which repayment could be made." Much will depend on American domestic politics at the end of the war, although the likelihood is that such colossal sums cannot be in fact repaid without straining the exchange system and economy of the world to the limit. In the event, the whole question of repayment may ultimately be quietly shelved.

But since both the benefits and obligations of a large part of the lease-lend aid we receive attach to the United Kingdom, under such circumstances as

above, she will reap all the benefits and be absolved from the obligations. On the contrary India is currently paying for the lease-lend aid in the shape of reverse lease-lend. Thus we shall pay for the cost, but the benefits will be intercepted by Great Britain. And the costs which we are paying in terms of reverse lease-lend form no negligible sum. An unofficial estimate at the beginning of this year put the total value of reverse lease-lend and rendered by us to American forces stationed here at Rs. 50 crores. This must have sharply increased since then and is still rapidly increasing in view of the creation of the East Asian Command. It is reported that 52 per cent. of the supplies required by the United States troops in India are being obtained locally. They are being housed, clothed, fed and moved at our expense. Four hundred textile mills in India are supplying the American army with tropical uniforms. United States ships are being repaired and fuelled in our ports without payment. Obviously such a state of affairs is rich with serious implications for us. Already the disastrous financial policy of the Government has imposed unparalleled privations on us and is threatening the health and vitality of the nation. The urgency of putting a strict ceiling to our commitments under reverse lease-lend cannot be too seriously stressed. Judged by the principle of equality of sacrifice, we have assuredly made greater sacrifice than either Great Britain or the United States, for in neither of the latter countries have war-time deprivations reached the stage of actual privations. As the London *Economist* said in its issue of June 27, 1942, the principle implies not equal amounts of contributions but "amounts that impose equal sacrifice" and that "the devotion to the war by China of 10 per cent. of her national income would probably involve far more sacrifice than 40 per cent. by the U.S.A." We are already devoting 15 per cent. of our national income to war effort. India cannot accept an unknown and unlimited liability which is unrelated to her financial capacity.

And what is the nature of benefit which we have received from lease-lend? President Roosevelt had declared that "no one will go hungry or without the means of livelihood in any territory occupied by the United Nations, if it is humanly within our power to make the necessary supplies available to them." The United States is supplying foodstuffs to liberated Italy and accumulating same for countries to be presently liberated. But India has not so far received any food on lease-lend despite her dire need. At the same time we are being told that the United Nations have today enough surplus shipping to open a second front which would require 10 million tons of shipping.

As for industrial help, we have indeed received steel, civil aircraft, agricultural, road-making and haulage machinery, ball and roller bearings, machine tools, textile plants, railway, dock and harbour equipments, and so on. But the aid has not been commensurate with our needs. Dr. H. F. Grady said that if only we could get sufficient machinery, etc., and our economy was properly geared, we could supply the entire Burma, China and India front. Further, import of machinery as an alternative to import of products greatly economizes shipping space. Again, there is such a shortage of manpower in Great Britain that even housewives have to work part-time in munition factories. Dr. Evatt, the Australian Minister for External Affairs, went to Washington in April last to discuss the possibilities of the United States supplying a labour contingent to Australia to supplant her manpower pool which had almost dried up. All these factors urge the necessity of importing machinery into India and maximizing war-effort, but in contrast to Great Britain and Australia with their strained manpower, we have always experienced the greatest

difficulty in importing machinery. It is not enough to say that what we get is determined by the United States, and not by the Government of India. Had we a National Government in power, our case would have been more vigorously pressed and India could have been truly transformed into the arsenal of the East. But the Government has throughout taken an unhelpful attitude and declared from time to time, "Inquiries had shown that an attempt to secure and install imported plants on a large scale would not yield substantial results within a reasonable time" and made such puerile assertions, "From the standpoint of India, what is valuable is not the amount of lease-lend assistance which may have been afforded up to a certain period of time, but the right to approach the United States Government on equal terms, and to place the needs of India before that Government." About one-third of the lease-lend help we have received has been machinery, etc., which is equivalent to about \$125 mn. up to April last. Assuming that only machinery received up to April last are in production by now, and, further, that the proportion of external finance is 2:3 and the Ratio is 2, we may estimate on the optimistic side that the lease-lend help we have received during the last more than two years has led to an increase of our annual productive capacity by only about Rs. 30 crores. This is hardly chicken-feed in view of our requirements and potentiality, especially if we remember that today we are spending annually at the rate of Rs. 600 or Rs. 700 crores, including our non-budgeted rupee-finance. Again, although our industrialists have fully purchased the lease-lend machinery, the Government has in many cases thought fit to attach a condition that the Government may take back the machinery at any time it chooses. This has prevented rationalization and planning.

Finally, the entire question of lease-lend is closely linked up with the broader question of post-war international trade and, further, it raises vital issues of fiscal and monetary policy. The lease-lend question is closely allied not only to our Financial Settlement with the British Government but also to the Atlantic Charter and the economic philosophy it adumbrates. It is reported that the cause of the suspension of our negotiations with the United States was the difficulty about the retention of our fiscal autonomy. The irony of the situation is that although, according to Mr. Churchill, the political clauses of the Atlantic Charter do not apply to India, we shall still be governed by its economic clauses, if we want direct lease-lend aid. Nevertheless, it is not enough to adumbrate a vague set of economic first principles without regard to the different circumstances of the various countries, especially the backward countries like India. The fear now widely held in countries outside the United States is that free trade under existing circumstances will operate wholly in favour of the United States and against the other countries; this is on account of the disproportionate concentration of economic power in the United States. Although Great Britain is a signatory to the Atlantic Charter, it is unlikely that she would acquiesce in free trade after the war. The public in India is greatly exercised lest our economic sovereignty should be bartered away in return for the dubious lease-lend help we are receiving. The Government should not only enlighten the public about the statistics and accountancy of lease-lend, but also assure it that they would represent India's interests firmly by putting a definite ceiling to our obligations under reverse lease-lend, etc.; by pressing for maximum importation of food and machinery under lease-lend; and finally by not entering into any commitments which have the direct or indirect effect of fettering any post-war Government in the free pursuit of its own economic policy.

The Week's Notes

WANTED AN ECONOMIC RESOLUTION

Reflecting on the Indian famine in an article entitled "Hungry Millions", the latest issue of the London *Economist* emphasizes the long-term requirements and implications of this colossal human tragedy. The famine has opened our eyes, as never before, to the extreme precariousness of our food economy and has forcefully italicized the fact that even in normal peace time we live perilously near the bare subsistence level. As the *Economist* puts it, "the only real cure is an economic revolution in country and town as wide ranging and drastic as the modernization of Russian agriculture by co-operative means and state capital." Lord Halifax in Washington has been pulpitizing about the economic, social and political benefits which India has derived from nearly two hundred years of British rule. The present famine comes as a convulsing footnote to Lord Halifax's efforts to enlighten the American public on Indian affairs. Our economic system is past praying for and past patching up. The entire economy has to be rebuilt from the bottom. Our land revenue system has to be radicalized and our agricultural system has to be turned inside out and put on a scientific and large-scale basis. The pace of industrialization has to be accelerated to an extent beyond the fondest dreams of the discriminating protectionists. All this can be achieved only by the State formulating and energetically putting through an ambitious economic plan.

All this however can be achieved only through the acquisition of political power. The present Government with its consuming consciousness of artificiality and transience is totally incapable of imaginative leadership in formulating a long-term policy. Indeed it seems almost incapable of executing even a short-term policy and the way it has handled our economic affairs during the war is a scandal for any civilized Government. As the London *Economist* says in the same issue, "In both this country and the U.S.A., the austere principle of war economy gives the bare necessities of civilian life as high a priority as munitions. In India the belt has been tightened with less than no slack to take in." The Government of India as the subordinate branch of the British Government, in organizing the war-effort has followed an utterly reckless financial and economic policy. The causes of the present famine and privations cannot be isolated from that policy. Lord Wavell himself admitted that the organization of war-effort in India has put an intolerable burden on us which is totally disproportionate to our capacity to shoulder it. In Australia, recently, the volume of war-effort has been reduced and productive resources diverted to increase the supply of food because of the discovery of the possibility of a food-shortage several months or a year hence. Not so in India. On the contrary, Mr. Baxter, Permanent Under-Secretary in the India Office has told a deputation on the question of release of shipping for the transport of grain to India that "so far as he could see, the Government's policy was to give shipping preference to the supply of arms and ammunitions to the forces." The juggernaut of war machine stops not, heeds not. But meanwhile the importance of an ambitious and long-term economic plan remains as paramount as ever.

THE OVERPOWERING TORRENT OF BABIES

Speaking at Birmingham on India's food situation the other day, Mr. Amery complained of the unprecedented rate of growth of India's population. Said

Mr. Amery: "Every month there are 400,000 extra mouths to be fed." Indeed, during the last decade, on top of what is needed for replacement, every year we have had 5 million *extra* babies born and in a decade we have added a population greater than that of the whole of Great Britain. On the contrary, our food production and industrial production have been unable to keep pace with this torrential influx of babies who are more and more born in a world of shrinking economic opportunities. The soil fertility is deteriorating, the rural population is pressing on our land resources and our industrial labour force is diminishing as a percentage of total population. Dr. Vera Anstey in an article on the Indian famine in the *News Chronicle* of November 1 said that India has long been overpopulated and that our population is non-optimum in the sense that "with existing knowledge and methods of production, a smaller population could have produced a larger output per head." Although both our birth rate and death rate are excessively high and a sensible decrease in both would be extremely welcome from social and economic viewpoints, nevertheless, gone are the days when every under-graduate grew crazy over Prof. Robbins' somewhat naive enunciation of the "Optimum Theory of Population" and dreamt of ameliorating the condition of the masses through birth control. Gone too are the hectic days of the era of discriminating protection, for we now see that although it has led to a considerable growth of industrial production, this has been far outpaced by the rate of growth of population. Today we realize that the gigantic problem of our poverty can be tackled effectively only by an ambitious economic planning on a Russian scale. Dr. Anstey also recognizes this. She says that production can outstrip growth of population only by "fundamental and rapid reconstruction of economic life, involving large-scale investment in material and equipment and by scientific, technical and managerial training of Indians with the object of increasing efficiency and output per head in all occupations. This should be accompanied by reforms in social institutions and organization, for instance in land system." She suggests that this fundamental reorganization might be financed after the war initially by our sterling assets and thereafter by loans under the aegis of the international currency and investment schemes. She further suggests that when our standard of life increases by these means, our birthrate also will fall as in other advanced countries. If the sequence runs in the order above, it would be most welcome and agreeable. But to suggest that the problem of our economic backwardness can be tackled solely or mainly by offensive on the population front, is puerile.

AMERICA AND THE TARIFF

Since the last war the United States has been a highly protectionist country. Its aggressive protectionism was facilitated by the large measure of self-sufficiency it enjoys in the matter of raw materials as well as finished products, the balance maintained between agricultural and industrial production in its economy, and its conversion into a creditor from a debtor country after the last war. The Tariff Act of 1922, in addition to granting extreme protection to domestic industries, went to the violent extent of empowering the President to proclaim a total prohibition of imports of specified goods from countries discriminating against the United States. The Hawley-Smoot Tariff of 1930 contributed not a little to the deepening

of the Great Depression, the countries of Europe finding it practically impossible to pay their external debts in goods and thus being compelled to export gold to the jeopardy of their internal credit and currency mechanisms. American restrictions gave rise in turn to a whole network of retaliatory trade practices causing a shrinkage of world trade from 68 million dollars in 1929 to 23 million dollars in 1934, and a staggering decline of 76 per cent. in American foreign trade during the same period.

Will America recoil from this extreme of economic nationalism after this war at least? In a speech last week President Roosevelt exhorted the nations of the world to reduce "excessive" restrictions so that injury to other countries and diversion of trade from its natural channels might be avoided. Earlier he had declared himself against protection to the American synthetic rubber industry after the war. After this general altruism, however, came the specific reason of self-interest: "The extent and nature of our trade," he continued, "will have much to do with our general welfare." He does remember no doubt that reduction of tariffs through bilateral agreements was one of the planks on which he won his first Presidential campaign in 1932. But it is doubtful if American big business shares his view of the future of tariffs. American writers have themselves pointed out that aggressive protectionism in that country has in the past been a triumph of vested interests. These are still there of course. A few months ago Mr. Eric Johnston, President of the United States Chamber of Commerce visited England and declared that Americans—both labour and management—were "firmly resolved" to return to the private enterprise system after the war, and the United States would be more than ever interested in exporting. It is estimated that in 1942, over four million dollars were held in reserve by corporations in the country, despite the E.P.T. and generally higher rates of other corporation taxes. Would a private enterprise system with huge resources of reinvestment, cost-cutting and increased need to export be able to avoid dumping in foreign markets, thus provoking tariff retaliation and starting the same old chain leading to trade shrinkage and slump? It does not appear that, to be effective, foreign trade policy can be independent of a general regulation of the private enterprise system on which Mr. Johnston says he and his countrymen are so insistent. On the extent that post-war administration in the United States can bring about the latter may its,—indeed the world's—low tariff policy depend for success.

THE PAMPERED DEPOSITOR

The centenary number of the London *Economist* has an interesting and thought-provoking article on the future of Banking. After pointing out that the character of British banking is changing as revealed by the enormous increase in bank deposits by over £3,000 millions between 1913 and 1943, the writer asks "who owns these deposits?" and answers it by saying that the deposits have not originated from anything that can be properly called saving. Three-quarters of them have come into existence since 1913 and their origin lies in Government financing. Whatever may have been true in the past, it is almost wholly misleading today to regard bank deposits as the fruit of voluntary abstinence on the part of anybody. The text-book definition of a bank, so far as Britain is concerned, is now badly out of date. A bank used to be an institution which collected savings by offering to pay interest on them and used them to make loans to industry and trade. "A bank

nowadays is an institution which holds the credit-money of the community, created by Treasury financing and uses it to finance the Government deficit." If this be so the old idea of the bank having to attract deposits by offer of interest ceases to have any meaning. The depositor today cannot do any thing else with his balances but leave them as deposit. He is rendering no service to the banking system in "depositing his money" with it, he cannot help himself. The banks render him a service of convenience in handling his transactions. Hence there is no longer any justification in the altered circumstances for pampering the depositor. On the contrary he should be charged the full cost of the service rendered to him whereas he is subsidized at the expense of the community. The writer makes out a strong case for reducing the charges for lending to the Government and the public. According to him the present rate on Treasury bills and Treasury deposit rates should actually be borne by the deposits which they create.

There is a lot of common sense in the above proposal. In a country like Britain which has reached the stage of a mature industrial economy there is no need for Government to pay any interest on the credit which it can and does create itself through the banking system. The implications of the suggestion may seem to be revolutionary, but in reality it gives shape and content to the so-called heretical views of some of the advanced monetary thinkers who see no justification for holding the public to ransom and charging them a levy for the money which it is in the power of the Government to create.

THE END OF PROHIBITION

And so, the country is getting back to where it was in 1937 in the matter of prohibition before the advent of popular Governments. Madras, it is reported, has decided to discontinue prohibition in the four districts in which it has been in force, and when this is done, the whole of India would once again be completely "wet." There is not the shred of an excuse for this move on the part of Madras where prohibition has been a great success. Indeed cases of violation and smuggling are comparatively few and unimportant. If recently evasions had increased, they are due to the known and deliberate indifference of the Government. Our permanent officials, in Madras at least, are true to pattern. British civilians were the greatest prop and support of Mr. C. Rajagopalachari in his prohibition policy. Mr. Dixon, the Special Officer in charge of prohibition in Salem, painted in glowing colours the excellent results of prohibition. Now that the new masters have been safely re-entrenched in power it is not surprising that all kinds of pretexts are found for going back upon prohibition. Madras submitted to a very strong dose of indirect taxation in the form of sales tax to finance the deficit on account of the loss of excise revenue. The bureaucratic Government while willing to utilize the revenues specially provided for financing prohibition has no scruple in abandoning the experiment! Well might C.R. exclaim: "I hold that the reversal of prohibition, while retaining and increasing the general and other sales taxes which I persuaded the province to submit to on the basis of a policy of economy in salaries and prohibition of alcoholic drinks, would be a scandal of the first magnitude." With the discontinuance of prohibition in Madras the last nail will have been driven into the coffin, for already other provinces, Bombay, Bihar etc. have preceded Madras in this action.

THE ENFANT TERRIBLE

Dr. B. R. Ambedkar, our Labour Member is the *enfant terrible* of the Government of India and has the habit of making rather inconvenient and embarrassing statements. He made one such in his opening address to the meeting of the Policy Committee of the Reconstruction Committee. What he said constitutes a most damning admission of the failure of Government in their economic policies. "A rot has set in. This rot, I feel sure, is not going to be stopped by organizing agricultural exhibitions or animal shows or by propaganda in favour of better manuring. It can stop only when agriculture is made profitable. Nothing can open possibilities of making agriculture in India profitable except a serious drive in favour of industrialization. For it is industrialization alone which can drain away the excess of population which is exerting such an enormous pressure on land into gainful occupation other than agriculture." Not long ago if such statements had been made by members of Government, the country would have taken them to be the avowed policy of the Government and hailed them as hopeful signs. Today these utterances mean precisely nothing. They are just academic generalizations, only not half as true as theoretical conclusions. What the country needs is not mere industrialization but an all-round economic development, which should include progress in agriculture, transport, industry, banking, etc. Again when Dr. Ambedkar said that India was producing nothing but food and even of that she could not produce enough he was not wholly correct. Indeed if the statement had been made by persons occupying less exalted positions, they would have been administered a snub by the member of this Government who would point to the number of industries which have been set up during the last 25 years and which have increased during the war. But the broad conclusion that India has yet to utilize her industrial opportunities remains valid and Dr. Ambedkar is substantially correct, though wrong in detail. Whether he is right or wrong means little to the country which has now learnt the lesson that members of the Government do make pronouncements which are not intended to be acted upon but only remain pious expressions of personal opinion.

ABNORMAL WAR BALANCES

In an illuminating article on the international currency proposals, Mrs. Joan Robinson deals lucidly with the U.S. plan for the treatment of the war balances and illustrates the point by taking India and Britain as examples. What she says confirms completely our own view of the position as set out in our article in the *Eastern Economist* of August 27 entitled "U.S. Plan and Our Sterling Balances." Says Mrs. Robinson, "Let us take, for example, sterling balances in London owned by the Government of India. The proposal is that the Fund should be free to buy a part of these balances from India and pay for them in currencies of other countries to the extent that India needs them immediately to meet an adverse balance of payments on income account. The rest is paid in rupees out of India's initial subscription to the Fund. This automatically increases India's right to buy other currencies to a corresponding extent. If India is receiving a surplus on income account, the scheme does not apply. Perhaps this may be taken to imply the suggestion that a surplus country has no need or right to withdraw abnormal war balances. Repayment by Great Britain to

the Fund may be postponed for three years, to allow a breathing space. After three years G.B. must repurchase the sterling balances from the Fund for gold or free currencies at the rate of 2 per cent. per annum for 20 years. India also re-purchases the balances at the same rate and the sterling thus purchased must be freed in London. From the point of view of India this merely means exchanging one free currency for another. From the point of view of Great Britain it means finding gold or free currency to pay off 80 per cent. of the balances in free currency over 20 years." What about the 20 per cent. remaining after 23 years? According to Mrs. Robinson it will be the subject of consultation between Great Britain and the Fund. She, of course, does not refer to the new provision added to the original plan in Section 8 dealing with the blocked foreign balances which says that "the Fund shall determine from time to time the maximum proportion of the blocked balances it will purchase under the provision provided, however that during the first two years of its operation blocked balances purchased by the Fund shall not exceed the aggregate of 10 per cent. of the quotas of all member countries. At the end of two years' operation the Fund shall propose a plan for the gradual further liquidation of blocked balances still outstanding, indicating the proportion of the blocked balances which the Board considers the Fund can appropriately purchase." Britain and India have each to pay gold to the value of 1 per cent. of the balances in the first instance and an annual charge of 1 per cent. on the outstanding balances thereafter. From the point of view of Great Britain this charge may be regarded as interest on debt; but why India should also pay 1 per cent. passes comprehension; perhaps this is the evolution of a new principle in international finance of penalizing the creditor for his act of service.

FEDERATION OF ARAB STATES

During the last war the Arabs fought by the side of the Allies against the Turks in the hope of a free and united Arab state. But the peace settlement tore the Arab people asunder into a welter of petty nationalities and political entities. The political frontiers of Palestine, Syria, Transjordan and Iraq were added to those of the existing *Shaikdoms*, to complete the picture of total disintegration of a people. But in this dark period of Arab history was formed also a centre of Arab independence in the Hedjaz of Ibn Saud. The subsequent quarter century has worsened the conditions for Arab unity and freedom. The British have planted the Jews in Palestine and the French fostered the Lebanese autonomy. The Shias, Sunnis, Kurds and Christians have fought in Iraq and the Anglo-American oil interests have established themselves in the country.

Now even before the war is at an end, and no sooner than the Axis menace to the region has been overcome, a conference has met at Alexandria of delegates from the Arab countries to discuss a plan for post-war federation. It is hoped that even though certain political, racial and religious differences may stand in the way of complete federation a unity for cultural and economic purposes would be secured. We would have had everything to rejoice in such a move to secure unity and freedom for an Eastern people, if only it was one between equals and not a stage show on the eve of a post-war world when the colours on the maps would be changed. But like all great schemes of bringing certain Eastern peoples together or keeping them asunder which have from time to time emerged from British statesmen this is

one called for through the exigencies of the moment, calculated to serve British interests.

The fragmentation and parcelling out of the Arab world was the need of the moment after the last war. It was necessary as there were two victorious powers with conflicting interests for possessing the land bridge between the East and the West. But this war has left at present only one power in all these lands namely the British. Anthony Eden, the Arabic knowing Foreign Secretary has lost no time in preparing to present the post-war world with a federation of Arab States in which the British interests and forces would be well established by means of special treaties between most of the federating Arab States and Great Britain. The overwhelming British force in the region has made an independent policy for Saudi Arabia precarious, and she is also invited now to federate with the puppet kingdoms around her. Indeed it appears that federation is going to be the post-war term for annexations and mandates. The British Government is said to have made no declaration of its policy in the matter. But the world knows very well the source of inspiration of the ministries at Baghdad, Damascus and Cairo.

A NEW FACTORS

A new factor has appeared in these countries which would not possibly fail to influence the course of political development in the region. Vast oil-fields comparable to the American occurrences have been discovered. It is now known that the deposits of Iraq, Persia and the Persian Gulf Coast of Arabia that are

worked now are only the fringes of a vast belt of oil stretching right across Arabia. Oil was first struck in Saudi Arabia in 1936, and its production in 1942 approximated 6 million barrels, extraction being limited owing to the shortage of equipment. Ibn Saud knows what this means for his country and is anxious. But he is also conscious of the fact that oil is a thing which may interest the dollar as much as the sterling and hopes to maintain himself on a balance of British and American interests. So while he has sent his delegates to Alexandria, his sons have gone forth as his emissaries to the U.S.A. where they are lunching not only with the diplomats but also with the oil kings. But one can never be sure that the two Anglo-Saxon countries may not unite over a common Middle-East policy. This is all the more likely when it is realized that a victorious Russia would not be disinterested in the post-war settlement of a region so close to them. The hot-haste in which this federation of puppet states with a free one has been formulated may be explained by the fact that the British might have hoped to present the U.S.S.R. and the U.S.A. with a *fait accompli* at the time of the peace settlement. India's interests in the region are somewhat like those of the U.S.A. It would be detrimental to her interests if this region is formed into an economic bloc in which a policy exclusively benefiting one power is pursued. She has reasons to look upon the Middle-East as the best market for many of the products of her industrialization. She wants to develop direct trade and cultural relations with these neighbours in the post-war world. A federation of the kind now contemplated may stand in the way of such development.

SPECIAL ARTICLES

Planning and the Rule of Law

By F. A. Hayek

II

It is a necessary and only apparently paradoxical result of this that formal equality before the law is in conflict with, and in fact incompatible with, any direct activity of the Government deliberately aiming at material or substantive equality of different people, and that any policy aiming at a substantive ideal of distributive justice must lead to the destruction of the Rule of Law. To produce the same results for different people it is necessary to treat them differently. To give different people the same objective opportunities is not to give them the same subjective chance. It cannot be denied that the Rule of Law produces inequality—all that can be claimed for it is that this inequality is not designed to affect particular people in a particular way. It is very significant and characteristic that socialists (and Nazis) have always protested against "merely" formal justice, that they have always objected against a law which had no views on how well of particular people ought to be*, that they have always demanded a "socialization of the law," attacked the independence of the judges and given their support to all such movements as the *Freirechtsschule* which undermined the Rule of Law.

It may even be said that for the Rule of Law to be effective it is more important that there is a rule which is always applied without exceptions, than what this rule is. Often indeed the content of the rule is really of minor importance, provided it is universally enforced. To revert to a former example: it does not matter whether we all drive on the left or on the right hand side of the road so long as we do all the same. The important is this that the rules enable us to predict other people's behaviour correctly, and this requires that it should be applied in all cases—even if in the particular instance we feel it to be unjust.**

The conflict between formal justice and formal equality before the law and the attempts to realize various ideals of substantive justice and equality also accounts for the widespread confusion about the concept of "privilege" and its consequent abuse. To mention only the most characteristic instance of this abuse, its application to property: it would indeed be privilege if, e.g., as was the case in the past, landed property were reserved to members of the nobility. And it is privilege if, as is true in our own time, the right to produce or sell particular things is reserved to parti-

*It is therefore not altogether false when the legal theorist of National Socialism, Carl Schmitt, opposes the liberal *Rechtsstaat* (i.e. the Rule of Law) the national socialist ideal of the *gerechte Staat* (the just State)—only that this sort of justice which is opposed to formal justice necessarily implies discrimination in the service of substantive ideals.

**Hence the maxim *fiat justitia perezat mundus*. This in no way conflicts with a utilitarian justification of the legal system. It is quite true that the need for a legal system, and to a large extent the content of the law, must be governed by the aim to secure peaceful intercourse between men. And with respect to this it has rightly been suggested that *de lege ferenda* the maxim should read *fiat justitia nec perezat mundus*, justice be done so that the world be saved. But the first rule which follows from these utilitarian considerations is that once a rule is established, *de lege lata*, it must be applied without exception and without regard to consequences—"even if the world perish."

cular people designated by the authority. But to call private property as such, which all can acquire under the same rules, a privilege because only some succeed in acquiring it, is depriving the word privilege of its meaning.

The criterion of the unpredictability of the concrete effects which defines the formal laws of which the legal framework of the liberal system exists helps also to clear up another confusion about the nature of this system; the belief that its characteristic attribute is inaction by the State. The question whether the State should or should not "act" or "interfere" poses an altogether false alternative and the term *laissez faire* is a highly ambiguous and misleading description of the principles on which a liberal policy is based. Of course every state must act and every action of the State interferes with something or other. But that is not the point. The important question is whether the individual can foresee the action of the State and make use of this knowledge as a datum in forming his own plans, with the result that the State cannot control the use made of his machinery and that the individual knows precisely how far he will be protected against interference from others, or whether the State is in a position to frustrate individual efforts. The State controlling weights and measures (or preventing fraud and deception in any other way) is certainly acting, while the State permitting the use of violence by strike pickets (or anybody else) is inactive. Yet it is in the first case that the State observes the liberal principles and in the second that it does not. Similarly with respect to most of the general and permanent rules which the State may establish with regard to production, such as building regulations or factory laws; these may be wise or unwise in the particular case, but they do not conflict with liberal principles so long as they are intended to be permanent and are not used to favour or harm particular people or groups. It is true that in these instances, apart from the long run effects which cannot be predicted, there will be in the short run known effects on particular people. But with this kind of laws the short run effects are in general not (or at least ought not to be) the guiding considerations. As these immediate and predictable effects become more important compared with the long run effects, we approach the borderline where the distinction, however clear in principle, becomes blurred in practice.

The rule of law in our sense was consciously evolved only during the liberal age and it is one of its greatest achievements, not only as a safeguard but as the legal embodiment of freedom. As Immanuel Kant put it (and Voltaire had expressed it before him in very much the same terms) "Man is free if he needs to obey no person but solely to the laws." As a vague ideal it has however existed at least since Roman times. And it has never in modern times been threatened as seriously as it is today. The idea that there is nothing which cannot be regulated by the State and that there is no limit to the powers of the legislator is of course in part a result of popular sovereignty and democratic government. It has been strengthened by the belief that so long as all actions by the State are duly authorized by legislation, the Rule of Law will be preserved. But this is completely to misconceive the meaning of the Rule of Law. This has little to do with the questions

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whether all actions of government are legal in the juridical sense. They may well be and yet not satisfy the Rule of Law. The fact that somebody has full legal authority to act in the way he does gives no answer to the question whether the law gives him power to act arbitrarily or whether the law prescribes unequivocally how he has to act. It may well be that Hitler has obtained his unlimited powers in a strictly constitutional manner and that whatever he does is therefore legal in the juridical sense. But who would suggest for that reason that the Rule of Law still prevails in Germany?

To say that in a planned society the Rule of Law can no longer hold is, therefore, not to say that the actions of the government will not be legal, that such a society will be lawless. It only means that it will no longer be determined by pre-established rules how the government has to use its coercive power in particular cases. The law can, and to make planning possible must, legalize what to all intents and purposes remains arbitrary action. If the law says that such and such a Board or Authority may do what it pleases, anything that Board or Authority does is legal but its actions are certainly not subject to the Rule of Law. By giving government unlimited powers the most arbitrary rule can be made legal: and in this way a democracy may set up the most complete despotism imaginable.*

But if the law is to enable the authorities to plan economic life, it must give them powers to make and enforce decisions in circumstances which cannot be foreseen and on principles which cannot be stated in generic form. The consequence is that as planning extends, the delegation of legislative powers to divers Boards and Authorities becomes increasingly common. When before the last war, in a case to which Lord Hewart has drawn attention in his *New Despotism*, Justice Darling said: "That Parliament had enacted only last year that the Board of Agriculture in acting as they did should be no more impeachable than Parliament itself," this was still a rare thing. It has since become an almost daily occurrence. Constantly the broadest powers are conferred on new authorities which, without being bound by fixed rules, have almost unlimited discretion in regulating this or that activity of their fellow citizens.

The Rule of Law thus implies limits to the scope of legislation: it restricts it to the kind of general rules known as formal law, and excludes legislation either directly aimed at particular people, or giving anybody power to use the coercive apparatus of the State for the purpose of any such discrimination. It means, not that everything is regulated by law, but, on the contrary, that the coercive power of the State can be used only in cases defined in advance by law and in such a way that it can be foreseen how it will be used. A law can thus suspend or infringe the Rule of Law. This will be immediately evident if we remember that, unless we

*The conflict is thus not, as it has often been misconceived in 19th century discussions, one between liberty and law. As John Locke had already made clear, there can be no liberty without law. The conflict is between different kinds of law, law so different in principle that it should hardly be called by the same name: one is the law of the Rule of Law, the general principles laid down beforehand, the "rules of the game" which enable the individual to foresee how the coercive apparatus of the State will be used, or what he and his fellow-citizens will be allowed to do or made to do in stated circumstances. The other kind of law gives in effect the authority power to do what it thinks fit to do. Thus the Rule of Law would clearly not exist in a democracy which undertook to decide every conflict of interests not according to rules previously laid down, but "on its merits."

admit this, our opinion whether the Rule of Law prevails in present-day Italy, Germany or Russia would depend not on how the absolute power of the dictators is used but on whether they obtained these absolute powers by constitutional means.

Another illustration of an infringement of the Rule of Law by legislation which has played a role in the history of this country is the case of a bill of attainder. Here we have to deal with an infringement of the particular form which the Rule of Law takes in criminal law, where it is usually expressed by the Latin tag *nulla poena sine lege*—no punishment without a law prescribing it.

The essence of this rule is that the law must have existed as a general rule before the individual case arose to which it is to be applied. Nobody would argue that, when in a famous case in Henry VIII's reign Parliament resolved with respect to the Bishop of Rochester's cook "that the said Richard Rose shall be boiled to death without having any advantage of his clergy," this act was performed under the Rule of Law.

The Rule of Law is a principle universally adopted under the liberal system, but incompatible with the totalitarian regime. There, as E. B. Ashton has well expressed it, the liberal maxim is replaced by the principle *nullum crimen sine poena**—no 'crime' must remain without punishment whether the law explicitly provides it or not. The rights of the State do not end with punishing law breakers. The community is entitled to whatever may seem necessary to the protection of its interests—of which observance of the law, as it stands, is only one of the more elementary requirements. What is an infringement of the interests of the community is, of course, decided by authority.

Whether, as in some States, the main applications of the Rule of Law are laid down in a Bill of Rights or a Constitutional Code, or whether the observance of the principle is merely an established tradition and grounded on generally held beliefs, matters comparatively little. But it will be readily seen that whatever concrete form it takes, any such recognized limitations of the powers of legislation imply the recognition of inalienable rights of the individual, of inviolable rights of man.

It is pathetic, but characteristic of the muddle in which so many of our intellectuals have been led by the conflicting ideals in which they believe, that a leading advocate of the most comprehensive central planning like Mr H. G. Wells should at the same time write an ardent defence of the *Rights of Man*. The individual rights which Mr Wells hopes to preserve would inevitably obstruct the planning which he desires. To some extent he realizes the dilemma and we find therefore the provisions of his proposed Declaration of the Rights of Man so hedged about with qualifications that they lose all significance. While, for instance, his Declaration proclaims that every man "shall have the right to buy or sell without any discriminatory restrictions anything which may be lawfully bought and sold," which is admirable. He immediately proceeds to make the whole provision nugatory by adding that it applies only to buying and selling "in such quantities and with such reservations as are compatible with the common welfare." But since, of course, all restrictions ever imposed upon buying or selling anything are supposed to be necessary in the interest of the "common welfare" (the *Gemeinnutz* of the Nazis), there is really no restriction which this clause effectively prevents and no right of the individual that is safeguarded by it. Or, to take another basic clause, the Declaration states that every man "may engage in any lawful occupation" and that "he is entitled to paid employment and to a free choice whenever there is any variety of employment open to

*E. B. Ashton, *The Fascist*, 1937, p. 119.

him." It is, however, not stated who decided whether a particular employment is 'open' to a particular person, and the added provision that "he may suggest employment for himself and have his claim publicly considered, accepted or dismissed" shows that Mr Wells is thinking in terms of an authority which decides whether a man is "entitled" to a particular position—which certainly means the opposite of free choice of occupation. And how in a planned world freedom of travel and migration is to be secured when not only the means of communication and currencies are controlled but also the location of industries is planned, or how the freedom of the Press is to be safeguarded when the supply of paper and all the channels of distribution are controlled by the planning authority, are questions to which Mr Wells as little as any other planner provides an answer. Yet Mr. Wells perseveres in his belief in collectivist planning side by side with his belief in the Rights of Man and how little he sees the difficulty is clear from the fact that in his book on the *Rights of Man* he reprints, apparently with approval, a letter by an unnamed German intellectual in which the writer explains that the "economic planning" of which the Socialists speak, is scarcely "different from a centralized economic administration which is doomed to lead fast to a totalitarian system" and that in every such "economically centralized totalitarian system liberty would be smashed soon."

There are the reformers much more consistent who ever since the beginning of the Socialist movement have attacked the "metaphysical" idea of individual rights and who have insisted that in a rationally ordered world there will be no individual rights but only individual duties. This, indeed, has become the much more common attitude of our so-called progressives and few things expose one more certainly to the reproach of being a reactionary than if one protests against a measure on the grounds that it is a violation of the rights of the individual. Even a liberal paper like the *Economist* not very long ago was holding up to us the example of the French, of all people, who had learnt the lesson "that democratic government no less than dictator-

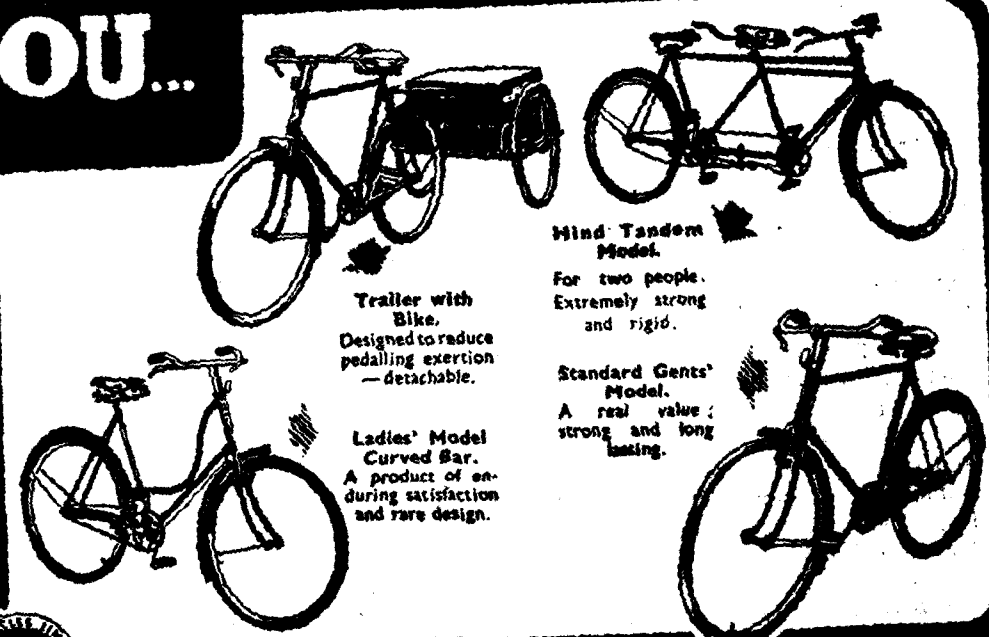
ship must always (sic) have plenary power in possession without sacrificing their democratic and representative character. There is no restrictive penumbra of individual rights that can never be touched by government in administrative matters whatever the circumstances. There is no limit to the power of government which can and should be taken by a government which has been freely chosen by the people and can be fully and openly criticized by an opposition." This may be inevitable in war time when of course even the free and open criticism is in abeyance. But the "always" in the statement quoted does not suggest that the *Economist* regards it as a regrettable war time necessity. Yet as a permanent institution this view is certainly incompatible with the Rule of Law and leads straight to the totalitarian State. It is however, the view which all those must hold who want the government to direct economic life.*

*How even a formal recognition of individual rights or of the equal rights of minorities loses all significance in a state which embarks on extensive regulations of economic life has been amply demonstrated by the experience of various central European States. It has been shown there that it is possible to pursue a policy of ruthless discrimination against national minorities by the use of the recognized instruments of economic policy and without ever infringing the letter of the statutory protection of minority rights. In the particular instances this oppression by means of economic policy was greatly facilitated by the fact that particular industries or activities were largely in the hands of a national minority so that any measure aimed ostensibly against an industry or class was in fact aimed at a national minority. But the almost boundless possibilities which such apparently innocuous principles as "Government control of the development of industries" open to a policy of discrimination and oppression has been amply shown there for all who wish to see the political consequences of planning operate in practice.

(Concluded)

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Counter-Inflation in India

By V.K.R.V. Rao

NOBODY denies the existence of inflation in India today. The connotation of the term inflation may not be the same in every case, but all are agreed that there has been a fall in the supplies of consumption goods available for civilian consumption, while there is a rise in the volume of purchasing power, with the result that both wholesale price and cost of living indices have been rising steadily and steeply in the last 15 months. There is also fairly close agreement in the analysis of the factors that have brought about this phenomenon. As far as the war expenditure debitable to Indian revenues is concerned, it has been more than covered by additional taxation, and increased loans. Thus, including the budget estimates for the current year, the increase in the defence expenditure of the Government of India has been Rs. 436 crores; as against which the additional amounts raised by way of taxation is Rs 214 crores and by way of loans Rs. 623 crores, thus making a total of Rs. 837 crores or Rs. 401 crores in excess of the extra burden caused by the war to the Indian Exchequer. Thus, it has not been any revenue deficit of the Government of India which has led to this inflation in the country; as far as Indian war finance is concerned there has been no provocation to use the currency mechanism for obtaining the required funds. And yet, a good deal of additional currency has been pumped into the country; in fact, the increase in the volume of currency since the war began has been as much as Rs. 585 crores or 327% over the figure in the week ending August 25, 1943. The reason for this increase is also well known; it is to finance H.M.G.'s war expenditure in India. The British Government has been purchasing supplies and services in India; instead of paying for these in goods or gold, it has been paying us in sterling; and as the rupee is linked to sterling and the Reserve Bank has the statutory obligation to exchange rupees for sterling, this sterling has formed the basis against which additional rupee currency has been created. And as this additional purchasing power has not been offset either by additional production of consumption goods or by additional loans, it has been exercising a most active influence on the price level in India, the result of which is the inflation we are witnessing today.

Several measures have been suggested for countering this inflation. These may briefly be summed up as taxes, loans, and economic controls involving statutory price fixation, rationing and stabilization of the cost of living.

The first, viz., additional taxation, has been suggested both in India and in England. A distinguished Indian economist has recently advocated positive action by the Provincial Governments in this regard and specifically suggested increases in taxes on entertainments, in stamp duties, in excise duties, and the levy of an agricultural income tax and a general sales tax. The London *Economist* has also taken the same line and stated that "to tackle the serious inflationary problem at the roots, the Government of India must be induced to absorb by further taxation a great part of the purchasing power which is being steadily created by the defence expenditure incurred in India." No doubt, this argument will come of great use in the near future and the public will be told that if they want the inflation to be stopped, they must be prepared to put up with more taxation.

To begin with, there is a confusion of ideas in this suggestion. If the inflation is a deficit-induced

inflation in the well-understood sense that it is due to a revenue-deficit on the part of the Indian Government, it would be quite correct to advocate the use of taxation to close as much of the inflationary gap as possible. But we have already seen that the revenue-deficit caused by the Indian Government's war expenditure has been more than made up by its additional taxation and additional loans. Are we then to tax ourselves more in order to finance H.M.G.'s war expenditure in India? Is the Indian tax-payer's burden to be raised in order to facilitate the sale of goods and services to the British Government? The questions have only to be put to prove the obvious impropriety of the measures suggested. No doubt the London *Economist* is of the opinion that H.M.G.'s war expenditure in India should be debited to the Indian Exchequer; but that is surely not the opinion of any Indian economist; and yet that is exactly what will result from any attempt to finance H.M.G.'s expenditure in India by raising the level of Indian taxation.

Moreover, the specific taxes suggested will not touch more than a moiety of the additional purchasing power which is being created by H.M.G.'s expenditure in India. At the outside, the additional taxation suggested may bring in Rs. 20 crores in one year, while the additional purchasing power being created is of the order of more than Rs. 20 crores a month. Further, the most important of the suggested taxes, viz., a general sales tax will help to raise prices by much more than the tax levied, and this will add to the inflation instead of countering it. Additional taxation, therefore, will not touch more than the fringe of the problem, and its effect will, at least, be of a very dubious quality as far as countering inflation is concerned.

The London *Economist*, however, goes much further than Prof. Vakill. It wants taxation to absorb "a great part of the purchasing power which is being steadily created by the defence expenditure incurred in India." H.M.G.'s expenditure incurred in India in 1942-43 was estimated by the Finance Member at Rs. 400 crores. Even assuming that the expenditure in 1943-44 was of the order of only Rs. 25 crores a month, that would mean that additional taxation to the extent of Rs. 100 to 200 crores will have to be raised during the current year to satisfy the London *Economist*. Surely it is not possible to do this, even assuming it is right to do so.

Taxation has been increased in India to the extent of more than 100 per cent. during the last four years; the burden of taxation is already intolerably high; and it is doubtful if it is possible to increase it any further. But the London *Economist* has an answer by stating: "Arguing that India cannot bear a heavier financial burden ignores the fact that India actually is bearing the whole real burden represented by the combined Indian and British Governments' defence expenditure, since labour and materials and their cost in terms of abstinence from current consumption are being borne as expenditure is incurred." It is good that the most weighty of the British financial weeklies has admitted the fact that India is today bearing the real burden of H.M.G.'s war expenditure in India and, therefore, by implication that her sterling balances do not represent her war profits but payment for the real costs incurred by her people. But to argue from this that it is possible to impose this burden by taxation is to ignore the well-known fact

that inflationary finance is always resorted to when it is impossible to raise the required revenues by taxation. The extent to which inflationary finance involves an increase in the real burden of taxation is no index of the taxable capacity of a country; if it was, nobody would resort to inflation. Looked at from a theoretical point of view, as far as the total weight, though not the incidence, of the real burden is concerned, loan finance has the same effect on civilian consumption as inflation finance, for in the case of defence expenditure incurred by loans also, labour and materials and their cost in terms of abstinence from current consumption are being borne as expenditure is incurred; and yet none can argue that the fact that people are incurring real costs by subscribing to loans is an indication of their ability or willingness to bear a greater real burden of taxation. Otherwise, there is no reason why Britain should not raise by taxation the revenue she is now raising by loans for financing her own defence expenditure. I am not suggesting that there is no difference between loan finance and inflation finance. My only point is that, like taxation, they both involve real costs in the present; and yet it is well known that taxation cannot take their place. I am afraid therefore that it is not possible to accept at its face value the *Economist's* suggestion that because India is today bearing the burden of inflationary finance, she is, therefore, in a position to bear that burden in the form of taxation proper. In fact, India is already heavily taxed and cannot bear additional taxation; even if she can, it would not be right that she should do so, for the inflationary finance is used not for financing India's own war expenditure but that of H.M.G.'s expenditure in India.

The second method suggested for countering inflation is savings and loans. There is no doubt that the more rupee loans are used to finance H.M.G.'s expenditure, the less inflationary will be the effect of this expenditure. But it must be emphasized that to be effective as an anti-inflationary measure, the loans raised by Government should not be at the expense of private savings but should be in addition to the existing volume of savings and in fact should serve to take away from the market what otherwise would prove to be an active form of purchasing power. As a matter of fact, all the new income created by H.M.G.'s expenditure does not constitute active purchasing power; but a part goes to the small man who is going to spend it. It is this latter which needs to be withdrawn from circulation; the loan programme, therefore, should be such as to result in savings on the part of the lower income-categories. This, however, has not proved to be the case in India; in fact, the figures for the period ending March 31, 1943, show a decline of Rs. 53 crores in the total of postal savings and cash certificates; while in England, small savings have increased enormously and constitute a substantial portion of the total savings raised by the Government's loan programme. That is one reason why H.M.G.'s expenditure in India has had an inflationary effect in India while that has not been the case in England. It is necessary, therefore, that a special attempt should be made to draw away purchasing power from the recipients of small incomes. There are two ways in which this can be done. One is to attract savings by discriminatory treatment, by offering markedly higher rates of interest on small savings. In order that this may be effective without at the same time bringing about a rise in the general rate of interest, it is necessary that the rates offered on small savings should be substantially higher over the current rates and at the same time ample safeguards should be provided

against advantage being taken of this by the richer savers. This can be done by offering 5 or 6 per cent. interest on the following types of savings subject to the limitation that the amounts held by an individual saver do not exceed Rs. 5,000:—

- (1) Deposits in Post Office Savings Banks.
- (2) Non-transferable Postal Cash Certificates.
- (3) Fixed deposits in Joint Stock Banks and urban co-operative banks, and
- (4) Deposits in Rural Co-operative Credit Societies.

To ensure advantage not being taken of these measures by the richer savers, an additional safeguard may be provided by making it an offence under the law for any individual to hold savings in the forms enumerated above in excess of Rs. 5,000.

The other way in which small savings can be attracted is by sales of gold. In fact, in a country like India, where people are illiterate and the habit of investing in securities is not yet developed among the rural masses, sale of gold is an open market operation performing exactly the same function which sales of securities achieve in the more advanced economies. To be effective in obtaining cash from the recipients of small incomes, it is necessary that the sales of gold should be made in small units, say, 3 or 5 tola pieces, that they should be sold directly in the rural areas through the agency of Post Office Savings Banks and Co-operative Credit Societies, and that the price at which sales are made shall be noticeably lower than the prevailing market prices. If gold sales are effected in this manner instead of the present method adopted by the Reserve Bank of selling gold to the big dealers in the Bombay market, it would result in a voluntary withdrawal from the market for consumer's goods of a most active form of purchasing power. These measures may be supplemented in the urban areas by providing for a part of dividends, wages and other direct payments resulting from H.M.G.'s expenditure being made in non-transferable cash certificates bearing interest at 4 per cent. and redeemable within a period of two years following the termination of war.

It must be pointed out, however, that savings obtained in this manner will not completely solve the inflationary tangle in India. As has been pointed out already loan finance also means real costs in the present, though it is incurred voluntarily; but the extent to which loans can be raised or small savings expanded will depend upon the margin for reasonable reduction available in the country's supply of consumption goods. The smaller this margin, the smaller will be the amount of finance that can be raised by taxes and loans; and it is well known that the margin is very low in India. In fact, the total supplies of consumption goods in India were not enough to provide the people with even their minimum necessities of life before the war; and there was scarcity in India in a very real sense even before 1939. The substantial inroads made on the country's supplies by the defence expenditure incurred in India, by both H.M.G. and the Indian Government have accentuated the scarcity of consumption goods in India and led to the prevalent economic distress among large classes of population in the country. Replacement of inflation finance by loan finance will secure a more equitable distribution of this scarcity, but it will not do away with it. As long as the scarcity is there, economic distress will continue even if all the funds required for financing H.M.G.'s expenditure in India is found by taxes and loans. It is this fundamental fact of scarcity which has not been given its due place in

current analysis of the Indian economic situation. India started the war with very limited supplies; and the magnitude of H.M.G.'s expenditure in relation to the margin of Indian resources is such that I doubt if it could have been financed entirely by taxes and loans, both of which assume the co-operation of the citizen and his willing reduction in consumption. The saving element in the situation was that production in India was capable of an enormous increase; and given the necessary capital equipment, it was possible to supply H.M.G.'s requirements in India without reducing India's supplies of consumption goods to dangerously low levels. The tragedy of the situation is that this was not done, and that supplies were drawn from India beyond the extent that it could be safely done, and obviously this could not have been achieved by methods like taxes and loans involving the co-operation of the people. I am not suggesting, therefore, that inflation was justified. My point is that, given the existing magnitude of the annual volume of India's output of consumption and production goods, and the basic minimum requirements of the people, it was impossible to meet H.M.G.'s expenditure by taxes and loans. Of course, much more could have been and can be done to raise the proportion financed by loans; but even given the best of circumstances, loans and savings could not have released enough supplies for H.M.G.'s needs in India; and, therefore, no loan programme by itself could have countered the inflation in India. What was required was either a reduction in H.M.G.'s Indian expenditure or an increase in the production of consumption goods in India. Since the former was not possible, the obvious thing to do was to concentrate on the latter. It is the failure to do this which has brought about scarcity in India; and as long as scarcity remains, merely monetary measures of counter-inflation like loans cannot resolve the economic distress in India. This does not mean that much more cannot be done to counter inflation by a better loan programme and a more efficient savings campaign; but these cannot by themselves remedy the distress of the people or even bring about a substantial fall in prices. *The problem of Indian war economy today is not merely one of better distribution of the incidence of the burden of H.M.G.'s and the Indian Government's combined defence expenditure; it is also one of increasing the margin of consumption resources available to the people and thereby enabling them to be in a better position to bear the burden.* In Lord Wavell's words, "the economic resources of India have been strained to their utmost limits and any further burden might well prove the proverbial straw on the camel's back."

The same limitation also applies to the third set of counter-inflationary measures that are generally suggested, viz., economic controls involving statutory price-fixation, rationing and stabilization of the cost of living. Apart from the enormous administrative difficulties involved in the execution of these measures owing to the size of the country, the illiteracy of the population, the absence of public co-operation, the difficulty of securing the administrative personnel with the necessary experience, and the complications introduced by inter-provincial jealousies, there is the fundamental theoretical point that these measures, even if successful, can only result in a better distribution of the burden, whereas the problem is not one merely of distributing the burden more equitably but is also one of either reducing the burden or increasing the country's capacity to bear the burden. It is this fact which has not been given sufficient account in current discussion of India's war economy. If the

problem were one merely of inflation in the monetary sense, then it is exactly analogous to the problem of war economy in countries like Britain and the U.S.A., where the annual output of goods and services is sufficiently ample for their war expenditure and whose problem is, therefore, merely the technical one of raising taxes, savings and loans accompanied by economic controls like price fixation, stabilization of cost of living, and rationing. But the Indian problem is this and more; production is low in India, and the country can no longer afford the real burden of H.M.G.'s expenditure in India, whether it is raised by taxes, loans or inflation. The scarcity, which is the economic counterpart of the inflation, which we are experiencing, is not merely the result of inflation and cannot be countered even if—which is not possible—inflation finance were to be completely replaced by loan finance. Of course, we do want inflation finance to be replaced by loan finance as much as possible; and economic controls of the type employed in Britain and the U.S.A. are necessary to bring about a more equitable distribution of the war burden and save the domestic economy from collapse. But what is required even more urgently is an increase in the production of consumption goods in India; and fortunately, this can be done if only the necessary capital equipment is supplied to the country. Inflation in India is not merely the result of creation of additional rupee purchasing power; it is also the result of the country's low production or the scarcity of consumption goods which was characteristic even of India's pre-war economy. The truth of my statement finds confirmation in the latest issue of the *London Economist*, which states: "In both this country (i.e., England) and America, principles of war economy give the bare necessities of civilian life as high a priority as munitions. In India, the belt has been tightened with less than no slack to take in." Under the circumstances the most counter-inflationary step is to promote production, facilitate the import of machinery, encourage industrialization, and increase the production of consumption goods. Given this, it would also be possible to meet H.M.G.'s requirements without upsetting Indian economy and causing distress to the masses of which the situation in Bengal is only a symptom. In short, India can well say: "Give us the tools and we will furnish the United Nations with all the supplies they need without at the same time starving India's own civilian requirements"; and if the British Government responds favourably to this offer, they will have helped to set in motion the most effective measure in the battle for counter-inflation that is now being planned in India.

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THE WORLD ABROAD

Anglo-American Currency Agreement

(From Our Washington Correspondent)

WASHINGTON, Nov. 1 (By Cable).

DEFINITE British-American agreement on post-war monetary stabilization plan is expected within the next few weeks during the London visit of Secretary Morgenthau and Harry D. White, Treasury Adviser and Originator of the United States currency stabilization proposal. Substantial progress was made in conversations recently concluded here between Lord Keynes and other Anglo-American monetary experts wherein Keynes has been reported to have accepted the American viewpoint that any post-war international lending operations must be conducted on practical banking principles. American negotiators have insisted that the United States as the world's principal creditor nation will wish complete frankness regarding the purpose for which loans are required and by what means and over how long a period it is to be amortized. Keynes agreed that this requirement would preclude repetition of the issue of loans such as after the last war whereof some are still outstanding today. It was also accepted by the negotiators that any world settlement of economic problems must centre around firm conclusive Anglo-American understanding; that British monetary and trading position must first stipulate that they will directly benefit other smaller countries. For example, should India need certain new machinery whose purchase price is payable within a decade, London could discount its receivables in Washington. The transaction would then be clearly evident in the balance of payments of all the three countries.

Congressional opposition to the White Plan continues to be negligible but American business men still regard all post-war stabilization proposals coolly. This attitude was evident last week during the National Foreign Trade Convention in New York, when delegates attending the banking session here were openly critical of the Treasury's suggestions which were defended by Doctor E. M. Bernstein, Assistant Director, Monetary Research for Treasury. Dr. Bernstein said that Treasury's objectives are identical with international monetary policies of the United States; "There are some people who apparently favour the purposes of international stabilization fund but doubt the wisdom of our membership. They feel that participation would unduly hamper freedom of action which we must reserve for our monetary authorities. Actually there is no provision in the Fund which in any respect is contrary to monetary policies of the United States. The obligations we would undertake to maintain currency stability and not engage in disruptive currency practices are clearly policies we are already pursuing and policies which we are so eager to see other countries pursue."

Discussing post-war stabilization probabilities Dr. Bernstein who aided formulating Treasury Plan said, "unless we take positive steps to prevent it we must expect the breakdown of some monetary systems, widespread instability of exchanges, use of currency depreciation as the instrument of competition in international trade and retention of restrictive and discriminatory monetary practices. The first means of solving these problems is to recognize that we all have an interest in their solution. International monetary co-operation is not a matter of philanthropy but it is vitally important to our own economic position."

Answering the question how a suitable basis for devaluating the various currencies could be obtained Dr. Bernstein said, many currencies are right in respect of the prevailing rates including the Latin-American nations and warring countries with such large resources—their currencies and credit are unaffected. Dr. Bernstein said this brings the problem largely to enemy and enemy-occupied countries whose condition is determinable only after the war.

Local optimism regarding the probable stabilization agreement is considerably greater than in London, where differences between Britain and American viewpoints are still held serious. Nevertheless Treasuries opine that Mr. Morgenthau and Mr. White will be able to reconcile any important divergencies during the London visit. The bankers admit however that the completion of the basic agreement will depend greatly on the political situation.

Reliable observers here report strongest British opposition to American monetary proposal, for instance from ex-laborites who consider sterling's elasticity a "matter of primary importance and hence do not wish to forgo British freedom to devalue the pound if necessary." But New York bankers believe there is good chance that the Labour Party might not declare opposition officially.

In United States both the House and Senate Banking Committees must conclude hearings and then put the final plan to vote on floor. If Congress formally indicates its approval of the specific stabilization plan relatively little opposition is anticipated elsewhere in this country. It is reported here that any final British commitment will be postponed until Congress acts. It is not known whether Sir John Anderson's views will coincide with those of Keynes but it is believed that Sir John and Mr. Morgenthau will have little trouble in reaching a general agreement. Sir John Anderson's final presentation to the Parliament will naturally be based on the War Cabinet's decisions.

Inflation in India and England

(From Our London Correspondent)

LONDON, Oct. 9 (By Airgraph),

IN a recent issue the *London Economist* deals with "Inflation in India." The article starts off by stating that India has experienced the greatest increase of monetary inflation and the steepest rise in prices. The steepness of the rise in prices and the cost of living was to some extent due to the virtual impossibility of applying in India the methods of rationing,

requisitioning and price control that have become commonplace in most belligerent countries. Even so, the *Economist* continues, it remains true that the degree to which inflationary finance of the crudest character—that is the issue of additional currency—has been the counterpart of India's real contribution to the war in terms of goods delivered and services rendered.

In viewing the situation, according to the *Economist*, one has to take into account both the Indian Government Budget and the defence expenditure of the British Government in India. The expenditure recovered by India in sterling has a two-fold effect; it absorbed labour and material; and it added to the supply of purchasing power competing for the reduced volume of goods and services available for civilian consumption. If payment for expenditure were made in real things and the amount spent by the British Government in rupees were to some extent counter-balanced by an increase in imports the situation would be to the same extent mitigated. But that cannot be for the time being. The payment is made in cash and this has allowed the repatriation of sterling debt to the sum of £320,000,000 and in addition to build up the sterling asset of the Reserve Bank to £552,000,000. The correlation of this accumulation of sterling assets with the growth of note circulation of the Reserve Bank is too close to be fortuitous.

The writer of the article is not convinced that it was impossible to tax or borrow back more of the surplus purchasing power though the political difficulties of higher taxes are admitted. He suggests that it would have been better, however, if, instead of allowing such a large sterling balance to accumulate in London—with an equally large surplus money circulation in India—the British Government had made repayments to the Indian Government by loans raised in India. The mistakes have been made however and to correct them by deflationary methods would only make the case worse. The only effective way to stem the inflationary flood was increased taxation. In reality India had already expended, i.e., paid for in real things, in labour and material, and had therefore already borne the burden represented by the combined Indian and British Government defence expenditure. "The fact that certain book entries take place in London, by which the Reserve Bank receives sterling against the rupees it makes available to the British Government for the latter's expenditure makes no difference to the current position. If India can bear the real burden there should be no insuperable difficulty in re-arranging its financial apportionment in a rather less inflationary pattern than that which has been drawn since the beginning of the war" concludes the article.

Following on the foregoing it is interesting to note the increase in the British national debt and in the note circulation. A White Paper on the National Debt recently issued shows that the total liabilities of the State at the end of March 1943, amount to £17,006,135,982. Since that date the floating debt has increased by another £350,000,000, thus bringing the total up to £17,356,138,000. Against this debt stand assets of less than £800,000,000. This in spite of the enormous rise in taxation revenue.

But compared with war finance in the last war, the cheap money policy pursued up to date stands out clearly when we compare the burden of present-day debt to that of the last war. The interest burden on the State debt last year was only £311,000,000 less than in some years of the last war when the debt was only half of what it is today. For the current year the interest burden is calculated to come to about £375,000,000 again, a very moderate increase. As to the 'real' burden both of interest accruing and of the debt itself will be less than the figures suggest since there has been a considerable increase in prices and therefore a lowering of the purchasing power of the pound sterling. It would be optimistic to put the

estimate for the post-war price level at less than 25 per cent over that at which it stood at the beginning of the war. Thus the real burden, as expressed in terms of labour and goods will be no more than $\frac{3}{4}$ of 1938 prices. The conclusion to be drawn from this is that, even taking into account the further increase of the debt until the end of the war, unless the latter lasts longer than most expect today, even this enormous national debt should not constitute any real hindrance to retaining and even improving upon the standard of living of the people in Great Britain, provided that we are willing to employ every willing hand and brain on civil work and productions when the war is over.

All the same, the question may be asked whether it was necessary to let the price level rise as much as it did. At the end of August: The Ministry of Labour Cost of Living Index showed 199, (including local taxation). The Board of Trade Wholesale Index 162.2. The average for 1939 was 158 and 102.8 respectively. Since the Cost of Living Index covers mostly articles which are to a very large extent rationed, whilst most of the non-rationed goods are not included, the actual cost of living is somewhat higher than indicated by the index. Thus it has risen some what more than a third during the war. Compared with the last war the authorities have been successful in keeping the rise of prices within reasonable limits. There are a number of factors over which no government has full control even with all the outfit of war-time restrictions and controls. Yet, looking at it from the purely technical point of view, it may well be asked whether it was necessary to let prices rise as much as they did. There definitely is inflation. The total amount of notes and currency in circulation (e.g., issued by the Bank of England and other note banks and the Royal Mint) at the end of August was (estimated) £947,000,000 as compared with 525,000,000 average for 1940. Correlated to this increase is the increase in Bank Deposits (for London Clearing Banks alone) from an average for 1940 of £2536,000,000 to £3,670,000,000 in August last. A remarkable feature is that the increase is almost entirely on Current Accounts deposit and other accounts having increased by only £200,000,000.

It is clear that even the large increase in activity engendered by war production did not need such a large monetary expansion. If the monetary expansion had had the chance to make itself fully felt, prices would be treble of what they are. There are no means to estimate the velocity of circulation of currency. But it is clear that the average velocity is a comparatively slow one. This also applies to current bank balances. The explanation is partly given by the authorities themselves who state that there is a large amount of hoarding proper; that most people are keeping more cash in hand than is necessary for ordinary purposes. Turnover on current account is hampered by the often slowly working official machinery in issuing licences and other permits for the acquisition of raw and semi-finished material and products. Thus the manufacturers and merchants are forced to keep funds idle for the time being. And, to some extent, government payments for products delivered may also be slow in coming forth. There is, of course, no merit in any given figure for holding of current balances and currency nor in any given rate of velocity. But the danger arises when controls are relaxed and the idle funds suddenly put up a spurt. Thus the danger of too large a potential currency circulation may only be realized when it is too late.

EMINENT ECONOMISTS

III

Economics of Dependent Nations

Indian Pioneers: Ranade—Joshi—Gokhale

By D. G. Karve

"The position virtually amounts to this, that it is the administration of the finances of one country by the Executive Government of another, under no sense of responsibility to those whose finances are so administered. And for years past we have been treated as a vassal dependency, bound to render services to the suzerain power, and to place our resources, whenever required, at its disposal."

It has been customary even among Indian students of the subject to describe the role of Indian pioneers of the study of economics as that of popularizers of the German School of National Political Economy. Ranade, who has been aptly described as the father of Indian Political Economy, has also been likened to Frederick List in relation to the Indian School of Economic thought. These descriptions are, however, no more than plausible and superficial. As a matter of fact, what Ranade and his associates were trying to establish by a reference to the trends of economic thought all the world over was the special abnormality and complete topsy-turviness of the economics of a dependent nation.

All the normal theories of social economics assume that the object of individual and collective economic activity is to maximize economic welfare. That is why eminent economists can afford to speak of "Economics of Welfare." But where the individual is deliberately prevented from either knowing or pursuing his interest, and where organized social authority is used for the purpose of securing material advantages for the governing nation at the cost of the legitimate interests of the vassal state, such economic activity as obtains is really a process of organized exploitation, and the Economics of such States is neither the Economics of Welfare, nor a system of national political economy, but the Economics of the Exploitation of a dependency.

It was the object of the early pioneers of Indian economic thought to lay bare this vicious abnormality of the economic life of this country. According to the interest and special characteristics of each author, the manner of exposition and the relative emphasis have varied. But in substance there is a remarkable unity of analytical and constructive thought among the founders of the Indian school. Ranade, acknowledged doyen among economists in India, Joshi—the schoolmaster—Statistician-cum-Economist colleague of Ranade, and Gokhale, who was the acknowledged disciple of Ranade and dominated the field of Indian financial studies for over a generation—were all connected by intimate ties of mutual consultation and regard. In fact the three together constituted a real "school."

Hardly ever did one of the three pronounce a view on an important question of theory or policy without previous consultation with the other two. They may not have agreed on every detail of opinion, but they were unanimous as regards the fundamentals of analysis and prescription. They kept up a constant flow of correspondence among themselves and with other students and workers, which will be considered as amazing, for even these days when stenography and typewriting have come to offer inestimable boons

to the enthusiastic correspondent. It is not difficult to trace the common thread that runs through the thought of these three, and to trace their influence on the thought of their contemporaries. It is proposed to outline the common traits and the special features of the three Maratha stalwarts in succeeding articles.

Great interest, however, attaches to a piece of economic literature in the production of which the three Maratha economists were directly concerned, and with which Dadabhoi Naoroji and D. E. Watcha were indirectly associated. The Welby Commission, which was appointed in 1896 to consider questions of Indian finance and expenditure evoked the joint efforts of Ranade, Joshi and Gokhale, the last named being the spokesman of the trio before the Commission. Mr. Dadabhoi was himself a member of the Commission, and Sir D. E. Watcha had tendered evidence which in many respects was similar to that urged by Gokhale. The internal unity of thought of all these stalwarts of Indian economic thought was well brought out by the course of interrogation. In fact, Mr. Gokhale was pointedly asked whether he represented his own personal and provincial views or whether he claimed to speak on behalf of the nation. Mr. Gokhale referred in reply to the resolutions and proceedings of the Indian National Congress and claimed national representative character for his views. At another stage Gokhale was heckled to say whether he also belonged to the Watcha-Dadabhoi School of Indian Poverty, to which he replied in the affirmative.

The written and oral evidence tendered by Gokhale before the Welby Commission is thus calculated to serve as a good introduction to the study of the origins of Indian economic thought. A good deal of what passed before that Commission is now part of financial history and it need not be repeated in the columns of this journal. But the principles of economic thought on which the Indian national school based its case are of abiding importance.

The British have been recognized as an experienced and, hitherto, on the whole a successful Imperial Power. The apparent success is due to a technique of Imperial administration perfected by experience. It was the object of the Indian school to expose the exploitative purpose of British Imperial policy. That the bare maintenance of peace and the putting up of a skeleton of civilized administration were advantageous features of the new regime was denied by none. But while these advantages were superficial and meagre, the cost involved was heavy and cumulative. As Gokhale told the Commission, "I do not deny that this supremacy in itself has been a great advantage to India, but what I mean is that the price exacted for this advantage is beyond all proportion too high."

The words "too high" are no more important than the words "price exacted". For certain advantages a price is exacted and the price is too high. Things are sold which we do not need, and for these as for other things which we might need a price beyond all proportion has to be paid. This is the subtlety of British Imperial exploitation which political power sustains and economic jargon covers. Mr. Gokhale in

his evidence illustrates the unjust and harassing nature of the situation in many ways, of which the military policy of the British Government in India and the almost exclusive employment of Britishers in superior civil and military employment are two. In both these respects the position under the East India Company was immensely better, in as much as the Company was habituated to economical administration and left considerable scope for native employment in the Army as well as in the civil departments. The Company concentrated on trade, and was even unwilling to tax.

In all these respects the direct administration by the Crown was a cause of serious deterioration. The cost of the mutiny like that of the conquest of India and neighbouring lands was all debited to Indian accounts. While nominally the State ceased to be interested in trade, under the guise of free trade a horde of British traders were let loose on the country. Not only direct State patronage but a subsidy out of public funds, in the shape of guarantee on foreign capital invested in railways, led to an organized and subsidized exploitation of the country. Gokhale, who in 1896 was only an inexperienced Professor in his 31st year, protested before the Commission, "You should never have forced free trade on us and killed our old industries." The killing was there for anybody to see, and free trade could kill as easily and effectively as the alleged slaughter of superior artisans.

What would appear to be an inexplicable paradox to many superficial students of the subject was held as a common belief by the whole school. The increasing exploitation of our resources has retarded our material progress; this was a remonstrance that many found it difficult to follow. A good tussle centred round the charge, and Mr. Dadabhoy had to interfere to put the Indian view-point even more vividly than Gokhale appeared to have done. The basis of our ultimate prosperity is our natural resources. As the subsidized encouragement of railways was facilitating their exploitation at the hands of foreign capital before we had time to build up the capital resources, it was like some one walking away with our property—in fact Gokhale was roused at a heated moment during the cross-examination to say, "It is my property; isn't it?—throwing a crumb to us."

According to Dadabhoy, this was the root of the whole thing—the injustice and the exploitation of Imperial economic policy. A policy of protection was vehemently advocated so as to conserve and in due course develop natural resources. The bracing effects of free competition were admitted by both Gokhale and Dadabhoy, but they felt that unless the normal process of the development of Indian capital and enterprise was allowed to work itself out, sheltered against unequal competition from progressive and subsidized competitors, free trade would only mean slaughter of the innocents.

The exploitative character of Indian economy was also illustrated from the policy of employing Britishers in superior services and paying them at excessive rates. The post-mutiny army in India was virtually closed to the officers class among Indians. Even in civilian employment the recruitment of Indians was systematically discouraged. Taking a stock of the situation as it stood in 1896, Mr. Gokhale observed before the Commission: "Only five natives qualified to do the work of District and Sessions Judges, and only three for the work of Police Superintendents, in all India, after close on a century of British Rule!" For a people who were accustomed

from days before the Norman invasion of England to conquer and to run empires this state of things must spell an internal moral dwarfing which would be the culmination of Imperial exploitation. As Gokhale says in evidence: "The moral elevation which every self-governing people feel cannot be felt by us. Our administrative and military talents must gradually disappear, owing to sheer disuse, till at last our lot, as hewers of wood and drawers of water in our own country, is stereotyped."

Even on the purely material ground of economic utilization of the nation's talents the excessive and costly employment of Europeans was an evil amounting to a public scandal. Even the European Chambers of Commerce raised their voice against the unconscionably high rates at which the British servants of the Government were paid. Added to the excessive rates of basic pay there were all kinds of allowances for the existence of which no justification other than internal exploitation could be adduced. One such allowance was the Exchange Compensation Allowance. It consisted in converting half the salary of each officer into sterling at the rate of 1s. 6d. subject to the maximum of £1,000 and then converting it back again into rupees at the current rate of exchange. Practically this allowance amounted to a general increase in salaries. As the salaries fixed for the covenanted services were a subject of contract between the entrants to the service and the Secretary of State such a revision for compensating the servants for exchange depreciation was uncalled for.

The inequity of the misplaced generosity was emphasized by two considerations. While contracts of salary, which were supposed to have been adversely hit by the fall in exchange, were revised in favour of British claimants at the cost of the Indian taxpayer, the fixed-interest bearing sterling liabilities such as the railway debt were not revised in India's favour. Secondly, while such important nation-building activities as education were registering no advance on the ground of financial difficulties even greater burdens were placed on public revenues for such unjustifiable allowances as exchange compensation. The utterly irresponsible and anti-national character of public economy was thus vividly brought out. Adverting to this feature, Mr. Gokhale says: "No wonder after this, that the Indians should feel that India exists for the European services, and not the services for India. While the miserable pittance spent by Government on the education of the people has stood absolutely stationary for the last five years on the ground that the Government has no more money to spare for it, here is a sum larger than the whole educational expenditure of Government given away to its European officials by one stroke of the pen."

Even such well-known and usually well-spoken of reforms as the decentralization of finances were really one further step, at least on the part of the Central Government of the country, in the direction of increasing unconcern for the welfare of the people. With growing decentralization the Central Government, which effectively controlled the nation's finances, became increasingly more and more indifferent to the progress of nation-building departments, responsibility for which was nominally transferred to the provinces. The Provincial Governments, however, lacked both the administrative discretion and the financial independence for effectively carrying out their responsibility. Thus the essential functions reserved for the Central Government attracted a large and an increasing portion of public expenditure while the welfare of the people was left mostly unattended to.

An enforced peace, a façade of civilized administration without any responsibility for promoting the welfare of the people, preferential and remunerative employment of the talent and resources of the governing nation, a step-motherly and often hostile treatment of the nation's industries—these were the features of Indian economy which the pioneers of the Indian school had firstly to lay bare and secondly to alleviate. That all these evils are traceable to the political control of the destinies of one country by another has been well brought out in the remark from Mr. Gokhale's evidence given at the head of this article. From that standpoint there is only one remedy for the evils of a dependent economy; it is to terminate that vicious dependence. This, however, is politics and while each individual economist may have his own politics as a citizen, he has to analyze what is, and to suggest what appear to be practicable policies.

Ranade, Joshi, Gokhale—all confined their writings and speeches to this limited objective. We shall in the course of succeeding articles survey the main features of the theoretical and practical aspects of the contribution made by each one of these economists to the progress of Indian economic thought. But in this common introductory article the foundation of their thought has been laid bare. When Indian econo-

mists especially of the age of the pioneers, spoke of the utter inapplicability of current economic thought to Indian conditions, certain later day critics trace a shade of exaggeration in their statements. As a matter of fact the economics of dependent nations is a study apart. It is a study of exploitation, not of welfare or development. How far conditions in the essential respect of a vassal state have changed in India since the days of Ranade, Joshi and Gokhale may be a matter of some controversy. Undoubtedly, however, the Government of this country is even now conducted in all essential respects by the executive Government of Great Britain. The thought of the three Deccan stalwarts is thus not without relevance even to our contemporary economic problems.

Poona.

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FROM THE PROVINCIAL ANGLE

Madras Letter

RAYALASEEMA ECONOMIC CONFERENCE—PLANS FOR REHABILITATION—NEW TAXES— S.I. CHAMBER'S TRENCANT CRITICISM

(From Our Correspondent)

MADRAS, Oct. 31.

New Taxes Criticized

PLANS for the rehabilitation of the Rayalaseema loomed large in the discussions at the Rayalaseema Economic Conference held this week. Mr. S. V. Ramamurthi, I.C.S., Adviser to the Governor of Madras who opened the conference revealed that the Government have accepted most of the far-reaching recommendations of the Ceded Districts Economic Development Board which is bound to give genuine satisfaction to the people. His address also indicated the good progress made in regard to the Tungabhadra scheme. A provisional settlement as regards sharing the waters between the Governments of Madras and Hyderabad had been reached and plans and estimates for the execution of the scheme had also been got ready. However, the actual execution of the scheme would have to wait till the war. But certain other major and minor schemes costing over Rs. 3 crores and to irrigate several thousands of acres have been undertaken. The change from the dry to wet land economy would greatly enhance the value of the Rayalaseema. Regarding the great scope for producing improved cotton in the area, Mr. Ramamurthi said that, with the evolution of long staple strains suitable for these districts, "this area would be the premier area in all-India for cotton." The mineral possibilities of the districts seem to be immense and the prospects for hydro-electric projects seem to be excellent. Thus, the conference passed resolutions drawing the attention of the Government to these things and it was urged that a comprehensive five-year industrial plan should be evolved. Facilities were also demanded through another resolution for getting cheap electric power from Mysore for starting paper mills to exploit the forests.

Research Schemes

The 34th annual report of the Indian Institute of Science, Bangalore, for 1942-43 just published, details the research works done in the Institute and the practical application of the results in several industries. Research schemes in compost and methods for detecting adulteration in *ghee*, under the auspices of the Imperial Council of Agricultural Research were sanctioned. The compost scheme proved a great success and led to the production of 75,000 tons of manure in about eight months. Since then, on the recommendation of the Food Advisory Council, the production of compost manure has been undertaken on an all-India basis. A notable feature of the activities of the Department of Biochemistry during the year was the initiation and development of industrial schemes which proved successful and assisted Government and key industries. The schemes included the manufacture of rennet required for the Defence Services and the cheese industry; manufacture of commercial pancreatin for use as desizing agent by the textile industry; preparation of pituitary (post) powder; manufacture of vegetable casein (plywood adhesive) from groundnut; production of depolymerised shellac and slushing compound for the Defence Services; preparation of papin for therapeutic use and manufacture of peptone and preparation and supply of tree-killer solution for the control of the spread of sandal-spike in the Madras Province.

The Southern India Chamber of Commerce has sent a note to the Government of Madras wherein the new taxes imposed by the Government are subjected to a trenchant criticism. In the course of the note, which is unique as it contains no prayers or requests, the Chamber says that the Government have given up the wholesome practice of consulting public opinion on legislations likely to affect trade or industry or the economic welfare of the people but such have been brought into force by executive fiat. In regard to sales tax, one is not able to trace any recognition of the original object with which it was introduced. Famine expenditure, mentioned as a cause for the increase of tax, is to be met from the Famine Fund or by a loan and it is not a sound principle of public finance to meet a temporary want by raising a permanent tax. In war-time, civilized Governments throw burden on posterity as current expenditure is high but the Madras Government is doing the opposite in the plenitude of funds raised by the new taxes by setting apart sums for post-war expenditure. The Government will not realize its anti-inflationary objective, as the increase in the sales tax would inflate prices. The increased stamp duties are a handicap to transactions and is bound to cripple trade and industry with ultimate set-back to public revenues. Among the provinces of India, Madras is poor and yet in point of taxation, it is the most severely burdened. Apart from the Central Government's toll of taxes and duties, the Madras Government have to their credit a long list of new taxes and increases in the existing taxes since the war, viz., cloth licence fee, registration fees, tax on buses and lorries, entertainment tax, electricity duty, motor spirit tax, tobacco sales tax, stamp duties, betting tax and general sales tax. The cancellation of the land revenue remissions to the tune of Rs. 75 lakhs must also be taken note of. There has also been an unbridled increase in public expenditure from Rs. 15 crores in 1927-28 to Rs. 25 crores in the current year with little *quid pro quo* to the public.

Prohibition

The news that the Madras Government are considering the question of giving up prohibition, now in force in the four districts of Salem, North Arcot, Chittoor and Cuddappah, has created widespread discontent. The Government in defence of the contemplated action give the specious plea that the public took little interest in the enforcement of prohibition, with the result that the offences under the Prohibition Act increased. But the Government, having taken the responsibility to administer the Act, can hardly give this excuse. The action is questionable on another ground. While the Government had no hesitation in appropriating for other purposes revenues from the sales tax specially imposed to meet the loss of revenue consequent on the introduction of prohibition, they had not only recently increased this tax but now propose to give up a salutary reform adopted by a popular Government. And when it is remembered that the loss of revenue in the four districts comes to only Rs. 65 lakhs, compared to the total revenue under provincial excise estimated at Rs. 4.29 crores in the current year and the anticipated yield of about Rs. 1½ crores from

the sales tax in the second half of the financial year, the bureaucratic action is bound to be condemned.

Coffee Prices

The news that the Government of India is being approached by the Indian Coffee Board to fix the maximum retail prices for raw, roasted and ground coffee from a date early in this season to be notified later is

bound to be welcomed by the coffee drinking public. This comes out of the deliberations of the meeting of the Board held this week. The Board has issued a *communiqué* saying that there is to be no internal quota for the new season's crop and the whole crop will be under control. About 15,000 tons of coffee crop is predicted for the 1943-44 season.

Bombay Letter

RE-OPENING OF 'FUTURES' MARKET IN COTTON —DECLARATION OF STOCKS—EXTENSION OF TIME BY GCVT.—RURAL SURVEYS

(From Our Correspondent)

BOMBAY, Oct. 30,

THE highlight of the week's news was the re-opening of the cotton 'futures' market in Bombay on Thursday when trading commenced in I.C.S. Jarila January and March '44 contracts. After a lapse of five months, 'futures' trading has again been permitted by the Government of India, with certain safeguards. Trading will be allowed in the Bombay market only and that also only under the aegis of the East India Cotton Association Limited. Options are banned and made a penal offence while normal trading will be allowed subject to the maximum price of Rs. 550 and the minimum price of Rs. 400 for Jarila cotton of ¾ inch staple which is the basis of the Indian Cotton Contract. Further, every member is required to deposit with the East India Cotton Association a sum not less than Rs. 25 per bale on the net open futures position regardless of the price level. The Association is required to enforce rigidly its various bye-laws and will be empowered to expel any members defying the same.

Reopening of Futures in Cotton

The Government's move was in reply to the recommendations of the Cotton sub-committee of the Textile Control Board. This sub-committee had recommended unanimously a price range of Rs. 500 to Rs. 650. However, the Government's offer was accepted by this committee as it was given to understand that the Government were not prepared to alter their price range figures and the sub-committee were more or less in a position of having no alternative but to accept the same. Indeed it was stated by one mill-owner on the sub-committee that in view of the prices fixed for cloth, the price range for raw cotton was far too low and unjust to the producers.

Trading in Cotton

Trading in the I.C.S. January opened at Rs. 475 and soon touched Rs. 481. Thereafter the market met hedge selling and profit taking and receded to Rs. 466. The persistent hedge selling ultimately brought down the market to Rs. 455. It must be remembered that the technical position of the market was not constructive. In view of the abrupt closing out of the futures market in May last, spot houses and gin owners and merchants in the upcountry were left with a long interest against which the only thing to do was to sell out actual cotton. This meant finding a buyer for the quality held. In view of the cloth control etc. this was made very difficult. A part of the selling that came in the Bombay market was by way of hedge sales against holdings of the old crop.

Cotton Market

Holders of unstamped cloth and yarn manufactured before August 1, heaved a sigh of relief on learning that the date by which their stocks had to be disposed off in retail was extended from October 31, to December 31. The reason for this extension by the Central Government is that they feel that no useful purpose

will be served by insisting upon these stocks being finally sold in retail by October 31 because if not sold by that date they are likely to disappear in the black market. Besides, these stocks are very large amounting to about eight months mill production and as hoarding is no longer profitable, the Government expect that the holders of these stocks in their own interest will try to sell out these stocks as soon as possible. It is, however, well known in the cloth market that they have been trying their best to sell the stocks but they could not do so except in small quantities at very low prices. It is, therefore, felt in the market that an extension of three to four months would have been much more advantageous to all concerned. Conditions in the piece-goods market were slightly better. Compared with past weeks, early this week the sentiment was better. There was improved activity from consuming centres and there were more retail purchasers; export trade, however, continued to be restricted. Regarding the business on Thursday, the Moorat day, in the midst of the colourful scenes traditionally witnessed in the piecegoods market on this night, the lack of enthusiasm among merchants was noticeable. The ceilings on prices of cloth and yarn curbed the instinct to buy heavily on forward account which is generally prevalent on Moorat day. The mills were also cautious in their commitments. As a result, the Moorat business in piecegoods and yarn is estimated to have been about 50,000 bales and 5,000 bales respectively. Prices for Leopard cloth ranged between Rs. 2-14 and Rs. 2-2 which is expected to be the revised basis of the maximum prices to be fixed from December 1. Business in yarn was done at prices slightly lower than the present ceilings. Thus, for instance, business in 20s yarn was done at Rs. 1-8 as against the ceiling of Rs. 1-12. This was due to the market expectation that the revised price 20s yarn will be Rs. 1-8.

Bullion

The bullish fervour which has pervaded this market for some time past seems now to be fizzling out. Although there has been no substantial decline in prices, the gain of about Rs. 2 in gold on Tuesday based on rumours that the Reserve Bank will not offer gold, was not maintained. The knowledge that a fair part of the gold purchased from the Bank may again be placed on the market where it may be burdensome discouraged bulls. Besides, their enthusiasm was damped by the continuous selling of the gold by the Bank to which this week were added large selling orders by prominent merchant firms. The offtake in the week was high owing to the Hindu new year, but declined towards the end of the week to about 20,000 tolas a day. The stock was reported to be about 250,000 tolas. The market at the end of the week was steady owing to enemy air activity on the eastern border of India. The latest quotations are: Ready Mint gold Rs. 8-7, Sovereign Rs. 55-4, Silver Rs. 125-8. In the silver section prices followed the tendency in gold prices except that price movements in this market have been very narrow for some time past.

Agricultural Surveys

In order to find out what is happening in the key agricultural areas of Western India and particularly Bombay Province, correspondents of the *Times of India* in these areas were asked to report on the agriculturist's problems. An analysis of these reports provides a valuable survey of war-time economic trends in rural areas. The survey of conditions in Gujarat has been published. Here the growers are receiving more money for their crops though still a fraction of what the consumer pays—while rural living costs have risen steeply. The shortage of livestock is creating a very serious problem as these are the indispensable assets of the cultivator. With regard to manure and

seed, there is a very great demand for both. Commercial fertilizers are unknown and therefore groundnut cake is increasingly demanded even though the price is as high as Rs. 130. The Bombay Government's manure subsidy is welcome in Surat where Rs. 54,000 worth of groundnut cake has been bought. Labour shortage, as might be expected, is particularly noticeable in Ahmedabad and Baroda where the dearness allowance offered by neighbouring industrial undertakings attract many workers from the villages. Finally, the survey points out that though the area under food crops has shown an increase, it must be realized that further progress is bound up with factors just mentioned.

Bengal Letter

NEED FOR CONSTRUCTIVE APPROACH TO FOOD CRISIS—DEMAND FOR INQUIRY INTO THE CAUSES OF BENGAL FAMINE—CRITICISM OF REQUISITIONING OF HOUSES—JUTE INDUSTRY'S PERPLEXITIES (From Our Correspondent)

CALCUTTA, Oct. 29.

A THOROUGH-GOING and constructive approach to the problems thrown up by the famine conditions has become urgently necessary. The inadequacy of food served from the Government's relief-kitchens has been a subject of frequent comment and strong criticism. But food is not the only aspect of the problem. A greater problem has emerged in the form of outbreak of epidemics of serious diseases. The sanitary conditions have become bad enough in Calcutta due to the influx of destitutes, but they are appalling and awful in the interior parts of the province. This has inevitably increased the number of deaths from diseases. In Calcutta alone the total number of deaths from all causes was 2,155 during the week ending October 23, compared to 606 during the corresponding week of last year, and an average of 605 in the corresponding week of last five years. Cholera, malaria and dysentery are raging in virulent forms in the different parts of the province. But medical aid, medicines, hospital arrangements are woefully lacking. Apart from the above problems, the problems of clothing and shelter are assuming an increasing urgency with the approach of winter. All these problems need to be comprehensively dealt with in a constructive and practical plan of relief.

Plea for an Imperial Inquiry

For sometime the demand for a Royal Commission of Enquiry for proper investigation of the cause of famine in this province has been vehemently and strongly pressed. Mr. Amery has opposed the case for such inquiry, but the justification of such an attitude is openly and vigorously challenged. It is felt here that an inquiry is needed, in the first place, to counter the mischievous propaganda that is being carried on in certain quarters in Britain to the effect that the food crisis is a proof of India's incapacity for self-government. An impartial Commission of Inquiry of unimpeachable integrity will be able to show where the fault really lies for the food crisis, and who are the persons that are primarily to blame. In the second place, such an inquiry would serve a very useful purpose in that it would be able to clear up matters *apropos* of the stories of corruption that have been getting about for some time. Thirdly, an inquiry is needed to guide the relief operations along right channels as well as to report on the long-term needs of our precarious food-economy. Recently the Committee of the Calcutta Branch of the European Association have lent their support to the demand for a Royal Commission or a Judicial Commission for an impartial investigation into the causes of food crisis.

Policy of Requisition

The Government policy of requisitioning houses has been causing hardship and inconvenience to the Calcutta people for sometime past, and naturally the policy has evoked bitter comments and criticisms. There have been complaints that the authorities do not always make the most economical use of the accommodation secured by them. The Government's failure to take in hand at the right time a policy of construction of new structures is also a subject of strong and bitter criticism. The persistent public agitation in respect of this issue has at least induced the authorities to make a helpful gesture. It appears that the Government of Bengal have requested Mr. C. W. Gurner, Chairman of the Calcutta Improvement Trust to make a comprehensive survey of the position arising out of the requisitioning of premises in the Calcutta area. He is expected to advise the Government in regard to the manner in which the existing and probable demands of the authorities requiring accommodation may be met. It is to be hoped that Mr. Gurner will submit an early report on the subject, and will pay due regard to the considerations of public convenience in formulating his recommendations to the Government.

Jute Industry's Difficulties

The total output of the jute mills in September was 55,544 tons. This is a slight improvement compared to the output in August which was of the order of 46,038 tons. But this can give poor consolation to the industry because if it had been able to function in the normal way the output would have been nearly double the above amount. It may be recalled that in the corresponding month of the previous year the output of the industry was 101,080 tons. There was an expectation that the industry would be able to work in full swing after the *Puja*, but such expectation has been belied by the continuance of the coal shortage. According to the official assurances the coal position should have improved substantially by this time but it seems that the authorities have not been able to keep their promises in this regard. It is not at all clear why there should be this persistent shortage of coal very much to the detriment of a vital industry. Sometime ago the railway line was affected by the Burdwan flood which had understandably slowed up the flow of supply of coal. But that difficulty is now over, and yet in spite of that the coal position has not improved. There is a feeling in industrial circles that the present lack of coal supply is due more to official bungling than to anything else. It is noteworthy that while the mills are unable to work to their full capacity due to lack of coal, they have to maintain the full labour staff which means some loss.

U.P. Letter

HALLETT'S HIMALAYAN DREAM—MOVEMENT OF COTTON TEXTILES—NO RATIONING (From Our Correspondent)

CAWNPORE, Nov. 1.

Cloth Sales

THE Governor of the United Provinces, Sir Maurice Hallett, who was the chief guest at the banquet given by Mr. H. G. Misra, President of the Merchants' Chamber of U.P., on October 30, again expounded in a postprandial speech his theory that India would never achieve social security and freedom from want if it relies upon *Charkha* and bullock cart. He said that he would never be ashamed of rubbing in that dictum as long as he could. He did not want too many millionaires, too many people paying the E.P.T. but wanted as many people to be free from want as was humanly possible. Industry and agriculture were the twin-engined 'plane which could raise India to the heights of prosperity. His great dream—he called it his Himalayan Dream—was to be able to harness the vast natural resources of the Province, the rivers that came tumbling down the Himalayas and many a time flooded the countryside. Enormous benefit had resulted from about 20,000 kilowatts energy already obtained from the western grid schemes. But now they were thinking in terms of hundreds of thousands of kilowatts, instead of tens of thousands of kilowatts.

Cloth Movement Control

The Government Notification controlling the movement of cloth by rail has not yet been followed up by the receipt of details of the general and special permit system. However, it is assumed that the U.P., under the regional transport scheme, has been classified as a deficit province, and, therefore, movement of cloth produced in the U.P. will be free inside the Province. On the other hand, while movement outside the Province in the easterly direction would be permissible, special permits would be needed for the export of the U.P. cotton textiles to Delhi. As there is a fair trade with the Delhi Province in the U.P. cotton textiles, the order might upset some of the trade channels, unless special permits are made available without much hindrance. But as there is no ban on the movement of cloth by road, it is quite likely that the goods might be sent by rail up to Ghazabad, and from there carted to Delhi, if special permits are not made available.

The Kapra Committee and its President, Lala Guruprasad Kapoor, met the General and Traffic Managers of the O. & T. Railway at Cawnpore this week-end to discuss, *inter alia*, the grievances of traders desirous of moving cloth bales on the O. & T. Railway line from Cawnpore. It has been alleged that the trader is required to pay Rs. 6 per bale in addition to the freight, etc., and that when this payment was refused recently a number of unforeseen difficulties were created so that the dealers could not take full advantage of the bookings permitted by the Railway. The Railway officials have promised inquiry into the matter.

Sind Letter

INTRODUCTION OF RATIONING—ARRANGEMENTS COMPLETED—GROW MORE FOOD CAMPAIGN—FACILITIES OF CULTIVATORS (From Our Correspondent)

KARACHI, October 31.

Karachi during this week has passed through a peculiar situation. On one side, machinery for the inauguration of rationing by the middle of Novem-

ber is being speeded up and completed. The City has been divided into nine wards for purposes of rationing, and an officer has been appointed for each ward. The distribution of ration cards has also com-

Rationing Scheme in U.P.

The U.P. Government have not agreed with the Central Government in the matter of the introduction of total rationing in the urban areas with a population of more than one lakh. In the U.P. the partial rationing, described here officially and colloquially as "provisioning," scheme is to continue whereby in 64 towns of the Province a section of the population, at least 40 per cent. in each town, is permitted to draw its food rations at fixed rates from "controlled" shops or mill shops. In Cawnpore, however, as many as 5,81,544 persons out of a total population of 7¼ lakhs have already become entitled to draw rations at fixed rates against 1,82,103 ration cards. While 50 per cent. of the non-industrial population is to be supplied rations from these shops, each factory worker, whatever his earnings, is entitled to benefit under the provisioning scheme. There are foodgrain shops in each factory, at least the factories that are members of the Employers' Association; and in the case of wheat, so far the employers had to purchase wheat at 2 seers 9 chhataks and sell it at 3 seers. Since October 25 the price of foodgrains at the factory and controlled shops has been further lowered by another 4 chhataks per rupee. In the case of the Government factories in the city, and these employ quite a large number of men, the difference in the purchase and sale price is paid by the Central Government who are responsible for the management of these factories. According to the latest figures available, 1,34,433 ration cards had been issued to factory workers entitling as many as 3,97,621 persons to draw their supplies from the factory shops. The food rationing scheme now covers a majority of the urban population in Cawnpore and is working with a fair degree of success.

menced, and the concerned authorities have been busy explaining by notices in the Press the meaning and purpose of rationing. But, in spite of what has been a *fait accompli*, agitation against the introduction of rationing has started, which, in the very nature of things, is bound to be futile, as it is definitely belated. A conference of grain merchants was held here under the presidency of Mr. Lalchand Navalrai, M.L.A. (Central), which, among other things, expressed disapproval of rationing, as "it would bring about maladministration and malnutrition." The conference also recorded its emphatic protest against the policy of the Government in controlling the prices and by making profit by trading through syndicates. The formation of syndicates was considered a potential cause of unemployment among merchants and grain dealers. Subsequently, deputations were taken to the Deputy Chief Controller of Prices to redress the grievances of merchants, particularly the one relating to the small margin of profit that was to be allowed them after rationing starts. In the meantime, the activity of the Foodgrain Syndicates has been progressing satisfactorily to the benefit of deficit areas. Mysore, whose representative is still in Karachi, has been able to secure 3,000 tons of rice and gram and 1,800 tons of wheat and wheat products from the wheat and rice syndicates.

Grow More Food Campaign

Government's plans to bring more land under cultivation are progressing. It has been decided to distribute one lakh maunds of wheat seed in each district in Upper Sind through the District Magistrates. And special staff has been engaged to facilitate the work of distribution. The seeds have already reached Sind from Lyallpur in the Punjab. As an incentive to the growing of wheat, the Government have also sanctioned the grant of a 25 per cent. rebate in assessment on all best wheat in the areas dependent on non-perennial canals, and have also directed that whenever advantage is taken of the subsequent watering which has been allowed for the crop in one special district, there would be a still higher concession rate. In order to facilitate the growing of rice in new areas, Government have announced their decision to let on lease about 24,800

acres of land on the Vazirani Canal and 47,000 acres in the Baghar Canal, both in the Karachi District.

Forward Trading

The exclusion of the Karachi cotton market from the scope of Government of India's latest orders for resumption of forward trading has been received with great disappointment. Surprise is expressed that Karachi, which is the second biggest cotton market in India, should have been denied the facilities of hedge contract. This, it is feared, would cause great hardship also to cotton growers in Sind and the Punjab. The Karachi Cotton Association Board held an emergent meeting on Wednesday, and a decision is said to have been taken to make a representation to the Central Government to include Karachi also. Lala Niranjan Prasad, President of the Association, stated, in an interview, that Karachi market had during all the 20 years since the Association has been functioning, been "more regulated, more disciplined, more controlled and very much less speculative as regards opening and closing hours." He, therefore, contended that if the intention of the Government in the resumption of hedge trading was to control undue speculation, Karachi was the proper market to be allowed to trade. The disappointment caused by the non-opening of the Karachi market for forward trading could be gauged by the sharp fall on Wednesday (October 27) in the price of the Cotton Brokers Certificate. When forward trading was stopped in Karachi by the end of May this year, along with Bombay, this certificate had fallen from Rs. 3,000 to Rs. 1,000. Thereafter it had risen to Rs. 1,500 and on Monday, in anticipation of the general favourable news of resumption, the value had jumped to the original point of Rs. 3,000, and on the news of Karachi's exclusion, came down to Rs. 1,900. The conditions imposed by the Government for the re-opening of hedge contracts have not also been well received in trade circles, specially the cause about deposit of Rs. 25 per bale. This will fall hard on the holder of ready cotton who has firstly to invest, and secondly, to lock up his money without any interest with the Government in case he "hedges" his cotton. It is believed that, as a result of this clause, business will be on a much curtailed scale hereafter.

10,00,000 for Dividend Equalization and a General Reserve of Rs. 6,00,000. A sum of Rs. 2,01,452-14-0 is earmarked for proportionate final dividend and bonus on ordinary shares, and on partly paid up ordinary shares, for dividend on Preference shares, and for charity. The balance of Rs. 1,161,678 is to be carried forward.

An important feature is that the Agents, Messrs. Shankar Lal Bharat Ram and Co., have, for the present, decided not to take more than Rs. 13,50,000 out of the commission of Rs. 25,51,291-12-9 due to them for the year ending June 30, 1943.

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A DELHI DIARY

NEW DELHI, Nov. 3.

It is in an atmosphere of gloom and depression that members of the Central Legislature are meeting in New Delhi, for the coming session. Dr. H. N. Kunzru who spent several days in Bengal and Orissa to study the famine situation has brought vivid accounts of the terrible sufferings in Bengal. Mr K. C. Neogy has not yet arrived, but he has also been collecting material for the debates. In fact, most of the adjournment motions tabled refer to one aspect or other of the famine situation—the Government's failure to prevent these famine deaths, the inadequacy of relief measures, the absence of true figures, the prevention of earlier disclosures and the like. Many non-official resolutions also deal with the same subject. In view of this widespread desire to discuss the food question, the only alternative before the Government is to allot a special day for a full debate. As there has so far been only one meeting of the Viceroy's Council, it does not appear that the new Viceroy has been able to have detailed discussions with his colleagues. No information is yet available whether the Government of India will be prepared to agree to the demand for an enquiry. Evidently the Bengal Government's feeling is that as they are fully occupied in dealing with the present crisis they cannot spare any time for an inquiry of this kind. At the moment, that may be also the stand taken by the Government of India, but it is difficult to see how a demand of this kind—for a Royal Commission or a Committee of Enquiry—can be resisted. So many have been the serious charges made against the administration that they cannot be allowed to pass without full investigation.

Three statements made this week have particularly attracted considerable attention—the statement of Dr. H. N. Kunzru, who has first-hand knowledge of conditions in Bengal, the disclosures made by the Jam Sahib of Nawanganar in a Press interview and, most important of all, the views expressed by Sir Purushottamdas Thakurdas in a message to the British Press. Sir Purushottamdas thinks that as soon as the present crisis is tided over, a comprehensive long-term enquiry should be undertaken. If as the present mass collapse in Bengal and elsewhere has shown, the physical stamina of the people has been rapidly deteriorating for the last several years, what should be done to stop this deterioration and improve the physical stamina of the people? Does it not also show that the entire economy of the country is based on most insecure foundations? He referred to the need for fundamental changes in the land revenue system, to the need for more active measures to protect the cattle wealth of the country and also to the all-important need for attacking the root problem—the problem of mass poverty. Sir Purushottamdas has also bitterly complained against the "absence of statistics worthy of any credence". It would be useful if these demands are pressed in the Central Legislature. The Jam Sahib has also done a service in bringing to light the measures taken by the Government of the more important States to deal with the food situation. They have adopted the wise policy of collecting their land revenue both in cash and in kind—a policy which has long been urged on the British Government in India though still in vain. This has enabled the State Administrations to build up food stocks which could be used not only to find sup-

plies in times of shortages but also to keep prices at a normal level. Another revelation made by the Jam Sahib was that though certain important States have offered large quantities of grains for the relief of famine areas, it has not been possible to move them owing to lack of transport. It is more and more becoming clear that if only the transport policy of the Government had been correctly conceived, the present disaster could have been avoided. From Dr. H. N. Kunzru has come the suggestion that the Army authorities should disgorge some of their stocks to relieve the population in Bengal and also make available their vast organization for moving supplies from Calcutta to the districts. At a Press Conference this week, Dr. H. N. Kunzru put the question—if Bengal had been a recruiting ground for the army, would such a situation have been allowed to develop? The general complaint has been that the Government of India have been far too leisurely and short-sighted in their food policy and had left too much in the hands of Provincial Governments. The new Viceroy's action in placing a high military officer in charge of food movements in Bengal may be taken as the first step to show that the Central Government are now becoming alive to their responsibilities. In Assembly circles one often hears the view that unless the Central Government make themselves completely responsible for supplies and movements the problem cannot be solved.

It was revealed at a meeting of the Public Accounts Committee that income-tax collections have risen from the pre-war figure of Rs. 16 crores to over Rs. 100 crores. In fact one feature of the Central Government's finances is the steady increase in revenue collections as compared with the previous year. The total revenue collections—taking the figures for August—have merely doubled themselves, from Rs. 2½ crores in August last year to Rs. 14-1¼ crores in August this year. Taking the five months, April to August, the increase is nearly Rs. 25 crores. Besides income-tax collections, the most noticeable increase is under the head of Central Excise Duties which are now yielding nearly Rs. 2 crores a month. The gap between revenue and expenditure however continues as large as before. As the cost of Defence Services has now gone up to over Rs. 21 crores, the monthly expenditure of the Central Government charged to revenue is now nearly Rs. 28 crores. It was estimated by the Finance Member that the gap between the revenue and expenditure may be in the neighbourhood of Rs. 32 crores, but if expenditure continues to rise as it is doing now, the gap may easily be Rs. 75 crores or more.

I understand that the Government of India have after all come to realize the effect of heavy taxation on industrial production. According to reports here, they are considering the question of the administration of the Excess Profits Tax with a view to seeing what should be done to increase the production of coal, mica and certain products. Some members of the Central Legislature are thinking of giving notice of a resolution for the appointment of a committee to examine the effect of war-time taxation on industry.

It is understood that the post of Deputy Commander-in-Chief, now held by General Hartley, is being abolished. In future the Commander-in-Chief himself General Auchinleck, will sit in the Council of State to represent the War Department.

ANGUS.

COMPANY NOTES

THE DELHI CLOTH AND GENERAL MILLS CO. LTD.

The Balance Sheet and Profit and Loss Account for the year ended June 30, 1943, of the Delhi Cloth and General Mills Co., Ltd. reflect the sound and prosperous condition of the Company's finances. The total profits for the year amounted to Rs. 2,24,45,947-12-0 including a sum of Rs. 14,84,321-7-9 carried forward from the previous year, but excluding Rs. 20,00,000 allowed for depreciation. It is proposed that out of this amount a sum of Rs. 1,70,00,000 should be provided for taxation. For the balance of Rs. 54,45,947-12-0, the main items for disbursement are an Interim Dividend on ordinary shares at Rs. 1-4 per share of Rs. 25 and proportionately on other ordinary shares already paid, amounting to Rs. 6,23,219-10-0; a Final Dividend on ordinary shares of the face value of Rs. 25 each at Rs. 1-4 per share and bonus at Rs. 1-8 per share, amounting to Rs. 13,59,597-4-0; a reserve of Rs. 15,00,000 for fall in prices; a reserve of Rs.

NEWS PAGE

The death occurred at Tadworth (Surrey) last Sunday of Sir Henry Strakosch. He was a member of the Royal Commission on Indian Currency and Finance, first Chairman of the Financial Committee of the League of Nations and Honorary Financial Consultant to the India Office. Sir Henry was aged 72.

Post-war reconstruction as applied to railways, a report on the broad gauge and metre gauge wagon pools, and prohibition of certain commodities in parcels booking are some of the subjects on the agenda of the autumn session of the Indian Railway Conference Association to be held during the last week of this month at New Delhi.

The Central Government's expenditure in the first five months of the financial year 1943-44 exceeded revenue by Rs. 49.66 crores against Rs. 53.5 crores in the corresponding period of the previous year. Revenue was better by about Rs. 24.75 crores, but defence expenditure increased by about Rs. 18.5 crores to 86.5 crores and civil expenditure by about 2.25 crores. Net receipts from Railways amounted to Rs. 26.25 crores.

In a communication addressed to the Textile Commissioner regarding the Cloth Movements Control Order, the Andhra Chamber of Commerce says that the same interpretation of a surplus area and deficit zone should be applied to a district market and smaller district centres within the same province as for different provinces, because merchants in the interior of a province do not have direct relations with producers in surplus areas like Bombay.

The daily production of all types of petrol in the United States is about 1,900,000 barrels of 42 gallons each, out of which the armed forces and Lend-Lease take about 600,000 barrels and civilians about 1,200,000 barrels. In 1941, U.S. civilians, including farmers and industrial users, consumed about 1,700,000 barrels daily.

A 33,000-volt electric line from Patna to Bihar Shariff and thence to Kangarsarai is the central feature of a scheme to improve the irrigation of South Bihar by tube wells. Besides assisting irrigation of rabi-growing areas, the line will be a component part of the electric grid system.

Subscriptions to the 3 per cent. Funding Loan 1966-68, up to October 26, 1943, amounted approximately to Rs. 20 crores. The balance of Rs. 5 crores has been taken up by Government in their investment account and will be available for sale through the Reserve Bank of India as usual at prices to be ascertained from the Bank.

The Bombay Medical Union have put forward before the Government of India that the proposed health insurance scheme should cover prevention of diseases, sickness cash benefit, disablement and maternity benefits and old age pensions. They state

that the preventive aspect of the scheme should be worked through full-time medical personnel.

"I am quite convinced that we should become a second-class nation and our work people would not be able to maintain their present high standard of living if our industries were to become nationalized," said Sir George Nelson, President of the Federation of British Industries, on October 29, while the next day Mr. Herbert Morrison, the Home Secretary, declared that to accept any solution less than full public management and control of industry was to run the risks of inefficiency, exploitation and irresponsible exercise of power.

Improving the design of canals with a view to increasing the efficiency of canal systems and structures, and checking uncontrolled grazing and careless land cultivation in the hills which lead to denudation and erosion and result in making lands barren are among the subjects being discussed by the Central Board of Irrigation holding its annual session at present in Simla.

In a notification dated October 30, the Textile Commissioner has fixed the maximum price per maund of hydrosulphite of soda imported from the United Kingdom or any other country at Rs. 2-3-0. In the case of imports from countries other than the United Kingdom permission will be granted to importers on proof that the landed cost is in excess of Rs. 1-12-0 per pound, to sell at a price not exceeding 25 per cent above their landed costs.

At the budget session of the Legislative Assembly this year, the Government of India had accepted a non-official proposition that the Joint Committee of the Legislature elected to advise the Commerce Department would also be consulted by the Food Department pending the appointment of a separate Joint Committee. It is now expected that a Government motion will be tabled at the ensuing session of the Legislature for the purpose of constituting a separate Joint Committee to advise the Food Department.

The Controller General of Civil Supplies to the Government of India wishes to announce that the time for declaration of stocks of certain commodities recently notified by him has, in response to numerous requests received from all over the country, been extended up to end of November 1943. The declarations should give the stock position as on November 15, and must reach the Office of the Controller General of Civil Supplies, New Delhi, on or before December 1, 1943.

With reference to the report that the Draft Agreement for the United Nations' Relief and Rehabilitation Administration would be finally signed in the first week of November by representatives of the United Nations, the Buyers' and Shippers' Chamber, Karachi, has sent a communication to the Government of India pointing out that this is contrary to the Government's assurance to place the Draft for approval before the Indian Legislature. The Chamber urge the Government to take the Indian commercial community also into confidence in the matter.

BOOK REVIEW

THE TAXATION OF WAR WEALTH. By J. R. Hicks, U. K. Hicks and L. Rostas. Oxford University Press. Second Edition, 1942. Pages x+304. Price 12 sh. 6d.

This is the second edition of the well-known book by Prof. and Mrs. Hicks and Mr. L. Rostas on excess profits tax in relation to war finance. The excess profits tax, which has now become an accepted and essential weapon in the armoury of war finance, is at least as much a social proposition as a fiscal technique. Our twentieth century conscience is outraged by the thought that anybody should grow rich out of the general destruction and misfortune that is war, and excess profits taxes are designed to "take the profit out of war"—as an aid to public morale. Yet this tax must also be considered as a fiscal technique and from the essentially economic point of view. The public will, therefore, welcome this weighty volume, which, incidentally, is the result of a grant made by the (British) National Institute of Economic and Social Research.

The book, indeed, does not cover the whole field of war finance, but explicitly delimits its scope to Excess Profits Tax and Capital Levies. Within this limit, it studies the problem from its general bearing and also makes an excellent and informative comparative economic study of the fiscal systems in Great Britain, the United States, Germany, France, Italy, Scandinavia and the British Dominions. The history of capital levies in a number of Central European countries are also fully discussed.

If the whole of the economy could be brought directly under central control, the question of economic incentive would be reduced to the minimum. But because of the necessity of "economizing central direction," large sectors in the economy must escape direct and intimate central control and so the question of economic incentive and prevention of waste assumes importance even from the point of view of maximum war effort. But as the authors significantly remark, the "cost of obtaining that efficiency" has to be weighed and also the economic burden of the war has to be distributed more equitably. Much of the excess profits is in the nature of economic rent which does not contribute to the increase in supply, and, consequently, "the fact that considerable quantities of resources, which might have been used for more important purposes, are likely to be occupied in providing these 'rents' is a very bad mark against economic incentive in wartime."

The authors distinguish profits as (1) *war profits* or profits earned in excess of 'normal' aggregate of profits and as (2) *high profits* or a higher rate of return on capital than is common in industry. The authors discuss the merits and demerits of either and come to the general conclusion that "an excess profits tax is a better tax the closer it keeps to the pure war profits principle, the less use it makes of the percentage standard." From the point of view of the economic staying power of the country and the current efficiency of war effort, their conclusions are interesting. "Excess profits taxes where the rate of tax is between 20 to 50 per cent. are innocuous as compared with taxes where the rate is 60 or 80 per cent. A 100 per cent. tax, such as was imposed by the Italians in a weak moment in 1919, and such as is now in force in Great Britain, is beyond all question very dangerous indeed." The discrimination in the British system in favour of small firms is commented on with approbation.

From our point of view, the chapter on excess profits tax under inflation will be found most inter-

esting. The conclusions arrived at by the authors are very pertinent in judging the merits of our own wartime fiscal system: "When inflation has proceeded at all far, an excess profits tax ceases to be a tax on those who are doing well out of the war....An excess profits tax begins to acquire some of the characteristics of a capital levy, a rather bad sort of capital levy," leading to "difficulty about the maintenance of fixed capital as well as working capital." "With rising prices nothing can prevent a high rate of excess profits tax from gradually confiscating industrial capital." This danger is more acute in India than is commonly realized and reserves which our industries are accumulating may prove totally inadequate not only for post-war re-equipment of industries but also to cover the losses during any post-war depression. A comparative study of the Excess Profits Tax in different countries, especially that in America, reveals how defective is the Indian system in the matter of exemptions and essential safeguards for the maintenance of industrial efficiency and vigour.

The authors emphasize the importance of the end-of-war problems created by the system of war finance and make the general recommendation for "the triple plan of an E.P.T. (at low rate) with a slice of free profits and a slice of blocked profits together with an excess income tax to look after the war profiteer." Referring to the disastrous experience of Imperial Germany in the last war—when she tried to finance mainly by means of war profits tax—the authors conclude: "The greater part of the cost of war needs to be met out of taxes which fall in the ordinary way upon ordinary incomes; if this necessity is evaded, there is bound to be trouble."

This book will bear serious study by lay men and students of economics and more especially by our fiscal authorities.

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CONNAUGHT CIRCUS,
NEW DELHI.

TRANSPORT SECTION

Planning in Transport

II

Roads

By J. E. Castellino

IT has been truly said that the history of civilization is a history of transportation. From earliest times, the urge to annihilate distance, the desire to meet peoples and exchange ideas and goods has been keen. No matter how primitive the people, transport in some form has existed. The wayward path and the winding track have provided the medium for the pack-animal or the cumbrous cart. From the clash of cultures, from the contact of peoples have emerged ideas that have led to progress. Roads are thus a primitive invention, born of sheer necessity, and the more highly developed a country, the better its means of transportation, for progress—social, economic, political—depends on the easy transferability of men and materials, of ideas and ideals.

The story is told of the late Dr. Alfred Marshall that when planning his home, he disdained the advice of architects and engineers. Imagine his surprise on discovering, after the building was completed, that he had forgotten to provide for a staircase to the bedroom floor above! The statesman who legislates for the progress of his country, the politician who presses for some improvement of his district, the industrialist who seeks aid for new enterprises, the trader who asks for some concessions, are all very much like the great professor who forgot the vital link between the upper and lower floors.

The economic development of a country, howsoever fostered by the division of labour, localization of industries and specialization of markets, is conditioned by the existence of adequate means of transportation. Coal, Oil, Iron are all useless when lying underground: when transported to mills and factories, utilities of the highest kind are created. Fruits and vegetables in the orchards, grain and pulses in the fields, sheep, goats and cows in the country require transportation to convert them into necessities of life. It is impossible to measure the benefits which a good transport system confers upon a community or a nation; but 1,800,000 people of Bombay understood the vital importance of transport when the heavy rains isolated the city from the rest of the country, two years ago. And the whole world has realized the importance of the Burma Road.

If roads are vital to the cultural progress, economic prosperity, political development and social advancement of a nation, why is it that India is so poorly equipped with this instrument of progress? Over 750 crores of rupees have been wisely invested in the Railways which are treated as productive works in the same category as canals and bunds for irrigation purposes. Is there any reason why roads, which serve as channels for trade and industry, should not be similarly regarded and financed by loans? Every right-minded person must deplore the limit set directly on consumption, and indirectly on production, by bottlenecks of a financial kind. While the power of man is greatly multiplied by his inventive genius, his command over material wealth is

considerably restrained by financial difficulties. Money is cheap, Government credit high. Why not a Hundred-crore Road Loan at 3 per cent.? Under the present arrangements, it can be repaid in about 25 years out of the surplus earnings from motor transport. Here are some statistics of interest. The revenue to the Central Government from motor transport was 793 lakhs in 1938-39, 911 lakhs in 1939-40 and 881 lakhs in 1940-41. This is derived from import duty on motor vehicles and accessories, but mainly from the import duty and excise on petrol. In addition, there is the provincial taxation on vehicles, and provincial sales tax on petrol, so that the total annual revenue from motor transport is in the region of 1,000 lakhs. The annual expenditure on roads has never been more than 600 lakhs! There can of course, be no support for the suggestion, often made, that the earnings from road transport should fully be allocated towards road development schemes or alleviation of road taxes, etc. Such an argument would result in the complete overthrow of the whole system of public taxation.

India has a Railway system of 42,000 miles; proportionately its metalled road mileage alone should have been about 2,50,000 miles; but what is the figure? About 65,000 miles of surfaced roads; 20,000 miles of unmetalled roads and 2,00,000 miles of earth roads. It is reliably stated that even if all the cart tracks were converted into all-weather roads, India would have one mile of road to three square miles of area as against one mile of road to half a square mile of area in Great Britain. The Railway mesh is necessarily wide; a comprehensive web can only be woven by roads required to carry the raw materials necessary to industrial development, the foodstuffs to feed the worker, the finished products to supply the markets, the mails to link up the world, the medical resources to alleviate pain and suffering, the educational facilities to raise the standard of living.

As the Americans wisely say: "You can pay for good roads whether you have them or not, you pay more if you don't have them." If transportation costs are excessive, trade will cease. The highway is the first link in the various processes of production, exchange and distribution; just as barges cannot proceed along canals that are clogged, so the trade and commerce of a nation cannot flourish unless the country is criss-crossed by good roads—trunk roads, feeder roads and country roads. It is true, in economics as in life that half a loaf is better than none; but it is equally true that a bad road is uneconomical. The creation of place-utility is greatly frustrated by a high level of transport costs; and it is estimated that while it costs about four annas to operate an average-sized lorry over a metalled road, the additional wear and tear on the vehicle, the greater wastage in tyre-usage, and the higher fuel costs bring the expenses of operation on a *katcha* earth road upto six annas per mile. Considering that there are about 13,000 lorries, 25,000 buses and 10,000,000 carts in

India, the economic wastage caused by roads is colossal.

High hopes were entertained that, with the creation of the Central Road Development Fund in 1929, a new era in roadways would be ushered in. The fund which drew its monies from a percentage on the Petrol Tax, amounted to Rs. 1436.94 lakhs at the end of 1940. Out of this, allocations among the various Provinces have been made as under:—

Bombay	.. 207 lakhs	C. P.	.. 37 lakhs
Madras	.. 174 "	Bihar	.. 37 "
Bengal	.. 152 "	Assam	.. 27 "
Punjab	.. 96 "	N.-W. F. P.	.. 22 "
U. P.	.. 69 "	Sind	.. 21 "

Unfortunately, this contribution from the Central Government, instead of being used to supplement the previous expenditure on roads, was treated by Provincial Governments as the sole amount of budget allotment for roads, with the result that, though revenues from motor transport have progressively increased, the expenditure on roads has proportionately decreased.

Expediency should never figure in the quiver of a statesman: it is an arrow which only the time-serving politician uses. India needs roads—more roads, better roads, dustless roads—and roads must be built after the war, not merely because road materials will be abundant, road-building machinery idle, trucks and lorries released by the military, thousands of skilled drivers available. India needs roads, because progress demands them. No healthy being can afford to have varicose veins or feeble arteries; no nation can be truly great if the circulation of men and materials is clogged! Financial stringency, that time-honoured phrase, may however be adduced as a reason why 250,000 miles of first-class roads cannot be built. Then, as India is a continent of villages, the utmost urgency must be attached to linking up all rural areas either to railway stations or to trunk roads. Four hundred million people of India depend on the rural roads for the contact with life, and the construction of rural roads—crete ways, for preference, for earth roads are an abominable anachronism—must be India's Post War Job No. 1.

Some practical philosopher has said, "Aim at the stars and you may hit the tree tops." Engineers will specify, within the limit set by finance, the most suitable types of roads for the varying forms of road transport services. If Germany can have "autobahns" and U.S.A. "freeways," why cannot India dream of such roads? Future cities are visualised as being built of chromium and glass; future road policies must envision the construction of highways with all safety-ensuring appertenances—multiple lanes for one-direction traffic, separate lanes for opposing traffic, over-ways or sub-ways for cross-traffic, "blend-

ing" or "filtering" for fresh traffic, braided inter-sections for exchange traffic and such other modern devices to eliminate speed restrictions and red lights.

As far back as in 1928, the Indian Road Development Committee observed: "Road development in India is passing beyond the financial capacity of Local Governments and Local Bodies, and is becoming a national interest which may, to some extent, be a proper charge on Central revenues. "The solvency of the Railways is, of course, of paramount importance; and since no country in the world can afford a wasteful duplication of the means of transport, it is most necessary that the fear of road-rail competition which haunts responsible officials should be sublimated into a desire for co-ordination. It is equally desirable that roads which are now under the dubious control of Provincial Government, District Local Boards and Village Panchayats should be brought under the Viceroy's Member for Communications. Then and then only will India obtain the various means of communication, suited to its great destiny; then only will there be a square deal for roadways, a square deal for railways, and a square deal for all-way!

[The first article in this series, on Railways, appeared in our issue of October 8.—Ed.]

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INVESTMENTS

(From Our Own Correspondents)

BOMBAY, Nov. 3.

Quiet conditions prevail in all markets. Commodity markets generally are showing easier tendency. Movement of new crops has started and its pressure on price may be increasingly felt. Cotton has given the lead; opening of the hedge contract has brought selling pressure in cotton against purchases of ready cotton by the traders. Continued sale of gold from official quarters has depressed the bullion markets. After touching Rs. 87 at one time the market dropped below to Rs. 75 within a few days. With such downward trend both in commodities and bullion, the stock market cannot but show similar conditions. Bombay Dyeings have declined to Rs. 1,925 and Kohinoors to Rs. 630 against Rs. 1,970 and Rs. 647 last Thursday; Centurys after having eased to Rs. 905 again recovered to Rs. 945; steel shares fluctuated narrowly round about Rs. 1,900 and Rs. 395. In the miscellaneous section Associated Cements are meeting with occasional inquiries despite the general impression that the forthcoming dividend will be either Rs. 6 or Rs. 7. The closing quotation is Rs. 217-12. Belapur sugars are showing steady improvement, the closing quotation being Rs. 257 which is an improvement of Rs. 20 in one month. Scindias ruled steady around Rs. 37-4 and Tata Oils around Rs. 81. Tata Chemicals are neglected at Rs. 33-8, while Shivrampurs are meeting with occasional inquiries around Rs. 72-8 on expectation of higher dividend than Rs. 4-12 which was paid last year. It may, however, be pointed out that this company's year ends in November but report is out usually in April. Bank shares continued to rule firm; Central India changed hands to Rs. 80, Bank of India Rs. 194 and Imperial Bank found buyers at the current rates of Rs. 1,870 and Rs. 462-8. The gilt-edged section has also suddenly turned quiet after hectic activity for over three months. Three and a half per cent. paper has ruled quiet during the week with closing quotation at Rs. 97-7. Tired bulls continue to liquidate and the speculative fervour has been subsided. The turnover has also become small and there is little buying inquiry. Three per cent. 1963-65 is on offer at Rs. 98.3, while the new loan 1966-68 3% is quoting at Rs. 98. Trading conditions are dull in both short and medium dated loans. With the onset of the busy season demand for money for financing the new crop must revive. There is demand for call money at $\frac{1}{2}\%$, while in two weeks treasury bill rate has improved from As. 12% to As. 1.98%. With reduction in the total amount tendered the amount of treasury bills on offer has, therefore, perhaps been reduced from the usual eight crores to six crores. For the next week advances of scheduled banks which amounted to Rs. 143 crores for the week ended September 24 have improved by about six crores to Rs. 150 crores in one month. Such being the trade demand for funds, the gilt-edged market ought to rule comparatively dull for some time to come.

MADRAS, Oct. 31.

Money

The money market was easy and only a small volume of business was done at $\frac{1}{2}$ and $\frac{3}{4}$ per cent. The sterling exchange market was slightly more active than for some weeks past. A fair volume of business was done in merchant T.T. at 1/6-1/32d. for forward. Inter-bank business was also done at four to one. The Government Securities market was very firm. Three and one-half per cent Paper was done at Rs. 97-8 and Rs. 97-10 and 3 per cent Loans 1963-65 at Rs. 98-6. State Loans were inactive and amongst provincial loans, Madras loans were done at par. The new Funding Loan has not been a complete success and only Rs. 20 crores have been subscribed.

There were only three working days to report upon on the Stock Exchange during the week, as the markets were closed for the second half of the week due to *Diwali* holidays. During the three sessions, the total volume of business done was poor and will not amount to a day's trade before the era of the seven-day delivery. Bank shares were exceptionally firm, on reports of excellent profit figures. Reserves were done up to Rs. 123. Imperial fully paid and the contributories came in for business at Rs. 1,860 and Rs. 460 respectively. Indians all the three shares were done at Rs. 280, Rs. 126 and Rs. 65 respectively. On reports that the capital was to be raised, Bank of Mysore shot up to Rs. 410. Textile shares were steady but sticky as operators were unwilling to put up prices and as buyers were holding out. There was only a small volume of business. Unofficial reports indicate that in the proposed revision ceiling prices for yarns would be reduced by $6\frac{1}{4}$ to $12\frac{1}{2}$ per cent. on previous ceilings. Despite sinister rumours, Buckingham's improved to Rs. 297-8. Radhakrishnas were higher at Rs. 404. Coimbatore Spinnings were quoted at Rs. 300. Sitarams were done at Rs. 200. The planting section experienced some profit-taking and quotations were slightly easy. Cochin Malabar were quoted at Rs. 17-12, Midlands Rs. 15-12 and Kalpettas Rs. 50-8. O. Valleys were done at Rs. 15-2. There was a small turnover in the local electric company shares. Chemical shares continued to be active. Mettur Chemicals old and new shares improved to Rs. 25 and Rs. 24-4 respectively. Mysore Fertilizers rose to Rs. 30-8. Sugars were dull. Bruntons were steady at Rs. 15-4 c.d.

NEW DELHI, Nov. 4.

Tenders for the usual amount of Rs. 8 crores of Government of India treasury bills opened on October 25. The total amount offered was Rs. 12.89 crores as against Rs. 14.57 crores in the previous week. Tenders at Rs. 99-13-0 and above were accepted in full and those at Rs. 99-12-9 were allotted approximately 55%. The average rate was Re. 0-12-9 as against Re. 0-12-1 in the previous week. There is thus a considerable increase in the rate of treasury bills showing that the demand for funds has risen. During the week ended October 25, 1943, Government of India treasury bills were Rs. 3.18 crores sold in favour of the Issue Department of the Reserve Bank.

Reserve Bank

The Reserve Bank's returns for the week ending October 22 do not show any striking features. The appreciable increase in Sterling securities which was noticed last week has not continued and there is little change in the holdings of Rupee or Sterling securities. The total notes issued have shown a slight increase of about Rs. 53 lakhs. Notes in circulation have very slightly declined. There has been no expansion of currency but the Government deposits in the Banking Department have shown a very big increase of Rs. 9 crores 2 lakhs which is to be explained by the receipts by Government of the new defence loan and perhaps increase in tax payments. Other Government accounts were also higher by Rs. 1.96 crores.

Scheduled Banks

The rise in both deposits and advances which was noticed in the consolidated statement of Scheduled Banks in the week ending October 8 has continued in the following week as well. There has been an increase of Rs. 3.8 crores in demand liabilities and of Rs. 1.13 crores in time liabilities, the total deposits amounting to Rs. 602.9 crores as against Rs. 598.0 crores. The increase in advances which was Rs. 5.17 crores in the week ending October 8, 1943, has continued during the week under review, although the rate of increase has slackened. Advances have increased from Rs. 149 crores to 152.32 crores.

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rued during the week under review, although the rate of increase has slackened. Advances have increased from Rs. 149 crores to 152.32 crores.

The advances which have been increasing since September and more especially since the first week of October has once again declined and in the week ended October 23 have amounted to Rs. 150.6 crores as against 152.31 crores of previous week. On the other hand, balances with the Reserve Bank have increased to Rs. 68.2 crores from Rs. 65.8 crores in the previous week.

Bullion Market

There have been great ups and downs in the

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, October 30.

It is reported that the Ministry of Food is not interested at present in the purchase of Indian groundnuts as the quotations here are higher than their buying limits. In the local market Bold was quoted on Bazar terms at Rs. 99. Coromandal quality at Rs. 100 and Khandesh Rs. 102. On delivery terms Khandesh ready was quoted at Rs. 18-12, October delivery at Rs. 18-10, November delivery at Rs. 18-8 and December-January delivery at Rs. 18-4. Madras-Marmagao for December-January was done at Rs. 17-10 on wagon supply condition.

Nominal quotation was Rs. 19-10.

On delivery terms ready bold linseed was sold at Rs. 17-12 and against railway receipt at Rs. 16-14, while on bazar terms, some business was done at Rs. 16-7. Oil quotations are: Groundnut oil Rs. 11-4 per qr.; Coconut oil Rs. 10-6; Linseed oil Rs. 11-10; Castorseed oil Rs. 12.

MADRAS, Oct. 31.

Groundnuts

The groundnuts market continued to be easier during the week under report. Firms' limits declined by Rs. 2 to Rs. 78. The full effects of the recent ban placed by the Madras Government on the exports of groundnuts from the province have not been realized in all its aspects and it is not yet known as to what categories of exports will be allowed by the Commissioner of Civil Supplies. The immediate reaction in the Presidency has been one of want of confidence in the market and nervousness regarding the future. I indicated last week that the ban would greatly benefit the British Ministry of Food in their purchases of groundnuts and it has been realized this week. The last purchases by the Ministry were at £35-12-6 and a fortnight ago they rejected the offers at the same rate. This week they have bought over 15,000 tons at £35. Some business is also reported to have been done at £35-5-0 for near delivery. The new crop has just begun to move and firms bought some quantities. Before the market could judge the results of the ban on the export of groundnuts, the Madras Government have prohibited this week the exports of groundnut oil from the province except under a permit from the Commissioner of Civil Supplies. Madras has been exporting large quantities of oil to Bombay for the manufacture of *vanaspati* and Calcutta too has been importing large quantities. The ban has created an easier tendency in the oil market and prices have eased to Rs. 171. It will be some time before the full effects of the ban could be seen. Early in the week some business was done with Calcutta for forward. There were inquiries from Kathiawar but no business resulted due to the ban. The cake market was slightly easy due to sentimental reasons than for anything else. Demand continued to be fair for agricultural purposes.

bullion market in the last few days, although considerable quantities of gold were offered for sale and sold to the public by the Reserve Bank, they had had no steadying effect on the price of gold. It is also not known on whose behalf the gold is being sold. Neither the Government nor the Reserve Bank have issued any statement to clarify the matter. It is believed that the gold that is sold is sold on behalf of either H.M.G. or South African Government. If the gold is sold on behalf of H.M.G. one would like to know how the great profit arising from the difference between the fixed price of gold in U.K. and the market rate in India is shared and whether all the benefit goes to the Government of India as it should or whether it accrues to Great Britain.

Yarns

The yarn market ruled dull and *Moorat* business this year was poor. Unofficial reports of the proposed fixation of ceiling prices are circulating in the market but the ruling rates are lower than those figures. Thus, dealers are adopting a "wait and see" policy and are not keen on doing business. Quotations in the upcountry markets are lower than Madras and mills are offering at rates lower than the prevailing market rates. This has also imparted a feeling of nervousness. Quotations on the week's trading have declined by one to two annas per lb.

Skins and Hides

This market continued to be inactive. Supplies were limited in the kips market and it is certain that exports this month would fall far short of the allotted quota. Local business too was poor. There has been demand for goat skins from America but sellers in Madras have been reticent to do business at the New York ceiling rates. Therefore ready goods have been a shade firmer.

HAPUR, Nov. 1.

Juar

The local *juwar* market in general remained in a very confused position with a moderate turnover and insignificant price variations. There was a regular tug of war between the two opposite sections, the bears obviously taking their stand in lower commodity markets and good crop prospects, holding the market quiet, and the bulls, anticipating higher rates on the ground that there would be no stock building of *juwar* before the delivery time due to transport difficulties. *Juwar poos* opened at Rs. 6-15-4½ and closed at Rs. 7-1-0, touching the highest and the lowest at Rs. 7-1-10½ and Rs. 6-15-3 respectively.

Urd

The sentiment is quite bearish. Upcountry speculators are acting as main sellers. *Urad Magh* opened at Rs. 13-1-1½ and closed at Rs. 12-12-3. The highest and the lowest levels touched during the week were Rs. 13-1-9 and Rs. 12-12-3 respectively.

Gur

After displaying a firm tendency in the initial stages, the *gur* market became easy owing to prohibition of exports which will be possible only on obtaining a permit from the *Gur* Controller for Ind'a. Demand was brisk and the daily arrivals averaged 1,500 maunds. The sugarcane crop conditions are reported to be quite satisfactory. According to a report, the outturn for the whole U.P. is estimated at 89 per cent. of the normal, the percentage figures for the preceding ten years as reported in the final forecasts, being 81 per cent.

Grains

Today's quotations are as under: Wheat Rs. 12-8-9; Gram Rs. 10-10-0; Stock 4 *khattis*. Barley Rs. 8-6-6; Stock 10 *khattis*. Peas Rs. 10-2; Stock 101 *khattis*. *Arhar* Rs. 8-14-6; Stock 267 *khattis*. *Gur* New Rs. 9-12; Old Rs. 11.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Oct. 20. 1943	Oct. 13. 1943	Oct. 21. 1942	Aug. 30. 1939
Total Bullion	1,983	1,860	1,567	263,700
Public Deposits	23,600	7,500	7,200	31,100
Other Deposits	194,800	203,300	190,600	129,100
Of which Bankers' Deposits	140,700	148,400	138,700	90,100
Government Securities	158,000	150,800	158,200	113,100
Other Securities	17,300	16,900	20,200	31,000
Of which Discounts and Advances	1,400	1,400	2,600	6,400
Notes and coins	58,600	59,100	34,500	34,200
Notes in Circulation	993,400	992,700	847,000	529,500
Ratio of Reserve to Liabilities	26.81%	20.08%	17.45%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Oct. 21. 1943	Oct. 14. 1943	Oct. 22. 1942	Aug. 31. 1939
RESOURCES:				
Total Reserves	20,296,000	20,303,000	20,821,000	14,660,610
Total Bills Discounted	10,000	18,000	7,000	6,190
Bills bought in open market				560
Total U. S. Government Securities	8,914,000	9,061,000	4,225,000	3,426,190
LIABILITIES:				
Federal Reserve Notes in actual Circulation	15,444,000	15,339,000	10,988,000	4,609,280
Deposits—Member Bank Reserve Account	12,002,000	12,021,000	12,304,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note - Liabilities combined	69.0%	69.1%	63.1%	86.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNTS AS ON

OCTOBER 22, 1943.

ISSUE DEPARTMENT

	Rs.	Rs.
Notes held in the Banking Department	14,91,89,000	
Notes in circulation	776,41,88,000	
Total Notes issued	791,33,77,000	
Total Liabilities	791,33,77,000	
Assets:		
A. Gold Coin and Bullion:—		
(a) Held in India	44,41,43,000	
(b) Held outside India		
Sterling Securities	674,83,96,000	
Total of A.	719,25,39,000	
B. Rupee Coin	13,75,78,000	
Government of India Rupee Securities	58,32,60,000	
Internal Bills of Exchange and other Commercial Paper		
Total Assets	791,33,77,000	

BANKING DEPARTMENT

	Rs.	Rs.
Capital paid up	5,00,00,000	
Reserve Fund	5,00,00,000	
Deposits:—		
(a) Government		
(1) Central Government of India	38,69,63,000	
(2) Government of Burma	1,30,19,000	
(3) Other Government Accounts	11,56,09,000	
(b) Banks	68,45,56,000	
(c) Others	10,28,46,000	
Bills Payable	2,63,13,000	
Other Liabilities	5,14,87,000	
Total	148,07,73,000	

	Rs.
Notes	14,91,89,000
Rupee Coin	13,04,000
Subsidiary Coin	1,33,000
Bills Purchased and Discounted:—	
(a) Internal	
(b) External	
(c) Government Treasury Bills	69,97,000
Balances held abroad*	110,20,48,000
Loans and Advances to Governments	3,00,000
Other Loans and Advances	
Investments	10,30,69,000
Other Assets	3,96,33,000
Total	148,07,73,000

*Includes Cash & Short term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

	Oct. 22. 1943.	Oct. 15. 1943.	Oct. 23. 1942.	Sept. 1. 1939.
Held in the Banking Department	14,91,89	14,28,43	12,33,42	35,04,49
In Circulation	7,76,41,88	7,76,52,40	5,12,51,10	1,82,13,17
Total Notes	7,91,33,77	7,90,80,83	5,24,84,52	2,17,17,66
A. Gold Coin & Bullion	44,41,43	44,41,43	44,41,43	44,41,43
Sterling Securities	6,76,83,96	6,74,75,01	3,25,83,39	59,50,11
Total of A.	7,19,25,39	7,19,16,44	3,70,24,82	1,03,91,57
B. Silver Coin	13,75,78	13,22,91	22,20,24	75,87,11
Rupee Securities	58,32,60	58,41,48	1,32,39,46	37,38,98
Silver Bullion under Coinage				
Percentage of Reserve to Liabilities	90.891	90.84	70.544	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

	Oct. 22. 1943.	Oct. 15. 1943.	Oct. 23. 1942.	Sept. 1. 1939.
Cash	15,08,26	14,41,39	12,46,34	35,15,27
Balances held abroad	1,19,20,49	1,06,56,25	87,37,05	10,08,33
Investments	10,30,69	7,40,38	6,75,28	6,81,34
Bills discounted:—				
(a) Internal				
(b) External				
(c) Government of India Treasury Bills	49,97	49,97	33,46	1,15,67
Loans and Advances to the Government	3,00	66,00	7,00	31,00
Deposits:—				
(a) Government	51,55,91	39,54,76	19,72,81	14,89,43
(b) Banks	68,45,56	68,02,18	68,51,22	26,91,43
(c) Others	10,28,46	9,21,53	3,72,68	1,24,37

STERLING PURCHASES

	Total Amount Purchased.	Average rate.
1942:—		
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	8,338	1sh. 6d.
July	7,006	1sh. 6d.
August	8,346	1sh. 6d.
September	8,371	1sh. 6d.

IMPERIAL BANK OF INDIA
WEEK ENDED 15TH OCT. 1943

	Rs.	Rs.
LIABILITIES		
Total Capital	5,82,50,000	
Total Reserve	5,75,00,000	
Fixed Deposit, Savings Bank, Current and other Accounts	195,48,06,000	
Loans against Securities per contra		
Acceptances for Constituents		
Sundries	1,29,36,000	
Total	208,14,92,000	
ASSETS		
Investments:—		
Government Securities	129,72,80,000	
Other Authorized Investments	2,39,34,000	
Total	132,11,14,000	
Advances:—		
Loans	12,39,11,000	
Cash Credits and Overdrafts	21,22,96,000	
Bills Discounted and Purchased	2,17,16,000	
Total	35,79,23,000	
Liability of Constituents for Acceptances per contra		
Dead Stock	1,72,20,000	
Sundries	93,58,000	
Bullion		
Cash:—		
In hand and with the Reserve Bank of India	34,94,07,000	
Balances with other Banks	2,64,70,000	
Total	37,58,77,000	
Total	208,14,92,000	

SCHEDULED BANKS

Comparative Statement

	(In thousand Rupees)
1. Demand Liabilities in India	22-10-43 15-10-43 23-10-42 1-9-39
2. Time Liabilities in India	472,58,84 466,33,88 323,85,44 134,36,49
3. Cash in India	137,95,52 136,61,65 102,67,83 102,24,34
4. Balance with Reserve Bank	21,59,73 22,11,41 13,12,12 6,69,92
5. Advances in India	68,20,34 65,81,00 66,57,25 25,17,19
6. Bills discounted in India	150,36,98 152,31,78 80,67,17 101,52,16
	4,47,04 4,03,31 1,83,75 3,57,29

CLEARING HOUSE RETURNS
(In lakhs of rupees)

Period	Bombay	Calcutta	Cawnpore	Delhi	Karachi	Lahore	Madras	Total	Progressive Total
Total 1940-41	796.86	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	195.00
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	124.29	97.13	4.49	6.73	6.14	4.18	11.20	231.07	1,634.56
December	111.59	104.41	5.58	7.13	5.74	3.91	12.06	250.40	1,884.96
January	152.27	113.35	6.87	10.36	6.96	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	6.40	7.74	8.25	4.51	13.95	292.79	1,004.55
July	170.79	153.77	7.11	9.95	8.86	8.25	17.25	275.71	1,380.26
August	140.07	127.87	5.94	7.70	6.69	6.24	13.60	307.81	1,688.07
September	132.17	139.31	8.96	8.61	8.12	5.27	15.33	317.77	2,005.84
Week ended Sept. 3	32.95	38.61	2.18	2.48	1.62	1.42	3.50	82.76	1,770.83
" " 10	27.25	32.82	1.99	2.43	2.21	1.37	4.12	72.19	1,843.02
" " 17	39.76	32.71	2.55	2.09	2.39	1.22	4.11	84.83	1,927.85
" " 24	32.21	35.17	2.24	1.61	1.90	1.26	3.60	77.99	2,005.84

TENDERS FOR TREASURY BILLS
(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue Dept.
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	14,41.25	8,00.00	0 14 11	..	2,36.00
" 31	13,95.75	8,00.00	0 14 0	..	4,92.75
Sept. 7	12,35.25	8,00.00	0 13 9	..	3,72.75
" 10	14,51.25	8,00.00	0 13 4	..	3,54.00
" 21	15,84.25	8,00.00	0 13 5	..	3,48.00
" 28	20,10.75	8,00.00	0 12 6	..	4,79.50
Oct. 5	15,86.50	8,00.00	0 12 0	..	2,08.50
" 12	12,28.00	8,00.00	0 12 0	..	5,22.00
" 19	14,57.00	8,00.00	0 12 1	..	5,40.75
" 26	12,30.00	8,00.00	0 12 9	..	3,18.00

MATURITY OF OUTSTANDING TREASURY BILLS
AS ON OCTOBER 31, 1943

Date of Maturity.	Amount (00's of rupees)	Dec. 1943
5th Nov. 1943	8.50	7,80.25
6th " "	7,63.75	15.25
7th " "	29.75	4.50
12th " "	5.00	6,47.50
13th " "	7,51.25	1,07.75
14th " "	43.75	44.75
19th " "	16.00	12.50
20th " "	7,84.00	7,73.75
26th " "	3.50	13.75
27th " "	7,92.00	7,07.50
28th " "	4.50	32.50
		7,96.50

INDUSTRIAL DISPUTES IN INDIA

Period	Number of strikes.	Strikes in which wages were raised.	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
July 1942 ..	43	27	46,550	1,52,437	4	20	18	3	..
August 1942	117	41	1,63,115	11,97,826	12	10	76	..	19
January 1943	103	51	1,00,271	4,41,813	14	45	37	..	7
February 1943	60	35	46,520	1,91,410	7	20	24	1	8
March 1943	61	41	46,553	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	97,953	3	7	18	6	50
June 1943 ..	46	22	32,238	1,12,531	7	13	19	2	5
July 1943 ..	40	26	19,103	73,068	6	14	9	3	8
August 1943	29	13	11,866	36,426	5	4	5	12	3

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	1943-44	1944-45	1945-46	1946-47
Sept.	101 107 123 162	104 108 126 160	106 103 119 162	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	103 103 126 166	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	119 119 153 231	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	108 108 129 236	108 105 127 207	112 108 144 234	105 109 134 234	107 117 147 232	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	101 107 136 223	110 107 149 268	106 113 138 291	110 124 155 279	110 120 143 267	108 111 121 176
May	106 116 135 214	105 112 141 271	103 107 142 234	109 108 155 299	111 113 145 317	112 122 158 309	101 113 155 278	109 110 123 177
June	106 116 145 224	110 114 152 289	104 111 149 252	108 114 175 336	109 116 160 361	116 126 178 317	100 109 162 275	109 111 131 183
July	106 120 160 225	108 121 160 268	104 115 153 266	109 126 190 341	108 120 181 361	119 134 199 312	102 114 166 275	109 115 136 185
Aug.	109 125 160 227	107 126 188	104 118 158 266	112 130 203	111 125 183 354	117 131 202 319	102 120 177	110 117 140 185

*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.

(a) Figures from June onwards relate to the calendar month and not to the month ended 15th June as before.

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

ALL-INDIA					CALCUTTA				
(Prices for week ending 19th August 1939=100)					Prices in July 1914=100)				
	Feb. 1943.	Jan. 1943.	Feb. 1942		Sept. '43	Aug. '43.	Sept. '42.	Sept. '39.	
Food and tobacco	207.0	190.8	132.3	Cereals	530	572	177	86	
Other Agr. Com.	193.8	183.3	125.3	Pulses	450	449	186	99	
Raw Materials	172.0	171.5	158.0	Tea	137	106	189	142	
Manufactured Articles	225.5	224.1	162.3	Other Food Articles	582	579	349	126	
Primary Commodities	190.5	182.0	140.6	Oilseeds	341	323	161	106	
All Commodities	197.6	190.4	145.0	Mustard Oil	273	239	..	81	
Chief Articles of Export	187.6	177.2	142.4	Jute, Raw	119	113	76	80	
				Cotton, Raw	186	176	108	75	
				Jute Manufactures	195	194	129	102	
				Other Textiles (Wool and Silk)	202	196	162	110	
				Hides and Skins	95	95	82	67	
				Metals	301	297	273	147	
				Other Raw and Manufactured Articles	236	211	146	95	
				All Commodities	349	345	189	108	

* Issued by the Economic Adviser, Govt. of India.

BOMBAY

(July 1914=100)					BANGALORE*				
	May '43.	Apr. '43.	May '42.						
Commodities	No. of Items.			Particulars	April '43.	March '43.	April '42.		
Foodgrains	208	215	152	Foodgrains and Pulses	247	239	142		
Cereals	7	215	158	Oil and Oilseeds	265	257	120		
Pulses	2	273	135	Other Food Articles	282	269	130		
Sugar	239	238	166	Textiles	341	313	133		
Other Food	298	259	147	Others	293	161	178		
All Food	232	228	153	Gen. Index Numbers	282	264	144		
Oilseeds	178	185	110						
Textiles (Cotton)	186	176	108						
Cotton, Raw	94	94	76						
Cotton, Manufactures	340	313	161						
Other Textiles	83	83	83						
Hides and Skins	99	99	99						
Metals	750	770	669						
Other Raw Manufactured Articles	232	232	225						
Non-food	282	284	231						
General Index	265	264	204						

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

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality	Market	Unit	Pre-war (1939)			
				This Week.	Last Week.	A Year ago.	(1939)
				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Rice (not in husk)	Kalma	Calcutta.	per md.	..	32 0 0	9 14 0	4 14 0
	Basmati Sela	Amritsar.	"	20 12 0	20 12 0	..	..
Wheat	Average quality.	Karachi.	"	8 0 5	8 0 5	5 15 0	..
		Hapur.	"	12 8 9	12 8 9	..	..
		Lyallpur.	"	10 12 0	10 10 0	55 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 15 0	0 10 5
	For home market	Calcutta.	"	0 9 2	0 9 8	0 15 6	0 4 4
Potatoes	Paharl Haldwani	Lucknow	per md.	18 2 9	..	..	..
Groundnuts	Bold.	Bombay.	per 500 lbs.	95 0 0	102 0 0	49 15 0	..
Groundnut Oil	Expeller	Madras.	per 500 lbs.	173 0 0	174 12 0	..	..
Castor Oil	Average	Madras.	per 500 lbs.	205 0 0	207 0 0	145 0 0	..
Coconut Oil	Average	Madras.	38 lbs.	17 8 9	18 0 9	..	..
Castor seeds	Average	Bombay.	per candy	19 8 0	19 8 0	13 4 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	16 12 0	17 2 0	11 7 0	6 13 6
Rape and Mustard	Toria 9% admixture.	Karachi.	per 8 mds. (656 lbs.)	96 0 0	98 8 0	61 12 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F (Punjab) R.G.	Karachi.	per 784 lbs.	452 8 0	457 4 0	..	..
	† Jarilla 3/4"	Bombay.	per candy	..	478 0 0	..	..
Cotton Piece-goods.	Grey Dhori Markin 11 Mbs.	"	44"×10 yds. 43"×38 yds.	7 12 0 26 6 0	712 9 26 6 0	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	..	..
	No. 20s.	"	"	17 8 7	17 8 9	13 5 4	3 12 10
Jute	Raw Firsts.	Calcutta.	per 400 lbs.	71 0 0	71 0 0	53 0 0	41 8 0
Jute Bags	B. Twills 2 1/4 lbs. 44×26 1/2. 6×8.	"	per 100 bags.	67 12 0	67 0 0	50 0 0	28 13 0
Wool (raw)	Kandhar (cleaned) Indian quality.	Karachi.	per md.	60 0 0	60 0 0	50 0 0	32 0 0
Cow hides	Best quality (Agras)	Calcutta.	per 20 lbs.	10 8 0	10 8 0	10 8 0	8 8 0
Goat skins	Best quality	"	per 100 pieces.	130 0 0	130 0 0	120 0 0	115 0 0
Tanned Hides	Best quality (cow)	Madras.	per lb.	1 3 6	1 3 6	1 3 6	0 12 0
Tanned Skin	Best quality (goat)	"	"	2 5 0	2 5 0	1 15 0	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 3	5 5 3	3 13 3
Coal	Selected Jharla (best).	"	per ton into wagon.	10 8 0	10 8 0	6 8 0	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 500 lbs.	170 0 0	163 0 0	142 0 0	43 8 0
Cement	Indian Swastika.	Calcutta.	per ton f.o.r.	60 0 0	60 0 0	44 0 0	..

CROP FORECASTS

FINAL FOR THE SEASON 1942-43

Crop and Forecast.	Tracts comprised in the figures and percentage of Indian crop represented by them.	Estimated Area	preceding year (100= figure of same date preceding year).	Final figure 1941-42.	Estimated Outturn	Per cent. of preceding year (100= figure of same date preceding year).	Final figure 1941-42.
		Acres.		Acres			
Castor seed.	Practically all castor-growing tracts.	1,352,000	141	958,000	147,000 tons	162	91,000 tons
Rice.	About 98 per cent. of the total rice area.	74,919,000	102	73,579,000	24,533,000 tons	97	25,351,000 tons
Rape and Mustard.	A little over 95 per cent. of total rape & mustard area.	5,764,000	93	6,204,000	1,043,000 tons	96	1,089,000 tons
Linseed.	94 per cent. of the total area.	3,408,000	102	3,346,000	411,000 tons	114	361,000 tons
Wheat.	99 per cent. of the total wheat area.	34,298,000	101	34,039,000	10,971,000 tons	109	10,037,000 tons

RURAL RETAIL PRICE INDEX NUMBERS*

During the months April to June 1943.
Base January 1943=100.

Name of Centre.	Cereals.			Pulses			Other articles of food.			All articles of food.			Lighting. Fuel and			Clothing.			Miscellaneous		
	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June
Eastern Zone																					
Bamra (Orissa) ..	111	132	181	106	129	150	109	118	126	106	122	139	129	129	129	121	142	156	100	105	116
Malbang (Assam) ..	138	184	241	120	120	120	108	118	132	112	123	139	105	107	106	144	150	150	119	138	149
Rajapur (Bengal) ..	270	324	300	94	127	123	97	107	111	106	121	124	98	98	105	124	143	146	119	145	153
Shankargarh (U.P.) ..	107	139	156	120	141	159	98	99	107	106	123	136	+	+	+	133	143	137	112	108	107
Sonall (Bihar) ..	210	262	272	104	107	109	108	121	135	113	142	154	87	81	81	130	153	167	132	139	126
Northern Zone																					
Multapl (U.P.) ..	114	133	142	116	133	125	117	126	129	116	129	130	89	89	+	112	120	105	180	200	205
Nana (Jodhpur) ..	68	71	67	102	102	115	91	94	103	89	92	101	128	105	126	130	133	126	113	143	143
Salmaspur (Bhopal) ..	118	142	132	109	115	117	100	105	102	104	114	110	99	105	100	149	127	136	142	164	175
Shujabad (Punjab) ..	104	135	125	96	105	107	95	104	111	98	115	115	94	95	96	135	156	141	111	126	117
Gujar Khan (Punjab) ..	101	121	124	92	108	107	94	109	120	95	110	117	97	92	91	131	146	128	104	117	122
Southern Zone																					
Krishna (Hyderabad) ..	130	136	144	103	101	109	117	121	129	118	122	130	+	+	+	130	133	130	123	125	111
Lakh (Bombay) ..	106	113	133	97	104	106	98	110	110	98	109	111	+	+	+	135	135	119	121	127	118
Malur (Mysore) ..	107	107	107	126	130	130	113	116	120	115	118	120	88	88	88	143	176	179	124	143	145
Muniguda (Orissa) ..	110	110	110	113	113	121	105	105	104	107	107	108	86	86	86	143	146	149	107	104	104
Kudchi (Bombay) ..	120	130	150	105	128	142	116	122	124	115	124	129	+	+	+	129	136	122	121	149	202

*Provisional Figures.

†Figures for January not available.

†As the price quotation for certain items in this group are not available for Index Numbers for the group concerned are not given.

STOCKS AND SHARES

BOMBAY (Nov. 2)—
GOVT. SECURITIES—

	This week	Previous week		This week	Previous week
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
2½% 1948-42 ..	99 11 0	99 10 0	Tata Steel Ord.	392 8 0	396 8 0
3% 1949-52 ..	100 11 0	100 11 0	Tata Steel Defd.	1903 12 0	1925 0 0
3% 1951-54 ..	100 2 0	100 2 0	Premier Construction ..	188 0 0	190 8 0
3% 1963-65 ..	98 4 0	98 0 0	Indian Iron ..	36 4 0	38 2 0
3½% G. P. Notes ..	97 8 0	97 8 6	Burma Corporation ..	3 15 0	3 15 0
3½% 1947-50 ..	103 6 0	103 6 0	Associated Cement ..	215 8 0	216 8 0
4½% 1960-70 ..	111 14 0	..	Indian Copper ..	2 8 0	2 9 0
44½% 1955-60 ..	115 8 0	..	Tata Steel 1st Pref. ..	220 0 0	220 4 0
3% 1946 ..	102 5 0	102 5 0	Tata Steel 2nd Pref. ..	155 0 0	156 4 0
3% 1944 Defence Loan ..	100 0 0	..	BANKS—		
TEXTILES			Central ..	80 4 0	80 12 0
Finlay ..	336 0 0	..	Imperial (Fully Paid) ..	1870 0 0	1872 8 0
Morari ..	812 8 0	..	Imperial (Party Paid) ..	462 8 0	642 8 0
New Great ..	426 8 0	..	Reserve ..	126 4 0	126 8 0
Swan ..	306 0 0	..	CALCUTTA (Nov. 1)—		
Appolo ..	3 9 0	..	JUTES—		
Sassoon ..	202 0 0	..	Champdany ..	214 0 0	212 8 0
Defd. ..	4 0 0	..	Anglo-India ..	397 0 0	388 0 0
Model ..	351 4 0	..	Howrah ..	64 12 0	62 12 0
Podar ..	385 0 0	..	Kamarhatti ..	536 0 0	547 0 0
Ahmedabad ..	512 8 0	502 8 0	Baranagore ..	165 8 0	161 0 0
Bombay Dyeing ..	1925 0 0	1978 12 0	STEELS—		
Central India ..	484 0 0	484 8 0	Indian Iron ..	27 1 0	28 12 0
Century ..	926 0 0	908 0 0	Steel Corporation ..	21 12 0	21 10 0
Colaba Land ..	242 8 0	245 0 0	Jessop (Ordinary) ..	..	8 1 0
Indian Bleaching ..	242 8 0	242 0 0	Saran ..	..	..
Gokak ..	347 0 0	359 0 0	TEXTILES—		
Kohinoor ..	634 0 0	651 0 0	Elgin ..	92 4 0	..
Phoenix ..	702 8 0	702 0 0	Cawnpore Textile ..	14 0 0	12 5 0
Simplex ..	280 8 0	240 0 0	New Victoria ..	9 2 0	9 2 0
Swadeshi ..	584 8 0	594 0 0	Muir ..	460 0 0	..
Vishnu ..	2680 0 0	2625 0 0	MINES—		
MISCELLANEOUS—			Burma Corporation ..	3 13 0	3 15 0
Alcock ..	575 0 0	576 4 0	Consolidated Tin ..	2 8 0	..
Bombay Burma ..	428 12 0	425 0 0	Indian Copper ..	2 8 0	2 7 0
Belapur Sugar ..	257 0 0	255 0 0	SUGAR—		
Bombay Burma New ..	155 0 0	150 0 0	Belsund ..	12 10 0	13 6 0
Bombay Steam ..	668 12 0	687 8 0	Ramnagar Cane and Sugar ..	..	11 13 0
Bombay Tramway ..	158 0 0	159 0 0	Samatipur ..	22 12 0	20 10 0
British Burma Petrol ..	3 6 3	3 0 9	Carew ..	27 0 0	28 13 0
Scindia Steam ..	37 0 0	38 8 0	MISCELLANEOUS—		
Shivrajpur ..	72 8 0	74 0 0	Dalmia ..	17 6 0	..
B. I. C. ..	6 2 0	..	Rohas ..	31 4 0	31 4 0
Tata Chemical ..	33 8 0	..	TEAS—		
Tata Oil ..	81 0 0	..	Bisnauth ..	39 6 0	39 8 0
Tata Power ..	1840 0 0	1855 0 0	East India ..	16 14 0	16 4 0
Andhra Valley ..	1840 0 0	1830 0 0	Teesta Valley ..	39 8 0	..
Tata Hydro ..	198 0 0	199 0 0	COALS—		
			Bhalgore ..	..	10 4 0
			Raneegunj ..	32 14 0	31 4 0
			West Jamuria ..	37 12 0	37 10 0
			Burro Demo ..	..	7 14 0

THE EASTERN ECONOMIST

Vol. 1

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Recognition of Trade Unions

IT was the late Professor Alfred Marshall who once astonished a British audience by his paradoxical statement that the British Factory Acts were a standing disgrace to the country. What he meant was that the necessity to have statutory legislation for the welfare of industrial workers reflected a lack of sense of their own duty on the part of the employers and if only employers had done their duty by the workers, there was no need for legislation at all. Whether or not this sort of obligation calls for a sublimated sense of social responsibility too great to be hoped for we cannot tell. But there is no doubt that the new Bill introduced in the Assembly last Monday providing for the compulsory recognition of trade unions is certainly a reflection on both the employers and the workers and is a measure of their failure to adjust their differences amicably without inviting the intervention of the Government.

The Bill is a modest measure. It provides for the compulsory recognition of trade unions by the employers under certain conditions and defines what recognition will imply. For a trade union to be entitled to recognition it must fulfil the following among other

conditions, namely: (1) that all its members are workmen employed in one and the same industry; (2) that it is and has been a registered trade union for at least a year; (3) that its rules do not provide for the exclusion of members on communal or religious grounds; (4) that it is a representative trade union in the sense that certain conditions to be prescribed later should be satisfied by it so that it may be deemed to be representative. A Board of Recognition will be set up in each province and by the Government of India consisting of one representative of Government, one of employers and one of workmen, who will recommend the granting or withdrawal of recognition in respect of any trade union. Recognition will be withdrawn if a member or members of the trade union has or have taken part in an illegal strike or if the members of the executive have advised or actively supported any illegal strike or if the trade union has ceased to be representative. These are rather severe conditions. To withdraw recognition solely on the ground that a member or members of a union have taken part in a so-called illegal strike is to invite the just criticism and opposition of the workers to this point of the Bill. Unless the union officially supports an illegal strike

or the executive is responsible for it, recognition should not be withheld.

If a trade union is able to secure recognition positively by its conformity to the conditions imposed under the proposed legislation and negatively by its doing nothing which will involve the cancellation of its right of recognition, then it can enjoy the privilege of being entitled "to negotiate with the employer in respect of matters affecting the common interests of the members of the trade union" and the employer is obliged to receive and send replies to representations made by the executive of the union. Failure on the part of an employer to negotiate with a recognized trade union will render him liable to a fine. No employer need or should oppose this measure on the ground that it lays upon him any severe conditions difficult of fulfilment. Indeed no one except the totalitarian type of employer who would not brook any counsel or suggestion from any quarter will fail to receive representation from his own workmen and redress all legitimate grievances. Workers too cannot complain of or take exception to the conditions imposed on their trade unions if they are to gain recognition and the right to negotiate with the employers.

Although, therefore, the proposed legislation does not warrant criticism in respect of its provisions, we cannot conceal from ourselves the feeling that its usefulness and power of doing good is extremely limited and that it is questionable whether there is justification to depart from the wise principle laid down by the Royal Commission on Labour deprecating compulsory recognition of trade unions by the employers. It is true, since the Commission reported, the Bombay Government have taken action to secure the statutory recognition of trade union by the Bombay Industrial Disputes Act, 1938, which confers upon a union having not less than 25% of the employees in an industry the right to represent workers in negotiations with employers. Further, victimization of workers has been made illegal and in this way some encouragement to the growth of trade unions has been given. In some countries also the State has considered it necessary to intervene and give protection to trade unions in respect of recognition. The most outstanding instance is the National Labour Relations Act of 1935 of the U.S.A., which declares that employees shall have the right to bargain collectively through representatives of their own choice, and prohibits refusal by employers to bargain collectively with duly elected employee representatives.

In spite of this and other similar pieces of legislation, we doubt the wisdom of legislative enactments for collective bargaining. The essence of collective bargaining lies in its voluntary nature, and compulsion will not achieve satisfactory results. One of the most important causes of industrial disputes in India, it must be admitted, has been the failure and unwillingness of the employers to have recourse to collective bargaining with representatives of trade union workers. Employers have refused recognition on various grounds, namely, that the trade union is not fully representative and cannot speak on behalf of the workmen; that the union refuses to dispense with the services of outsiders; that they resort to strikes without proper notice and so on. Not all their objections are valid or justified. In so far as the proposed legislation imposes certain conditions before a union can gain the status of recognition, it should be welcome to the employers and mitigate their objection to recognition. But, however much the position is rendered easy and smooth for recognition, it cannot be said that legal methods of enforcing recognition are best calculated to serve the workers' interest. It is so easy for an employer to grant formal recognition to trade unions without really doing anything either to promote their true welfare or redress their just

grievances. In the result, obligatory recognition might come to mean nothing. The genuine and full recognition which it should be everyone's desire to promote cannot come by compulsion. What is required rather is that employers of their own free will should recognize the right of the union to negotiate with them in respect of all matters affecting common or the individual interests of the members. Further in considering the complaints presented by a trade union the employers need have no fear that there is any understanding implicit or explicit that the union is to be regarded as speaking for any who are not its members.

Real recognition would eventually come only when the union becomes stronger and is in a position practically to enforce recognition. It is, therefore, the duty of the workers to organize themselves into strong trade unions and embark upon various activities which will improve their economic and strategic position. The number of registered trade unions is steadily increasing and today we have more than 710 trade unions with a membership of about 514,000. Every union that gets itself registered has a strong *prima facie* claim to be recognized by the employer and will in course of time get recognition. Registration involving as it does, maintenance of accounts, audit, submission of official returns, confers upon the union a standing and status which makes its dealings with the employers easier. It is by this process of evolution that the greatest possible results can be secured.

But very much also will depend upon the attitude of the employers. There is no doubt that cases have occurred in the past where employers have been either indifferent or even hostile to the development of trade unions on sound lines. This of course is a very short-sighted policy. In the long run and even from the employers' point of view healthy trade unionism will be a powerful factor in industrial harmony. If employers will recognize this and will not only not refuse to negotiate with organized workers but also will deal sympathetically with the representations made by organized workers they will have promoted industrial peace and secured the goodwill of the workers. If this mutual responsibility and obligation be recognized by the workers and employers, there is no need for legislation of the kind now proposed. The limitations of such a piece of legislation are not in doubt. Even the Labour Member of the Government of India does not claim for it more than this, namely that "with all its limitations recognition by statute will at least clarify the position and give organized and well conducted trade unions the status they deserve." Unfortunately, however, legislation is not without its undesirable aspects. The conditions imposed for recognition, the interpretation involved in examining whether a strike is legal or illegal, the question as to whether the trade unions should be deemed to have forfeited the right of recognition on the ground that a few of its members have taken part in an illegal strike, the decision as to whether a particular employer has really discharged his obligation to recognize the union in the real spirit and has evolved the necessary machinery for discussion and settlement of outstanding differences are all likely to prove serious points of controversy resulting in needless discontent and disharmony in industry. For all these reasons, one may doubt whether the proposed legislation is at all desirable or wise. But no one can blame the Government for having brought it up. There has been a failure on the part of employers and workers to bring about improved industrial relations. The Government apparently believe that by such legislation an improvement can be secured. Time alone will reveal whether they are right or whether it would not have been safer to leave industrial harmony to be secured by the voluntary action of the employers and workers.

The Basis of Autarky

IT is a remarkable fact that while the doctrine of free trade and the advantages of international specialization, have been held to be generally valid except within strictly definable limits, the last century has not witnessed any process of steady expansion of the area of free trade. On the contrary the trend away from free trade has progressively gathered momentum, especially during the inter-war years, and in spite of the heroic formulations of the Atlantic Charter, the future of the liberal system of international trade would appear to be as clouded as ever. The obstacles to free trade no longer consist in simple tariff, but a whole armoury of exchange control, quota, bilateral agreements and multiple exchange rates. A more or less systematic theory of autarky has been built up on a basis which cuts across the assumptions about the advantages of international specialization. The trend away from free trade has been so sustained and continuous as to raise suspicion about those assumptions themselves, or at any rate to raise doubts whether those advantages are of decisive importance. It is not enough simply to plead for free or freer trade, for the continuous attempts to cut loose from the assumptions of free trade must themselves be regarded, not as any fortuitous event, but the result of sustained pressure of deep-rooted economic factors. Why do not the free traders have the ear of those who are charged with the formulation and execution of economic policy? It is surely because the results of the ordering of economic affairs according to the doctrine of free trade are not satisfactory for considerable sections who wield effective power in a modern State.

The revolt against free trade was at first raised by those countries which were not satisfied with the rate of economic progress which was possible for them within the ambit of the prevailing system and felt that they could increase the rate of economic progress by State measures and protection. It cannot be doubted that the nineteenth century system made possible a far higher rate of economic progress in Great Britain and later in the United States than in most other countries, and the system was in practice nothing but the instrument of Anglo-American economic hegemony. Professor Condliffe in his *The Reconstruction of World Trade*, goes so far as to say: "The pseudo-internationalism of the nineteenth century was clearly an outgrowth of British financial leadership and trading enterprise, backed ultimately by the economic supremacy of London and by the British Navy. That hegemony has come to an end and nothing has been put in its place, so that international relations have lapsed into anarchy." The breakdown of Britain's unchallenged financial and economic hegemony, the hesitation of the United States to take up Britain's role in the nineteenth century, and the rise of new centres of industrial power in Germany, Japan and elsewhere have vastly added to the element of instability in international economic relationships and added to the insecurity of employment of the labouring masses. At the same time the emergence of the new and powerful technique of economic planning has raised the question whether in case of incompatibility between free trade and economic planning, the advantages of international specialization are sufficient to outweigh the advantages of economic planning. The democratic urge for security combined with a realization of the efficiency of economic planning has undoubtedly reinforced the trend, if not towards complete autarky, at any rate

towards economic nationalism. But it is necessary to realize both the advantages and limitations of self-sufficiency.

The advantages of international specialization are, up to a point, substantial and no country as at present territorially organized can completely isolate itself from the rest of the world and yet function at a high and improving industrial level. The free traders have perhaps overemphasized the differences in efficiency of labour in different countries. With the advent of mass production, craftsmanship has naturally tended to become a matter of diminishing importance; and if labour in one country is more efficient than labour in another, it is in the main because labour in the first country works with more and better machines. Carl Snyder pointed out that the secular increase in the index of output per man-hour "does not mean any fabled gain in the 'efficiency' of the workers. There may be little, but only that. . . . Practically the sole gain in product is through improved machinery, new inventions and discoveries." Much of the so-called differences in efficiency of labour in different countries—which are often made into the plea for maintaining the *status quo* of the existing pattern of international division of labour—are purely historical and will steadily vanish with the industrialization of the more backward countries. Even so, there are certain high-grade products, including high-grade equipments, which the more backward countries cannot produce either at all or at the existing level of industrialization and, consequently, they must for some time depend on international trade to obtain those products. Similarly, on account of the geographical concentration of natural resources and their haphazard distribution throughout the world, no country—not even the United States or the Soviet Union—is self-sufficient with regard to natural resources. The raw-material 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. It is true that with the rise of synthetic products, many of the natural products can be dispensed with, while with regard to minerals low-grade ores can be exploited. But synthetic products require a very high degree of capital-intensity which the more backward countries cannot easily afford. Both synthetic products and exploitation of low-grade natural resources are costly in terms of man-hour. Thus synthetic oil produced by hydrogenation of coal is several times costlier than natural oil in real terms. If a country uses synthetic oil instead of natural oil, it is clearly forgoing the advantages of international trade, and there are obvious limits to the organization of an isolated economy on the basis of autarky. If a backward country embarks on rapid economic development, it must in the initial years import a large volume of high-grade equipments which it cannot produce at that stage and, consequently, must depend on international credit or trade. Even after the basic physical capital structure of the country has been built up, to the extent that the country is not fully self-sufficient in natural resources, it will have to lean on international trade for the supply of these deficient natural resources, because there are limits to what can be economically obtained by synthetic industry and exploitation of low-grade resources. It is only when a country has already built up its basic physical capital structure and is also very rich in natural resources that it can

relegate international trade to a position of secondary importance and organize its economy on the basis of more or less complete autarky.

Yet many countries had during the inter-war years gradually drifted away from free trade and adopted a policy of autarky. This cannot be entirely explained in terms of military expediency alone. The first cause of this trend has been the urge of stability and security. With the general de-stabilization of international economic relationships, and the increasing voice in the Government of the masses haunted by the fear of unemployment and insecurity, the men in control have been forced to make disparate attempts to organize security and stability within national boundaries rather than depend on the tardy forces of international equilibrium. Thus gradually has grown up an "economics of insulation" with its accent on stability rather than full participation in the gains of international trade.

At the same time it cannot be denied that the success of economic planning has shifted the emphasis from the advantages of international specialization. Thus it is seen that Germany, in spite of her grievous lack of natural resources, has been able to sustain a gigantic war machine by means of a planned economy in which free trade has no place. Again, Russia with her vast natural resources has by means of a planned economy involving strict exchange control, enormously increased her economic power within the space of a few years. The advantages of economic planning are so overwhelming that by its side the advantages of international specialization fall into proper perspective. The former advantages are integral, while the latter are only marginal. Yet a planned economy cannot be carried through within the framework of free trade and international monetary standard and if in India we embark on an economic plan, we shall have to institute exchange control (unless we can count on a flow of foreign credit)—not to insulate our economy from the disorganizing impact of economic forces from abroad, but in order to husband our foreign exchange resources to the limit. For as the process of industrialization proceeds, our need for foreign raw materials and industrial products would tend to increase also. It would be possible for us to import this expanding volume of goods, only if, apart from possibilities of importing foreign capital our export trade increases at the same rate. But it would be very difficult to expand the export trade so rapidly unless world commerce in general is also expanding *pari passu*; for any attempt to expand a country's export trade by unilateral action must be at the expense of other countries and such attempt would tend to set up adverse repercussions which would largely frustrate the attempt. Thus a country embarking on a plan for rapid economic expansion will be pressed for foreign exchange resources and must progressively reduce its proportion of external finance as much as is possible and economical.

Exchange control, therefore, tends to be a necessary adjunct of a planned economy which more and more develops a bias for autarky. To say this is not to say that an autarky or a planned economy can be satisfactorily organized on any territorial base without regard to the fact whether the territory possesses a reasonable sufficiency of the necessary natural resources. For if the territory is too deficient in the necessary natural resources, in developing the planned economy, it will be extremely pressed for foreign exchange resources to enable the import of the deficient materials. It is true that something may be done to reduce the pressure for foreign exchange by systematic appropriate use of synthetic products and exploitation of lower grade natural resources. But to

the extent this requires an excessive amount of capital and labour, it slows down the rate of economic progress. Again, in this process we shall more and more be confronted with diminishing returns and the real cost of obtaining thus the necessary raw materials from domestic resources will continually rise—at first gradually and then more steeply. The use of synthetic products and low-grade ores would be profitable up to that point at which the extra cost of obtaining raw materials thus from domestic resources just balances the extra national income which we are enabled to produce by such economizing of foreign exchange resources.

From this it follows that small countries which are very poor in the essential natural resources required by a highly industrialized economy, encounter fundamental difficulties in organizing an autarky or in embarking on a expansionist economic plan. Or, to put it in a different way, there is a minimum territorial base for the organization of either an autarky or a planned economy expanding at a satisfactorily high rate. If a country which is not sufficiently rich in the essential natural resources, decides to isolate itself from the rest of the world and organize an autarky, it must forego the advantages of international specialization; at the same time, it has not the raw materials base to organize a rapidly expanding planned economy. The advantages of international specialization, of course, are not static, but vary over time as the levels of industrialization of the various countries change and the relative demand for the various natural resources alters. If a country possessing a sufficiency of natural resources, institutes planning, it no doubt foregoes the temporary (static) advantages of international specialization, but this is far outweighed by the benefits of rapid economic progress, which planning makes possible. Only countries very richly endowed with the various natural resources can derive the full benefits of a planned economy.

At present, however, with the exception of the United States and the Soviet Union, most countries are organized on such narrow territorial base that they can hardly be organized with a view to deriving the fullest advantages of economic planning. Such big countries as China, India and Brazil probably possess sufficient natural resources but they are geologically largely unexplored and unexploited. But apart from the case of these countries, the existing political frontiers have no economic validity. The pressure for industrialization inevitably increases the pressure for political unification. But the paradox of the situation is that while the economic realities of modern industrial civilization cry for wider and wider regional integration, this is countered by the ethos of the nineteenth century doctrines of nationalism and political sovereignty.

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The Week's Notes

THE DRUGS CONTROL

The Drugs Control Order issued yesterday marks another milestone on the road to the system of orderly and planned control of prices which began with textile control in co-operation with industry. Although the results of textile control fell below expectations, it must be admitted that the arresting of the upward trend of cloth prices and the assurance that further falls in prices may be expected have inspired public confidence. If production is maintained at existing levels and exports are stopped, the dealers who have still large stocks will necessarily have to dispose of them at prices lower than those which may be secured for fresh stocks which from December onwards will be sold only with Texamark. Goods not marked thus or given another mark to indicate that they are old stocks obviously can only fetch lower prices. This is all to the good; and unless Government lose their grip, cloth prices may be expected to register a definite fall.

The methods adopted by Government to put maximum retail ceiling prices for various specified drugs are practicable and thoroughly sound. In the first place the prices that are fixed are based upon known import prices and in each case the margins have been based on knowledge of trade practice and conditions (in contrast to the blanket method of price control under the anti-hoarding and anti-profiteering ordinances). The prices are *prima facie* reasonable to all parties affected including the consumer. The proposal "to confine the order to imported drugs is justified as a first step, but it is inevitable that indigenous drugs should in course of time be also brought under control. But even with the exclusion of indigenous drugs the number of controlled items is nearly 1,500 and include all commonly used drugs. In the second place, every dealer, merchant and retailer must not only take out a licence before January 15 next but are also obliged to affix a Drug Price Control mark on the packet of every controlled drug. Retailers must further display in their shops the list of control prices. These prices, although about 33-1/3 per cent. higher than pre-war prices must be deemed to be satisfactory to the consumer.

Success will depend upon proper enforcement. But much will depend upon the co-operation of the public which in this case may be expected to be forthcoming. Apart from the fact that penalties are provided under the law, the fear of cancellation of the licence will be enough to deter malpractices. More than all the Government's assurance that an increasing flow of pharmaceutical supplies into the country has been arranged will go a long way to inspire confidence in the success of control. Let us hope that Provincial Governments will fully co-operate with the Government of India in enabling the consumer to get drugs at controlled prices.

THE FINANCE MEMBER'S LAME EXCUSE

At long last Sir Jeremy Raisman has admitted in his reply to the resolution on price stabilization discussed in the Assembly on Tuesday last that a stage has been reached in our country when it is not only necessary to cater to civilian requirements but failure to do so will endanger war effort. He further observed that civilian morale would undoubtedly suffer unless more of essential consumers' goods were

placed at the disposal of the public. The fact of scarcity and the need to relieve it were conceded albeit grudgingly. But the excuse that he gave for the failure of the Government to speed up production was wholly unconvincing. There were still vast untapped sources of labour according to him (and this in the fifth year of the war) and also some materials, but he said that tools and machinery were unavailable on account of shipping difficulties, and hence production could not be speeded up. Frankly, and it is no use disguising the fact, this sort of explanation is most damning to this Government. Indian public opinion has demanded loudly from the commencement of the war a big and accelerating tempo of industrial development. The Government of India on the other hand went on pursuing a day-to-day policy justified only on the assumption that the war might not last even one year. With incredible shortsightedness to put it no worse they refused to accept any scheme unless it was designed to turn out goods within a year. They failed to urge with sufficient force the imperative need to import essential equipment to set up, modernize and strengthen the industries of the country.

There was a note of candid regret in the Finance Member's speech that in some cases their clamant cry for imports went unheeded by the United Nations who alone had the power and competence to take the final decision and allocate priorities. We may well believe this. India has suffered and is suffering from a double misfortune. The Government of India constituted at present have not been sufficiently keen and energetic to revolutionize the economy of the country as Canada and Australia, for example, have done. Secondly, being a subordinate to the British Government, their words have not carried the authority and weight which those of the Dominions inevitably do.

But what of the immediate future? Will he specify the measures he now proposes to take "to switch the country's productive resources to meeting the civilian consumers' demands even at the expense of the war effort"?

SIR JAMES GRIGG'S MISSTATEMENTS

"Born and conceived in pigeon hole, swaddled in red tape, educated Treasury, achieving manhood at last in the War Office, the War Secretary will have upon his tombstone not an epitaph but a Treasury minute, 'Passed to you for further consideration and comment'." In these words Mr Quintin Hogg described the character of Sir James Grigg, now Secretary of State for War and formerly Finance Member to the Government of India. But another aspect of Sir James Grigg's character is not referred to and that is his cock-sureness born of unlimited knowledge of narrow prejudice. We all knew him in India as a downright opponent of India's industrial progress and as definitely hostile to the Tariff Board under whose aegis protection to a few industries was granted. It is therefore not surprising that he should return to the question of fiscal policy of India in his speech at Oxford recently. According to him the Government of India and the India Office deferred far too much to the demand of India for protection, and according to him this had resulted in an inelastic customs revenue long before the development of the country had made it wealthy enough to endure a really elastic income-tax system. Hence the tax system was not remunerative

enough to produce money for the introduction of social services to anything like the extent the circumstances demanded.

A more mistaken and misleading speech had not been made before by any former Finance Member. In the first place the British Government had been obstructing the fiscal autonomy of this country as long as was possible. Secondly the protection given was extremely halting and meagre and some of the recommendations of the Tariff Board were put into cold storage by Sir James Grigg himself. Thirdly it requires some cheek combined with a lot of intellectual blindness to speak against the fiscal policy of this country when but for its limited success India would have been in a desperate plight during this war. Sugar and steel to cite only two examples would have been denied to India but for our fiscal policy.

Again it is not quite correct either to say either the customs duties become elastic or that that income-tax revenue is not elastic. But one would like to ask what did the Government of India and the British Government do either to increase the taxable capacity of the country or to plan schemes of social expenditure? But no Indian has said that protection by itself is all that requires for industrialization. The Government of India and the British Government have always been too ready to show up the defects of protection without doing anything to foster industries in the country. Sir James Grigg is blinded by his adherence to the discredited doctrine of *laissez-faire* and will not learn anything new. What has he got to say about the British safeguarding duties and import duties which granted protection to British industries without the cumbrous procedure of the Tariff Board?

STANDARD CLOTH

More thorough and determined organization for the distribution and sale of standard cloth seems to be called for if the scheme is not to end up in a fiasco as, by all signs, it is threatening to. It will be recalled that when the scheme was put into operation in January of this year, about 25 per cent. of the output capacity of Indian mills (1,000 million yards) was to be devoted to the manufacture of about half a dozen varieties of coarse, plain and unbleached cloth for the benefit of the "poor." Questions relating to the price of such cloth and the machinery for its distribution were resolved only at the May meeting of the Standard Cloth Advisory Panel and the decisions were incorporated, in June, into the larger cloth control scheme, now in operation, as its first part. According to this, a total of about 40 per cent. of the output capacity of Indian mills was to be set apart for standard cloth, and thus another 1,000 million yards would be made available by January 1944. Of this 500 million yards were to be delivered by October. Quotas would be allotted to Provinces and States on a population basis, and their Governments, and such *ad hoc* bodies they might set up or delegate the work to, would be the sole agencies of distribution. But though we are nearing the end of the year, the scheme has barely permeated the outer fringes of the cloth problem for the poor, and early last month the President of the Textile Control Board confessed that "to-date the results have not been satisfactory."

DISTRIBUTION PROBLEM

Reports from various sources suggest that the scheme seems to be resulting in a distribution de-

bacle. It is estimated that by the end of September last about 693 million yards of standard cloth were produced by the mills, but the authorities concerned took delivery of only half that quantity and the rest lay in the mill godowns on Government account. This is not surprising in view of the fact that the Provincial and State Governments do not seem to be clear as to how to set about marketing the cloth placed at their disposal. A correspondent has pointed out that in the United Provinces it takes a week to obtain five yards of standard cloth, and in one area there are only two shops to serve the cloth needs of two lakhs of people. The United Provinces, it would appear, has taken delivery of only a small part of the quantity booked and ready. If true, these facts reflect little credit on a provincial regime which is at present freely lecturing to others in matters economic. And as regards Bengal the distribution arrangements are gravely at fault, although complaints are also heard of insufficiency of supplies. The Punjab Government too do not seem to be enthusiastic in working the scheme. The consumer of standard cloth is not even the lower middle class town dweller, but the villager and next to him the urban labourer, but reports say that in many centres a good proportion of it is being cornered by the wrong consumers. To some extent the present distributive position was, inevitable, as the colossal organization to scatter standard cloth among the rural and working classes, as well as to prevent access to it of that sector of the community to which it is not intended, was never set up. The President of the Control Board attributed the present position partly to the fact that "normal trade channels," were not freely employed for distribution. Perhaps he saw the remedy in doing so in future. But these have no interest whatever in standard cloth distribution. The decision to entrust the task to Provincial and State Governments has been rightly taken, and the remedy to the present situation, should be sought in getting the Provinces to co-operate sincerely in the working of the scheme.

SUGAR INDUSTRY

The Sugar Mills Association has every justification for its complaints. The industry has been subjected to a most arbitrary war-time control. All offers of co-operation willingly made by the industry since the very inception of control have been spurned. It is reduced to a position in which it can do no more than fulfil the orders of the Controller in complete indifference to its interest immediate as well as future. In this it is very different from the position of the textile industry, which is also under control. The only justification for such a ruthless and totalitarian control can be increased efficiency in production and distribution during the abnormal war-time conditions. But it is obvious that the control has failed to satisfy even this minimum standard which could justify its rigidities. The control has resulted in a failure to utilize our maximum productive capacity last year and this year holds out no better prospects. The Controller for reasons which may be satisfactory from his point of view but cannot satisfy the public has shirked responsibility for final distribution and the Provincial Governments have proved unequal to the task. The failure of the control is partly due to the defects of organization and partly to the mistaken policy of maintaining a price for sugar which does not represent it properly in the scale of values. So in order to make the control a success it is necessary to overcome the defects of organization on the one hand, and to fix a price which will not be out of relation with the other prices and costs on the other.

The constitution of the Textile Control Board with its non-official chairman and the wide scope given to it in the control schemes furnishes the example of the correct method of control. It is necessary to win the co-operation of producers of cane as well as sugar. They can be brought together in an organization representing the Government as well as the consumers to frame the broad policies of the control. Circumstances justify a higher price for cane as well as sugar and the failure of Government to revise its policy with regard to the cane price is hampering the crushing this season, as well. Another grievance which the Association has represented refers to the misuse of the proceeds of the cess realized from cane. It is said that the full amount of it is not spent on cane development and improvement of roads in the sugarcane area, the purposes for which it is ostensibly raised.

STALIN'S REVIEW

On the occasion of the 26th anniversary of the Soviet revolution, Stalin addressed the Supreme Soviet and gave a review of the achievements in the past year, which is especially interesting in its economic aspects. Stalin claimed: "Our summer campaign has shown that German total mobilization failed whereas our forces grew steadily. During the whole war all our industries have increased their production." This is indeed a most remarkable achievement. Germans have always been regarded as the most efficient nation in the world, while the Russians till recently had been the butt of ridicule for their proverbial inefficiency. Germany had at her disposal the agricultural and industrial resources of the whole of continental Europe as well as vast and rich territories of the Soviet Union, including White Russia and the Ukraine. On the contrary, the Soviet Union had lost her richest agricultural and industrial resources. The economic aid which Russia has received from the Allies has never been of more than marginal significance, because it was negligible during the first year and even in the second year amounted to only 3 per cent. of Anglo-American production or about 8 per cent. of Russia's own production. Yet Stalin claims today that the Soviets have achieved superiority over the Germans in the number of tanks and aircrafts and guns. This is nothing but a prodigy of organization and an economic miracle—the more so when we remember that as late as 1925, Russia's economic power was less than that of India today. Even in the field of agricultural production, Stalin claimed: "In spite of the loss of vital agricultural areas, the food supplies of the Red Army and of the population and the supply of our industries with raw materials have not abated." Stalin attributed this achievement, as he well might, to "the splendid work of the entire Soviet peoples." The magnitude of the Soviets' economic achievements has been demonstrated in a conclusive fashion and no one will quarrel with Stalin's claim that the "Soviet State will come out of the war even stronger than it was at the beginning." Judged by the level of industrialization, the Soviets are still far behind the United States and much of their work done during the Five Year Plans has been destroyed by the war. But Stalin gave a clear indication in his speech that he would demand economic reparations from Germany. With these and her own efforts, she would speedily recuperate and transform herself within another decade into the mightiest country with the highest standards of living in the world. Meanwhile, there are still plenty of people in the world

who are convinced that without "private enterprise" and "initiative" and the benign "guiding functions of the market mechanism," we shall be faced with bureaucracy, inefficiency and economic stagnation.

BRITAIN NEEDS FRIENDS, NOT SERVANTS

The London *Economist* in its centenary issue of September 4, says: "In a world in which Britain's physical power is relatively small, it has need of friends and neighbours, not servants and dependencies." In the nineteenth century, Great Britain was the dominant economic power in the world, and in her overwhelming naval power, she possessed a comparatively cheap instrument to hold the balance of power in Europe and the world. Behind the shield of her insular position and political security, she developed her commerce and industry and with the help of the gold standard—which, as Professor Condliffe says, was ultimately backed by the British navy—she was able for many decades to maintain her economic hegemony. But with the eventual rise of such colossal industrial powers as Germany, the United States and, more recently, the Soviet Union, Great Britain has lost her dominating role. Further, as the London contemporary says, "Great Britain in resources and manpower is not one of the giants." Consequently, as India and China fast transform themselves into giant industrial nations by means of economic planning, and industrialization proceeds even further in the Soviet Union, Great Britain will find herself more and more cast for the role of a second-class power, unless she is prepared to abandon the political premises of her imperial policy. Although Great Britain herself, in manpower and natural resources, has not the make-up of a great power, in her empire she possesses inexhaustible resources in men and materials. Nevertheless, up till now only the minority of about sixty million white population have enjoyed all political rights and enjoyed the highest standards of living, while the overwhelming majority of 450 million coloured people have found themselves with the meagrest of political and economic opportunities. But slave labour is inefficient and further, it acts as a mighty drag on the fullest and speediest development of the economic potentialities of the empire, which can be achieved only if the great majority in the empire are accorded the status of full economic and political partnership. Many in Great Britain are thinking on the line that they could maintain their world supremacy by means of a more vigorous exploitation of the empire. But this is futile, for, thanks to the new and powerful technique of economic planning, 200 million free Soviet peoples or 500 million free Chinese can develop their respective economic potentialities at far greater rates than is possible for only 60 million British whites *plus* the slave labour of 450 million ill-fed, illiterate, coloured population. Britain on her own has not the potentiality of a dominating great power and the only choice open to her is that between the status of a second-class power on the one hand and on the other, the seeking of the friendly co-operation of great powers like the United States, the Soviet Union and China and enlisting the full economic and political partnership of the colonies and dependencies. Truly has it been said that Britain "has need of friends and neighbours, not servants and dependencies," for Britain can no longer dominate as of old. The full economic potentialities of the British Empire cannot be developed if it remains "half free, half slave," in Benjamin Franklin's famous phrase.

INDO-AUSTRALIAN RELATIONS

The Commonwealth Government of Australia have recently announced the appointment of a High Commissioner to India in the person of Lt.-Gen. Sir Ivon MacKay. Commenting on the appointment, the Prime Minister, Mr. Curtin, stressed its political aspect in hoping that "it would provide an invaluable means of contact between the two Governments, and help facilitate the process of consultation within the Commonwealth." While the appointment is to be welcomed as an introduction to Indo-Australian collaboration after the war, its present utility to both countries in the political and diplomatic sphere can only be precious little. It is too well known that India suffers from certain handicaps, born out of her present political status, in these matters, and Mr. Curtin could have been less optimistic about the value of the appointment he was making. Apart from the fact that consultation "within the Commonwealth" is a thing in which we are not interested either now or after the war, contact between the "two Governments" cannot be real now for the simple reason that there is no "Indian" government at this end. The recent experience of President Roosevelt's personal envoys in India should have convinced everyone that foreign diplomatic representatives in this country can contact only the British Government's interests here. Mr. Curtin further looks forward to the appointment of an Indian High Commissioner to Australia. Though the personality of the diplomats also counts in such appointments, the success of their mission can depend only on the policy of the Government of the day. And so long as we have no Government of our own to determine the nature and extent of our relations with "White" Australia, collaboration can only be a farce as that between India and "White" South Africa has been in recent months.

The Minister for External Affairs, Dr. Evatt's comments on the new appointment were more to the point, stressing as he did its military and economic aspects. He wanted fuller co-operation between the two Governments in the prosecution of the war against Japan from the Indian Base. In fact the appointment of a military man to the post should make the main purpose clear. With the setting up in India of the headquarters of the South East Asia Command, in which Australia has a vital interest, a Commonwealth man on the spot here was perhaps felt necessary. As to his economic functions, if Sir Ivon MacKay is really anxious to give concrete shape to Dr. Evatt's hopes that the two countries have much to gain by closer contact in matters of trade and supply, there is a ground crying to be covered immediately and that is food shipment from Australia to India. Contact in the matter of war supplies has already been established through the Eastern Group Supply Council, and those supplies will anyhow be taken care of by the British Government. But it is in the matter of food supply that further avenues to increase shipments of food, already begun, must be explored without delay. If Sir Ivon applies himself to this immediate task of humanity he will have nothing but the goodwill and gratitude of the whole country.

PRICES WITHOUT TEARS

In the wake of their recent ordinance against hoarding, the Government have come out with yet another item on their anti-inflation programme to keep soaring

prices in check. Unlike in the past, when the entrepreneur, the tax payer, the speculator, the workman and the hoarder were the mediums through which the Government sought either to "drain away" additional purchasing power or to make available more goods for consumption, this time they have approached the problem from their own end. The intention, according to an announcement, is to release a greater share of industry's output for civilian consumption, and so it is said that all Government indentors, including the defence services, are now under a duty to scrutinize their demands from industry more closely and to re-evaluate their reserves. It is evident that in any scheme of increasing the quantity of goods for civilian consumption there is a gap between their increased production and their increased availability on the market. The output of consumers' goods in this country has undoubtedly been increasing since the war, but, by implication, it would now appear that most of even this *increase* (in addition to most of the normal output) has been going to fill the army's gargantuan mouth. Many Government departments appear to be indulging in a wasteful indent of articles like paper, taking light advantage of the priority they enjoy in the matter of supplies. The way in which the defence services indent for some articles of everyday consumption like biscuits and concentrated foods admits of a lot of improvement. They should not ignore the fact that many of the articles are the needs of the sick. This decision of the Government to comb their departments for supply economy was long overdue, and now that it has come it should result in a cut in Government indents by at least 15 to 20 per cent. to justify itself.

For illiterate people living on one meal a day and removed from modern civilization an increase in the supplies of cigarettes and razor blades is little consolation. The most important part of the new Government move is to release certain types of steel, like usable defectives, to the village fabricators of agricultural implements. The Madras Government have already moved in this direction. The agriculturist is at present paying abnormally high prices for his implements like crowbars, *mamooties*, pick-axes, shoes for bullocks and tyres for carts. Scrap is no longer available for him to manage with crude, self-made substitutes. The articles and village industries covered by this release of steel are not yet known, nor the detailed arrangements for distribution through "provincial and trade channels at controlled prices," which the move contemplates. We should keep in mind the fact that in the case of most commodity controls obtaining at present, the normal trade channels have choked distribution and defeated the controlled price, using these again for the release of steel to the village blacksmith and carpenter may mean nothing in practice as they would have to buy their requirements, as hitherto, from the nearest urban hardware merchant who may not oblige them at controlled prices. Distribution through the taluq and village revenue authorities would perhaps be safer in view of the urgent need to lessen the burden of the agriculturist in the matter of his equipment so that the country's agriculture may not suffer at a time like the present.

SPECIAL ARTICLE

Who Pays for the War?

By J. K. Mehta

THE purchase of commodities and services required during a war for offensive and defensive purposes is made through the operation of the financial machinery of the State. The funds required for such purchases are obtained through one or more of the well-known devices of taxation, borrowing and inflation of currency. The first and the third involve cash payments by the Government for goods and services bought, while the second constitutes a credit operation. The incidence of taxes, loans and inflated currency is not on the same sets of people, so that the burden of paying for the war is shouldered by different sections of the community in each of the three cases. In making an estimate of the burden, attention should not be focussed exclusively on the monetary impositions or transactions; for they are but a rough and often a misleading indication of the real sacrifices of the people. The real burden of the war consists in sacrifices of enjoyment and the war is paid for, in the final analysis, by those who directly or indirectly make contributions to the stock of such sacrifices needed for the production of goods and services. Nor should we include in the burden of the war only such sacrifices as are directly required for production of war goods. Just as in the case of an indirect tax the incidence on buyers can conceivably exceed the full amount of the tax, the incidence on the people who finally shoulder the burden of a war may be and of course is greater than the full direct burden of the war. For, during the war, those who are called upon by the economic structure of the land to shoulder the economic responsibilities of the war have often to make some contribution to those who are engaged in the production of war materials. In other words, some transfer of wealth from certain sections of the community to others takes place during the process of monetary adjustments resulting from the operation of the financial machinery of the State.

We have not to infer that the real cost of waging a war is incurred by those who are engaged in the production of war materials. They are adequately paid for the services they supply, and, though in their capacity as tax-payers or loan-makers they may be called upon to bear the burden of the war, as labourers or capitalists they make no real sacrifices. In fact, they might, by charging prices higher than what may in some sense be regarded as just, impose additional tax on those who finally shoulder the burden of the war. Nor can the burden be said to be borne by men of the fighting forces in so far as they willingly join such services. Their work may be difficult and their actions noble, but in the terminology of economics they do not pay for the war except in their capacity as tax-payers or purchasers of goods.

In all those cases, or better still, to the extent to which the war is financed by taxes, the real sacrifices are made by tax-payers. It is they and not the producers who in reality supply all the commodities or undergo the privations needed for their production. But it is only just and proper that tax-payers should pay for the war. For, the contributions they are called upon to make are proportioned to their abilities and while they suffer during the currency of the war they are the very people who reap the benefits thereafter. It is only when the tax system of a country

violates some of the fundamental canons of taxation or the basic principles of public finance that the burden of the war falls on shoulders other than those that are best able to bear. Such we may note in passing, is the case when indirect taxes are relied upon mainly to provide the needed revenue.

In so far as the war disturbs the economy of the country by dislocating, for instance, the trade and blocking up the channels of commerce or by introducing certain frictions and malpractices, it imposes on the community additional burdens which may often be of a magnitude incommensurate with the abilities of the people to bear them. The Bengal famine supplies an illustration here. The victims of the shortage of food are paying partly for the conduct of the war and partly suffering the consequences of those shocks to the smooth working of the economic system which the war or the war machinery is responsible for.

The general situation is not materially altered when the war is financed by loans instead of taxes. The loan-makers of today are the tax-payers of tomorrow. While they do not pay for the war directly in the present they are to a great extent themselves the people who are called upon as tax-payers to provide the money needed for the service of the loan. Though the ultimate effects of the two ways of financing the war are not exactly alike in all the details, the magnitude of the difference is not so great as to warrant a separate discussion of this case. Suffice it to say, therefore, that when a war is financed by credit supplied by the citizens the people who finally pay for the war are the people who should pay and they themselves constitute the class that gets financial relief on the successful termination of hostilities.

The situation is vitally different, however, when the necessary finance is obtained by inflation of the currency. The effect of such inflation on the economy of the country expresses itself in the general rise of prices. The people who bear the burden of the war thus consist of those who have to pay higher prices. Those in the employment of the Government and others who are able to secure a rise in their wages or other remunerations to counteract the effect of a higher money-cost of living are able to pass on the real burden to others. The people with fixed incomes become in this case the real sufferers. It is they who have to economize and it is they who by cutting down their purchases liberate resources for employment in war industries. People with fixed incomes or those whose incomes do not rise as fast as prices shoulder the burden of the war in precisely the same manner as if they were taxed to provide the necessary finance. Inflation, therefore, is a kind of tax measure. It is in effect an indirect tax on commodities and services purchased by fixed-income receivers. In as much as it is an indirect tax it violates the canon of ability and being a tax imposed only on people with fixed incomes it possesses an element of arbitrary differentiation between groups of tax-payers. We may liken, then, inflation to the worst type of taxation—indirect, indiscriminate, ever increasing and perhaps regressive.

When the war economy of a country exhibits all these features of finance, that is, when taxes, loans and inflation of the currency are all depended on to supply the necessary funds, the burden of war is shared by the people in all the three ways described above. In India statistical figures reveal the fact that the cost of the war is met as much through the device of inflation as by the exercise of the taxing and borrowing powers of the Government. If the war prolongs for a couple of years more the importance of currency inflation will outweigh that of the other measures. The fixed income receivers will then constitute the real sufferers, the real bearers of the burden of the war.

The difficulties of inflation in our country are caused by the purchase of goods by the United Kingdom here through the Indian Government. The peculiar monetary system working through the Reserve Bank of India and the purchase of goods by the United Kingdom on credit have brought about an undue expansion of our currency and thus imposed the worst type of taxation imaginable. The fixed income receivers are, therefore, shouldering the burden of the war that should have fallen on the citizens of the United Kingdom. When, however, on the termination of the war the United Kingdom liquidates its debt to India, our country shall get its due compensation for the hardships that she is suffering. The nature and adequacy of the compensation shall, however, depend on the manner in which the debt is paid off. If the creditor country is given the right of demanding payment in terms of things she chooses, it is clear, this right will be exercised with wisdom and caution.

As has been recently discussed in the pages of this weekly, a creditor country can be paid in terms of precious metals, consumable goods and services or

instruments of production. Precious metals, it has rightly been remarked, have little real value. The import of goods and services, however desirable they may be, would interfere with the industrial development of the country. The best medium in which the country can be paid off its loans is, therefore, capital goods. They would not hamper but promote industrial development.

But it would not be absolutely just to talk and think in terms of the country only. We have seen that at the present moment the burden of the war, in so far as it is represented by India's sterling balances, is borne by fixed income receivers. Had the burden fallen on the general body of tax-payers, it would have sufficed to think in terms of the country only. But the situation being different, it is just and proper that when the country gets its loan paid off an adequate compensation is given to those who have been the unfortunate victims of the peculiar monetary movements in the country.

The precise manner in which these victims should be compensated it is not my intention to discuss in this article. The point I wish to emphasize is that *those who object to and see the wrong in the inflation of currency must, consistently with their theoretical viewpoint, advocate an adequate measure of compensation to the fixed income receivers who have been the worst sufferers.* It is not very clear to what extent our country shall have an effective hand in arriving at a settlement on the basis of international justice, but the question of intra-national justice shall be absolutely within its domain and it is hoped that with the same zeal and fervour with which the Government's inflationary policy is decried today, the question of compensation shall be raised and tackled after the war.

University of Allahabad.

THE WORLD ABROAD

U. S. Faces Inflation

(From Our Washington Correspondent)

WASHINGTON, Nov. 8. (By Cable).

The United States is heading towards inflation at increasing momentum. Recent developments have accentuated this trend which Government action hitherto partially checked. Last week Congress revealed its apparently abandoned serious efforts to halt the rising prices through higher taxation while departmental executives hinted despair in curbing the pyramiding of living cost, as wages and retail prices have both threatened to break through the arbitrary ceilings.

American situation in this respect partially parallels that of India where the Economists' Manifesto urged the Government to increase taxation and float domestic loans to defray total military expenditures in rupees. The United States Treasury has sought to finance a substantial proportion of war costs through heavy taxation, meanwhile selling Government bond issues to individual investors. Only last week the Treasury announced that it contemplated additional borrowing for forty-million dollars before the end of the fiscal year, June 30 next. This loan programme will probably be successful. But taxation limits have been nearly reached, principally because Congress places political considerations above economic realities. Mr. Morgenthau, Secretary of the Treasury recently asked the Congress to impose new taxation totalling ten and a half milliard dollars annually chiefly through higher individual and corporate income levies. The House Ways and Means Committee which is entrusted with the duty of initiating all revenue legislation flatly rejected Mr. Morgenthau's proposals.

Remembering the 1944's Presidential Election year Congressmen have no desire to risk popular wrath at polls. The Ways Means Committee turned down any general income-tax increase and also refused to consider sales tax even though informal surveys indicated that at least half the population would willingly accept such form of taxation.

The result is the Committee cut Treasury's tax estimate from approximately ten and-a-half milliard dollars to two milliard. This doesn't mean that United States will have difficulty in financing war. It does mean that excess spending power will not only be unchecked but actually will continue to swell and perhaps develop into an irresistible torrent of overflowing inflation.

Similarly in the matter of controlling the components of cost of living the administrators seem to be fighting a losing battle. For more than a year organized labour has co-operated remarkably well in the Roosevelt programme for no increase in the general wage level above that prevailing on September 15, 1942. But last week another coal strike ended with the Federal Coal Administrator, Harold L. Ickes agreeing to raise the pay of five hundred and thirty thousand miners by one dollar and a half.

It was first a wide-open break in the so-called "little steel" formula embodying September 10, 1942 wage provision. But only few days later William H. Davis, Chairman, National War Labour Board issued a statement praising labour for their action thus far in forging wage increases during the period of rising living costs but adding "We however become increasingly conscious of the fact that we are asking one segment of our society to do its part to protect all Americans from the ravages of inflation while similar obligations have not been placed as heavily upon the shoulders of some other segments of this society." Mr. Davis thus hinted that labour's pressure on the board for higher wages may soon be effective.

Meanwhile Congress is turning a deaf ear to President Roosevelt's requests for subsidies to enable the continuance of official ceilings on commodity prices. The President last week sent to the Congress a long and informative message on the nations' war-time food supply expressing his deep conviction that Government must continue to pay subsidies if enough food is to be produced and prices for the consumers are to be restrained. President Roosevelt estimated the annual cost of the food subsidy programme at eight hundred million dollars equivalent only to three days' war expenditures. Congressional response was frigid and now seems probable that President Roosevelt's entire subsidy structure will be defeated. Hence United States outlook at the time of writing is for inadequate tax increases, higher wage levels, and soaring commodity prices. At worst the nation faces unbridled inflation and at best it faces relaxation in controls which so far held the cost of living within reasonable bounds since the war started. In such a situation it is vaguely ironic to find some conservative financial commentators concerned with inflation threats elsewhere. The New York Journal of Commerce last Friday in an editorial dwelt on inflation in India and concluded "British are being criticized in India for absorbing a larger part of war cost there as well as for causing inflation. Only if the Indian public opinion recognizes that India has a stake in victory with the United Nations and is ready to absorb her share of sacrifices involved to achieve that victory can anti-inflation programme succeed in that country."

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EMINENT ECONOMISTS

IV

Sir William Beveridge

By E. da Costa

TO Plato the salvation of a world rent by its own dissensions lay in the breeding of a race of philosopher-kings, intellectual giants who, in a life consecrated to the public service, combined the power and discipline of scholarship with the authority and responsibility of a king of the whole people. Today the Platonic ideal is, perhaps, somewhat at a discount for philosophy has often lost its way and kings and autocrats are a trifle out of fashion. Forms of thought have changed with the times but Plato's problem remains our own and, in a real sense, the central problem of government for all time—the problem of selecting individuals for positions of the highest authority. In our own time when nine out of ten of our problems are fundamentally economic, the Platonic ideal may well be an economist-statesman, who would carry with profound insight into the working of the economic system, true foresight and the grand vision which alone marks true statesmanship. Unhappily the economist-statesman, like Plato's philosopher king, is still a distant ideal and a dream of the future; our economists have too little authority in public affairs and our statesmen (alas!) have so little economics. But we have had occasional promise of the shape of things to come. For there have been economists who, be it said with pride, have succeeded within the limited field available to them in promoting wise reform and a touch even of warm kindness in the conduct of public affairs. Among them, Sir William Beveridge, now known as the author of the Beveridge plan, will always occupy a special place.

Men's memories are short and the human mind lives in the present; it forgets the past and discounts the future. The Beveridge plan for guaranteeing social security has tended to occupy so much of the stage that, in the public mind, Beveridge's name is associated with this and little more. And yet the Beveridge plan is only the latest, and perhaps, not the most important of the great services which its author has rendered to the British people. As one of the authors of the Insurance scheme, as the first Chairman of the Employment Exchange Committee and as Director of Labour Exchanges from 1909-1916 in the most difficult period of their history, Sir William Beveridge has a claim to have done more for the development of the social services of Great Britain than any man of our time. And, by implication, he has done much to protect the social structure of England from the disruptive forces which would assuredly have spread without restraint if the social services of England had not been organized in time to hold them back and, perhaps, stay them forever. The cynic may, perhaps, be tempted to remark that this has been, from the point of view of the British worker, a dearly bought and doubtful advantage and that there is little in the existing order which labour should wish thus jealously to preserve. This is a foolish and a dangerous error. Only the blind leaders of the blind can wish to destroy a structure from which labour has gained and is likely to gain steadily increasing benefits and advantages. It is supreme folly to think or speak today of what is called the capitalist system as though it were something similar in structure to the system which was responsible, in the hey-day of *laissez-faire*, for the worst horrors of the early Industrial Revolution. Not only has the system been reformed beyond recognition from with-

in; it lives and moves and has its being in an entirely new social structure created by State regulations and beneficent State control in almost every sphere. The rigours of the system have been tempered not only with justice but even with mercy; the Beveridge plan is only the latest stage in a long journey by which the British labourer has in wealth, in leisure, and in opportunities advanced steadily to a richer and fuller life. That this is recognized by British workmen is clearly indicated in the attitude of the British Trade Unions and is writ large in every page of the history of the British Labour Party. In 1819, Shelley, the Apostle of Revolt in that iron age, could find an echoing response in every labourer's house when he sent forth his clarion call to the workmen of England:—

Men of England, wherefore plough
For the lords who lay ye low?

Wherefore weave with toil and care
The rich robes your tyrants wear?

For he touched to the very core a rift in the social structure of England which neither sweet words nor brave deeds could efface. Much later, Disraeli, a conservative Prime Minister, could still speak of the two nations which dwelt together in uneasy partnership, often in bitterness and in hate. Today the wide disparity of which Shelley and Disraeli spoke has ceased to divide the country. That rift in the body politic of Great Britain has been closed in no small measure by the growth of the social services which have brought to British labour a right to health and unemployment benefit which would have surpassed the wildest dreams of their great grandfathers who tasted, if anything, the hand of the State in the all too rigorous form of a savage Poor Law. The growth of cohesion and a bond of unity in the social structure of England has been achieved because of the enlightenment of many of England's public men aided by the great levelling forces of history not the least of which is war itself. The Beveridge plan is the product of these forces; it certainly owes much to the prevailing atmosphere and the demand for social security which alone can give full meaning to the victories of peace, no less renowned than war. It may be that a plan of social security would have come to England without Beveridge; and a rose by any other name would smell as sweet. But it is an undoubtedly advantage that the form and content by which a great ideal might be realized should have been filled in by one who speaks with high authority. For the British public are suspicious of idealists and it is well that the authority of an eminent economist and a tried practical administrator should thus have been invoked for a scheme which is to build the new Jerusalem in England's green and pleasant land.

The little town of Rangpur in North Bengal, now with other towns and cities of that province unhappily in the throes of deadly famine, has one claim to distinction. For here on the 5th March, 1878, Sir William Beveridge was born. He was the eldest son of Henry Beveridge of the Indian Civil Service, the author of a famous book, *The Trial of Nandkumar—the story of a Judicial Murder*. We may attribute to his early association with India the keen interest Beveridge has taken in Indian affairs and the special kindness which he extended to all Indian students during the period 1919-1937 when he was Director of

the London School of Economics. Since 1937 he has been Master of University College, Oxford, where he replaced another great friend of India, Sir Michael Sadler, well known as the Chairman of the Calcutta University Commission. While he has attained the highest academic honours, Sir William Beveridge's fame rests as much on his work as a practical administrator where he has left his mark in many fields. He was in the Board of Trade from 1908-1916 and Permanent Secretary to the Ministry of Food in 1919. He was a member of the Royal Commission on the Coal Industry in 1925 and has been Chairman of the Unemployment Insurance Statutory Committee since 1934. He was Chairman of the Sub-Committee of Imperial Defence for Food Rationing in 1937. In early life he was Director of Toynbee Hall and was a leader writer for the *Morning Post*. He has found time recently to take a leading part in the plan for federal union after the war, and his pamphlet, *Peace by Federation?*, is the strongest argument yet advanced for the need of a new international order on these lines. In a long and full life Beveridge has touched many things, and he has touched nothing which he has not adorned.

In a special way his name will be associated with the London School of Economics and Political Science over which he presided with such great distinction from 1919 to 1937. In these fateful years between two wars, the London School was building up under his guidance a great tradition, though a little removed from that designed for it by its early Fabian founders. It has three marks by which it is widely known. It is completely cosmopolitan, it is large and contains multitudes, and it is dogmatic with all the certainty of new-born learning. In its assortment of men and women of every race and tongue it is a veritable new Curiosity Shop with the original Dickens' Old Curiosity Shop appropriately round the corner. The English student can here within his college become a citizen of the world. The London School of Economics is lavish in its instruction; in its main lecture hall classes of a thousand students at a time are not unknown; it distributes instruction, with a weak thread of personal attention tenuously maintained, to thousands of students every year. Above all, it is dogmatic—dogmatic with all the self-confidence of Laski and dogmatic with the robust rationalism of Robbins. Beveridge himself was a curious exception to the prevailing dogmatism which may, perhaps, be a passing phase. In a sense he was a little outside the atmosphere of the school—he did not belong because the cast of his mind was made at Oxford and from where he came he apparently longed to return. In him one found sound scholarship without bias; profound knowledge without rhetoric; practical wisdom without politics. These terms best describe his lectures. They were not impressive lectures; his voice did not carry and his delivery did not arrest one's attention, but there was a quality about the material he placed before you which made attending his lectures eminently worth while. The keen face was always alive and there was a lively, almost Puckish, sense of humour, but it was reserved for a few public occasions. He carried, or appeared to most students to carry, an austere presence through the school and at a distance he was respected and admired by all. In the free and easy atmosphere of the School there existed an absence of restraint between teachers and taughts which probably has few parallels in any educational institution. Even the venerable figure of Professor Bowley could raise a jest from some irreverent undergraduates. In a whisper as he passed, they murmured:

Holy, holy Arthur Bowley,
Decomposing slowly,

although no one knew better than his students that his mind was, if anything, keener than ever. Only the Director was not parodied; he was too greatly respected for such liberties to be taken. And yet, in real truth, he was not as austere as he seemed. Apparently he had his playful moments. In one of these he invented in 1916 a submarine war game called *Swish*, which seems, after a brief period of popularity, to have succumbed appropriately enough with the U-Boat menace two years later. Today would be the proper time for its revival. Beveridge has also apparently had his romantic moments. For his books include *John and Irene*, an anthology of thoughts on Woman.

The history of economics furnishes us with numerous instances of almost obvious statements of fact which have yet taken many years to win general acceptance. The fact that unemployment is hardly connected with the failings of individual workmen but is a problem of industrial organization and output is one such fact. Until Beveridge's great work *Unemployment: A Problem of Industry* first established this simple but unnoticed truth, the unemployed man was too often treated harshly and unjustly as other recipients of aid under the Poor Law. The removal of the stigma attaching to unemployment is the greatest service which Beveridge has rendered to the British workman; his analysis of the causes of unemployment and the means to remedy them is his greatest contribution to economic science. The Beveridge plan and the proposals recently advanced for the development of social insurance and allied services are his contribution to the new life of Great Britain and, through Great Britain, to all the world.

Simple enough in all conscience, the Beveridge plan has the quality of genius. In the short compass of one hundred and seventy pages it paints the picture of a great ideal and the means of its attainment. It would be a flight of fancy to liken it to a grand feeling of the soul translated by a great composer into a few bars of music left for ever, when soft voices die, to vibrate in the memory. It would, perhaps, be too much to compare it to the work of a great artist who with a few strokes of a brush can build a living likeness or who can catch for ever all the majesty and grandeur of the setting sun. But the Beveridge plan performs something of these feats, although it employs the old technique and the old tools. It is a new picture which bears with it a new message in a new life; and to those whom it will most closely affect, it must bring a stirring of the soul and full promise of a brave new world in this, our time.

The Beveridge plan is a plan for the security of incomes for every man, woman and child in the community. All the contingencies of life and livelihood, birth, marriage, death, old age, unemployment, accident, illness and disease will be covered by a single and comprehensive system of contribution and benefit under State auspices. The scheme covers all citizens without upper income limit and, in its rates of benefit and grant, is far more liberal than existing schemes. For unemployment, the allowance is raised from 38 sh. per week to 56 sh. a week. The period of grant is unlimited and without means test at any time, subject only to the condition that there should be attendance at a training centre if unemployment is prolonged. For disability due to accidents or illness other than industrial disability payments are raised from 18 sh. per week at present to 56 sh. a week for industrial disability the payment is 56 sh. for 13 weeks, followed by pension equal to two-thirds earnings up to 76 sh. a week but not less than 56 sh. Old age pensions are raised from 20 sh. to 40 sh. per week, widowhood pensions from 18 sh. to

40 sh. and maternity grant from £2 to £4. A grant of £20 is made for funerals. The plan also provides for comprehensive medical treatment, including hospitals, dental and ophthalmic, and for nursing and convalescent homes for the entire family. The total estimated cost of the scheme which is shared by insured persons, employers and the State is £697 millions in 1945, rising to £858 millions in 1965, the increase being mainly due to the rising cost of retirement pensions. This is the price of social security, a distant ideal now reduced for the first time to practical terms. To use Beveridge's own metaphor, there are five giants on the road to reconstruction and of these Want is, in some ways, the easiest to attack. The others are Disease, Ignorance, Squalor and Idleness. It has been his task to meet and slay them all.

In a democracy the acceptance of so far-reaching a plan must depend on the response which it receives from the public. The Beveridge report is now before the British people and its author is well content, like Michael Angelo, to leave the light on his work to the public square. In the main it has been well received. The British Medical Association has, it is true, with more haste than consideration, passed a resolution opposing a whole-time salaried medical service. But the full implications of this resolution are not yet clear. There have also been sceptics; intelligent and otherwise, who have doubted whether the country can bear the cost of the scheme; there are others who are concerned about its effect on initiative, enterprise and industry. For the most part these are criticisms which will apply to any scheme and do, indeed, to a limited extent apply to existing services. They are not to be ignored on that account but they must be considered against the background of the well-being of the whole nation and not of any sectional interests. The greatest happiness of the greatest number must appear again, as a century ago, as the touchstone by which sound policy must be judged. But even when policy has been judged aright, much remains to be done. We can do no better than quote Sir William Beveridge's own stirring words, "Freedom from want cannot be forced on democracy or given to a democracy. It must be won by them. Winning it needs courage and faith and a sense of national unity; courage to face facts and difficulties and overcome them; faith in our future and in the ideals of fair-play and freedom for which century after century our forefathers were prepared to die; a sense of national unity overriding the interests of any class or section."

To some the Beveridge plan may appear to be Utopian. It is Utopian in the limited sense that it contemplates a level of production and income which may not be attained in the period under consideration. But in this sense all plans are likely to be Utopian. The test by which they should be judged is not whether they will be fulfilled in every detail but whether they meet the right need in the right manner. Who will deny that the goal of social security corresponds to a most urgent want, the satisfaction of which

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should take the foremost place in post-war reconstruction? This is the right need. The means by which it is to be met are in accordance with existing practice and well suited to the traditions and experience of the British people. This is the right manner. The plan is spacious enough to raise new hope and practical enough to justify the new faith which it raises. We can ask no more of any plan. It may not commend itself to those on whom the main burden of the expenditure involved will certainly fall. But the error lies with them and not with the plan. To them must come a new realization of the profound truth that we are in actual fact members one of another. The nation must surely grow in health and vigour by the succour which is thus rendered to those most in need. But this help can be given in no bargaining spirit so forecasting the years as to find in loss a gain to match. There is no guarantee that bread thus cast upon the waters will come back after many days. But those on whom the main burden will fall cannot wish to withdraw from their responsibilities on this account. They cannot whittle down their obligations for it is unlikely that there exists any less costly practical alternative to the Beveridge scheme which is likely to find general acceptance. It should be the privilege no less than the obligation of the rich to sponsor this scheme on which the happiness of so many of their less fortunate countrymen will depend. It should commend itself to all for it is built, as of old, on the three pillars of the good life. For in it there abideth Faith, Hope and Charity these three; and the greatest of these is Charity.

Jaipur.

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FROM THE PROVINCIAL ANGLE

Madras Letter

EXTENSION OF URBAN RATIONING—INADEQUATE COAL SUPPLIES—WORK IN FACTORIES PARALYZED—SCHEME OF COLLECTIVE SUBSCRIPTIONS

(From Our Correspondent)

MADRAS, Nov. 7.

URBAN rationing being a fundamental point of the co-ordinated food plan of the authorities, the Madras Government have decided to introduce card rationing next week in the belt areas adjoining Madras City. The Government have also planned to introduce rationing of rice in about a dozen important towns in three other districts, having a population of one lakh and over. Rationing will be in force in these towns in about a month's time and will closely follow the principles and methods adopted in Madras City, which has proved to be a success. In the matter of production, the "Grow More Food" campaign has succeeded to some extent in this province. According to a preliminary report issued by the Board of Revenue, the area sown with paddy up to September, 1943 is estimated at 6,582,000 acres compared with 6,179,000 acres in the corresponding period of last year. The main winter crop season has commenced only after September and the acreage is expected to be substantially larger since then. In 1942-43 the acreage under paddy has been estimated at 10.4 million acres as against 10.2 million acres in 1941-42. The increase in the acreage works out to an increase of 6.5 per cent. and may be partly attributed to the slightly higher prices of paddy. The food position in the Ceded Districts has improved considerably with the rainfall having been very satisfactory. The newly harvested millets have come on the market and prices have fallen below the import level. The improved conditions have been responsible for the fall in the number of people resorting to the relief centres and famine camps. Therefore, the Government have decided to close down these camps gradually and some have already been closed down. Thus, the food position in the province may be said to have improved in a fair measure.

Coal Supplies

The deplorable state of coal supply for civilian requirements in this province has been brought to the notice of the Controller of Coal Distribution by the commercial interests. Work in factories has been paralyzed to some extent and public institutions have been put to great difficulties due to inadequate supplies. In many cases, even March quota remains unfulfilled. While this is the case, there has been an unduly large accumulation of bunkering coal and if a portion of this is released, it would keep up the normal industrial activity. It has been urged that the movements of wagon supplies should be reviewed periodically and that the coal distribution should be done in such a manner so that the factories may not be kept in suspense about future supplies. While on this subject it would be relevant to mention here that the position of domestic fuel supply in Madras is developing into a crisis. Supplies in the past month have fallen far short of the requirements. This coupled with the demand from factories and other institutions formerly using coal is reported to have caused the scarcity and incidentally the black market has sprung up. The Government recently increased the control prices of firewood

to stimulate supplies but there has been no improvement. The Government are now considering the question of rationing firewood in the City and a scheme is on the anvil. But this rationing will not be so simple as that of rice as many snags are likely to arise. The position is bound to be serious even in the post-war period, as no attention is being paid to new plantations of the usual casuarina variety for firewood, which takes seven years before being cut for use. Charcoal, used by the average middle-classes, has gone up by over 400 per cent. over the pre-war price level due to its increasing use in industrial activity, particularly producer gas plants. And here, too, the supply has not kept pace with the demand.

Collective Subscriptions

In July last, in order to drain the surplus money in both urban and rural areas and incidentally co-operating with the anti-inflationary measures of the Government of India, the Madras Government launched a drive to get as much money as possible for the various Defence Loans, Certificates etc. As a complementary measure, the Government have now decided to arrange for the receipt of collective subscriptions from villages to be invested in Defence Loans now and spent, with accrued interest, after the war on some beneficial work in or in the vicinity of the village concerned. It may be remembered that a similar scheme is already in force in the United Provinces. The kinds of beneficial works envisaged are hospitals, dispensaries, wells, schools, inter-village communications, bridges or new roads opening up areas at present lacking in communications. The Finance or the Defence Loans Sub-Committee in each district is to be responsible for the appeal for subscriptions and is to utilize the agency of the Taluk War Committees and the Village Reading Circles. The committees are also asked to keep a record of the desires expressed by the villagers now, as to the utilization of the money after the war and the Government, it is stated, will give full consideration to their wishes at the time of spending the money. Officials of the Revenue Department and village headmen are to be in charge of the collections. The Government will arrange for the investment of the total amount available in Government of India Defence Bonds through the Reserve Bank. The total amount realized by way of interest will, at the time of realization of the securities after the war, be distributed between the districts and villages in proportion to the total collections.

Cotton Breeding Experiments

With the object of evolving American Cotton strains in the Ceded Districts, a proposal of the Provincial Agricultural Director for breeding varieties of Cambodia Cotton in the black soil area has been approved by the Madras Government. The breeding experiments will be conducted at three Agricultural Research stations and will be spread over a period of seven years. The estimated cost of the scheme will be Rs. 60,560 recurring and Rs. 19,920 non-recurring. It will be in charge of an officer styled as Assistant Cotton Specialist.

Bombay Letter

THE FOOD PROBLEM—MEMBERS OF THE MEDICAL PROFESSION CONFER—ANTI-HOARDING AND PROFITEERING ORDINANCE—PROTEST FROM THE TRADING COMMUNITY

(From Our Correspondent)

BOMBAY, Nov. 7.

THE food problem attracted the attention of the medical profession in Bombay for the second time. Leading members of the medical profession met during the latter part of the week to consider the food situation in India. The urgency of appropriate and effective steps on the part of the Government of India and the British Government, as a war measure and a vital factor in winning the War, to ease the food situation was emphasized. It urged the Bombay Government to bring under ration all common food articles including milk and vegetables. Dr B. B. Yodh moved the resolution which stressed the necessity of constituting a permanent Board of Nutrition for each Province with a co-ordinating body at the Centre. Such Boards of Nutrition would consist of the representatives of the Government, agriculturists, consumers and medical men, and through appropriate sub-committees would study various individual problems such as nutrition survey, production and distribution of food, dieting, education in nutrition both for the general public and for the technical staff required and training of nutritionists as in Great Britain, America, Russia and several other countries. Such systematic studies and efforts would enable the authorities to minimise the effects of malnutrition and to use the method of rationing on a more scientific basis. Dr. Yodh quoted the example of the Central Authority called *Narvit* in the U.S.S.R. or Peoples' Nutrition in various parts of Russia. In a vast country like India the necessity of institutions to undertake a serious study of nutrition with modern methods is great. At present the number of institutions where such work is carried on is small. The meeting also urged the Government of India and the Provincial Governments, and States to encourage by subsidies the indigenous village industry of drying and selling fish and thus provide a cheap and nutritious food for the people, especially in view of the paucity of animal food in the dietary of the people and of the vast coast-belt of India.

Anti-Hoarding and Profiteering Ordinance

The reaction in Bombay to the Anti-hoarding and Profiteering Ordinance has not been favourable, and it has brought about very severe protests from every

section of the trading community. The Bombay Chamber of Commerce have pointed out that 20 per cent. profit-limit is too low, as certain of the big stores in Bombay have overhead expenses which exceed this limit. The Ordinance does not make any distinction between luxury goods, as, for instance, motor cars, radio sets etc., in which the turnover is not quick, and other articles which may be considered as necessities. Whereas in the former case a higher limit may be allowed, in the latter case the Government should see to it that the interests of the consuming public are safeguarded. Further the Ordinance covers the entire range of business in India, which is an exceedingly complex matter, and it would be inviting trouble to insist on applying a rule of the thumb as has been sought to be done. It is to be hoped that the Government will pay full attention to the protests made by the Chamber of Commerce and other commercial bodies, and modify the Ordinance in the light of the criticisms received.

Decline in Bullion Prices

There has been a substantial decline in the prices of bullion which is attributed mostly to the improved war situation and the remarkable success that has attended the Moscow Conference. The offtake on the *Murat* day was not as good as was expected, and despite the fact that the Reserve Bank did not sell gold, the prices have dropped. Added to this has been the statement of Mr C. S. Collier, Governor of the State Bank of Ethiopia, that Abyssinia wanted to send gold to India for sale. Whereas the quantity offered by the Ethiopian Government may be small, and the difficulties of transport may be considerable, it is a significant reminder to this market that the present price level of gold will not be maintained in the post-war world, and from the point of view of outside world, the Indian parity is far too high. The floating stocks of gold are estimated at 250 thousand tolas, and the average daily off-take at 20 thousand tolas. There was wide fluctuation in the price of the white metal during the week, and silver touched as low a level of Rs. 119-9-0. The price of silver is more or less following the price of gold. The latest quotations are as under:—Ready gold Rs. 79-8-0, Ready silver Rs. 123-8-0.

Bengal Letter

MR. AMERY ON BENGAL'S CRISIS—RATIONING ARRANGEMENTS—THE COAL CRISIS

(From Our Correspondent)

CALCUTTA, Nov. 7.

IN the House of Commons debate on the food situation, Mr. Amery drew attention to certain long-term aspects of the present crisis. He said, "This Bengal crisis is something more than an isolated incident. It is a danger signal, warning us of long-range measures which are needed as well as immediate relief." He proceeded to point to the "un-

exampled pressure of the population against the means of subsistence which is the gravest long-range problem which India has to face," and then backed up his argument by pointing that as a result of the pressure of population, the annual production of rice per head in Bengal has gone down over the last thirty years from 384 pounds to 283 pounds. Such a revealing deterioration of the economic prospects of the masses in the Gangetic delta, is big with ominous

possibilities and calls for stern and concerted efforts to check this grim rot. In the course of famine work obsolete land revenue system has made to the food crisis. The whole structure has to be jettisoned and our agriculture has got to be lifted out of its present primitive status and put on a thoroughly scientific and large-scale basis. At the same time there has got to be a vast drive for industrialization to relieve the pressure on the land. The decided deterioration of the ecological balance in this province, as indeed in India as a whole, can be checked only by such heroic efforts.

Rationing in Bengal

Meanwhile, the Government of Bengal have promulgated the Bengal Rationing Order. The Order extends to the whole of Bengal and will come into force on such dates as the Provincial Government announce. Needless to say, the mere announcement of this Order has not been able to evoke much enthusiasm. Rationing on an all-Bengal basis can only be regarded as a theoretical possibility, and it is not such comprehensive rationing that comes within the scope of practical consideration for the present. Rationing means, so far as the immediate present or future is concerned, rationing in the Calcutta area. Even as regards Calcutta the preliminary rationing arrangements still remain to be completed. The official view is that such arrangements will be completed by the 15th of November. But hardly any definite expectation can be built on this. Altogether, the preparation of the stage for the introduction of rationing has been taking such an unduly long period of time that there is a widespread mood of doubt and uncertainty as to when rationing will become a reality. Be that as it may, a welcome feature of the Rationing Order is that it provides in the scheme outlined a definite place for the dealers. Public opinion has vehemently stressed for some time that in adopting a rationing scheme the Government should not go in for any kind of reckless experiment aiming at the displacement of traders and substituting in their place Government distributive agencies. Some utterances of Government spokesmen had contained disquieting hints of such an experiment, but the Rationing Order lays down that "rationed articles will be distributed in rationed areas through wholesale and retail dealers and proprietors of establishments appointed by Government for this purpose."

It is of the utmost importance however that the authorities should exercise due caution in selecting the right type of dealers. In the past there were many complaints that in the matter of selection of dealers the choice fell upon wrong applicants, the claims of deserving dealers of long standing having often been neglected.

The Coal Crisis

The coal problem of the jute industry is far from being solved yet. Interest has been aroused here in the scheme of coal rationing reported from New Delhi by the *Associated Press*. The scheme is said to be based upon a careful examination of the requirements of all industries, as well as of demands for export, bunkers and railways and the domestic consumers. So far as the jute industry is concerned, does the scheme hold out any prospect of relief for it? Hardly so. Whatever the big ideas of the Government may be in putting through such a scheme can hardly yield good results unless an attempt is made by them to get down to brass tacks. Looking at the matter from the Jute industry's point of view, this means first of all proper readjustments as regards transport. But transport is not the only aspect of the whole trouble. It transpires now that raising at the collieries have not been adequate which is attributed to shortage of labour. The supply is also considered to be inadequate in comparison with the increased demand created by war conditions. It is also noteworthy in this connection that complaints have been made by mills that they have often received deliveries of coal which hardly possesses any of the essential attributes of this commodity. The delivery of slates and stones, instead of coal, means not only inconvenience to the mills concerned, but a scandalous waste of valuable wagon space. All these matters need serious attention of the authorities concerned if the steam-driven mills are to be spared the inconvenience of remaining continuously in a state of suspended animation. The most disquieting development in regard to the supply of coal to the mills is the widely-circulated report that coal is to be exported from India to the Middle East. The rationing scheme of the Government, referred to above, also refers to the question of exports. In view of the considerable burden thrown upon the jute industry and other industries of the country by the short supply of coal, this would be the very last straw on the camel's back.

U.P. Letter

PRICES OF OIL SEEDS—AN ALL-ROUND AND RAPID RISE—BRISK ACTIVITY IN THE PIECEGOODS MARKET—DIFFICULTIES OF RE-ROLLING MILLS

(From Our Correspondent)

CAWNPORE, November 8.

THE review of the vegetable oil crushing industry in the U.P. during the year 1942-43, issued by the Department of Industries, U.P. Government, reveals that there was a substantial increase in the output of oil. The production of oils in mills registered under the Factories Act increased, from 16 lakh maunds in 1941-42 to 21 lakh maunds during the year under review. There was an increase of 4 lakh maunds in the export of oils from the Province during the year 1942-43 compared with the previous year, fourteen lakh maunds of oil being the total quantity exported. The total production of vegetable oil in the U.P. during the year was 47,00,000 maunds, including 26 lakh maunds produced by smaller mills, screw presses and *ghannis*.

There was an all-round and rapid rise in the prices of oil seeds. The prices towards the close of the year were twice or thrice those prevailing at the commencement of the year and about 2-1/2 to 3-1/2 times above the pre-war level. The oil prices closely followed the quick upward rise of oilseed prices, but the rise in prices of oil cakes, though steady, was not so sharp, the increase during the year being 100 to 150 per cent. According to the U.P. Government's Oil Expert, the year on the whole was exceptionally good for the oil industry of the province. The U.P. oil millers had Government, Railway and Military contracts for mustard, castor and linseed oils to the extent of about Rs. 60 lakhs. There are about 10 factories in the Province which manufacture double boiled and blown oils. The industry is now well established and the firms had Government and Railway orders for supply to an ex-

tent of 4,00,000 gallons of double boiled oil. The output of the province in these oils has gone up from 303,000 gallons in 1941-42 to over 500,000 gallons in 1942-43.

Hydrogenation and Refining

There are ten big soap factories in the United Provinces now as compared with eight in 1941-42. In addition to these there are over ten small factories manufacturing soap on a small scale. The soap industry is progressing but on account of the difficulty in obtaining caustic soda, the industry has been badly hit. The production of soap in the United Provinces is estimated to be over 1,000 maunds, and the present value of the product is over Rs. 40 lakhs. The production of toilet scap is about 5 per cent. of the total soap output. There are 3 hydrogenation factories in the United Provinces and they have increased their production during 1942-43 to 24,000 tons from only 18,000 tons in 1941-42. The oil refining capacity of the province has also increased considerably. The ghee industry of the Province is making a steady development and on account of heavy military purchases the prices have gone up considerably. The export of ghee from the United Provinces is nearly 2,40,000 maunds and the import is about 30,000 maunds.

Textile Market

There has been enough activity in the cotton piecegoods market to keep the dealers absorbed in the present and for a while make them forget the future. Dealers from the Punjab and Delhi were buying and there was also demand from Bengal for shirtings and coatings, and the clearances were heavy. As these are coloured goods and there is a shortage of dyestuffs, the prices in several qualities showed some appreciation as a result of demand, but most of the dealers were glad to get rid of their stocks. Last week's activity has considerably lightened the burden of the non-text-marked cloth which the market is carrying. In view of the general expectation of fall in prices from 1st December, the manufacturers are not getting enough orders. As a result of the meeting that took place between the textile merchants and the General Manager of the O. and T. Railway at Cawnpore last week it has been arranged that the railway would try to provide 20 wagons or more daily for the booking of cloth bales from Cawnpore, instead of providing for huge bookings on a few days in two or three months. The dealers will be allotted these wagons in accordance with a quota to be fixed by the Chamber of Commerce.

Cost Of Living

The Labour Commissioner of the U.P. Government has issued the following cost of living index number for the working class in the city of Cawnpore for the month of October:—General Cost of Living Number—349; Group Indices: Food—390; Fuel and Light—374.3; Clothing—405.7; House Rent—100; and Miscellaneous—250.6. (Base, August, 1939—100). The Labour Commissioner is also to issue a supplementary cost of living index number for mill workers em-

ployed in the Government factories and the factories that are members of the Employers' Association, taking into account the concession rates at which food grains and other commodities are sold to them from the mill shops. A separate index number has been necessitated as the grant of dearness allowance in Cawnpore is regulated by the rise and fall in the cost of living index number for each month.

Re-rolling Mills

There is considerable heart-burning among the owners of what are described as the 'C' class re-rolling mills in the country, and of these there are not a few in the United Provinces. These smaller units of the industry have been compelled to close down as the Government is not in a position to supply them with their raw material, namely, scrap, nor to absorb the goods produced by them. There is a move to form an organization of the 'C' class re-rolling mills and an association may shortly come into existence with its headquarters at Cawnpore to give expression to the grievances of these re-rollers.

GOVERNMENT OF INDIA

Department of Industries and Civil Supplies

In accordance with rules under Section 8 of the Factories (Control of Dismantling) Ordinance 1943, published in the *Gazette of India* Notification No. F. 70-ID(40)43(III) dated the 6th November, 1943, applications for written permission to dismantle any factory or remove from a factory spare parts kept for maintaining the machinery of the factory in order should be made to (1) The Textile Commissioner, Bombay, in relation to factories manufacturing cotton textile goods and (2) The Controller-General Civil Supplies, New Delhi, in all other cases, stating the following particulars:

- (i) Name and address of the factory which it is desired to dismantle or from which it is desired to remove spare parts.
- (ii) Products manufactured in the factory.
- (iii) Details of the machinery concerned.
- (iv) Place to which it is proposed to move the machinery or spare parts.
- (v) Full reasons for making the applications, and
- (vi) Such further particulars as the sanctioning authority may require.

The Rules also provide that if the above sanctioning authority rejects the application, the applicant may, within 30 days from receipt of the order of rejection, present an appeal to the Central Government addressed to the Secretary, Industries and Civil Supplies Department, New Delhi. The Orders of the Central Government on such an appeal shall be final.

R. B. ELWIN,

Deputy Secretary to the Government of India.

BOMBAY, Nov. 10.

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A DELHI DIARY

NEW DELHI, November 11.

Tomorrow begins the main business of the Assembly session—the three-day food debate which will give an opportunity to members from Bengal and other provinces to discuss the famine question in detail. Though there is a general measure of agreement among the various parties, consultations among the leaders are still going on regarding the form of the all-party motion. The proposal for setting up a Royal Commission to make a detailed investigation has found large support, but there is also a powerful minority including Congress members, who do not believe in the idea of a Royal Commission. India's experience with Royal Commissions in the past has not been quite happy. One can see from the debates in Parliament that though the more liberal-minded members were trying to look at the question in the proper perspective, a good number of the speakers were trying to find excuses for the present debacle and throw the blame on Indians themselves. There is the danger that a Royal Commission nominated by the present Churchill Government may after all prove to be a white-washing commission. Some of the members prefer a committee of the kind suggested by Mr. K. C. Neogy—a committee of eminent economists, experienced judges and administrators and an Accountant-General under the chairmanship of a lawyer who has held high judicial office in India. So far as the Government of India are concerned, it is believed that they will not oppose the demand for a Royal Commission. If such a resolution is adopted by the Central Legislature they will undertake to forward it at once to His Majesty's Government. Mr. K. C. Neogy's resolution, however, if it is adopted by the House, will throw the responsibility on the Government of India to take the decision, and announce whether they are prepared to appoint such a committee. As three parties—the Muslim League, the European Group and the Independents—are supporting the proposal for a Royal Commission, it is likely to be carried without any opposition from the Government.

The new Viceroy, Lord Wavell, has been busily engaged in talks with the Commander-in-Chief and other officials on the food question. According to a statement made by the Food Member in the Assembly, only 30,000 tons of foodgrains have so far reached the country in the six ships which have arrived in Indian ports. If the promised quantity of 100,000 tons from Canada arrive before the end of the year, it will no doubt ease the situation. The initiative taken by the Army authorities in Bengal is also bound to help transport and distribution in the districts which have both practically collapsed. There are, however, two aspects of the question which have to be borne in mind. Firstly, shipping is an uncertain factor—especially as one cannot say in what directions the Allied offensive will develop next year. Secondly, it is also not possible for the Army authorities to spare their troops for civil work indefinitely. A permanent scheme has to be evolved to deal with distressed areas. If that is not done, it is more than likely that though during the next three

months something may be done to relieve the situation the trouble may again break out next summer—probably in a more virulent form. There were heated questions in the Assembly on Monday, but the Food Member had nothing more comforting to say than the assurance that the recommendations of the Foodgrains Policy Committee are being implemented. As regards famine casualty figures, the Food Member confessed: "I regret that I am not in a position to supply figures which I can regard as complete and accurate."

A number of important announcements were made in the Assembly this week. The Supply Member told the House that the Government of India were considering the possibility of increasing the allotment of steel for civilian consumption in the light of the total demands for steel as compared with the total amount of steel likely to be available from Indian production, imports and stocks. As regards the control of capital issues the Finance Member said that the permission of the Examiner of Capital Issues was not required before a company could be registered but the consent of the Central Government was necessary before the initial issue of capital could be made. Up to 30th September, 1943, the number of consent orders issued is 255. Out of these two are banks, six insurance companies and 57 industrial concerns. The number of applications rejected is 13. Regarding the suggestion that gold and silver should be imported into India the Finance Member said that "the Government are in sympathy with this recommendation, but it must be realized that the securing of precious metals involves international arrangements which are naturally not entirely within the control of the Government of India."

The debate on currency and prices brought out two interesting statements of policy from the Treasury Bench. The Finance Member frankly admitted the connection between inflation and the food problem and added: "We have reached a stage at which in order to maintain the war effort it is necessary to cater for civilian requirements." He referred at some length to the fact that goods and services for civilian consumption had grown scarce. He thought relief could come in two ways—firstly, by expansion of production at which the Government of India were, he claimed, continually at work, and, secondly, the provision of increased shipping for bringing more goods to India. On the same day the Commerce Member, Sir Azizul Haque, announced what had been done to bring down prices. So far as textiles were concerned, he announced that the Government had succeeded in bringing down prices. A Defence of India Order had already been issued to control the prices of drugs and medicines. He foreshadowed similar measures in other directions to prevent hoarding of or profiteering in consumer goods in the next few months—not only drugs but other consumer goods like bicycles, etc. Among other measures announced were the subsidizing of transport by sea of cotton cloth and yarn by meeting the cost of war-risk insurance and offer of help to the provinces in connection with the "save and lend" campaign.

ARGUS.

NEWS PAGE

The Government of the Commonwealth of Australia have appointed Lt.-Gen. Sir Ivon MacKay as their High Commissioner to India. Sir Ivon is aged 61, was a schoolmaster before he joined the army during the last war and is at present G.O.C. of the 2nd Australian Army.

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When the agreement for the relief and rehabilitation of countries liberated from the enemy, known as the United Nations Relief and Rehabilitation Administration Agreement, was signed at Washington on the 9th November, the Government of India decided to sign the Agreement simultaneously with other Governments subject to the reservation that the Agreement shall not enter into force with respect to India until it has been approved by the Indian Legislature.

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Among the questions discussed at the recent meeting of the Publicity Advisory Committee were the line of propaganda to be adopted to induce cultivators to sell their grain and the speculative hoarder to disgorge his stocks of grain and other commodities, the need for explaining the method and purpose of rationing before it was introduced, an austerity campaign to persuade those who had other available foods to keep off wheat and rice and measures for intensification of the savings campaign.

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It is understood that the Central Provinces has offered an additional surplus of 10,000 tons of rice, of which 5,000 tons has been allotted to Bengal, and the remainder to Bombay, Travancore and Cochin. It has also declared a further surplus of 5,000 tons millets, and this quantity with the surplus of 6,000 tons of millets from the Punjab States has been allotted to Bombay, Madras, Mysore and the Deccan States.

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The importation of a new and up-to-date canning plant having been decided upon some time ago, to help in the production of canned fruits in India, the United Kingdom is now understood to have agreed to send the plant which will probably reach India by the end of the year.

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During the five weeks ending October 30, 1943, Rs. 38 crores were invested in Central Government loans. This comprised Rs. 6-1/2 crores subscribed to the Fourth Defence Loan, Rs. 20 crores subscribed to the 3 per cent. Funding Loan, 1966-68, and Rs. 11-1/2 crores by sales of counterparts.

Since the cutting off of supplies of Burma rice on which Travancore was largely dependent, the cultivation of tapioca and sweet potato has been greatly extended in the State which is said to have helped prevention of starvation. Both these roots can be used to some extent as substitutes for cereals, at any rate as far as food energy is concerned.

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Early in 1942, the tea industry in Assam put all its garden labour resources at the disposal of the military and civil authorities in charge of the defence of that province, says the Controller of Emigrant Labour in his annual report for 1942. About 22,732 garden labourers were employed in defence projects up to the end of October, 1942.

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Consequent upon a favourable monsoon, reports indicate that there will be an excellent *kharif* crop in the Central Provinces this year and wheat and other *rabi* crops have also been sown under favourable conditions. It might therefore be expected that deficit areas are likely to benefit from a substantial surplus of rice and juar from the Central Provinces.

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The figures of income-tax collections given to the Public Accounts Committee at its recent meeting showed that compared to a collection of Rs. 16 crores in the last pre-war year, the receipts last year were Rs. 78 crores and the budget estimate for the current year was no less than Rs. 102 crores.

* * * * *

It is understood that Madras has surrendered 15,000 tons of gram, as its gram position has improved considerably. Bengal and other areas are likely to benefit by this surrender.

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The Government of India have appointed a committee to satisfy themselves that there is no excessive profit in the prices charged for wheat products in Bengal. The committee consists of the Regional Commissioner, Food, Eastern Region, and the Chief Cost Accountant Officer, Supply Department.

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The Union Government has released 500,000 lbs. of unsweetened condensed milk, 50,000 lbs. of milk powder, 1,000 tons of jam, 2,000 tons of sugar and 5,000 tons of mealie rice for purchase by the Indian Government as relief for famine in Bengal.

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It was announced by the Commerce Member in the Central Assembly on Tuesday last that a conference was being held at Madras by the end of this month to consider the question of the handloom industry.

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The Government of India have decided to raise the ex-factory price of sugar from November 9, by annas thirteen per maund.

American Survey

Answering the question as to what the war boom was doing to American business (according to the U. S. O. W. I.), Leo Cherne of the Research Institute of America writes that there has not been any profiteering in American business. Price control regulations, on one hand, and detailed production controls on the other have discouraged that. As in every other warring country, shortages in the United States have resulted in some black market activity. But in almost every instance the various enforcement agencies have succeeded in stamping out occasional black markets cropping up in petrol, tyres and food.

Business Incomes

With the current Government spending rate for war purposes at \$90,000,000,000 yearly—and with that rate scheduled to reach \$105,000,000,000 per annum by March of 1944—the general income of American business has arisen sharply. To prevent undue profit Government has used the device of an excess profits tax which places a special 90 per cent levy on all earnings over a company's 'normal' profits. The years 1936 to 1939 are taken as a base in determining the normal profits. The record, however, shows that despite this tax—despite generally higher rates of other corporation taxes—the income after taxes of American business as a whole has shown a definite wartime rise. But it is noteworthy that American business in general is using these increased earnings as a basis for building up financial reserves which will later be drawn on for financing postwar readjustments. In 1940, when the net income after deduction of taxes was some 40 per cent under the 1942 figure, almost all profits were paid out as dividends. Only \$710,000,000 was held in reserve by corporations. But in 1942, more than half of the net income after deduction of taxes—\$4,250,000,000—was retained as a reserve fund. It is estimated that by the end of the year there will be more than \$12,000,000,000 of retained profits in the treasuries of American corporations. Besides high taxes, the companies engaged in war production are subject to another important limitation of their earnings and profits. Already 14,000 war contracts are definitely scheduled for re-negotiation. In re-negotiation proceedings, Government officials check carefully to ensure that only the proper cost has been charged against the contract and to determine whether the profit rate is unreasonable in the light of actual production costs. If it is, the price which was originally agreed upon is renegotiated downward. It is estimated that the more than 14,000 contracts which are now assigned for re-negotiation will yield a saving of about \$8,000,000,000.

All in all, we are left with this general picture of the financial position of American industry in the United States war economy: the high corporate income taxes plus the 90 percent excess profits tax, taken together with re-negotiation proceedings, are

mechanisms by which the Government prevents unreasonably high profits. On the other hand, the tremendously expanded volume of production which the war has demanded has naturally resulted in higher earnings, so high that even after taxes and re-negotiation the corporations are still able to put aside a considerable sum of money as postwar reserve funds. These reserves will help American business to swing back to the levels of peacetime economy in the United States, which in turn will be of much help in re-establishing a sound world economy.

Departmental Planning

One of the most important developments in the United States last week, continues Leo Cherne, was the postwar programme presented to the President by administration officials, proposing the establishment after the armistice, of a national interdepartmental council to supervise and co-ordinate research and planning on problems connected with the change over from war to peace economy. It is significant that, in addition to the 17 federal agencies which would be assigned to study specific problems, the plan calls for the participation of labour, industry and farm representatives. The first major problem to be tackled is the release of workers from war employment. This will involve drawing up specific programmes for such thing as cancellation of war contracts, absorption of war workers into peacetime employment and their retaining and education for that purpose, severance pay and unemployment insurance, and reduction of weekly work hours. The overall conversion time-table takes up such questions as the release of men from the armed forces, relaxation of wartime economic controls and stimulation of private enterprise through the transition period. It also calls for the planning of an 'emergency shelf' of public works to provide employment when war production begins to fall.

An important area of the study marked out by this proposal consists of fiscal and trade policy. Further, several agencies are to be charged with preparation of postwar adjustments in the field of taxation, consumer credit policies, Treasury refunding and foreign rehabilitation. One example of the concrete type of postwar action to be taken in such matters is the Victory Termination Loan which is now in operation. Under this system a war contractor or subcontractor may go to almost any bank in the country and there borrow money against his Government contracts as security. The loans are underwritten by the U. S. Treasury. Should the war end before repayment is due and the Government cancel his contract, he is not required to pay back the loan until financial compensation has been calculated and paid by the Government for the cancellation of contract. This protects manufacturers against having large sums of capital tied up at the end of the war and assures them of a reserve of working-capital for reconversion to peacetime.

Textile Supplies

In the United States clothing and textiles remain unrationed. As a result of the large demand for the armed forces commercial exports and lend-lease shipments, however, supplies available for civilians are limited, writes *The Manchester Guardian* of August 10. To guide the general public in its demand and to discourage excessive purchases the United States Government has recently adopted the practice of publishing periodical surveys of the supply position in various types of civilian goods. The latest of these reviews refers to household textiles and gives the following picture of the present situation. As a result of the substantial demand from the Army, supplies of sheets and pillow-cases are at present "somewhat less than the normal quantity." There is no likelihood of an early increase of supplies for these goods as a substantial number of looms normally used for narrow sheeting and pillow-case material have been converted to material for Army raincoats. Quilts and blankets are beginning to be in shorter supply as the raw-material position sets limits to production. The limiting factor for quilts, is the tighter supply of fabric coverings, which are absorbed to a great extent for essential purposes. Cotton, rayon, and wool blankets have been reduced in variety and sizes to assure production of utility and longwearing types. All 84-inch length is the maximum permitted except for white "cotton sheet blankets," which may be up to 95 inches. Only four colours are allowed for blankets apart from white. The colours used in general are rose, blue,

green, and cedar. Mattress covers (produced on sheeting looms) are in short supply and sufficient only for actual needs. Bedspreads are not being made in great quantity as cotton and rayon are needed for more important purposes.

Fine linen tablecloths are still available from Northern Ireland. Tablecloths made from cotton and rayon are produced in greatly reduced quantities, but stocks are "fairly ample." Linen napkins are imported in sufficient quantities to meet present demand. On the other hand, napkins made of cotton sateens are running short and are no longer in production as the cotton sateens are "needed in making imitation leather and other industrial fabrics." Cotton towels are still produced in pre-war quantities, but as a result of the great demand from the armed forces and hospitals civilian supplies are smaller. An increase is not possible, as a certain number of towel-loom looms have changed over to bagging material. Fine linen towels are still imported from Northern Ireland, but in small quantities. On the other hand, coarser linen fabrics produced in the United States are in adequate supply, as the armed forces prefer cotton as a substitute for coarser linen fabrics.

Textile dyestuffs are no longer plentiful and dyers are restricted to 60 per cent of the amount of organic dyestuffs they used in 1941. This means that lighter colours are now more common in United States household textiles, as dyers are stretching their quotas to do more dyeing.

The Eastern Economist

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GLEANINGS

INDIANS IN CEYLON IN 1942

The annual Report of the Agent to the Government of India in Ceylon for the year 1942 contains *inter alia* an account of how war-time control measures have had their effect on the big Indian business community in the island. When imports of rice from Burma and Siam became impossible, merchants in the trade were reluctant to import from India as it was feared that the price at which they would have to supply municipal depots in Colombo and Government stores and dealers outside Colombo under the directions of the food control authorities would not justify the risks involved. As a result the Government acquired a virtual monopoly of rice imports into Ceylon so that many merchants in Colombo had to close down while those outside Colombo experienced a big fall in business. Owing to profiteering in a large number of important foodstuffs there was an extension of Governmental dealings in these and of price control which also resulted in less business for the Indian trading community. A reduction in the number of textile traders was suggested when a new department for control of textiles put forward its scheme for licensing. It was suggested that this could be effected by re-issuing licences to merchants who closed their business after the air raids in April 1942 and had not reopened on a pre-cribed date as well as to those who entered the trade after the air raids, subject to certain exceptions. Representations by the associations concerned resulted in all persons who were carrying on business at any time during the first week of January 1943 being made eligible for licences.

Reduced business, food shortage and the advice given by those in authority combined with the prevalent feeling of insecurity led to a general movement of the population away from coastal towns, the Ceylonese moving to areas in the interior and the Indians who had no homes in the interior moving across to India. By the end of April things had returned to normal and by the end of the year many of the Indians other than labourers had returned to Ceylon. Considerable inconvenience was caused in April by the sudden closure of most of Colombo's eating houses which were declared essential services under an order published on April 17. About 50 eating houses owned by persons who had left Colombo were taken over by the Civil Defence authorities and entrusted to other managers. Many of the bigger establishments belonged to Indians some of whom returned and asked for the restoration of their businesses. The authorities refused the request but the Civil Defence Commissioner offered to pay adequate compensation to the owners.

The Agent refers to the tendency of some Ceylonese to regard the exodus of Indians as proving that Ceylon Indians have no abiding interest in the island, and points out that estate labourers in Ceylon were singularly unaffected either by the air raids or by the general war situation. The rubber and tea industries were declared to be essential services and strikes and lock-outs became illegal. Work was plentiful and the difficulties of labourers were mainly due to food shortage. The rationing scheme does not allow for the fact that supplementary items of food are not easily available in estate areas, but the Agent gives employers credit for making every endeavour to maintain food supplies to labourers on a more liberal scale than was obligatory under the scheme introduced in February 1942.

MANUFACTURE OF OPIUM ALKALOIDS

"There should be no undue interference by the Secretary of State for India as to the manner and method of implementing the League of Nations' Opium Conventions in this country or as to the right of the Indian private manufacturers to manufacture opium alkaloids from the raw materials available in the country itself," state the Committee of the Federation of Indian Chambers of Commerce and Industry in the course of a communication to the Department of Industries and Civil Supplies. They point out that the present emergency dictates that the private manufacturing capacity should be tapped so that not only the medicinal requirements of the military but also of the civil population can be adequately met. Insistence on preserving the traditional monopoly for the manufacture of opium alkaloids by the Government themselves is not in the interests of the country, and therefore the Government of India should forthwith adopt measures similar to those prevalent in Great Britain and U.S.A. for permitting the manufacture of these alkaloids intended for medicinal uses by approved pharmaceutical and chemical concerns under proper Government control. In spite of assurances given that the requirements of the Indian pharmaceutical industry in regard to morphine and codeine would be met by Government and that the measures to speed up and adequately provide the supplies of these drugs would be undertaken, the industry has not obtained any relief from such assurances. In fact, the supplies released from the Government factory at Ghazipur have gone on diminishing rapidly and only a very insignificant quantity has been made available to the industry. When such is the position in regard to these alkaloids, which form a basic chemical in manufacturing pharmaceutical products and which are medically indispensable in the interests of the health of the population, it would help the national emergency if the whole policy is revised and the private manufacture of these alkaloids in the country itself is permitted. Referring to the contention that it is only through Government monopoly that the necessary degree of control over the traffic in dangerous drugs can be secured, the Committee point out that, if the Government of India have been able to control the traffic, distribution and consumption of opium through ordinary and often poorly educated licensed dealers distributed so numerous in different parts of the country, it is difficult to understand why it may not be possible for Government to ensure sufficient measure of control in permitting or licensing a few approved pharmaceutical and chemical concerns.

DEPARTMENT OF COMMERCE

Import Trade Control

The Government of India have published a Handbook on Import Trade Control containing a brief account of the Import Trade Control system at present in force in India. The Handbook has been compiled for the use of importers and contains in full the Government notifications concerning Import Trade Control together with complete copies of the various forms of application for import licences. Copies of the Handbook may be purchased from the Manager of Publications, Civil Lines, Delhi, at a cost of Rs. 2, or 3 shillings, each.

BOOK REVIEWS

REPORT ON THE MARKETING OF MILK IN INDIA. By the Central Agricultural Marketing Department, Government of India. Second Edition. (Manager of Publications, Delhi. Re. 14-0 or 2s.)

No food has received so much attention in recent times as milk. It is said that milk is the most perfect single food known to mankind, and that a seer of milk equals in food value to half a seer of lean meat, 9 eggs or a seer of sole fish. It contains first-class fats, proteins and vitamins. Nutrition experts have declared that no vegetarian food could be a substitute for animal proteins and fats, which constitute in the main the "protective foods" essential for the maintenance of health and strength. The only form of animal food that the large number of vegetarians in India tolerate—indeed cherish—is milk and its products. It is in this country that interest in the production and distribution of milk must be deep and abiding. The demand, therefore, for a second edition of the Report on the Marketing of Milk is natural. The Report provides very interesting useful economic and technical data on the production, consumption and distribution of milk, presented in simple style and illustrated by attractive charts and diagrams—though the photographs are below par and are not in keeping with the rest of the publication.

We wish we could say that the revised Report really gives us the most "uptodate account of the conditions prevailing in the Indian fluid milk market." Figures of 1940 cattle census and 1911 human census have been taken into account, from which the distressing deduction is drawn that our *per capita* consumption of milk, low as it was before 1940, has dwindled down by 12 p.c. to 5.8 oz. per day (which is one-fifth of what non-vegetarian westerners consume) due to the greater increase of our human population than that of milch cattle in the last decade. If this was the inference drawn in July 1942 when the revised Report should have gone to the press—and it has taken one full year for the Government of India Press to bring it out—the situation has deteriorated much further in the last fifteen months. The number of milch cattle, it is widely believed, has gone down, the scarcity of milk has become acute, prices of milk and milk products have gone up by more than 100 p.c. in most consuming centres, while the prices of milch animals and cattle feed have shot up by 100 to 200 p.c. Consumption of milk must have declined by 25 to 50 p.c. in the case of middle class, while the poor, of course, are not affected, as milk is always a luxury for them. They would thank their stars if they could get their accustomed or at least prescribed ration of rice and millets at "fair" or "controlled" prices.

What a contrast is this to the condition of milk production and consumption abroad, especially in Great Britain! Sir John Orr has found from a very recent survey covering 1500 families over the length and breadth of Britain that the health of British people is now greatly improved, that boys of 13 are taller by nearly an inch than just before the war, which he attributes to increased milk consumption and to the use of oat meal and whole-meal bread. Says he: "The worst fed are now better fed than ever owing to the rising standard of living, public health measures and the provision of dried milk, cod liver oil, etc."

We had, until last year at any rate, no dearth of milch cattle. They were as many in number as the whole of Europe had before the war. But they yielded only one-fifth of the quantity of milk of the

latter. Most of our people do not drink any milk or use milk products except a little butter-milk in dairy districts, which were freely allowed in the past, and perhaps encouraged at present, to export ghee. As the Report draws pointed attention, this has been particularly the case in the Madras Presidency, whose production of milk is only 4.1 oz. per day per person.

As regards the quality of milk vended, the Report gives a delectable comparison. Indian bazar milk was found to contain 36 million microbes per c.c., while even the sewage effluent of London contained only 11 million microbes per c.c.! The situation has grown worse since the Report was penned. The demand for milk and milk products has risen on account of the presence of foreign troops, refugees and prisoners of war in or near several cities. Petty creameries have cropped up and old ones have enlarged their business in areas supplying milk to cities and to military camps. Much of the milk is separated: cream is supplied, as such or converted into butter, to the numerous agents of military contractors who scour the countryside. The skimmed milk is supplied to hotels and restaurants or is used as adulterant with pure milk and the mixture is passed off as pure milk. Consumers in cities cannot enjoy the luxury of unadulterated milk, unless they can afford to keep cows, or get them milked in their presence at very high prices. We have no end of Acts and Rules threatening adulteration with severe penalties, but the Municipal authorities wink at it. Samples taken are few, prosecutions are fewer and the punishment inflicted is so light as almost invite suppliers of milk to indulge in adulteration with impunity.

The difficulty of organizing the distribution of milk, co-operatively or otherwise in India, is explained. Our producers of milk keep only two or three animals each on an average, as against 10 or more in Western countries. Our consumers too want milk in small doses of a few ounces each. Most of them cannot afford to pay for pasteurized milk, which is done in a few cities. The Report recommends the distribution of warmed milk, without subjecting to the chilling process, with a view to reducing cost.

Railway freight, the Report urges, should be reduced too, as British Railways have done, for the transport of milk, which is 75 p.c. cheaper than in India. We cannot, of course, expect Indian Railways to do the right thing. Roads, for want of repair, are becoming execrable. Motor vans are vanishing with the growing famine of petrol and rubber. Our industries are so ill-developed that we have had to rely on foreign countries even for milk cans, not to speak of pasteurising and dairy machinery. Dirty and rusty kerosene tins serve as carriers of milk (and germs) but even these have become too costly and may disappear soon. It looks as though the problem of transport of milk even over short distances cannot be solved before the war is over.

We doubt whether in these abnormal conditions the reorganization of milk marketing, recommended in the Report, can be anything but a piece of long-range policy to be carried out step by step in the spacious days of the peace to come. It is not easy "to purge urban areas of milch cattle" and compel all milk to pass through one organization, and control retailers by any system of licensing, as long as Municipal authorities are tender to vested interests. The brazen effrontery of black markets in "controlled" articles is a lesson that the framers of the Report had no opportunity to learn. It is not the poverty of the consumer who will buy any cheap milk, or want of will on the part of the producer to get a better yield, that is so inimical to the better distribution of milk as the apathy of the Government and the city-fathers.

Co-operative organization of milk producers—which, by the way, is a development in South India at any rate in the last twenty years and not before—has not worked wonders expected of it by amateur enthusiasts. Only .125 per cent. of total milk was found to be co-operatively sold, while in Denmark 86 per cent. of milk was handled by co-operative creameries. Even the biggest Milk Supply Unions—of Calcutta and Madras—were not a big factor in the market. Unions in smaller centres have a dwindling business, which is natural when the alternative channels of trade are so tempting. Producers' co-operation could succeed only if there was a surplus of milk that could not be easily sold as fluid milk in the neighbourhood. This is the lesson of history. Conditions in Indian cities and environs are just the opposite. The Report recommends the organization of large collectors of milk, instead of petty producers, in co-operative societies. But the former are among the worst sinners in the milk trade. They neither need nor deserve the sympathy and support of co-operators. The bigger consumers' co-operative stores, with members who can afford to pay for pure milk, may succeed better in the collection and distribution of milk in the interests primarily of consumers, but without detriment to producers.

Little, however, can be done by any organization to improve milk marketing unless the State steps in to stop the slaughter of milch cattle and control effectively the prices of cattle feeding stuffs. For, better feeding alone, as the Report says, improves yield by 50 p.c. We recommend the study of this very interesting and informative though not quite up-to-date, Report.

SUBSTITUTE MATERIALS IN WAR AND PEACE— By Cecil H. Desh, F.R.S. Published by the Royal Institute of International Affairs, London, Oxford University Press. Pages 28. Price 9d. net. 1943.

The twentieth century has been called the century of synthetics. Yet not many of us are aware of its full implications or the nature of their possible impact on our industrial and economic structure. To the layman synthetic product is nearly synonymous with war-time expediency and connotes the label of inferior quality. This valuable pamphlet, coming from a competent authority, clears up many misconceptions and throws abundant light. It is written for the layman but even for serious students it is of absorbing interest. The man in the street would probably be surprised when he learns that a modern industrial country uses more than 100,000 different raw materials. During the war the public has often been served with optimistic predictions that the German economic machine would presently breakdown for want of this material or that. The prediction is falsified because due account is not taken of the potentiality of the synthetics industry which has already acquired a definite place in German economy. Some of the synthetic products are new materials, *Neue Werkstoffe*, with new and enhanced industrial properties, while the function of others, *Sparstoffarm*, is to economize scarce foreign exchange resources. Consequently, they constitute valuable weapons in the armoury of economic planning. The rise of a new synthetic product may hit the prosperity of a country, as Chilean prosperity was hit, and force the reorganization of industries in that country. It is, however, important to learn that no industry can produce an element whether one of the metals or a non-metal like phosphorous by an artificial, but only compounds, e.g., petrol, rubber ammonia

or plastic can be produced if coal or oil or rich agriculture is available. Cheap power and complex machines involving a large capital outlay are absolutely essential and therefore they may appear to be merely the privilege of advanced nations. But as Dr. Desch points out, "Vegetable organisms are capable of synthesizing extremely complex substances, including dyestuffs and alkaloid, without the aid of high temperature, increased pressure or strong re-agents. In countries suited by soil and climate to agricultural production much greater advantage might be taken of this remarkable power." It is interesting to find Dr. Desch opine that the replacement of Indian indigo by the synthetic product after many years of costly chemical research in Germany might have been prevented had a small fraction of that sum been expended on the improvement of the native crop. Dr. Desch rightly emphasizes that the use of plastics and other synthetic material will powerfully affect the localization of industry, and render so many types of plants and processes obsolete that "the relative producing capacity of different industrial countries may be profoundly altered." We are told that in the new age of synthetics, cheap power and the availability of coal, petroleum or alcohol and also of labour constitute the chief locational factors for industry. Synthesizing enables a country to make the most economical use of scarce materials which it possesses and thus raises its industrial potentiality. At the same time it produces current problems of transition, e.g. the rise of the synthetic rubber industry in America, and may lead to a new isolationism. Finally, Dr. Desch points out that in consuming our mineral resources, we are living on our capital and the new technique of synthesis will enable us to make economical use of our shrinking assets and to rely more than ever before on renewable natural resources, like agriculture and forestry.

This is a stimulating pamphlet not only for the layman but also for students of economics who have not yet worked out the full economic implications and impact of the coming "Synthetics Age."

THE SILVER JUBILEE NUMBER OF THE "SEARCHLIGHT," PATNA.

The *Searchlight* deserves to be congratulated on bringing out a very interesting number to commemorate the occasion of its Silver Jubilee. Throughout the twenty-five years of its existence, it has faithfully served the cause of liberty and faced undaunted and undismayed the prosecutions and persecutions that come so easily in the way of those who choose to pursue such ideals in our country. The present Silver Jubilee number well betokens the progress and achievement of the *Searchlight* which has taken place despite all obstacles. The number is full of illuminating articles on various topics covering almost every sphere of life. The section on trade and commerce is weighty and has received more than its proportionate share of space in the paper. Special sections have been devoted also to health and hygiene, women's problems, education, art and music, and they contain some really useful information. Some of the articles in the general section are of particular interest to students of sociology. The articles on 'the philosophies of parasitism' by Prof. Sinha, sketches a novel perspective of human history and is very thought-provoking. Prof. Mazumdar's article which reflects on the decay of the cultured middle-class, possibly a parasite according to Prof. Sinha, merits attention.

LABOUR SECTION

Labour Legislation in Indian States

By A. N. Agarwala

II

Payment of Wages

AN important part of the Labour Code of a country is that which purposes to regulate the payment of wages. India has not yet been able to adopt a comprehensive piece of legislation in this regard and all the recommendations of the Royal Commission on Labour have not yet been given effect to. Indian Payment of Wages Act which was passed in 1936 and came into force from March, 1937, however, makes important provisions regarding the time and mode of payment and the regulation of deductions made therefrom. Indian States were not slow in following this measure, which was soon adopted by many of them. Cochin was the first Indian State to adopt it in 1937 and other States followed suit. Indore adopted it in 1939, Baroda in 1940, Travancore in 1941 and Gwalior in 1942. Hyderabad, Mysore and Kashmir are the only significant exceptions, but it is hoped that they too would show the same spirit and alertness in adopting this measure as they have done in regard to other pieces of labour legislation.

This sort of legislation is mainly required to protect the interests of low paid workers, and the British Indian Act covers all the wages averaging to less than Rs. 200 per month. This limit has been copied by Travancore, Cochin, Baroda and Gwalior [See Section 1 (6) of their respective Payment of Wages Acts], only Indore placing the limit at Rs. 150 p.m. [See Act, Section 1 (f).] In order that wages might not be unduly withheld, thus compelling the worker to resort to borrowing in order to meet his day to day expenditure, the British Indian Act fixes the wage period at one month, i.e., the payment of wages must not exceed monthly basis. And it further provides that factories employing less than one thousand workers must pay wages before the expiry of seven days and those employing more, must pay before the expiry of ten days after the last day of the wage period in respect of which wages are payable. With regard to the workers discharged by the employer, it has been provided that the payment of his wages must be made before the expiry of the second working day from the day on which his employment is terminated. All these provisions have been adopted verbatim by Travancore, Cochin, Indore and Gwalior. [See Sections 4 (2), 5 (1) (a) (b) and 5 (2) of their respective Acts.] Baroda makes a slight amendment whereby wages in all cases are payable before the expiry of the tenth day after the last day of wage period in respect of which wages are payable.

Another aspect of wage payment, which was liable to considerable abuse and exploitation hitherto was the form in which payment is made. It is an admitted fact that payment in kind is open to grave abuse. Section 6 of the Travancore, Cochin, Baroda, Indore and Gwalior Acts, as such, rightly provides, following the parallel legislation in British India, that the payment of wages be made in cash or currency notes or both and not in kind.

Unjustified and objectionable deductions often made from workers' wages have also been regulated. Section 7 of the Travancore and Cochin Acts, following the British Indian Act, provides that—

"(1) The wages of an employed person shall be paid to him without deductions of any kind except those authorized under this Act.

"(2) Deductions from the wages of an employed person shall be made only in accordance with the provisions of this Act, and may be of the following kinds only, namely:—

- (a) fines;
- (b) deduction for absence from duty;
- (c) deductions for damage to or loss of goods expressly entrusted to the employed person for custody, or for loss of money for which he is required to account, where such damage or loss is directly attributable to his neglect or default;
- (d) deductions for house-accommodation supplied by the employer;
- (e) deductions for such amenities and services supplied by the employers as our Government may, by general or special order, authorize;
- (f) deduction for recovery of advances or for adjustment of overpayments of wages;
- (g) deductions of income-tax payable by the employed person;
- (h) deductions required to be made by order of a court or other authority competent to make such order;
- (i) deductions for subscriptions to, and for repayment of advances from any provident fund approved in this behalf by our Government during the continuance of such approval; and
- (j) deductions for payments to co-operative societies approved by our Government or to a scheme of insurance maintained by our Government."

Baroda adopts the provisions with local modifications. The Indore Act follows these provisions but deletes (g) and (j) above while the Gwalior Act drops (g) above and adds the following: "Deductions for recovery of loans made to the employee by the employer on his special request to that effect to the extent of one-third of his wages."

In all the above-mentioned States the practice of imposing fines hitherto followed by employers rather arbitrarily, has been controlled and regulated by Section 8 of their respective Acts. This Section is almost identically worded in every case and enjoins that no fine shall be imposed on any employed person save in respect of such acts and omissions on his part as the employer, with the previous approval of Government or of the prescribed authority, may have specified by notice. A notice specifying such acts and omissions shall be exhibited in the prescribed manner

on the premises in which the employment is carried on. No fine shall be imposed on any employed person until he has been given an opportunity of showing cause against the fine, or otherwise than in accordance with such procedure as may be prescribed for the imposition of fines. The total amount of fine which may be imposed in any one wage-period on any employed person shall not exceed an amount equal to two pice in the rupee of the wages payable to him in respect of that wage-period. No fine shall be imposed on any employed person who is under the age of fifteen years. No fine imposed on any employed person shall be recovered from him by instalments or after the expiry of sixty days from the day on which it was imposed. Every fine shall be deemed to have been imposed on the day of the act or omission in respect of which it was imposed. All fines and all realizations thereof shall be recorded in a register to be kept by the person responsible for the payment of wages in such form as may be prescribed and all such realizations shall be applied only to such purposes beneficial to the persons employed in the factory, mine or establishment as are approved by the prescribed authority.

Section 15 of all these Acts also follows the British Indian Act and provides that claims on account either of deduction or delay in the payment are to be dealt with by a special authority. This authority has the power to order payment to the claimant in the case of deduction of the sum wrongfully withheld plus ten times thereof, and, in case of delay, plus Rs. 10.

Women workers are entitled to adequate legal protection during the days of pregnancy, as they must get complete rest before and after child-birth in the interest of their own health as well as the health of their babies. Acts, with this aim in view, have been passed in several Indian States. It should be remembered that all the Provinces of British India have not yet adopted this wholesome piece of legislation, and in many of them the measure has been only recently enacted. But it must be said to the credit of Indian States that except Travancore and Kashmir, all the important industrialized Indian States have adopted it. Bombay was the first province to pass the Bombay Maternity Benefit Act in 1929, which was followed by similar legislation in the Central Provinces in 1930. The State of Baroda was the next to adopt this measure in 1932; in which year the Bombay Act was extended, with some modifications, to Ajmer-Merwara. Madras adopted it in 1934 only. The State of Indore passed this Act in 1936 and the Mysore Maternity Benefit Regulation appeared in 1937. In 1937, the Bombay Act was extended to Delhi. The United Provinces introduced this measure as late as in 1938. Cochin State also adopted it in the same year. In Gwalior the Act has been made but, according to Section 2 (2), it is to come into force after three months from the date of its publication in the *Gwalior Government Gazette*. The Gwalior Act may be said to contain the most progressive features and might well become the model for the enactment of a

uniform and single piece of legislation governing the country as a whole. Both in number and speed, Indian States outdo British Indian Provinces. As in the case of other pieces of legislation, so here also, Indian States have generally followed the British Indian Provinces.

This measure covers all the factories in Baroda, Indore, Mysore and Hyderabad. But in Cochin and Gwalior it is not applicable to seasonal factories as is the case in Madras. The maternity benefit is to be provided in the shape of leave with pay at prescribed rates and thus the cost of the scheme is borne entirely by employers. According to Section 5 (2) of the Cochin, Indore and Gwalior Acts and of Mysore Regulation, the maximum period for which maternity benefit can be provided is eight weeks, four weeks before and four weeks after child-birth, as in Bombay, C.P. and U.P. The Baroda Act, which was enacted two years before the Madras Act, provides for seven weeks' benefit only, three weeks before and four weeks after child-birth, as is the case in Madras. The U.P. Act, however, seems to be most liberal in all respects (and in this it can be matched only against the Gwalior Act) and further provides that no woman can be employed during two weeks after miscarriage and she must be given three weeks' leave with full pay after it. Such provision is not found in any other province or State, but the Gwalior Act [Section 5 (4)] provides for three weeks' leave with pay after miscarriage.

The rate at which the benefit is granted varies from State to State. Generally, Indian States grant six annas a day as against eight annas a day which is the general rate of benefit in British Indian Provinces. The U.P. Act, most generous in this as in other respects, provides that the rate of benefit would be the "average daily earnings calculated on the total wages earned on the days when full-time work was done" or "eight annas a day *whichever is greater*." This, it would be noted, is much more than the provision in C.P. and Bombay (excluding the cities of Bombay and Ahmedabad) to the following effect, *viz.*, "average daily wage calculated to the nearest quarter of an anna on the total wages earned" during the preceding three months or "eight annas a day, *whichever is less*." In addition, the United Provinces Act provides for the bonus of Rs. 5 in case the woman worker avails herself of the services of a qualified midwife. The Gwalior Act follows U.P. in this regard and provides for the benefit at the rate of average daily wage earned on the days when full-time work was done during the preceding three months, and in case the woman worker avails herself of the services of a qualified midwife, the bonus of Rs. 5 is to be given to her. The Baroda Act grants benefit at the flat rate of six annas a day while, according to the Indore Act, this rate is to be given in the City of Indore, elsewhere the rate being the average daily wage calculated to the nearest quarter of an anna on the total wages earned during the period of three months immediately preceding the date on

which notice has been given or at the rate of six annas a day whichever is less. This latter provision is also in force in the whole of Mysore. The Cochin Act, however, makes a miserably low provision of three annas a day.

In order that this benefit may not be drawn by women workers joining just a few weeks before pregnancy and making it available to permanent hands, a qualifying period of service has been fixed in order to entitle a woman worker to this benefit. According to Baroda and Gwalior Acts, the woman worker is required to have put in six months of service immediately preceding the date on which she gives notice of her intention to draw the benefit. The U.P. Act also provides for a six months' qualifying period. In Mysore this period is nine months as in Bombay. The Indore Act provides for eleven months' qualifying period while the Cochin has twelve months' qualifying period.

For the purpose of preventing the employer from dismissing a woman worker with a view to evading the payment of maternity benefit to her, all these States provide that no notice of dismissal can be given to woman worker during the period of maternity benefit. In all the Acts (of Cochin, Baroda, Indore, Mysore and Gwalior), six months' period of limitation for complaints and prosecution under this Act has been fixed as in provincial legislations in British India. The state of this legislation in Indian States is evidently very satisfactory as compared to British India.

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INDUSTRY

Industrial Fibres

By Santosh Kumar Chatterjee

FIBRES are obtainable generally from two natural sources, animal and vegetable. To the first source belong silk and wool. Regarded as the queen of textile fibres, silk in its raw state is obtained from the cocoons produced by the silk worms. The silk worms are domesticated, semi-domesticated or wild. The semi-domesticated silk worms produce silk known as *muga* silk, which has a rich gold colour. The wild worms produce rough and thick silk known as *tussar* silk. Worms reared on castor leaves produce cocoons which cannot be reeled; *eri* silk is produced by carding and spinning these cocoons. The domesticated worms, which live on mulberry leaves, produce good raw silk. The rearing of the worms and the processes of producing silk fabric from the cocoon stage form a strange and interesting story, but are outside the scope of this article.

Silk

In India sericulture is a very important subsidiary industry, which gives employment to millions of people in Mysore, Bengal, Kashmir, Assam and some parts of Madras. Of the different places Mysore is admirably suited by soil, climate and economic environment to the location of the silk industry. Mysore produces about 50 per cent. of the total quantity of raw silk produced in India. Silk plays an important part not only in daily life as an article of dress but also in the progress of surgical and electrical sciences. In this country the silk industry has been confronted for some time with competition from China, Japan Italy and France, though at present such competition is out of the field owing to the prevailing war conditions, and in general from artificial silk, which is popularly known as rayon. The Government of India have, however, in recent years helped the silk industry by levying a protective duty of 25 per cent. *ad valorem* on raw silk, plus As. 14 per lb. Still higher protection may be advocated in the face of the value of imports of silk and silk-goods on the eve of and during the present war.

	1938-39	1939-40	1940-41	1941-42
	(in lakhs of rupees)			
Silk, raw and cocoon	62	63	76	81
Silk yarns and manufactures	1,32	1,19	96	68

The schedule of custom duties on silk and silk textiles is as follows: Raw silk and silk cocoons, 30 per cent. *ad valorem*, plus Re. 1 per lb.; silk waste and noils, 30 per cent. *ad valorem*; silk yarn including thrown silk warps and yarn spun from silk waste or noils but excluding sewing thread, 30 per cent. *ad valorem*, plus Re. 1 per lb.; silk sewing thread, 30 per cent. *ad valorem*; fabrics containing more than 90 per cent. of silk, 60 per cent. *ad valorem*, plus Re. 1 3-1/5 as. to Rs. 2 6-2/5 as. per lb.; fabrics containing more than 90 per cent. of artificial silk, British manufacture, 36 per cent. *ad valorem* or 2-2/5 annas per sq. yd. whichever is higher; and foreign manufacture, 60 per cent. *ad valorem* or 4 annas per sq. yd.; whichever is higher; fabrics containing more than 10 per cent. and not more than 90 per cent. silk, a minimum duty of 60 per cent. *ad valorem*. There are other rates for lower percentage silk textiles.

Wool

The bulk of raw wool used in the mills of this country is Indian. As this wool is not of very good quality, imported wool has to be used in the manufacture of finer varieties of textiles. Such imported wool comes mostly from Australia, but large quantities also come from Tibet, Afghanistan and Central Asia. The value of imported wool and woollen yarns during recent years has been as follows:—

	1938-39	1939-40	1940-41	1941-42
	(in lakhs of rupees)			
Raw Wool	62	75	2,79	2,77
Woollen yarns and manufactures	2,20	1,41	1,50	1,93

The manufacture of blankets and carpets is an important cottage industry in India, especially in the Punjab and the United Provinces. The carpets are sold all over the world and fetch good prices. In recent years woollen goods are being used extensively in the Defence Services. It was stated by Sir Zafrullah Khan last year that "the cotton and woollen textiles industries were producing something like 324,000,000 yards of cloth for garments. This year (1942) alone the bill for tents is going to be six and a half crores of rupees and the bill for blankets, one and a half crores of rupees."

Vegetable Fibres

The fibres from the second source may generally be classified under three heads: (a) seed hair or plumose fibres which are to be found in the seed pods of cotton and kapok; (b) bast or stem fibres which are derived from the inner bark of numerous plants like jute, sunn hemp and others; (c) foliaceous or leaf fibres which are found in the leaves, roots, etc., of plants, as in the aloe fibre plant, the sisal hemp plant or in the pineapple plant.

Of the fibres that offer the greatest scope for industrial utilization for textile and cordage manufactures, cotton comes first. Next to the United States of America, India is the biggest cotton producing country in the world. Though there has been an extensive increase in the area under cotton cultivation through irrigation in Northern India and the Central Provinces, further extension of cotton cultivation seems possible in the Deccan.

Next in importance to cotton in textile manufacture is flax (*Linum Usitatissimum*)—the fibre from the stem of the linseed plant. In Europe and America this plant is grown for its fibre, which is made into fabrics known as linen, cambrics, damasks and hollands, and in the lower grades into canvases. But in India this plant is generally grown for its oilseed. Flax cultivation for production of fibre was first experimented upon in Bihar in 1908. In 1914 when supplies of flax—required for the manufacture of linen goods, aeroplane cloths and canvas—were cut off, attempts were made to increase the yield of flax. The third on the list of textile fibres may be rhea (*Boehmeria Tenacissima*). This fibre is extensively grown in Assam and is used for making fishing lines or fishing nets, and is sometimes mixed with *endi* silk for the production of cheaper qualities of fabrics. Japanese hosiery and dress materials, gas

mantles and suiting cloths of European origin, the famous French hosiery—non-creasable and rot-proof—are being manufactured from this fibre alone or worked up in combination with cotton, wool, silk or staple rayon fibre. Jute occupies a very important place among the world's industrial fibres. In 1941-42 the world consumption of raw jute was 88 lakh bales. Bengal is celebrated for its jute textile industry. Before 1855, jute was an item of handloom industry. While the Indian jute mills prepare coarser jute goods, as gunny, sacking hessians and canvas, the powerlooms of England manufacture various kinds of rugs, blankets, carpets, jute-suitings, jute flannels and other fabrics either from the fibre alone or by mixing it with cotton, flax or rhea.

Cordage Fibres

Let us now turn to those fibres that have cordage value. The manufacture of coir is a flourishing industry on the Malabar coast. The exports of manufactured coir consist chiefly of yarn and fibre. The annual value of this trade is nearly 8 crores of rupees. From coir yarns mats and matting of every description are made on handlooms at Alleppey and Cochin. Considerable quantities of coir rope and cordage are produced, but the export trade in them is insignificant as coir rope cannot compete with Manila in the foreign markets. Other coir manufactures include bags, braid and ship's fenders. At the jute mills—along with gunny and hessian cloth; and gunny and hessian bags—twines, ropes and yarns are manufactured. Ropes are also made from cotton, and such ropes have special uses in machine belting and mill-driving. Indian hemp is, however, a strong cordage fibre and is in great demand within and outside the country. There are many different vegetable fibres growing on the various soils of the different provinces in India, but only a few of them really possess commercial possibilities. Besides the too well-known products like cotton, jute and coir, the lesser known Indian fibres may well be divided into three classes, according to Mr J. K. Sircar, late fibre expert to the Government of the Punjab. Under Class I are the cultivator's crops—flax and linseed; sunn hemp; *bimlipatam* jute; *roselle* fibre; *ochro* or *gambo* fibre; *dunchi* fibre; *hibiscus sabdariffa*. Under Class II are the capitalist's crops—sisal hemp and aloe fibre; *mauritus* hemp; *bowstring* or *rajmahal* hemp. Under Class III are the fibres worth experimentation and investigation—*ramie orrhea*; *ban bhendi*; *sida*; *ban ochra* or *toja*; plantain or banana fibre; pine-apple fibre; *calotropis gigantea*; *moonj* and *baib* grass; soft hemp or *bhang*.

Notes

Some short notes on the different fibres are given below:—

FLAX AND LINSEED.—Scientific name is *Linum Usitatissimum*, popularly known in Hindi as *Alshi*. Flax is grown extensively in Russia, Holland, Belgium, Ireland, France, Germany, Italy, America and Japan. This fibre is manufactured into various linen goods. It has been found, as a result of experiments, that flax-growing in the canal areas of the United Provinces, in some parts of North Bengal, Assam, Bihar, the Punjab and particularly on tracts below the Himalayas, is of considerable worth. For fibre, flax yields a good crop when grown as a *rabi* crop. The linseed stems also yield a fibre which is coarse and may be made into canvas, twines, cordage, etc.

SUNN HEMP.—Scientific name is *Crotolaria Juncea*, popularly known as *Phul San* or *San* in Hindi. This hemp is largely grown in the United

Provinces, the Central Provinces and Berar, Bombay, Madras and to some extent in Bengal, Bihar, Orissa and Assam. It is classified by the name of the district wherefrom it comes to the market. The best specimen comes from Ratnagiri district in the Bombay presidency. Sunn Hemp fibre is made into strings, twines, fishing nets, cords, ropes, plaits and braids, coarse canvas sacking, etc. In many of the provinces sunn hemp fills a large part of the cottage industry. This fibre is many times stronger than jute and can stand any amount of moisture without losing its strength.

HIBISCUS GROUP.—(A) *Bimlipatam* jute. Scientific name is *hibiscus cannabifolius*, popularly known as *Pat San* in Hindi. This fibre is also called as Deccan hemp. It is extensively grown in Bombay and Madras, and is a good substitute for jute. Gunny bags and sacking may be made out of this. (B) *Roselle* fibre. Scientific name is *hibiscus sabdariffa*, popularly known as *kudrum* in Bihar, where it is grown to some extent. This fibre is an excellent substitute for jute. (C) *Ochro* fibre. Scientific name is *hibiscus Escluentus*, popularly known as *bhindi* (ladies' finger) in Hindi. The fibre is soft, strong, lustrous, silky and suitable for finer textiles. (D) *Hibiscus Sabdariffa* var. *Altissima*, commonly known as new *hibiscus*. The fibre of this plant, though under experiment, seems to be of great commercial use.

DHANCHI OR DUNCHI.—Scientific name is *Sesbania Aculeata*, popularly known as *Dunchi* in Bengal. The fibre of this plant resembles common soft hemp and is silkier. It grows on marshy lands and its yield is abundant.

SISAL HEMP AND ALOE FIBRE.—Belongs to the *Agave* group of fibres. There are nearly 300 species of *Agaves* in the world. In India, the *Agaves* known as *Aloe* fibre plants were imported into this country by the Portuguese in the 15th century. Of all the *Agaves* only three species are useful in producing the well-known *sisal* hemp fibre that has great commercial value. These are: (1) *Agave sisalana*, grown in East Africa, Bahamas, Florida and Java. (2) *Agave Rigida* var *Elongata* or *Agave Furcroydes*, grown in Mexico. (3) *Agave Cantala*, grown in Java, Philippines and Cuba. *Agave sisalana*, the East African *sisal*, can stand a rainfall of 50 to 70 inches per annum. It has been found to prosper in the Chhotanagpur tract of Bihar and Orissa. It will do well, as it is expected, in parts of the Central Provinces, in the districts of Birbhum and Midnapur in Bengal, and in Mysore and Cochin in South India. *Agave rigida* var *elongata*, the Mexican *sisal*, can succeed in a rainfall of only 20 to 30 inches. This fibre plant will grow well in the drier tracts of India. *Agave cantala*, the Java *sisal* or *Maguey* of Philippines, will stand a rainfall of 80 to 200 inches a year. This species, already acclimatised to Indian soil, has a large scope for development in Bombay, the Central Provinces, West coast of India, Travancore, Cochin, Assam and a part of Bengal.

MAURITIUS HEMP.—Scientific name is *Fourcroya Gigantea*. This plant is sometimes found to serve as an ornamental garden plant or in the hedge-row. It is met with almost all over India, and particularly in Bengal, Assam, Madras, and the south. The fibre is softer than *sisal* hemp.

BOW-STRING HEMP or RAJMAHAL HEMP.—Scientific name is *Sansevieria Zelanyica*, popularly known as *Murva*. This plant grows in the gardens of Bengal and in some parts of Bihar. The plant having no stems, its leaves spring directly from the roots.

These leaves yield the fibre which is silky, white, and very strong.

RHEA, RAMIE or CHINA GRASS.—Scientific name is *Boehmeria Nivea* and *Boehmeria Tenacissima*. The plant occurs even now in wild state in Assam, Kalimpong and other tracts of Bengal. *Ramie* and *Rhea* are the raw material for the manufacture of finer textile fabrics.

BAN BHENDI.—Scientific name is *Malachra Capitata*. The fibre of this plant is a substitute for jute.

BERALA.—Scientific name is *Sida Rhombifolia*. This plant grows in Bengal, Madras and the Punjab. Its fibre is silky, lustrous and soft. The separation of the fibre is rather difficult on account of its habit of clinging too tightly to the bark and the stem.

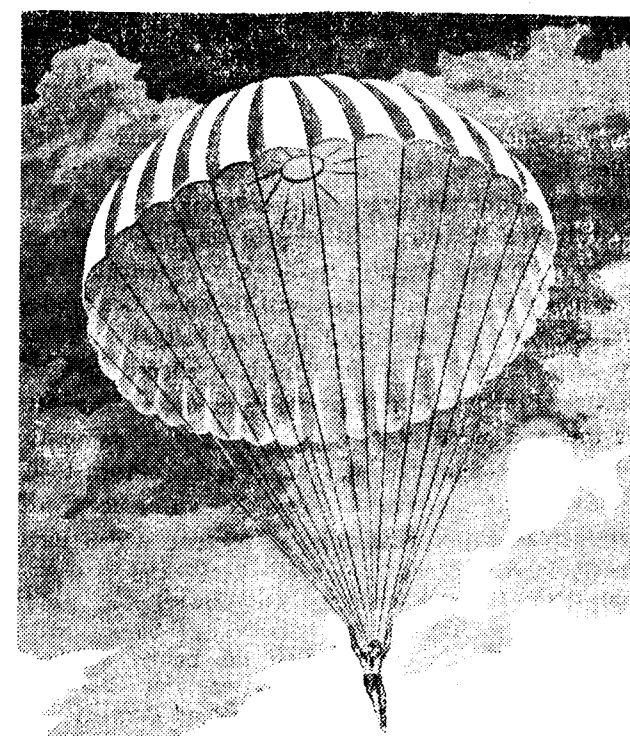
BAN OCHRA or TOJA.—Scientific name is *Urena Lobata*. This plant is grown on a commercial scale in Brazil, Madagascar and Cuba, and it commonly occurs in India. It is a good substitute for flax of inferior grades and for soft hemp.

PLANTAIN or BANANA FIBRE.—Scientific name is *Musa*. Although a kind of plantain or banana is grown so largely in the Philippines to yield the famous Manila hemp from a species of *Musa*, the plantain fibre obtained from the plants grown in India for its fruits does not possess very great commercial possibilities.

PINE-APPLE FIBRE.—Scientific name is *Ananas Sativa*. Pine-apple plants are grown for fruits in Bengal and Assam. The leaves contain a very fine and silky fibre which has great possibilities.

MADAR.—Scientific name *Calotropis*, popularly known as *Akand*, this plant is found to grow all over the country. It yields a floss fibre known in commerce as *kapok* like the floss of *Jemul*. The fibre is silky, very strong and very durable. This fibre is obtained from the stem of the plant. This plant grows spontaneously in arid wastes; it grows well in Sind, parts of the Punjab, United Provinces, and Rajputana, in the sandy arid tracts, where nothing else will grow.

SOFT HEMP or TRUE HEMP.—Scientific name is *Cannabis Sativa* or *Cannabis Indica*, popularly known as *bhang*. This plant is generally grown in India to supply the well-known narcotic, but it is grown in Europe, America, Japan and other countries to produce the valuable hemp fibre. The wild *bhang* plant occurs in most of the submontane and mountainous tracts of the Himalayas from Bengal, Assam, Bihar and the United Provinces to the Punjab. A small quantity of fibre from this plant is produced in some of the Simla Hill States, in Tehri Garhwal, Kashmir, etc. This fibre used either with flax or alone goes to the making of shoemaker's thread, canvas, hosepipes, ground sheets, tarpauline, sailcloth, etc.



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MONEY MARKET

(From Our Correspondent)

NEW DELHI, Nov. 11.

The demand for funds due to the seasonal activities in jute, cotton and sugar at present, which caused a slight tightening of conditions and a rise in the rate for treasury bills during the previous week was accentuated during the week ended the 2nd November owing to the new Defence Loan. The average rate for treasury bills rose further to 13 as. 8 p. from 12 as. 9 p. Government has reduced its usual amount of tenders from 8 crores to six crores of rupees for the next week possibly with a view to damp the recovering rate for treasury bills. It can afford to do so because of the receipts from New Defence Loan and increased tax payments at present which have greatly increased the balances with the Reserve Bank. But there is essentially no scarcity of funds in the Money Market, the balances of banks with the Reserve Bank and those of the public with the Scheduled Banks have actually risen, and the call money rate remains constant at $\frac{1}{4}\%$ at Bombay and $\frac{1}{2}\%$ at Calcutta. It is evident that only Governmental borrowings have to experience the tightness of conditions noticed for the last two weeks.

Treasury Bills

Tenders for Rs. 8 crores of three months Government of India treasury bills were opened on Tuesday the 2nd November. The total amount offered this week showed a decline from 12.89 crores during the previous week to 10.70 crores. Tenders at Rs. 99-12-9 and above were accepted in full and those at Rs. 99-12-6 allotted approximately 66%. The total amount accepted was Rs. 8 crores and the average rate Rs. 13-8-0 per cent. per annum. The usual tenders for the next week's has been reduced to Rs. 6 crores which will be received on Tuesday, November 9. Government of India treasury bills for Rs. 3.19 crores were sold in favour of the Issue Department of the Reserve Bank.

Reserve Bank

While the notes in circulation have gone up by approximately 6 crores the total notes issued shows a slight decline. The statement relating to the Issue Department shows no remarkable feature. There is a total increase in the liabilities of the Banking Department from approximately 148.07 crores to 159.88 crores, that is an increase of about 11.81 crores, mostly explained by the increase in the Government of India deposits from about 38.69 crores to about 46.71 crores, that is by nearly 8 crores, and the increase in the Banks' deposits by about 3 crores. The composition of the assets also manifests notable changes. G.I. Notes have declined by approximately 6 crores and investment by about 3.5 crores while the balances held abroad have risen from approximately 119.20 crores to 140.38 crores i.e. about 21.18 crores.

Scheduled Banks

The rise in advances has more than recovered the ground lost last week. It stands now at about 154.28 crores while it was only about 152.31 crores on October 15 when the highest rise was noticed and about 150.36 crores on October 22. The Bills discounted have also risen by about 36 lakhs. On the other hand, the demand liabilities show a decline of about 5 crores and cash of about 2 crores. The time deposits have increased by about a crore and balances with the Reserve Bank by about two crores.

INVESTMENTS

(From Our Correspondents)

BOMBAY, Nov. 10.

Yesterday it was reported that nine New Yorkers out of every ten expect peace before Christmas. Today Mr Churchill spoke of the assumption of the crucial battles of 1944. Market is being influenced from day to day by such divergent opinions; one day peace prospects weaken the market while the next day prices firm up because some people expect a long war without giving an opinion as to when the war will end. It is however worth ones while to give a thought to post-war prospects for industry. Textile industry has so benefited from the war that one wonders how far the present high prices of textile shares can be maintained. After the war will the prices crash as soon as peace is signed? The answer to this question is no doubt dependent upon how the war will end and in whose favour. The general belief is that war may first end in Europe but the war against Japan will continue for some time before Japan is finally crushed. India's main competitor in textile goods before the war was Japan. Japanese competition had forced down the prices of yarn and piecegoods. British textile industry had ceased to be a serious menace to Indian industry from foreign competition. If Japan is defeated India will continue to enjoy the present unique position in even before the war. So long therefore as war against Japan continues Indian industry has nothing to fear the foreign markets. If war against Japan is prolonged then also Indian industry will enjoy a virtual monopoly for the duration. Should the Japanese war also meet with an early end as a result of early collapse of China even then Japanese industry might first cater to the needs of the greater East Asia co-prosperity sphere and may not be able to divert large export to foreign countries like India. Moreover India's annual exports recently have increased to something like one thousand million yards as against below two-hundred million yards before the war.

The new markets which India has captured in the Middle East and in the African continent can be reasonably expected to be held even after the war because of the absence of any serious competition from any other country. Indian industry strengthened by benefits which have accrued to it during the war can certainly be expected to hold its own against British textile industry in foreign markets. Political consciousness in India is sufficiently awake to permit of evil effects of any Imperial domination which Great Britain may seek to exercise. Recent figures of production of cotton piecegoods in India suggest that there has been no expansion of output while internal potential consumption of piecegoods in India must be higher than in the pre-war days on account of higher national income today. Consumers have been prevented from their essential purchases on account of unprecedented rise in prices of textile goods compared to pre-war prices. Current prices are at least four times high. The end of war in Europe will mean greater ease in imports and exports. This may help a general reduction in the prices of manufactured goods in India. Textile goods may also move down in sympathy. Reduction in prices may bring out the Indian consumer who is waiting to make his purchases once prices of textile goods touch reasonable levels. The potentiality of the Indian market is indeed vast and is adequate to assure a good future to the Indian textile industry if producers can be satisfied with reasonable margin of profit and not continue profiteering as is going on today. It is quite probable that after the termination of the war new productive units will come into being in India. Some mills will want to expand because of the large profit

margin existing today in a deficit province such as the Punjab. New mills may be started by the *new* rich who have risen from the war and who feel today that the Punjab has been left out from making profits on account of absence of industry. There internal competition in the textile industry will no doubt be very keen and only such units can then hope to survive which have achieved a high standard of efficiency. The long term prospects for the industry thus appear reasonably good but the investor has to distinguish between shares which are unduly inflated and those which are not. Just as there is scope for selective buying so also there is scope for selective selling of inflated scrips.

MADRAS, Nov. 7.

Quotations in the Government Securities market were very firm and a steady volume of business was done. Three and a half per cent. paper was quoting Rs. 97-6 after touching Rs. 97-9. Three per cent Loans 1963-65 improved by about As. 4 to Rs. 98-4. Provincial Loans were in good demand but prices were unchanged. There was a fair turnover in the Madras Loans. State Loans were in request but the scrip was in short supply. Mysore Loans were active. Business in the share market was on a small scale but share values tended to harden. Both in the textile and banking sections, the more popular shares have received greater attention and there has been some advance in prices. Indians

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Nov. 7.

I. C. C. Jarilla ruled about Rs. 450 in the early part of the week, and the market was dull. Later the market went up by about Rs. 12, with a steady tone at closing. In the spot market there was little inquiry during the early part of the week, but during the latter part of the week the recession in prices attracted buyers, and quotations have firmed up. New crop Sind N.T. is now quoted at Rs. 605; Punjab 289 F at Rs. 625.

Cloth

The cloth market has been rather dull. The volume of business on the Murat day ranged between 65,000 and 70,000 bales which was very much below the mark. In normal times, this would be double the quantity or more than double. Mills were not free sellers for the simple reason that they had no indication as to what would be the "ceiling" rates for the different types of cloth manufactured by them. As regards prices, despite the Government of India Press Note that there are ample supplies of cloth available in the country, and despite the possibility of a downward revision of "ceiling" prices from the beginning of December, it is surprising to note that the prices of cloth are being very well maintained. Demand from the Punjab continues to be excellent. Leopard cloth has been sold at Rs. 2-6 per lb., while grey sheeting has been quoted at Rs. 2-3 per lb. Grey drill has recorded some improvement and is quoted at Rs. 1-10 per lb. as compared with Rs. 1-8-0 per lb. a week ago.

Seeds

Conditions in the local seeds market have become easy during the week, and prices of groundnut have been marked down to an appreciable extent, during the past fortnight. A fortnight ago Khandesh quality groundnut was sold at about Rs. 106 per candy which has now declined to Rs. 95 with buyers scarce. The recession in prices is mainly due to the increasing tempo of the movement of crops, which is now in right earnest. The Food Ministry is reported to have pur-

big rose to 285 and Rs. 25 paid up shares to Rs. 73-12. Reserve Banks were higher at Rs. 124. Indo-Commercial received good support. In Public Utilities, there was a fair turnover. South Madras Electrics have declared an interim dividend of 3 per cent. making 6 per cent and the shares were firm at Rs. 14-4. There were buyers of Kumbakonam Electrics at Rs. 12. In the textiles section, Ranga Vilas improved sharply from Rs. 198 to Rs. 208, following rumours of higher profits in the past nine months. Coimbatore Spinnings reacted from Rs. 300 to Rs. 285, following the announcement of a dividend of 50 per cent. which was below market expectations. Radhakrishnas, Vasantas and Pankajas were firm and rose to Rs. 425, Rs. 340 and Rs. 345 respectively. Cambodias were quoted Rs. 37-3 X.D. The Planting section was neglected and the turnover was poor. There was some activity in the new floatation Pullangode Rubbers and the shares were quoted at a premium of As. 8 at Rs. 2-8. Nilgiri Neerugundis have declared a dividend of 50 per cent. and the shares were quoting Rs. 13-6 c.d. There were more inquiries for sugar shares. Mysore Sugars and India Sugars were taken up at Rs. 60-12 and Rs. 18 respectively. In the Miscellaneous section, the Mysore group of industrial shares were more active and Mysore Papers were prominent. Spencers were well supported at Rs. 12 and Bruntons at Rs. 16 c.d. Chemicals, noticeably Mettur Chemicals and Mysore Chemicals and Fertilizers were keenly sought for and the quotations registered a fractional advance.

chased substantial quantities of groundnut during the week under report taking advantage of the easy conditions.

Castor seed is quoted about Rs. 17-10-0 for Mar-mogoa delivery. Oil quotations are as under:—

Groundnut oil	Rs. 11 0 per qr. .
Groundnut oil (Nov.) ..	Rs. 10 5 per qr.
Groundnut oil (Jan.) ..	Rs. 9 15 per qr.
Copra oil	Rs. 10 6 per qr.
Linseed oil	Rs. 11 8 per qr.
Castor oil	Rs. 11 6 per qr.

MADRAS, Nov. 7.

The groundnuts market continued to be easy during the week. Owing to paucity of transport facilities, arrivals were not heavy and firms bought fair quantities. It is stated that permits have been given for the export of the purchases made by the British Ministry of Food. During the week, the Ministry bought a very large quantity to the extent of over 35,000 tons for delivery sixty days and ninety days at £34-17-6 and at £35-12-0 respectively. Firms' limits declined from Rs. 80-8 to Rs. 75. The oil market, too, was weak. As a result of the recent ban placed on the exports of groundnut oil from the Presidency, crushing has been limited. The demand for oil-cake for manure purposes, consequent on the non-availability of chemical manures, has grown enormously in recent times. To meet this demand, large-scale crushing had been resorted to but a large quantity of oil remaining over and above the internal demand had been exported from the province. The ban has naturally caused a slow-down in crushing and to that extent the cake has been in short supply. The position will be so, unless the Commissioner of Civil Supplies makes a liberal grant of permits for the export of oil. There was only a subdued demand for oil during the week and prices have declined to Rs. 160. Cake was in good demand but as was stated above, supplies were limited. The quotation was very firm round about Rs. 139.

Skins And Hides

For the first time since March 1942, there was an opportunity for shipment from Madras to America during the period under report. However, the cargo was not very big, being about 600 bales. Since the above period, the goods were usually railed to Bombay wherefrom they were shipped to America, causing a great deal of expenditure because of the overland route. About 1,000 bales were lifted from the market on United Kingdom account. As regards market conditions, supplies of raw goods to tanneries and of finished goods from the tanneries continued to be meagre. The kips market ruled very firm at one to two annas above the control level. In spite of the usual inquiries from the importers in London, shippers here were reticent to do business, as the local upcountry demand is at better and at the high ruling prices. Prices for sheep and goat have registered a further advance of one to two annas over the basis of a fortnight ago, as commons and mediums are having a better demand than superior selections. Owing to an abnormal demand for heavy averages of buffs from 13 lbs., the quotations have gone up to Rs. 1-7, whilst lighter averages are ruling below Rs. 1-2.

HAPUR, Nov. 8.

The *Urad* market witnessed a very weak sentiment and the prices recorded a depression of about Re. 1-12 per maund than last week, the chief factors for this being the same as that reported previously. The huge stocks of *Arhar* and its lower prices also caused easiness in *Urad* market. Rumours are current here that the Government would prohibit forward dealings in *Urad* if the prices rose unreasonably high. Hence the upcountry speculators are liquidating their outstanding transactions. The ban on exports of *Urad* still continues. *Urad Magh* opened at Rs. 12-7 and closed at Rs. 11-8-9, touching the highest and the lowest levels at Rs. 12-9-3 and Rs. 11-2-6 respectively.

COMPANY NOTES

THE JAIPUR METAL INDUSTRIES LTD.

His Highness the Maharaja of Jaipur performed the opening ceremony of the Jaipur Metal Industries Ltd. on October 24. In his address of welcome to the Maharaja, the Chairman of the Company, Mr. R. R. H. Kamani, said that the commencement of the works thirteen months ago was facilitated by the grant of a lease of land and building by the Jaipur Government. During the past one year considerable technical improvements had been effected, scientific research undertaken and the factory had produced essential non-ferrous metals to the value of more than 50 lakhs of rupees. The factory is perhaps the biggest unit for the manufacture of non-ferrous metals in India today, and it has been the first to manufacture Arsenical Copper. The Company's Authorized Capital is Rs. 550 lakhs and Issued Cap-

Juwar

The *Juwar* market showed easier conditions, as a sequel to which prices tended to weaken gradually, although occasionally the market offered a minor resistance. *Juwar Poos* opened at Rs. 6-15-6 and closed at Rs. 6-8-5½. The highest and the lowest rates touched during the week were Rs. 7-0-8¼ and Rs. 6-6 respectively.

Gur

Following encouraging demand from mofussil stations, the local *gur* market displayed a firm tendency. The stock is persistently decreasing as the agents and sub-agents have already obtained the permits for exporting *gur* in larger quantities than the local stocks.

Grains

The grain markets during the week under review were generally easy. The chief factors for the present depression are: (1) Possibilities of further importations of foreign wheat into the country. Till now five cargoes of foreign wheat have arrived at an Indian port. According to a Press Note, the Government of Canada have offered about 100,000 tons of Canadian wheat as a contribution to alleviate famine conditions. (2) Sowing of *Rabi* crops on larger scale and (3) Government control of stocks. In consideration of the present circumstances prevalent in the markets it is anticipated that the prices would further depress. The local stocks of foodgrains are computed at as under: Wheat 173 *Khattis*, Gram, 4 *Khattis*, Barley 10 *Khattis*, Peas 100 *Khattis* and *Arhar* 270 *Khattis*. One *Khatti* contains about 800 maunds of foodgrains. Today's quotations were: Wheat: Rs. 12-5, Gram Rs. 10, Barley Rs. 7-10, Peas Rs. 9-11, *Arhar* Rs. 8-8, *Gur* Rs. 10-8 to Rs. 13, Rapeseed Oil Rs. 36.

tal, Rs. 20 lakhs. A bonus of Rs. 30,000 was recently distributed among the workers.

In his reply to the address of welcome, His Highness the Maharaja congratulated the Company on the early success it had achieved. He referred to the committee appointed by his Government to report on the changes required in the industrial structure of the State and said that the main aim of the Government will be a large increase in agricultural production and industrial equipment within a definite period of time.

The Company is at present refining non-ferrous metal scrap and is manufacturing all kinds of non-ferrous metal alloys. It is also producing sheets, rods and wires in different sizes, and the erection of a plant for the manufacture of copper tubes and pipes is under contemplation. Another line in which the Company is planning for its future development is the mining of copper ore.

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CURRENT STATISTICS

BANK OF ENGLAND

	(000's omitted)			
	Nov. 3, 1943.	Oct. 27, 1943.	Nov. 4, 1942.	Aug. 30, 1939.
	£	£	£	£
Total Bullion	1,975	1,933	1,552	263,700
Public Deposits	6,100	5,400	21,600	31,100
Other Deposits	205,390	243,400	166,800	129,100
Of which Bankers' Deposits	152,800	190,300	118,900	90,100
Govt. Securities	183,300	185,900	158,100	113,100
Other Securities	17,900	24,400	21,700	31,600
Of which Discounts and Advances	1,000	1,600	2,800	6,400
Notes and Coins	46,900	53,600	23,600	34,200
Notes in Circulation	1,005,000	998,500	858,100	529,500
Ratio of Reserve to Liabilities	22.18%	21.55%	12.50%	21.36%

U.S. FEDERAL RESERVE BOARD

	(000's omitted)			
	Oct. 21, 1943.	Oct. 14, 1943.	Oct. 22, 1942.	Aug. 31, 1939.
	\$	\$	\$	\$
RESOURCES:				
Total Reserves	20,296,000	20,308,000	20,824,000	14,690,610
Total Bills Discounted	10,000	18,000	7,000	6,190
Bills bought in open market				550
Total U.S. Govt. Securities	8,914,000	9,061,000	4,225,000	2,426,190
LIABILITIES:				
Federal Reserve Notes in actual Circulation	15,444,000	15,368,000	10,869,000	4,608,280
Deposits — Member Bank Reserve Account	12,002,000	12,021,000	12,304,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note Liabilities combined	69.0%	69.1%	83.1%	86.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON

OCTOBER 29, 1943.

ISSUE DEPARTMENT

	Liabilities		Assets	
	Rs.	Rs.	Rs.	Rs.
Notes held in the Banking Department		8,95,70,000		
Notes in circulation		782,08,95,000		
Total Notes Issued		791,04,65,000		
Total Liabilities		791,04,65,000		
Assets				
A. Gold Coin and Bullion:—				
(a) Held in India		44,41,43,000		
(b) Held outside India				
Sterling Securities		674,83,96,000		
Total of A		719,25,39,000		
B. Rupee Coin		13,45,66,000		
Government of India Rupee Securities		58,32,60,000		
Internal Bills of Exchange and other commercial Paper				
Total Assets		791,04,65,000		
Ratio of Total of A to Liabilities	90.924 per cent.			

BANKING DEPARTMENT

	Liabilities		Assets	
	Rs.	Rs.	Rs.	Rs.
Capital paid up		5,00,00,000		
Reserve Fund		5,00,00,000		
Deposits:—				
(a) Government				
(1) Central Government of India		46,71,53,000		
(2) Government of Burma		1,25,54,000		
(3) Other Government Accounts		11,93,91,000		
(b) Banks		71,79,66,000		
(c) Others		10,69,96,000		
Bills Payable		2,00,37,000		
Other Liabilities		5,38,19,000		
Total		159,88,16,000		

	Assets		Rs.	
	Rs.	Rs.	Rs.	Rs.
Notes			8,95,70,000	
Rupee Coin			15,34,000	
Subsidiary Coin			1,63,000	
Bills Purchased and Discounted:—				
(a) Internal				
(b) External				
(c) Government Treasury Bills			49,97,000	
Balances held abroad*			140,38,86,000	
Loans and advances to Government's				
Investments			6,81,66,000	
Other Assets			3,03,00,000	
Total			159,88,16,000	

*Includes Cash and Short term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

	(000's omitted)			
	Oct. 29, 1943.	Oct. 22, 1943.	Oct. 30, 1942.	Sept. 1, 1939.
Held in the Banking Department	8,95.70	14,91.89	9,77.99	35,04.49
In Circulation	7,82,08.95	7,76,41.88	5,14,70.35	1,82,13.17
Total Notes	7,91,04.65	7,91,33.77	5,24,48.34	2,17,17.66
A. Gold Coin & bullion	44,41.43	44,41.43	44,41.43	44,41.46
Sterling Securities	6,74,83.96	6,74,83.96	3,25,83.39	59,50.11
Total of A	7,19,25.39	7,19,25.39	3,70,24.82	1,03,91.57
B. Silver Coin	13,46.66	13,75.78	21,84.06	75,87.11
Rupee Securities	58,32.60	58,32.60	1,32,39.46	37,36.96
Silver bullion under Coinage				
Percentage of Reserve to Liabilities	90.924	90.981	70.593	63.146

BANKING DEPARTMENT COMPARATIVE STATEMENT

	(000's omitted)			
	Oct. 29, 1943.	Oct. 22, 1943.	Oct. 30, 1942.	Sept. 1, 1939.
Cash	9,12.67	15,08.28	9,90.93	35,15.27
Balances held abroad	1,40,38.86	1,19,20.48	94,41.01	10,06.33
Investments	6,81.66	10,30.69	6,66.51	6,81.34
Bills discounted:—				
(a) Internal				
(b) External				
(c) Government of India Treasury Bills	49.97	49.97	34.46	1,15.67
Loans and Advances to the Government		2.00		31.00
Deposits:				
(a) Government	59,90.90	51,55.91	22,92.43	14,89.43
(b) Banks	71,79.66	68,45.56	70,81.45	26,91.43
(c) Others	10,69.96	10,28.46	3,61.63	1,24.37

STERLING PURCHASES

	(000's of £)		Average rate.
	Total Amount Purchased.		
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.
August	8,546		1sh. 6d.
September	8,371		1sh. 6d.

IMPERIAL BANK

COMPARATIVE STATEMENT

	(In 000's of Rupees)		
	Oct. 22, 1943.	Oct. 15, 1943.	Oct. 23, 1942.
Liabilities			
Subscribed Capital	11,25.00	11,25.00	11,25.00
Capital paid-up	5,62.50	5,62.50	5,62.50
Reserve Fund	5,75.00	5,75.00	5,70.00
Fixed Deposits, Savings Bank, Current and other Accounts	97,57.93	195,48.06	151,58.18
Loans against securities per contra			
Acceptances for Constituents			
Sundries	1,31.45	1,29.36	93.32
Total	210,26.88	208,14.92	163,84.60
Assets			
Government Securities	126,42.83	129,71.80	95,50.46
Other authorized investments	2,39.33	2,39.34	1,27.50
Loans	12,46.34	12,39.11	8,21.05
Cash credits	21,10.28	21,22.06	15,11.08
Bills Discounted and Purchased	8,50.34	2,17.16	2,45.64
Dead Stock	1,72.28	1,72.20	1,75.83
Sundries	97.74	93.58	87.61
Bullion			
Balances with other Banks	1,81.84	2,64.70	3,83.49
Cash in hand and with the Reserve Bank of India	39,85.90	34,94.07	34,81.94
Total	210,26.88	208,14.92	163,84.60

SCHEDULED BANKS

Comparative Statement

	(In thousand Rupees)			
	29-10-1943	22-10-1943	30-10-1942	1-9-1939
Demand Liabilities				
in India	467,32.36	472,58.84	326,54.83	134,36.49
Times Liabilities				
in India	138,71.02	137,95.52	103,32.89	102,24.34
Cash in India	19,89.45	21,59.73	12,77.00	6,69.92
Balances with Reserve Bank	70,37.81	68,20.34	68,93.98	25,17.19
Advances in India	154,28.28	150,36.98	80,24.20	101,52.16
Bills discounted in India	4,83.66	4,47.04	1,92.81	3,57.29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue Dept.
Aug. 3	13,83.00	8,00.00	0 15 0		3,47.00
" 10	14,73.28	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	18,95.73	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
" 21	15,84.25	8,00.00	0 13 5		3,48.00
" 28	20,10.75	8,00.00	0 13 6		4,79.50
Oct. 4	15,85.50	8,00.00	0 12 0		2,06.50
" 12	12,28.00	8,00.00	0 12 0		5,22.00
" 19	14,57.00	8,00.00	0 12 1		5,40.75
" 25	12,80.00	8,00.00	0 12 9		3,18.00
Nov. 2	10,70.50	8,00.00	0 13 8		3,10.00

MATURITY OF OUTSTANDING TREASURY BILLS

AS ON OCTOBER 31, 1943

Date of Maturity.	Amount (00's of rupees)	2nd Dec. 1943		7,80.25
		3rd	4th	
5th Nov. 1943	6.50			15.29
6th "	7,63.75			4.50
7th "	29.75			6,47.50
12th "	5.00			1,07.75
13th "	7,51.25			44.75
14th "	43.75			12.50
19th "	16.00			7,73.75
20th "	7,84.00			13.75
26th "	3.50			7,67.50
27th "	7,92.00			32.50
28th "	4.50			7,96.50

SUGAR POSITION FOR SEASON 1942-43

(Figures in Tons.)

Producing Areas.	Production up to 22-10-43.	Despatches during the period 16-10-43 to 22-10-43.	Progressive total of despatches from 1-12-42 to 22-10-43.	Percentage of progressive despatches to production.	Physical stock as on 22-10-43.
U.P.	6,13,243	12,442	5,26,607	85.9	66,636
Bihar	2,37,671	4,875	1,91,313	80.5	46,358
Madras	34,124	639	28,225	82.7	5,890
Bombay	77,221	588	68,238	88.4	8,983
Punjab	6,570	78	6,233	94.7	346
Bengal	16,537	160	13,832	83.6	2,705
N.-W.F.P.	3,167	11	2,549	80.5	618
Orissa	2,092	48	1,861	89.0	231
Sind	2,092	48	1,861	89.0	231
Indian States	81,604	665	73,832	90.5	7,772
Total	10,74,246	19,650	9,14,404	85.1	1,59,842

N.B. Balance Physical Stock of 1941-42 sugar as on 22-10-43 was 310 tons.

INDUSTRIAL DISPUTES IN INDIA

Period	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
July 1942 ..	43	27	46,550	1,52,437	4	20	16	3	..
August 1942	117	41	1,63,115	11,97,826	12	10	76	..	19
January 1943	103	51	1,00,271	4,41,813	14	45	37	..	7
February 1943	60	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	97,953	3	7	18	6	50
June 1943 ..	46	22	32,238	1,12,531	7	13	19	2	5
July 1943 ..	40	26	19,103	73,068	6	14	9	3	8
August 1943	28	13	11,886	36,425	3	4	5	12	3

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
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	183	108	103	130	196	105	112	143	224	105	114	131	190	107	124	141	214	123	115	143	191	107	112	120	150
Dec.	106	110	123	179	115	108	136	204	114	104	136	201	112	111	151	224	116	113	136	208	119	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	223	110	107	149	268	106	113	138	291	110	124	155	279	110	120	148	267	108	111	121	176
May	106	116	135	214	105	112	141	271	103	107	142	234	109	108	155	299	111	113	145	317	112	122	158	309	101	113	155	278	109	110	123	177
June	106	116	145	224	110	114	152	239	104	111	149	252	108	114	175	336	109	116	160	361	116	126	178	317	100	109	162	275	109	111	131	183
July	108	120	160	225	108	121	160	288	104	115	153	266	109	126	190	341	108	120	181	361	119	134	199	312	102	114	166	275	109	115	136	185
Aug.	109	125	160	227	107	126	168	..	104	118	158	266	112	130	203	..	111	125	183	354	117	131	202	319	102	120	177	..	110	117	140	185

*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. ||Base: Year ending June 1936. x Revised figure.
Nagpur and Jubbulpore do not include housing.

(a) Figures from June onwards relate to the calendar month and not to the month ended 15th June as before.

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

BOMBAY					CALCUTTA				
(July 1914=100)					Prices in July 1914=100)				
Commodities	No. of Items	July '43	June '43	July '42	Commodities	Sept. '43	Aug. '43	Sept. '42	Sept. '39
Cereals ..	7	186	196	187	Cereals ..	530	572	177	86
Pulses ..	3	216	217	155	Pulses ..	450	449	186	99
Sugar ..	3	246	246	192	Tea ..	137	106	189	142
Other Food ..	3	280	283	171	Other Food Articles	582	579	349	125
All Food ..	..	234	235	179	Oilseeds ..	341	323	161	106
Oilseeds ..	5	172	183	118	Mustard Oil ..	273	239	..	81
Cotton, Raw ..	3	94	94	94	Jute, Raw ..	119	113	76	80
Cotton, Manu- factures ..	6	297	333	186	Cotton, Raw ..	186	176	108	75
Other Textiles	2	83	83	83	Jute Manufactures	195	194	129	102
Hides & Skins	3	99	98	99	Other Textiles (Wool and Silk) ..	202	196	162	110
Metals ..	5	740	760	722	Hides and Skins ..	95	95	82	67
Other Raw & Manu- factured Articles ..	4	232	232	226	Metals ..	301	297	273	147
Food ..	..	234	235	180	Other Raw and Manu- factured Articles ..	236	211	146	95
Non-food ..	..	275	284	249	All Commodities ..	349	345	196	108
General Index ..	..	260	267	225					

CAWNPORE*

(August 1939=100)

	Oct. '43
Food ..	300
Fuel and Lighting ..	374.3
Clothing ..	405.7
House Rent ..	100
Miscellaneous ..	250.6
General cost of living index	349

*Working class cost of living index.

Particulars	June 1943	May 1943	June 1942
Foodgrains and Pulses ..	314	257	168
Oil and Oilseeds ..	276	277	155
Other Food Articles ..	297	284	178
Textiles ..	336	377	156
Others ..	338	310	197
General Index Numbers ..	313	295	175

*Compiled by the Department of Industries and Commerce.

Mysore.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality	Market	Unit	Pre-war			
				This Week.	Last Week.	A Year ago.	(1939)
				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Rice (not in husk)	Kalma	Calcutta.	per md	..	..	9 14 0	4 14 0
	Basmati Sela	Amritsar.	"	20 8 0	20 12 0	..	..
Wheat	Average quality.	Karachi.	"	8 0 5	8 0 5	5 15 0	..
		Hapur.	"	12 5 0	12 8 9	..	..
		Lyallpur.	"	10 13 6	10 12 0	55 1 0	2 5 9
Sugar	Marhowrah Crystal No. 1.	Cawnpore.	"	15 5 6	14 8 6	12 3 6	9 15 0
Sugar raw (Gur)	Chikna best quality.	"	"	..	8 0 0	..	..
Tea	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 15 0	0 10 5
	For home market	Calcutta.	"	0 9 2	0 9 2	0 15 6	0 4 4
Potatoes	Pahari Haldwani	Cawnpore	per md.	18 4 0	..	..	..
Groundnuts	Bold.	Bombay.	per 500 lbs.	95 0 0	95 0 0	49 15 0	..
Groundnut Oil	Expeller	Madras.	per 500 lbs.	160 0 0	173 0 0	..	..
Castor Oil	Average	Madras.	per 500 lbs.	205 0 0	205 0 0	145 0 0	..
Coconut Oil	Average	Madras.	38 lbs.	17 6 9	17 8 9	..	..
Castorseeds	Average	Bombay.	per candy	17 8 0*	19 8 0	13 4 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	16 12 0	16 12 0	11 7 0	6 13 6
Mustard	Toria 9% admixture.	Karachi.	(556 lbs.)	95 8 0	95 0 0	61 12 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F (Punjab) R.G.	Karachi.	per 784 lbs.	..	..	..	..
	Jarilla 4%*	Bombay.	per candy	461 0 0*	..	..	..
Cotton Piece-goods.	Grey Dhori Markin 11 lbs.	"	44"x10 yds. 43"x38 yds.	7 12 0 26 6 2	7 12 0 26 6 0	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	..	..
	No. 20s.	"	"	17 8 7	17 8 7	13 5 4	3 12 10
Jute	Raw Firsts.	Calcutta.	per 400 lbs.	71 0 0	71 0 0	53 0 0	41 8 0
Jute Bags	B. Twills 2 1/4 lbs.	"	per 100 bags.	67 12 0	67 12 0	50 0 0	28 13 0
Wool (raw)	Kandhar (cleaned)	Karachi.	per md.	60 0 0	60 0 0	50 0 0	32 0 0
Cow hides	Best quality (Agras)	Calcutta.	per 20 lbs.	10 8 0	10 6 0	10 8 0	8 8 0
Goat skins	Best quality	"	per 100 pieces.	130 0 0	130 0 0	120 0 0	115 0 0
Tanned Hides	Best quality (cow)	Madras.	per lb.	1 3 6	1 3 6	1 3 6	0 12 0
Tanned Skin	Best quality (goat)	"	"	2 5 0	2 5 0	1 15 0	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 9	5 4 3	5 5 3	3 13 3
Coal	Selected Jharla (best).	"	per ton into wagon.	10 8 0	10 8 0	6 8 0	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 500 lbs.	..	170 0 0	142 0 0	43 8 0
Cement	Indian Swastika.	Calcutta.	per ton f.o.r.	60 0 0	60 0 0	44 0 0	..

* January.

CROP FORECASTS

FINAL FOR THE SEASON 1942-43

Crop and Forecast.	Tracts comprised in the figures and percentage of Indian crop represented by them.	Estimated Area	preceding year (100=figure of same date preceding year).	Final figure 1941-42.	Estimated Outturn	Per cent. of preceding year (100=figure of same date preceding year).	Final figure 1941-42.
		Acres.		Acres			
Castorseed.	Practically all castor-growing tracts.	1,352,000	141	958,000	147,000 tons	162	91,000 tons
Rice.	About 98 per cent. of the total rice area.	74,919,000	102	73,579,000	24,533,000 tons	97	25,351,000 tons
Rape and Mustard.	A little over 95 per cent. of total rape & mustard area.	5,784,000	93	6,204,000	1,043,000 tons	96	1,089,000 tons
Linseed.	94 per cent. of the total area.	3,408,000	102	3,348,000	411,000 tons	114	361,000 tons
Wheat.	98 per cent. of the total wheat area.	34,298,000	101	34,039,000	10,971,000 tons	109	10,037,000 tons

RURAL RETAIL PRICE INDEX NUMBERS*

During the months April to June 1943.
Base January 1943=100.

Name of Centre.	Cereals.			Pulses			Other articles of food.			All articles of food.			Lighting. Fuel and			Clothing.			Miscellaneous		
	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June
Eastern Zone																					
Bamra (Orissa) ..	111	132	181	106	129	150	109	118	126	108	122	139	129	129	129	121	142	156	100	105	116
Malbang (Assam) ..	138	184	241	126	120	120	108	118	132	112	123	139	105	197	106	144	150	150	119	138	149
Rajapur (Bengal) ..	270	324	300	94	127	123	97	107	111	106	121	124	98	98	105	124	143	146	119	145	153
Shankargarh (U.P.) ..	107	139	156	120	141	159	98	99	107	106	123	136	†	†	†	133	143	137	112	108	107
Sonaili (Bihar) ..	210	262	272	104	107	109	108	121	135	113	142	154	87	81	81	130	153	167	132	139	126
Northern Zone																					
Multapi (U.P.) ..	114	133	142	116	133	125	117	126	129	116	129	130	89	89	†	112	120	105	180	200	205
Nana (Jodhpur) ..	68	71	67	102	102	115	91	94	103	89	92	101	128	105	126	130	133	126	113	143	143
Salamatpur (Bhopal) ..	118	142	132	109	115	117	100	105	102	104	114	110	99	105	100	149	127	136	142	164	175
Shujabad (Punjab) ..	104	135	125	96	105	107	95	104	111	98	115	115	94	95	96	135	156	141	111	126	117
Gujar Khan (Punjab) ..	101	121	124	92	108	107	94	109	120	95	110	117	97	92	91	129	136	122	121	140	202
Southern Zone																					
Krishna (Hyderabad) ..	130	136	144	103	101	109	117	121	129	118	122	130	†	†	†	130	133	130	123	125	111
Lakh (Bombay) ..	106	113	133	97	104	106	98	110	110	98	109	111	†	†	†	135	135	119	121	127	118
Malur (Mysore) ..	107	107	107	126	130	130	113	116	120	115	118	120	88	88	88	143	176	179	124	143	145
Muniguda (Orissa) ..	110	110	110	113	113	121	105	105	104	107	107	108	86	86	86	143	146	149	107	104	104
Kudchil (Bombay) ..	120	130	150	105	128	142	116	122	124	115	124	129	†	†	†	129	136	122	121	140	202

*Provisional Figures.

†Figures for January not available.

‡As the price quotation for certain items in this group are not available for Index Numbers for the group concerned are not given.

STOCKS AND SHARES

BOMBAY (Nov. 9)—
GOVT. SECURITIES—

	This week	Previous week		This week	Previous week
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
2½% 1948-42 ..	99 11 0	99 10 0	Tata Steel Ord.	398 0 0	392 8 0
3% 1949-52 ..	100 11 0	100 11 0	Tata Steel Defd.	1,935 0 0	1,903 12 0
3% 1951-54 ..	100 2 0	100 2 0	Premier Construction	185 8 0	188 0 0
3% 1963-65 ..	98 4 0	98 4 0	Indian Iron	38 0 0	38 4 0
3½% G. P. Notes	97 6 0	97 8 0	Burma Corporation	3 14 0	3 15 0
3½% 1947-50 ..	103 6 0	103 6 0	Associated Cement	222 4 0	215 8 0
4½% 1960-70 ..	111 13 0	111 14 0	Indian Copper	2 10 6	2 8 0
4½% 1955-60 ..	115 8 0	115 8 0	Tata Steel 1st Pref.	222 8 0	220 0 0
3% 1946 ..	102 5 0	102 5 0	Tata Steel 2nd Pref.	154 8 0	155 0 0
3% 1944 Defence Loan	100 0 0	100 0 0			

TEXTILES

Finlay ..	333 0 0	336 0 0
Morarji ..	810 0 0	812 8 0
New Great ..	431 0 0	426 8 0
Swan ..	308 0 0	308 0 0
Appolo ..	5 10 0	..
Sassoon ..	20 4 0	..
Defd. ..	4 8 3	4 0 0
Model ..	357 8 0	351 4 0
Podar ..	391 4 0	385 0 0
Ahmedabad ..	496 4 0	512 8 0
Bombay Dyeing ..	1,981 4 0	1,925 0 0
Central India ..	406 0 0	484 0 0
Century ..	948 0 0	926 0 0
Colaba Land ..	246 0 0	242 8 0
Indian Bleaching ..	238 0 0	242 8 0
Gokak ..	346 0 0	347 0 0
Kohinoor ..	634 0 0	634 0 0
Phoenix ..	702 0 0	702 8 0
Simplex ..	281 0 0	280 8 0
Swadeshi ..	605 0 0	584 8 0
Vishnu ..	2,680 0 0	2,660 0 0

MISCELLANEOUS—

Alcock ..	590 0 0	575 0 0
Bombay Burma ..	425 0 0	428 12 0
Belapur Sugar ..	258 0 0	257 0 0
Bombay Burma New ..	154 12 0	155 0 0
Bombay Steam ..	667 8 0	668 12 0
Bombay Tramway ..	159 0 0	158 0 0
British Burma Petrol ..	3 0 6	3 6 3
Scindia Steam ..	36 11 0	37 6 0
Shivrajpur ..	73 0 0	72 8 0
B. I. C. ..	6 10 0	6 2 0
Tata Chemical ..	33 8 0	33 8 0
Tata Oil ..	83 2 0	81 0 0
Tata Power ..	1,850 0 0	1,840 0 0
Andhra Valley ..	1,882 8 0	1,840 0 0
Tata Hydro ..	198 6 0	198 0 0

CALCUTTA (Nov. 8)—

JUTES—

Champdany ..	212 0 0	214 0 0
Anglo-India ..	392 0 0	397 0 0
Howrah ..	64 8 0	64 12 0
Kamarhatty ..	555 0 0	536 0 0
Barnagore ..	168 0 0	165 8 0

STEELS—

Steel Corporation ..	27 1 0	27 1 0
Jessop (Ordinary) ..	..	21 12 0
Burn ..	397 0 0	397 0 0

TEXTILES—

Elgin ..	96 0 0	92 4 0
Cawnpore Textile ..	15 0 0	14 0 0
New Victoria ..	9 9 0	9 2 0
Muir ..	..	460 0 0
Kesaram ..	16 2 0	..

MINES—

Burma Corporation ..	3 11 0	3 13 0
Consolidated Tin ..	2 10 0	2 8 0
Indian Copper ..	2 9 0	2 8 0

SUGAR—

Belsund ..	13 2 0	12 10 0
Samatipur ..	22 2 0	22 12 0
Carew ..	26 14 0	27 0 0
Balrampur ..	17 0 0	..

MISCELLANEOUS—

Dalmia ..	17 10 0	17 6 0
Rohas ..	32 2 0	31 4 0
Titagarh ..	27 15 0	..

TEAS—

Elsnauth ..	39 0 0	39 6 0
Testa Valley ..	41 4 0	39 8 0
Loobah ..	14 12 0	..

COALS—

Raneegunj ..	33 4 0	32 14 0
West Jamuria ..	..	37 12 0

THE EASTERN ECONOMIST

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From Debtor to Creditor

ON the 31st March, 1939, the total external public debt of India amounted to Rs. 445 crores. Today the whole of this debt to Britain has been practically wiped out. There is only a very insignificant amount still outstanding which owing to certain legal or other difficulties cannot be liquidated. The liability of the Government of India in respect of pension charges which, if funded, is estimated to amount to Rs. 200 crores can hardly be treated as a debt. It is only an annual charge to be borne from annual revenues, as it constitutes something like deferred pay and cannot, therefore, be regarded as anything of the nature of a capital debt. Besides these debts of the Government there was a considerable amount of private foreign investment mostly British which in 1939 was estimated to be Rs. 40 crores. Since the war a considerable amount has been bought off by Indian investors and today the total of private foreign investment may be estimated at not more than about Rs. 100 to 150 crores.

As against the above since the beginning of the war India has been building up ever increasing amount of sterling balances in Great Britain which today amount to about Rs. 700 crores. These sterling balances

represent the liability of Britain to India. Britain owes to India this vast sum which represents the credits granted to her by our not exercising our right to immediate payment for the obligations which India has been incurring on behalf of Britain. These expenditures are those of Britain. She must pay for them. India, however, has agreed to finance them for the entire duration of the war and does not ask for repayment in the form of immediate imports of goods or gold or any other kind of payment which in normal times would be the method of liquidating short-term balances. Under this arrangement the accumulation of sterling credits continues steadily and Britain will thus at the end of the war be faced with the problem of repaying the debt which she has virtually contracted in India.

From the point of view of India it is clear that a really revolutionary change has taken place in her financial relationship with the rest of the world. Instead of being a life-long debtor, she has now emerged a big net creditor to the tune of Rs. 700 crores today which may easily go up to Rs. 1,000 crores if the war continues for another year or two. Few world events have been so significant as the emergence of U.S.A. as

a creditor nation after the last war; and this war will witness changes of equal magnitude in the position of India, Canada and Australia which have all liquidated their indebtedness and are emerging as creditor countries.

Despite this striking change in her status, some have argued that India is not a creditor country in any significant sense of the term, that the so-called credits which she has built up are purely currency reserves and cannot be said to be of the same nature as the loans of one nation to another, that at best it is a temporary and passing phase, that as far as one need visualize the future India cannot become a creditor country, that she cannot build up an economy which would enable her to have such surplus income as would permit foreign lending and that finally her own need for foreign capital will be so vast that she will have to borrow once again from abroad. These arguments deserve careful examination as they are sufficiently plausible to mislead the unwary student of economics and possess just that degree of validity which makes them seemingly tenable.

No one can look far into the future without assuming the role of a prophet. But so far as the immediate post-war years are concerned, let us say ten years, there is no question or doubt of India's creditor position. We may admit that India's sterling balances have originated as currency reserves. Indeed the gravamen of our charge against the Government of India is precisely that they have failed to finance the British expenditure in India in the only proper way in which it should have been done, that is, by raising loans in India corresponding to the amount which Britain needs for her outlay in India. Had that been done the whole of our sterling credit would have been backed by corresponding rupee debt. In other words the people of India would first subscribe for rupee loans; the proceeds would go to the financing of British expenditure and Britain in repaying her debt will enable the Government of India to discharge the rupee debt. That course for various reasons into which it is not necessary to enter here was not adopted. The actual method adopted was the use of the currency mechanism. The Reserve Bank of India went on issuing rupee notes against every pound which was placed to its credit in England, because the Act allowed it and it was found highly convenient and very easy and smooth. Thus against every pound sterling built up by us, there are corresponding rupees in circulation, and hence the rupee currency has been backed by sterling assets which therefore should be regarded as currency reserves.

Technically this is the correct way of stating the position. But if thereby the implication is that being currency reserves they cannot be regarded as real credits lent to Britain or that they must be held only as backing for our large currency in circulation, it is clearly untenable. Those who argue like this have the tragic memories of 1920-21 before them when our sterling balance amounting to about £55 millions were wiped out in a few months in attempting to maintain an untenable exchange. But there is a world of difference between the situation of 1920-21 and the present situation. In the first place, we should have an appreciation of the order of magnitude of the amount involved. Can anyone imagine that India's adverse balance on current account in any year will amount to anything like Rs. 700 crores? Even on the assumption of a continuous period of bad years, it is improbable in the extreme to attain a deficit which can amount to anything more than a small amount. Let us not forget that by the liquidation of our external debt our net balances would have improved. Indeed, if anything our normal trade surplus should show an increase. The only contingency which can arise whereby a deficit balance is conceivable is the enormous and uninterrupted flow of imports and a failure of exports. That is possible only if suddenly all foreign trade con-

trol is at once removed. No Government with the memory of 1920-21 would pursue that tragic policy. It is arguable that since Indian price level is so high relative to that of Britain, British imports would flood the Indian market, exports from India would decline,—these resulting in a huge deficit. Such a contingency is not likely. But should it occur our rate of exchange should be so regulated and fixed that there should be no serious lack of balance between our exports and imports. The U.S. and British currency plans allow freedom in such cases to fix the exchange rates at levels which will ensure the right balance of trade.

But even taking a pessimistic view of the situation and on the assumption that we run a trade deficit of the order of about Rs. 50 crores annually for a period of 5 years continuously, the total foreign exchange reserve that we should maintain for the purpose cannot exceed about Rs. 250 crores. The rest may safely be regarded as available for any purposes that we want. We shall, therefore, be justified in regarding this balance after allocating about Rs. 250 to Rs. 300 crores as real capital funds available for such purposes as the country may desire to use them for. Hence the argument that because the sterling balances represent currency reserves they are not of the nature of real loans granted to Britain can be accepted only with the greatest reservation. In reality these loans represent the sacrifices of all those who have had to forgo their consumption during the war and represent forced savings. Our sterling assets do not lose the character of a capital fund, merely because they form the backing of our currency. If we can maintain our exchange rate at the equilibrium level, the balance of payments will tend to be continuously maintained and the demand on our currency reserves will be reduced to a minimum. In such a case, these assets will be available to finance additional imports, as for example of capital goods for the expansion of our industries.

It is indeed arguable that the creditor status of India is only a passing phase and cannot be sustained for her capital requirements are so vast that she cannot maintain that status. But it is necessary to expose its underlying assumptions which in our view are rather unreal and remote. The first assumption is that India will have an immediate plan which will absorb within the next ten years more than say Rs. 600 or 700 crores of foreign capital. Not that we cannot, if we will, frame a big plan in such gigantic proportions. But a country which for the last 100 years did not have a capital investment of over 1,000 crores may not be expected to digest more than about a hundred crores of external capital annually for the next ten years. Let us also note that by our normal process of exports we may be able to get command of about Rs. 40 to 50 crores of foreign exchange. If we cannot absorb more than Rs. 700 crores at once, neither can Britain adjust her productive capacity to clear away her debt by exporting surpluses of such large magnitude. It is well nigh impossible; for good or for bad we shall have to be creditor for at least a short period and there is no escape from it.

The question of the capacity of India to maintain her creditor position in the somewhat distant future depends upon several circumstances. Much will depend upon the objectives of her economic policy. She may plan for that kind of development which will just enable her to finance all her own requirements, from within, and without either seeking foreign loans or lending abroad. Her trade policy may be directed by the attempt to secure a right balance on current account. If, however, she develops her economy so rapidly that her income rises to such an extent as to permit a considerable surplus available for foreign

lending, she might become a creditor nation. But that will be looking far too ahead. The late Sir Basil Blackett, one of India's brilliant Finance Members, declared as long ago as 1925 in the more spacious days of peace that he saw no reason why India should not only finance all her needs of industry, agriculture and commerce from her own internal resources but also become a creditor. Little did he reckon at the time with this phenomenon of a titanic world war. But if he were justified in his vision then, how much more is one justified in saying that India can become a permanently creditor country? But that would be to take a dip into the incalculable future. We may be content with a less uncertain but highly probable conclusion. Today and in the years immediately after the war India is and will inevitably be a creditor nation. It is a

fact, not an opinion. There is no likelihood or need for her to borrow from abroad in the future, and provided she regulates her exchanges and internal economic life in a sensible manner there is no reason why she should at any time become a debtor. If an extremely rapid rate of economic development is planned for, requiring further foreign credits in addition to the sterling balances she has accumulated, it is balanced by an equally conceivable consideration that when once this development has taken place, she may have surplus savings to lend. On balance these considerations cancel out. We may safely conclude that the emergence of India from the status of a debtor into that of a creditor and later into that of a non-debtor is an event of far-reaching significance which should not be under-estimated.

LAST CHANCE IN YOUR LIFE TO SAVE

MILLIONS OF YOUR STARVING
BROTHERS AND SISTERS OF

BENGAL

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Long-term Agricultural Policy

IT has been one of the proudest boasts of the British Government that under British rule, India has been for the first time removed from the perpetual threat of famine to which her agricultural economy has always been subject. It was said that with the creation of a network of railway system and famine relief organization, the spectre of famine which had always haunted her in the past, had been finally banished. Competent authorities have, indeed, from time to time uttered notes of warning, and urged the importance of energetic action to arrest the steady deterioration of our agricultural economy. But their utterances never caught the ear of either the administration or the public to the extent necessary for an adequate realization of the gravity of the situation. It is only today when famine and near famine conditions stalk from one end of the country to the other and public emotion has been stirred to its depths by the painful chapter of privations and death, that we have become conscious, as never before, of the extreme precariousness of our food economy. It cannot be denied that the Government was totally surprised by the dimensions of the food crisis, the imminence of which it never suspected in time.

Reflecting on the Indian famine in a recent article entitled "Hungry Millions," the London *Economist* stressed the long-term requirements and implications of this colossal human tragedy and declared, "the only real cure is an economic revolution in country and town as wide ranging and drastic as the modernization of Russian agriculture by co-operative means and state capital." The agricultural situation in the country, even apart from the special circumstances created by the war, has been so demonstrably and rapidly deteriorating in recent years, that the doctrinaire method of heroic solutions naturally appears as the only effective course open to us. There is such a striking resemblance between the pre-revolutionary Russian agricultural economy and the Indian economy to-day that Russian methods cannot fail to appear tempting and essential for success. It is well to remember, however, that even the Russian leaders who found themselves invested with absolute political power, had to face from time to time the stiff resistance of imponderable social and economic factors which frequently forced them to surrender their doctrinal orthodoxy and make a series of concessions to the obdurate peasantry. If we had a clean slate to start with and plenitude of power, the situation would be different. But we cannot expect that. Consequently, the formulation of any practicable long-term policy, cannot be made on the postulate of an economic and political vacuum. An agricultural policy which plans to build up from the bottom, is something very much more than merely a problem of supplying food seeds, irrigation facilities, fertilizers, sturdy livestock, marketing organization, and working capital. It involves a change in the organizational set-up of society itself and to a far greater extent than any industrial plan, it is beset with intractable human problems. The Russian experiment is repete with instances of this truth. No ambitious agricultural policy can be successful without a parallel social policy, Pavlovsky, the historian of Russian agriculture has again and again stressed this fact and has even opined that "present agriculture does not lend itself to dramatic transformation."

The second point to be emphasized is that any comprehensive agricultural policy has meaning only

as it is set in the content of an all-round economic plan, aiming at the harmonious development of all sectors of the economy. The development of agriculture will lead to a progressive expansion of purchasing power in the hands of the agriculturists who will make increasing demands for industrial products. On the other hand, again, the speed at which it would be possible to mechanize agriculture will substantially depend on the speed with which it would be possible to transfer surplus labour to other non-agricultural occupations. The pressure of our rapidly growing population on our land resources could be minimized only by means of a co-ordinate plan for rapid industrialization.

The agricultural policy which we formulate must again have reference to the international setting. The end of the war will see the operation of vast international schemes for relief and rehabilitation and the distribution of food to devastated countries. At the United Nations Food Conference at Hot Springs, preliminary talks were held for the formulation of a plan on an international scale for effective organization of the agricultural resources of the world. We have to decide the limits within which we could participate in such a scheme to subserve the best interests of our national economy. During the war as an emergency measure, agriculture has been stimulated in many of the highly industrialized countries which may be unwilling to go back to the old pattern. Again, the interests of such new countries like the United States, Canada, Argentine or Australia with extensive land resources in relation to population may not be congruent with the interests of relatively overpopulated, old countries like India and China. Further, there are international plans on the anvil for the stabilization of prices of primary products. Our agricultural policy must be formulated after due appreciation of the extent to which it would be beneficial for us to participate in any such international scheme.

Nor can we isolate our agricultural policy from the industrial and fiscal policy which we may draw up for ourselves after the war. Agriculture must supply not only food for our growing population but also many of the raw materials demanded by our expanding industries. Many of raw materials which we have been exporting for fabrication in foreign countries, we shall undoubtedly retain at home for processing by our own industries. The new industries which will grow up will make newer demands on our agricultural resources. The standards of diet and nutrition will set the goal for the production of the food crops. Our fiscal policy will be determined in relation to what we deem as the desirable extent of international specialization in certain agricultural products. The conversion of our predominantly subsistence economy into an integrated economy of expanding industrial and agricultural production and the extent of its participation in the international economy will determine the relative importance which food crops, technical crops and export crops will possess in our regenerated agricultural system.

Turning now to the internal problems in the reorganization of our agriculture, we cannot fail to be impressed by the magnitude of our task and the almost overpowering odds against which we have to battle. Mr Amery in the recent House of Commons debate pointed to "the unexampled pressure of the population against the means of subsistence which is the gravest long-range problem which India has to

face." Our agricultural production, and in particular the production of food, has been failing to keep pace with the growth of our population. Mr. Amery pointed out that annual production of rice per head in Bengal has gone down over the last thirty years from 384 pounds to 283 pounds. This reveals an extremely serious deterioration of our agricultural position. We are caught in a vicious circle which can only be broken by the mobilization of the total resources of the State and by concerted attack all along the front—technical, economic, fiscal as well as social. The extent of the problem necessarily implies a comprehensive policy covering all sectors of the economy. This can be tackled only by an over-all plan, and private initiative and efforts along traditional lines will be totally inadequate for the task, although this does not mean that private initiative can have no place in the plan.

The enormous pressure of population on our land resources raises varied problems of reorganization and call for a basic adaptation of our agriculture to the growth of our population. Our agriculture has been a deficit occupation, in the sense that judged by the principles of farm accountancy, it does not leave the farmer a net profit after making allowance for all the elements involved in the cost of production. This is especially so in the case of the smaller farms. The position can only be improved by greatly increasing the efficiency of our agriculture by recourse to better methods of production and putting it on a scientific basis. This is especially because the prospects of expanding agriculture by bringing uncultivated land into cultivation are limited. We all know how progress in plant breeding, livestock breeding and crop rotation, mechanization, irrigation technique, manuring, etc., has now made possible quite revolutionary changes in traditional farming systems, but all this has to be adopted to the circumstances of India. For example we may run away with the idea of collectivisation and mechanization and try to emulate the United States or the Soviet Union in every respects, regardless of their suitability to our conditions. Thus grain-farming by prairie method with extreme mechanization and low money output per acre may be suitable for such countries as the United States or the Soviet Union, but are they equally suitable for a country which is overpopulated and deficient in capital. Will not more intensive methods of production be more suitable for us? During the last thirty years, in India there has been a continuous increases in production of the inferior food grains at the expense of rice and wheat. This betokens the growing pressure on land and the increasing poverty of the masses. Should not this process be arrested and more and more attention devoted to production of superior food grains and quality farming, including poultry, dairying and fruit production? A sensible crop planning and planning of agricultural production can only be possible after an adequate appreciation of internal and international demand for agricultural products i.e. by an appreciation of the food and nutritional requirements of our growing population, the demand for agricultural raw materials by our expanding industries as well as of the export possibilities.

All this must be supplemented by a coherent land policy. The cramping effect of our land revenue system as also of social institutions leading to excessive fragmentation of land, is well known. These call for reform. But what is comparatively less well-known is the urgency of a progressive policy for the prevention of soil erosion and conservation of soil fertility. The growing ruralization and increasing land hunger, is coupled with decrease in soil fertility

and soil erosion as well as decrease in fallowing. While reliable and comprehensive information on all these, is lacking, there are enough evidences to suggest that the position has appreciably deteriorated in many parts, while in others, the soil has reached "a stationary state of fertility at a low yield, as a result of cultivation over many centuries, without adequate returns of organic matters and phosphate and due to lack of proper soil management in certain important directions." The problem before us thus is not merely the prevention of any further deterioration of our soil fertility but the best utilization of the chemistry and bacteriology of soil for a considerable improvement in soil fertility. Dealing with soil erosion, Colonel Brayne in a bulletin of the Central Irrigation Board recently gave us the grim warning, "India is literally drying up in front of our eyes." 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. We also need something like the "National Land Use Planning Commission" in United States which is charged with the function of classifying the nation's soil and making programmes for the conservation of soil and its utilization to the best advantage of the national economic plan. In agriculture, we have been practically living on our capital resources for decades.

We have also to devote our attention to the human and social problems implicit in the reorganization of our agriculture. The intelligence and the empirical knowledge of the Indian peasant of the art of practical farming and an intimate knowledge of his environment in its bearing on his occupation, has often been commended, but this does not alter the necessity for his adjusting himself to the new and strenuous demands of scientific farming. Social institutions which have their bearing on agriculture, as for example the law of inheritance leading to fragmentation of holdings, have to be reformed and we have to build up new institutional set-ups, more in consonance with the demands of a progressive agricultural economy. The problems of occupational planning are aggravated not only by the rapidity of our population growth but also by the rapid growth of our agricultural proletariat. Collectivization can only be a slow process, and meanwhile the land tenure and land revenue system have to be adjusted so as to remove their retarding effect on our agricultural production.

The experience of the famine has again emphasized the necessity of planning on an all-India basis. The variety of our agricultural resources and their inter-provincial distribution make India an economic unit and demand an all-India plan, with regional allocation of different varieties of crops. Further, the agricultural plan could be backed by more adequate resources if it was made on an all-India rather than a regional bases. Even the Agricultural Commission felt impelled to suggest, "If the inertia of the centuries is to be overcome, it is essential that all the resources at the disposal of the State should be brought to bear on the problem of rural uplift."

Agriculture in India, as indeed in other industrial countries, has never been able to attract sufficient talents and finances and consequently the tide of economic progress has always flowed strongly away from farming. The agriculturists are, again, the least vocal of the economic classes in society and the benefits of social and economic progress have always reached them most tardily. In our country especially, agriculture has become a static occupation in the back-wash of economic progress. Agriculture can be

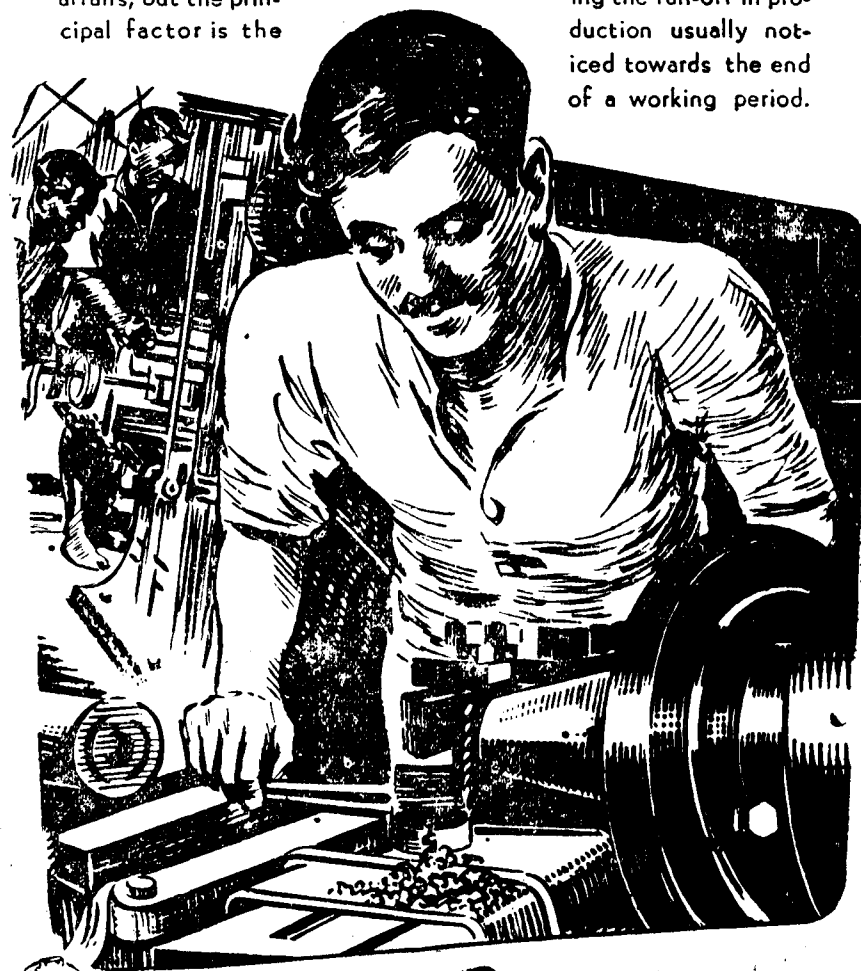
lifted out of the morass in which it finds itself today only if the State formulates a daring agricultural policy, backed by a strong financial policy, and gives a purposive direction to our agriculture economy. The progressive pauperization in our rural economy can be arrested only by such a planned agricultural development and any tinkering or patch-work cannot fail to bear the stamp of futility. In the present famine we can hear the first rumblings of an impending

earth-quake which may presently overwhelm our rapidly deteriorating agricultural economy, unless we take care to take energetic measures immediately to combat the advancing crisis. The formulation of a bold agricultural plan and "a programme for a generation" can brook no further delay. The present famine has made recommendations more forcefully and unmistakably than any Royal Commission could possibly make.



Output greatly in excess of what was formerly considered possible — this is the report from industrial concerns all over the country. Good management & careful maintenance of plant play important parts in bringing about this excellent state of affairs, but the principal factor is the

ability of the labour force to maintain continuously a high level of output. It is here that Indian Tea has helped in many hundreds of factories; tea served to the worker on the job is giving extra concentration and renewed energy, thus eliminating the fall-off in production usually noticed towards the end of a working period.



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The Week's Notes

PRODUCTION OF CONSUMERS' GOODS

In the last issue of the *Eastern Economist* we welcomed the recognition by the Finance Member "of the need to supply the civil requirements to a greater extent than before even at some expense to war effort." The Finance Member has not, however, indicated what steps he is going to take to implement his assurance in this regard. It is, however, necessary to be clear as to what the country expects him to do. As far as possible civilian needs in respect of consumers goods should be met by increased production in this country. In the name of supplying consumers goods to India, it is dangerous and harmful if imports of all kinds, without reference to the productive possibilities within the country, are freely allowed. Only military requirements and vital supplies should be met by imports. The country can still produce within a very short time all kinds of consumers goods provided some of the present bottle-necks are removed. What is required therefore is the switching of the country's productive resources to the manufacture of consumers goods by the import of certain essential capital equipment. If therefore imports are confined to such capital goods and machinery as are necessary for the purpose, they would be welcome. On the other hand large import of consumers' goods which are being produced within the country now and the output of which can be accelerated fairly quickly will not only place the Indian producer at a very great disadvantage but will also have the effect of whittling down our sterling credits. The country should therefore guard itself against this danger and if we are not sufficiently alert, we may soon witness a typical British vanishing trick depleting our sterling resources.

OVERPOPULATION NOT THE CAUSE

The menace of overpopulation has been causing grave anxiety to every thinking man and woman in India for the last few years. If the public did not see eye to eye with the Government of India or the British Government on this issue, it was due to other factors than any difference as to the fact of overpopulation. Public opinion in India has often felt that Government took shelter for their sins of omission and commission on the ground that whatever reforms they might attempt would become futile on account of the growing population. They were not tired of quoting the report of the Royal Commission on Agriculture presided over by Lord Linlithgow that no amount of improvement in agriculture could be of lasting benefit unless the population growth was effectively controlled.

The latest instance of misuse of an undoubtedly grave symptom to serve political ends is that indulged by Mr. Amery, India's Secretary of State. The famine in Bengal is a grim terror to the suffering people of that province. Whatever the ultimate cause, the proximate cause of that tragedy is clear maladministration and nothing else. Instead of admitting their failure and enunciating measures to relieve famine immediately, Mr Amery indulged in irrelevant historical narrative and tried to draw the moral that the people of India themselves were to blame for the famine as they permitted an increase in population not capable of being supported by the country's agriculture. He said "The vast majority of the population have always been and still are subsistence cultivators. In the last 12 years the population of India has gone up by some 60 millions. Every month there are over 300,000 additional mouths to be fed in British India alone." Per-

fectly true; but what have the British Government done to remedy this palpably serious phenomenon of underproduction and underconsumption. Whatever good is found in India is due to British administration; whatever that is bad is of course due to Indian habits and inefficiency. What smug self-complacency! On this formula the Britisher wants to continue his hold on India.

CANADA AND U.S.A.

Canada and U.S. are now closer together physically, economically, militarily and spiritually than ever before. The war has brought them together in several new relationships but the question still remains: What will be Canada's precise relationship with Britain on the one hand and U.S. on the other? Will the intimate relationship with U.S. which the last four years of the war have built up continue in the future? Or are they to resume their old economic struggle and tariff war? It will be remembered that after 1866 when America ended the reciprocity treaty the tariff struggle went on without settlement, and even when the U.S. Senate consented to another reciprocity agreement, it was rejected by Canada whose decision was based on the belief that reciprocity meant annexure. Then followed a period of high tariff in one country replied to by equally high tariff in the other country. In this way geography and economic facts were defeated by human action.

The war has completely changed this kind of mutual attitude. Under the famous Hyde Park agreement of April 1941 each country agreed to provide the other with defence articles which it is best able to produce and not to duplicate their expanding war production. From that date the maintenance and steeping up of Canadian economy was assured, being integrated with American economy. The result has been something like an industrial revolution in Canada. The war has changed Canada from a producer chiefly of raw products into a highly industrialized nation. Her manufacturing output has nearly trebled and national income more than doubled from \$4 billions in 1939 to over 8 billions in 1942. But the new industrial structure raises big issues. Unless the U.S. market is thrown open to her industrial products, she cannot support the big industrial economy she has built up during the war. U.S. tariffs should be reduced after the war accompanied by a reduction of Canadian tariffs. If this does not happen, Canada might once again revert to the Ottawa plan of bi-lateralism with Britain. The empire system will once again be renewed with fateful consequences. Once again the political relationship between Canada and U.S. will become a problem. Basically the difficulty of Canada lies in reconciling its policies simultaneously with Britain and U.S. Canada will not, of course, abandon the British connection, nor will she join U.S. in a political union. But there is another possibility. She can be an independent nation closely tied both to Britain and U.S. by sentiment, military agreement and economic intercourse. The future relationship of Canada and U.S.A. is likely to prove one of the turning points in history.

INDIAN SHIPPING

"If every British merchant ship were sunk, American yards could replace the entire tonnage of the fleet in about two years. This is perhaps the most significant fact affecting the post-war fortunes of Shipping and Shipbuilding in Great Britain and in every other ship-owning country. Within twelve months of the Armistice surplus of tonnage may be universal. Existing fleets will be composed chiefly of new ships, and re-

placement on a large scale may not be required for some years. Whether the production of air freighters will add to the embarrassment is a matter for conjecture; but it is reasonable to assume that the prospects for Shipbuilding during the first stages of peace will be exceedingly poor."

In these words Mr J. R. Bellerby describes the precarious condition of the shipping industry in the post-war years. If India takes advantage of the situation for which she is not responsible and seeks to build up and strengthen her sea transport by acquiring ships from Britain and U.S.A., she will not only establish a useful and essential shipping service for her own needs but contribute to the solution of surplus capacity in the rest of the world. This requires a definite plan—a plan that cannot be deferred any longer now that the war may finish any moment. Without government's assistance the establishment of an effective Indian Shipping Service so as to serve her own borders and connect oceanic routes is impossible. The purchase of the necessary ships therefor and the hiring and training of technical staff will be beyond the capacity of any existing Indian Companies. What is required is Government's participation in Indian Shipping Company by taking up a majority of the equities of the company and the sharing of control and risks of management which such participation implies. We hope that Government will evolve a shipping policy and a plan without further loss of time.

EXTENT OF AGRICULTURAL PROSPERITY

In the absence of data any assessment of the effects of high prices upon the agricultural classes of our population was bound to be conjectural. The Government have been saying that the increased purchasing power has benefited the large masses of the rural population. On the other hand, it has been contended by others that the so-called prosperity was not real and in any case was confined only to very small sections of the agriculturists and to the bigger land owners and zamindars. Unless a sample survey is made, it will be really difficult to speak with authority on a question of this kind.

Some data, however, are available now about the way in which the section of the agriculturists who have participated in the benefits of Land Mortgage Banking in Madras Presidency have used their additional purchasing power. In an article published elsewhere in this issue under the title of "War and Agriculturists" the writer who is himself President of a primary land mortgage bank in West Godavari has shown that the burden of debt has substantially declined both due to increased incomes and the sales of rural property at high prices. For the first time in the history of land mortgage banks the net receipts of the banks have exceeded their loans to the ryots. But as the writer himself has warned us, it is necessary to bear in mind that the land mortgage banks cater only to a very limited class of the agriculturists who have sufficient landed property and sufficient repaying capacity.

The smaller land owners and of course the landless tenants and labourers do not come into the picture at all. Judging from the very limited experience of one particular rural bank it may be said that these classes, the labourers and tenants, are suffering serious hardships. Their savings have declined as the increasing cost of living has entrenched upon their low margins of savings. The war has undoubtedly reduced the amount of agricultural debt in Madras Presidency and perhaps in the rest of India. But the benefit that has accrued to the larger land-owners has been at the

expense of the bulk of the rural population.

FRANCE IN LEBANON

The recent happenings in Lebanon throw interesting sidelight on the place France is going to occupy in the post-war balance of power. The French think that they have been laid low at present in fighting the common enemy and expect the treatment of an equal partner. They expect not merely a resurrection of their country but also of their empire and a fair share of the loaves and fishes that may fall to the Allies when they build a new order. The denial of a seat on the Moscow diplomatic table was therefore a disappointment to them, and the interest which the British Government and their Arab puppets are showing in what the French might think is their domestic colonial concern in Lebanon may be a serious disillusionment. Their fall was so sudden and catastrophic that they have so far failed to realize its implications. This is evident from the statement of de Gaulle about the Lebanese question, that France could not renounce her obligations and her juridical position in the Lebanon was uncontestable. There is as a matter of fact no juridical position which can justify the rule of one people over another and whatever mandatory obligation France had was liquidated with the destruction of her army in France and the sinking of her navy in the Mediterranean. This self-evident corollary of the rules of the game of power politics is of course not as evident to the French leaders as it is to the British, who are busy planning a new order in the Middle East. The loss of world empires and leadership that has happened to Spain and Holland in the past has now occurred to France. She can be suffered now possibly the nominal suzerainty over territories sharing her colour on the political map of the world before war, but its price will be the sharing of all economic opportunities with the new leaders in world affairs. France practised the most restrictionist colonial system in our own times in her territorial possessions. She will have to abandon her policy of integrating the economy of her colonies with herself and also possibly the colonization through assimilation. Having no temperate dominions with room for the expansion of her population under her flag, France had sublimated the racial feeling to a higher level than all other European powers, and hoped to integrate the peoples of her empire through racial and cultural assimilation. The extent to which she had recognized the economic and political rights of her African subjects contrasted sharply with the racial brutalities in South Africa. Even the Lebanese particularism owes its creation to the French who fostered autonomy in this Christian area which was not quite relished by the Arab nationalists. So the revolt of the Lebanese may appear to be the "unkindest cut of all" to the French imperial historian. But all this has to take place because the French control of the rich coastal belt of Lebanon with its rich ports serving the whole Syrian interior does not fit in exactly with the British scheme of things. A welter of petty nationalities with a show of autonomy, bound together in a weak federation, common customs area with currencies linked to sterling, and gulped in vital matters by the young and enterprising official and non-official men from London is what can be envisaged to be the near future of the Near East. The activities of the Middle-East Supply Centre already indicate the shape of things to come. The world will not therefore be very much impressed with the British concern over the Lebanese affairs for it can well say to Mr Churchill who is determined "to hold his own," Physician, heal thyself."

COAL UNDER CONTROL

Coal is one of the most important of the primary products needed by most industries as well as the rail-

ways. Yet it has been the last to be covered by the Government control scheme. To say this is not to suggest that the coal industry has so far given the least trouble: it is only one more instance of the Government practice of deferring action until things have turned pretty bad. Complaints about deficiency in coal delivery to domestic users as well as the industries have been a recurring feature for a long time and wagon shortage has been fixed as the primary cause of the deficiency with monotonous frequency. Production has suffered greatly on account of the deficiency in the delivery of coal. To correct the situation, schemes were drawn up to rationalize railway transport in relation to coal delivery, i.e., concentration of production in the largest collieries alone, so that turn-over of wagons may be minimized. This scheme according to which the smaller collieries would go out of production, necessarily meant diminution in coal raisings. Reduction in coal raisings was further caused by the flight of labourers from collieries, induced by higher earnings offered to labourers engaged, as for example, in constructing aerodromes and other military installation. The shortage in labour power at the collieries was sought to be corrected by removal of ban on underground work by women, and by offering better wage rates and conditions of labour.

The total output in 1940-41, was 29 millions. But it is estimated that this year only 25.64 million tons will be available for distribution and will be rationed on the basis of actual supplies made from August, 1942 to July, 1943. The total estimate for industries and domestic use would be 1.02 million tons a month, although it is not known how much of this would be available for domestic use. Further, demand has greatly increased on account of the increasing tempo of our industrial war effort and also on account of the scheme for pooling the United Nations' resources, so that India might be charged with the responsibility for supply of coal to Middle Eastern countries and possibly also to Burma when it is reoccupied. But there is no indication that any ceiling has been put to our export of coal and the apprehension is that as in the case of food exports, India's interests will be subordinated until there is a crisis. Meanwhile, the public has not been assured that Government is doing all to maximise coal-raisings, e.g., by allowing smaller collieries to continue production, and arranging for their distribution by railway wagons, as well as by mobilization of ancillary transport, like bullock carts, river crafts, etc.

REVERSE LEASE-LEND

In spite of Mr. Churchill's overtures for continued amity between Great Britain and the United States, even after the war, and in spite of President Roosevelt's earnest endeavours, there are sections of American public who cannot rise above their long-standing anti-British sentiments. The memories of war debts after the last war still rankle in their minds and they are critical of the fact that in return for lease-lend aid, Great Britain is incurring, what according to them are only nominal obligations. In fact, many Americans are surprisingly ignorant of the fact that the British Empire is also currently paying for the lease-lend aid in the form of reverse lease-lend—although on a much smaller scale. A recent gallop-poll in the United States disclosed that almost 9 out of 10 Americans have either entirely erroneous ideas of the terms of lease-lend or are unacquainted with its basic ideas. Consequently Roosevelt availed himself of the opportunity in presenting his 12th Report to the Congress on lease-lend by dwelling on the reverse lease-lend aid given by the British Empire. A British White Paper has also clarified the extent of British reverse lease-lend.

It is very difficult to translate dollar values in terms of stable or intelligible values. If we convert the total dollar expenditure by the United States at the official rate of exchange, we find that the United States war budget is much bigger than even the pre-war total national income. The correct rate of exchange for conversion in terms of stable sterling value (1938 value) would appear nearer \$8 equal to £1 than \$4 to £1. This is because high American wages appear largely in the account. In the case of reverse lease-lend aid offered by India, on the other hand, the dollar valuation of the aid is underestimated. Inflation has proceeded further in India than in the United States. Consequently, in the case of India, instead of valuing lease-lend and reverse lease-lend aids at the uniform official rate of \$4 is equal to £1, we shall probably get more comparable figures, if we use the rate \$6 to £1 equal to Rs. 40/3 in the first case and \$3 equal to £1 equal to Rs. 40/3 in the latter case. In our issue of November 5 last, we estimated the amount of lease-lend aid received from America by us up to June 1943 equal to nearly \$400 million. President Roosevelt now says that our reverse lease-lend aid to America amounted to \$57 million up to the same date. These figures can be converted to Rs. 88 crores and Rs. 25 crores respectively. However, it is not clear how much of the aid received or given by us is in the interest of purely Indian defence, and how much for the furtherance of the strategy of the United Nations. Further, as we have already noted in our issue referred to, since we have no direct lease-lend agreement with the United States, we are currently paying in the shape of reverse lease-lend for the lease-lend aid we are receiving. But if the question of lease-lend is quietly settled after the war, Great Britain will be getting all the benefits and incurring no obligation in return for this lease-lend aid.

REVISED SUGAR AND CANE PRICE

The announcement of an increase in the price of sugar by annas thirteen only, when a minimum increase of no less than Rs. 2/8/- a maund was called for on the basis of every reasonable calculation of profitability of the cane crop betrays the incapacity of the present Government of India to take a long range view of things which is so vital for prosperity. Ten maunds of cane being necessary for a maund of sugar, the increase of annas thirteen permits of an increase of no more than 0.14 per md. of cane. A further increase of 0.14 in the present cane price can be also justified on ground of the higher recovery from cane noticed for the last three years. Thus the maximum price which the provincial Governments can fix for cane is annas 12. Granted that this maximum price is paid in full, it fails to give the returns to the cane growers comparable to those from the cultivation of other crops. The replacement of cane by such crops is therefore inevitable and is already reported from several localities. It would result in an inadequate cane supply and consequent sugar famine in the season 1944-45. The fact that the industry would come to a standstill and the sacrifices through which India has built up this national industry would be nullified through unimaginative control is hardly a consideration to weigh much with our bureaucracy. Government are unable to divest themselves of the obsession that any raising of prices, however justified by circumstances would be a confession of failure to carry out the declared policies of deflation and price control. The relativity of prices hardly worries them while they hold down the prices in a particular sphere. They cannot see beyond their nose.

and the ostensible purpose of the present announcement is no more than to secure sufficient supplies of cane to the factories this season. There is no pretension to offer sufficiently remunerative price to the grower or no thought of what may come next season. Even the success in the attainment of the narrow objective is conditioned by the willingness and readiness with which the provincial governments co-operate in passing on the full amount of the benefit of this rise in the sugar price to the grower. Unfortunately the Bihar and U.P. Governments have done this in a very tortuous manner. While they have raised the cane price to 12 annas they have stipulated that 2 annas out of the 12 annas would be reserved by Government to be handed back to the grower only after war. There is absolutely no justification for this action of the two Governments, which we shall deal with later.

IMPORT TRADE CONTROL

Holders of import licences for goods falling under Parts II to V of the Schedule annexed to the Government of India, Commerce Department, Notification No. 23-ITG/43, dated 1st July, 1943 which are valid for shipment upto 31st December, 1943 are informed that licences other than pre-payment licences will stand automatically revalidated to cover shipments made in the period January-June, 1944 and do not require formal revalidation by the licensing authorities.

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SPECIAL ARTICLES

Limits of Economic Control

By D. K. Malhotra

AMONG the many startling wartime economic developments in India, perhaps the most curious is the sudden awakening of the Government in recent months to the necessity for the extension and intensification of economic controls. Comprehensive and fairly severe governmental control over economic life is inevitable in a total war like the present. The very existence of the State is in jeopardy and every part of the economic system has to be screwed up in a desperate struggle for safety. It is, therefore, surprising that the virtues of economic control should not have received sufficient recognition from the authorities in this country until towards the end of fourth year of war. But perhaps even more surprising is the reaction (like that of a neophyte) to the new faith that the economic controls, which were tinkered with until the other day, provide now the most efficacious remedy for our ailments. There appears to be some exaggeration of emphasis—something less than a sense of proportion—in this new trend of belief and policy and it is necessary to apply the corrective by laying due stress on the limits of economic control.

The application of economic controls requires anywhere and at any time the consideration of three factors: the character of the substance to be controlled, the nature and degree of the response to control and the efficiency of the measures or procedure adopted for control. The substance to be controlled is, of course, the whole or part of economy; the response depends on wide agreement among the population on the objectives and necessity of control and the efficiency of control measures depends on the administrative machinery evolved and operated for the purpose. The best results from economic controls are obtained if the economy has reached a fairly high level of development and strength, there is the widest public approval and co-operation available for the working of controls and the administrative arrangements set up are well-coordinated, impartial and free from corruption. A brief examination of the nature of controls in India leads one to the conclusion that many of the necessary conditions for their successful operation are lacking and, therefore, too much store may not be laid by them.

The most striking thing about the working of wartime economic controls in India is that there has been *control without development*. It is well-known that before the war Indian economy rested on precarious margins; large sections of population were badly fed; industry was not properly developed; public finance was exiguous and taxable capacity narrow. Such a stunted, semi-grown economy could hardly bear the burden of war demands unless its capacity was developed by special measures. Such measures were not taken and, in any case, it would have been difficult to compress the work that requires decades of developmental effort within a few years. Inevitably the economy has begun to creak and groan under the heavy strain imposed on it. It would be most rash now to think that intensive controls can whip the economy into yielding substantial wherewithal for war.

No less definite are the limits to *control operated without public co-operation*. Unfortunately

economic controls worked in India have been essays in rigid governmental regulation and have, therefore, gone as far as such regulation without the backing of the widest public approval and support could go. In times of war men must have a strong sense of heavy personal stake in victory to bring out their best. It would be too much to claim that the vast mass of people in his country have developed this sense or have any basis of hope from which to develop it. Take the Indian commercial community which is also, in a real sense, a political community. The extent of co-operation that it gives to the government generally varies with the degree to which the government seeks the co-operation of the important political organizations. Any careful observer could say that in recent years its enthusiasm has never been very fervid. It is hardly necessary to labour that economic system without adequate public response is a highly refractory material offering at every step the most stubborn resistance to regulation. For instance, the extent of corruption occasioned by these controls and the evasion would be very much less with a vigilant and friendly people standing behind the government.

Other notable features of economic control in India are that it has been *control without a comprehensive scope* and *control without co-ordination*. Some sectors of economy, some lines of production or a few commodities were covered by it with the result that violent reactions were set up in the uncontrolled sectors which gravely undermined the efficacy of control itself. Then there were different units of administration—the Central Government, the Provincial Governments, the Indian States and one may also add, the Districts—whose activities in the matter of control were not properly co-ordinated. There was instead a pursuit of disparate and even contradictory policies and measures. Economic control in India will constantly have to reckon with the latent centrifugal forces that the war has been pushing to the surface.

To quite a remarkable extent economic control in India is *control without adequate data*. It is virtually impossible to draw up plans of control—of production, consumption, prices or transport—without reliable statistics. In a country like India with its large size and population, the immense variety of its resources and habits of consumption and its distinctive systems of production and trade, collection of accurate information for each region and locality is an indispensable preliminary for planning economic control. Indeed without such a statistical basis estimates fall far out and control resolves itself into a leap in the dark.

And, lastly, no *control without an effective administrative machinery* would work satisfactorily. Economic controls in India have been largely hammered out by *ad hoc* Conferences or specially appointed Controllers and enforced and applied by a Civil Service that is reputed to be one of the most efficient in the world. The reputed efficiency of the Indian Civil Service, however, is only in relation to an extremely limited sphere of action. When rule

and precedent guide the way, the Service displays itself to the best advantage but when new and unforeseen situations demanding initiative, tact, imaginative insight and human understanding arise, it is as likely to wait, vacillate and falter as to go forward. An enquiry aimed at finding out the knowledge and mental equipment of an average member of the Service for evolving or handling wartime economic controls may yield interesting revelations. In other belligerent countries, talent and gift outside government service are freely drawn upon in wartime for working out the controls; in India, the Government have hardly made an adequate use of them.

Apart from these limits of economic controls as operated in India, there are some other aspects of them that may not escape notice. Of the two types of wartime economic controls—financial and physical—financial controls have largely failed in their object, as shown by the development of inflation, enormous rise in prices, poor yield of loans, etc., and the emphasis is now being shifted to direct physical controls. But direct physical controls of consumption, markets, etc., are, like financial controls, subject to basic limitations in a country like India. Moreover, the two forms of control must supplement each other and the excessive emphasis on direct controls unduly obscures the vital importance of financial controls.

A new trend of policy regarding controls now appears to be coming into view—the trend towards

militarization of controls. This development, if it transpires, may have grave and far-reaching consequences; for controls operated by military personnel or with an unaccustomed rigidity and inelasticity may do more harm than good. Controls must invariably be flexible in operation but when some of the basic conditions for their success are lacking, it is all the more important that they should be applied with the greatest caution, tact and understanding.

A stage seems to have been reached in this country when the very objective of controls may have to be reconsidered and redefined. Indian economy is already showing signs of inertness and exhaustion and its capacity to accept further burdens of war effort is extremely limited. The process of transition—of readaptation to peacetime requirements—which normally comes after the war will have to be anticipated in this country. Economic controls may have to be so directed even during war that they bring about diversion of resources to civil consumption or at least do not denude the civil sector of resources any further. It follows that fresh burdens imposed by the Far Eastern operations now in the offing must be shouldered wholly by countries that would make India a base for the contemplated offensive. Any other course will involve human suffering on a far larger scale than hitherto witnessed in this country.

—University of the Punjab

War and Agricultural Indebtedness

By N. Satyanarayana

THE agriculturists were hit very hard by the Great Depression of 1930-34 when the prices of primary products fell down to very low values. The Government had to impose import duties on wheat and rice to check the inflow of these foodgrains, at cheap prices, from foreign countries and thereby depressing the market prices. The burden of agricultural debt became very heavy and this was sought to be relieved by legislative measures in several provinces. In Madras, the Central Co-operative Land Mortgage Bank came to the rescue of a large number of landholders by granting loans on easy terms at cheap rates of interest to persons who could give sufficient landed property as security. In spite of all these beneficial measures, at the outbreak of war the position of the agriculturists was not quite secure, because the prices had not gone back to the pre-depression level, though they were higher than those of the depression period. People could not find enough money to maintain their standard of living, letting alone the question of repaying debts. Immediately after the outbreak of war there was a speculative rise in prices. But this tendency was soon arrested by (1) the loss of European markets for several of our primary products (2) by the failure of the anticipated increase in demand from within the country and allied nations, and (3) partly by the anticipation of strict control of prices and movement of goods on the lines of United Kingdom and other belligerent countries.

The loss of Burma and the approach of war zone to our borders metamorphosed the whole situation. The large increase in military expenditure led to inflationary tendencies in monetary circulation and the incomes of war contractors and other beneficiaries rose up tremendously. Psychologically there has been a greater impetus for hoarding; and the bottlenecks of transport and control of movement of goods dried up the normal channels of trade. The cumulative effect of all these factors is reflected in a steep rise in prices, especially since the middle of 1942. The land values, *pari passu*, have also soared up. This has resulted in a substantial reduction in the burden of debt, both due to increased incomes and increased sales of real property. The results of these factors on the work of the Central Land Mortgage Bank can be seen from the following table:

Year	M. C. L. M. Bank loans (In lakhs of Rupees.)		Name of the District.	Outstanding on 30-6-1942. (Lakhs of rupees.)		Percentage of principal collections to outstanding (for 1942-43).
	Disbursed to primary banks.	Advance Collection.				
1936-37	39.18	1.87	1. Vizagapatam	11.01	0.44	4.0
1937-38	35.79	3.45	2. East-Godavary	33.59	4.83	14.4
1938-39	58.53	4.44	3. West-Godavary	28.98	2.77	9.6
1939-40	42.82	5.29	4. Kistna	22.09	0.66	3.0
1940-41	40.77	8.58	5. Guntur	12.98	1.36	10.5
1941-42	40.32	12.12	6. Nellore	6.46	0.51	7.9
1942-43	23.65	24.44	7. Chittoor	4.58	0.24	5.2
			8. Cuddapah	2.91	0.24	8.3
			9. Kurnool	1.17	0.07	6.1
			10. Bellary	1.04	0.04	3.6
			11. Anantapur	1.16	0.07	6.3
			12. Chingleput	10.03	0.90	9.0
			13. North Arcot	11.40	1.20	10.6

We find from it that the high-water mark of the transaction of the Bank was reached in 1938-39. In the first year of war there was a sudden drop (from about 58 to 42 lakhs of rupees) in transactions due to some extent to the stopping of loans over Rs. 5,000.

That figure was maintained in the first three years of war and in 1942-43 there was a sudden fall to less than Rs. 23 lakhs. From the next column we find that with the increase in transactions of the bank and the general increase in prices, the advance collections also have been gradually increasing. But this secular trend has been suddenly pushed up in 1941-42, and again in 1942-43, the advance principal collections in the former year being one and a half times and the latter three times those of 1940-41. In fact for the first time in the history of the Bank, the receipts of principal amounts of loans were greater than the disbursements in 1942-43.

It must not be understood from the above statement that war has spelled prosperity to all agriculturists. The land mortgage bank caters to only a limited class of agriculturists who have sufficient landed property to offer as security and also sufficient repaying capacity. It does not touch the very large number of landless tenants and farm labourers. Even in the limited class of landowners, we have no information how many of them have repaid their debts from their incomes and how many by sale of assets. It is a well known fact that though the incomes of all people increased, the prices of all goods and services required by them have increased more than proportionately. Hence it is quite possible that while the big landlord who has large excess of income over expenditure should have more money in his hands, all the other classes of people should have been suffering hardship and their standard of living should have come down. Unless an investigation is carried about these classes of people also, one cannot generalize about the prosperity of the general agriculturists. The above study shows that the class of people served by the Land Mortgage Banks have been benefited by the war in that the burden of their debt has been considerably lightened, and they have been able to pay in advance also. By experience we know that most of these advance collections are for the total cancellation of the debts of some members. We shall now study the regional distribution of this prosperity by finding the percentage of advanced collections to the outstanding loans in the 24 districts.

Secrecy of Victory

PRODUCTION OF MICA
India's Importance To Efforts Of United Nations

WASHINGTON, Oct. 4.—A Far Eastern survey published by the American Council of Institute on Pacific Relations points out that British India is the most important source of mica, acute shortage of which contributed to Germany's defeat in the last war. The survey says: "India is indispensable to the efforts of the United Nations if only for the production of mica necessary for the maintenance of all electrical production, both military and civil." India has "a practical monopoly of production due to the amount and quality of her mica deposits and the abundance of labour."—(Reuter).

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harvest while Italian citrus fruits are reported to have constituted the 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 previously referred to by this correspondent. Huge supplies of wheat will be poured into Italy by the Allies mostly from the United States which necessarily will assume the chief burden of meeting Italian needs because the former has the greatest available resources among the Allies.

United States last week took formal steps to create an economic framework for the administration (1) of the large European territory scheduled for Allied conquest when the State Department announced the appointment of Mr. Baldwin who is the head of 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 with its supply and other economic problems." The State Department added: "Plans are well under way towards the organization of trained staff experts to accompany Mr. Baldwin and a definite programme of operations is in preparation."

An interesting sidelight to this announcement is the fact that the State Department which has recently been subjected to attack from all sides as being hide-bound and ultra-conservative, will supervise the activities of Mr. Baldwin whom Congressional critics frequently termed as a radical. Many farm bloc Congressmen even accused Mr. Baldwin of attempting to communize America agriculture. He is the protege of Vice-President Wallace, and regardless of the State Department's sponsorship, is expected to carry New Deal ideas into new trusteeship as far as possible.

Feeding conquered Italy will primarily be 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 such a task for long, since it is considered likely that if the Allies occupy all the 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 the industrialized countries of Europe." The Department of Commerce estimated that Italy was 94 per cent. independent in foodstuffs, and pointed out that 18 millions out of the country's 45 million population normally were engaged in agriculture.

Nevertheless many Italian peasants cultivate such small plots that even in peace time they were unable to make a decent living while the breakdown of Italian transportation, hoarding resulting from war, 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. Surpluses include cheese, rice, potatoes, vegetables, citrus fruits, nuts, fresh fruits, and wines. An approximate balance between supply and demand obtains in milk, butter, sugar, tobacco and dried legumes.

The next commodity in line for shipment to Italy after foodstuffs is coal, then cotton, machine tools. Germany has been sending Italy a million tons of coal monthly. The Allies must compensate for the loss of this source. Italy will also need petroleum, iron, steel, copper, nickel, tin, magnesium and rubber.

In the last pre-war year, 138 Italian imports from United States totalled 70,405,000 dollars, while Italy exported 41,152,000 to the country. Principal United States pre-war exports to Italy were cotton, mineral oil, scrap iron, steel, copper, lumber, and wheat. Italy's unfavourable balance of trade on the United States was more than offset by the immigrant remittances from tourist expenditures. The latter alone approximated 50 million yearly just before the war. The State Commerce Department officials believe Italy's chief hope of rehabilitation lies in textile industry. American machine tool manufacturers have already made plans for shipment of many millions of dollars of machine tools to Italy when Allies assume sovereignty. It is hoped that these supplies will revitalize the once flourishing textile manufacturing as clothing and other finished products which may be sent from Italy to other conquered areas thus saving shipping from both England and the United States. Italy before the war was primarily dependent on the United States for supplies of raw cotton. If 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 prewar vigour and give stimulus to the United Nations' demands.

GOVERNMENT OF INDIA

Department of Industries and Civil Supplies

In accordance with rules under Section 3 of the Factories (Control of Dismantling) Ordinance 1943, published in the *Gazette of India* Notification No. F. 70-ID(40)43(III) dated the 6th November, 1943, applications for written permission to dismantle any factory or remove from a factory spare parts kept for maintaining the machinery of the factory in order should be made to (1) The Textile Commissioner, Bombay, in relation to factories manufacturing cotton textile goods and (2) The Controller-General Civil Supplies, New Delhi, in all other cases, stating the following particulars:

- (i) Name and address of the factory which it is desired to dismantle or from which it is desired to remove spare parts.
- (ii) Products manufactured in the factory.
- (iii) Details of the machinery concerned.
- (iv) Place to which it is proposed to move the machinery or spare parts.
- (v) Full reasons for making the applications, and
- (vi) Such further particulars as the sanctioning authority may require.

The Rules also provide that if the above sanctioning authority rejects the application, the applicant may, within 30 days from receipt of the order of rejection, present an appeal to the Central Government addressed to the Secretary, Industries and Civil Supplies Department, New Delhi. The Orders of the Central Government on such an appeal shall be final.

R. B. ELWIN,

Deputy Secretary to the Government of India.

BOMBAY, Nov. 10.

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COMMODITY CONTROLS SECTION

Cotton Control

AMONG the commodities under Government control, cotton occupies a unique position. While other commodities were benefiting as a result of the War, the price of cotton actually went down in the early stages of the War. Cotton depended upon export market and, after the collapse of France, went down to the lowest depression level and was going a-begging after the outbreak of the Japanese war, especially after the early Japanese successes in the beginning of 1942. To such an extent the prices fell, in spite of increased costs such as surcharges on railway freight, higher charges of ginning and pressing etc., and so much was the public opinion roused, that the Government of India were led to intervene in the interests of the cotton growers. The decision to do so came in January 1942, and as a first step, the import duty on foreign cotton was doubled to put the Government of India in funds to help the cotton growers, especially of short staple varieties.

It took the Government of India two months before they made up their mind at which levels to buy cotton and the help was given in a very grudging way. The level at which the Government of India came out to buy was below the cost of production, and that too about the end of the season in late March, the rates being Broach Rs. 175, Oomra Rs. 140, basis Bombay delivery. Since then, in all the Government of India bought 10,000 bales, over which they made a handsome profit. The special fund created for cotton by the increased import duty is still accumulating. The then Commerce Member definitely stated that the increased amount of the duty would be kept in a separate account and would be allowed to be accumulated. This fund should by now have come to Rs. 60 lakhs, and it is not known how the fund has been or is being utilized.

It is necessary to bear in mind the above background. The next time that cotton was thought of was in 1943 when, under the influence of currency expansion on an unprecedented scale, cotton prices were rising fast. To put the matter in the correct perspective, it was the prices of yarn and cloth that pushed up the prices of the raw material. The rise first came in foodgrains, but that did not affect cotton so much. What really paved the way for cotton changing over to higher levels was the prices in yarn and especially cloth. On October 7, 1942, the price of 20's yarn was Rs. 1/9 a lb. This rose to Rs. 1/13/6 on February 6, and to Rs. 2/2 on February 24. The rise of 11 annas per lb. is equivalent to about Rs. 550/- per candy, and as cotton prices are quoted in terms of candies. This price rose further to Rs. 2/7 per lb. about the middle of March, so that between October and middle of March, there was a rise in price in 20's yarn of about Rs. 800 per candy. The rise in the price of cloth was equally sensational, as can be seen from a study of leopard cloth prices.

As regards cotton, the rise in prices was at the outside Rs. 250 between this time. It was on March 17 that the Finance Member made his famous diatribe against cotton. He deprecated the rise in the price of cotton, which he ascribed to speculative activity which he stigmatized as anti-social. A sharp rejoinder came quickly from the Chairman of the East India Cotton Association and the charge of anti-

social activity was not only refuted but put at the door of the Government. This was the first time that cotton prices rose after the collapse of France in June 1940. The correct thing, as it was then pointed out, was to have put ceilings on the finished products, which would have put a definite top to the prices of cotton.

The immediate effect of the Finance Member's speech was a drop in prices by Rs. 100 per candy from Rs. 645 to Rs. 545. The market continued to be depressed till it reached the level of Rs. 510 on March 27. The Finance Member's outburst against the price of raw cotton brought about protests from the cotton growers and on April 1, the Government of India issued a *communique* that Government did not intend to impose a direct control on cotton in the primary wholesale markets at that time but that they were contemplating measures which would lead to a comprehensive scheme of cloth and yarn control for increased production and for ensuring that cloth and yarn reach the ultimate consumers at reasonable prices. Regarding raw cotton, the *communique* stated that the Government proposed to take effective steps to prevent trading in new crop hedge contracts and also to provide, in consultation with trade interests, full facilities for liquidating all outstanding hedge contracts in current crops. There was a great hue and cry in the country at large regarding the famine in cloth and the exorbitant prices that had to be paid for cloth. The Government of India seem to have shrunk from undertaking any scheme for the control of cloth, as it was generally believed that a scheme of cloth control on an All-India basis could not be feasible. Further, the controls that were undertaken by the Government of India upto now did not inspire confidence in the efficacy of controls. The prices, therefore of yarn and cloth after some weakening from end of March till the beginning of April, began to rise again, and cotton once again followed suit *albeit* haltingly. Although the Government of India had announced on April 1, that it was undertaking a comprehensive control of cloth and yarn, nothing materialized till the end of the month. In fact, it took them nearly six months before they placed ceilings on certain varieties of cloth and yarn. On April 30, the Government banned *Teji-Mandi* or option operations in cotton and prohibited forward contracts. The Government stated that forward contracts in respect of current crops were not affected by this order but that they were examining how best such contracts could be liquidated at an early date. They further stated that they did not regard prohibition of forward contracts in new crop and banning of trading in option and the reduction in existing commitments as enough, and that they were actively considering what further steps were necessary. The price of cloth and yarn continued to be advancing and price of cotton again rose by Rs. 50. On May 15, the price of cotton touched Rs. 65. On May 17, the I.C.C. July went up to Rs. 674, but came back next day to Rs. 650/- on the publication of the ordinance regarding E.P.T. On May 18, the Government of India announced that the trading in forward contracts would close on May 20 and all outstanding commitments would be liquidated at rates to be fixed by the Government. This gave the "bears" an excellent opportunity to hammer down the market. If the Government of India had wished to take the extreme step, it would have been best for them to have closed

out all outstanding contracts on May 18. To have given 2 days more was an invitation to the bear speculators to sell short irresponsibly a raw commodity in which there was nothing but a sure profit. Why the Government of India put the market at the tender mercies of bear speculators has not been known and has never been explained. Under the influence of such short selling, the market dropped precipitously and the I.C.C. July closed at Rs. 568 at which level the existing contracts were rung off.

It would be best at this juncture to examine what took place in the other most important raw cotton producing country, namely the U.S.A. Right from start the U.S.A. Government began at the right end just as the Government of India began at the wrong end. At first, the U.S.A. Government correlated the prices of principal cloth and yarn varieties to the prices of cotton. Later on, the prices of cloth and yarn were frozen at a certain level, that is, ceilings were fixed. Simultaneously it was announced that ceilings would be placed on cotton if it were to cross a certain level. There was a high "floor" in the form of a loan at 85% of the parity price of cotton. Later on, this loan on cotton was raised to 90% of the parity price. This works out to over 18 cents per lb., whereas the ceiling price contemplated is about 3 cents higher. The interests of the cotton growers, therefore, were fully safeguarded by the U.S.A. Government. In India, the Government of India had never offered to support cotton prices at any stage either in the pre-war depression years, as had been done in the U.S.A., or even during the war when the prices of cotton ruled for a long time at absolute depression levels. Only once in 1942 did the Government of India come out to support cotton prices owing to strong pressure of public opinion which it did in a grudging and half-hearted manner, so that there was no justification for the Government of India to curb down cotton prices when, for the first time, cotton reached a level at which it began really to pay the farmers.

In judging cotton prices, one has to bear in mind that the cotton growers have suffered 10 years of terrible depression and even during the war for over 2½ years from June 1940 till end of 1942, cotton prices were at a very low level, sometimes touching below the cost of production figures. Certain of the leading millowners themselves, who took a broad outlook, welcomed a rise in the cotton prices as they believed that the prosperity at large on the countryside would be the best guarantee for the prosperity of the mills in the post-war world when mills would again meet competition.

To continue the story of the control of cotton prices. On May 27, the Government of India suggested certain prices over which they did not recommend the mills to buy, that was Jarilla ¾" basis Rs. 550/-; Sind N. T. Rs. 725/-; and Punjab 289F s. 765/- etc. After that date, there were conferences regarding control over cloth, and about August 17 ceiling prices were fixed for certain varieties of cloth and yarn. Compared to these, the maximum rates which the Government had recommended for cotton were too low, or in other words, the margin between cloth and cotton was kept very high. The task of what had to be done regarding cotton in order that the next crop could be marketed in an orderly fashion came up before the Cotton Sub-Commit-

tee of the Textile Control Board that had been inaugurated. That Committee unanimously recommended a "floor" for cotton at Rs. 550/- basis Jarilla ¾" at which Government would buy cotton, and a ceiling at Rs. 700/- at which it could requisition. The Committee consisted of representatives of the trade, of the millowners as well as of the cotton growers. Strangely enough, whereas the Government accepted the recommendations as to the ceiling prices of cloth and yarn by the Industries Committee of the Textile Control Board, they did not accept this proposal of the Cotton Committee. Certain of the trade representatives who also had an interest in the mills stated that even at the ceiling levels recommended by the Cotton Committee, there was a very fair war-time prosperity margin between the prices of cotton and the ceiling prices of cloth. However, the Government of India turned down the proposals of the Cotton Committee and made counter-proposals reducing the floor and the ceiling levels to Rs. 400 and Rs. 550, and permitting trading in Futures between these levels. It was conveyed to the Cotton Sub-Committee that the Government of India would under no circumstances like to see a higher price of cotton than Rs. 550/- basis Jarilla ¾", and at the instance of the representatives of cotton growers, the Committee, with one dissentient, felt that they had no option but to accept the Government's proposals.

To conclude, the Government of India have come out very poor from the control that they have undertaken in regard to raw cotton. Rather than fix the price of the finished article and work down to the prices of cotton, they have chosen to fix these prices independently. This has naturally left a big gap in the prices of cotton and cloth, which is very much in favour of the manufacturing industry. The cotton cultivators' interests have been dealt with trifling. The argument that the higher prices of cotton would lead to switching over from food crops to cotton is not a sound one. It had been suggested long before from certain responsible quarters that the Government should fix, in view of the anticipated scarcity of food crops especially after the fall of Burma, a fairly remunerative rate for foodgrain crops and undertake to take over whatever foodgrain was offered at these prices. This would have saved requisitioning standing crops at low levels. The public, by the way, have not been benefited as the prices charged even under rationing in Bombay are, to say the least, exorbitant. However, such a step would have saved the ugly developments that have now taken place.

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FROM THE PROVINCIAL ANGLE

PROGRAMMES OF THE NEW MAYOR—NEED TO IMPROVE CORPORATION FINANCES —CO-OPERATION AND POST-WAR RECONSTRUCTION.

(From Our Correspondent)

THE question of housing the poor, a steady supply of wholesome milk to the City and the location of the cattle yards outside the City are the ambitious, but none-the-less important programmes of the new Mayor of Madras, Dr Syed Niyamatulla and these were outlined by him after the assumption of the office. These programmes are very closely related to the City Improvement Trust. The need for constituting such a body has been recognized by the Government and already a beginning has been made in that direction. But unless the slender finances of the Madras Corporation are strengthened, none of these programmes can succeed. Any improvement in the finances cannot be done by increasing the taxation as it is already heavy and therefore other ways and means must be found. But the Government must show greater sympathy, for, they have just now intimated the Corporation that they cannot accede to its request for a half share or a substantial share of the total of sales tax collected in the City to improve the finances. Likewise, a request to increase the Corporation's share of the proceeds from the entertainment tax has also been turned down. The Government have, however, agreed to compensate the Corporation for the loss of revenue under profession tax, brought by the legislation limiting the profession tax.

Grading System For Rice

If the proposals now being made by the Commissioner of Civil Supplies to introduce a grading system for rice and to have the "Agmark" labels on the bags of rice so graded materialize much of the criticism now being heard about the poor quality of the rice supplied will surely disappear. The Commissioner is inducing the rice mill-owners to mill a better quality rice. According to his proposal, there are to be two varieties of rice viz., "War Quality Special" and the "A" mark. In the former, trace of foreign matter other than rice will be negligible while in the other variety it will be about 0.25 per cent. The gradation will depend on the percentage of impurities contained in a bag and according to the sort of rice obtained in the various centres. As an inducement, the mill-owners are to be paid two annas and one anna extra per maund for the special and "A" varieties. To supervise and co-ordinate this work, it has been proposed to appoint an Assistant Marketing Officer with assistants at the various milling centres.

International Co-operators' Day

The City co-operators, both official and non-official, met last Sunday to celebrate the "International Co-operators' Day." Besides passing the usual resolu-

Bombay Letter

ANTI-PROFITEERING ORDINANCE—CONTROLLER GENERAL EXPLAINS GOVT. POSITION— INDIAN MADE CIGARETTES UNDER CONTROL.

(From Our Correspondent)

BOMBAY, Nov. 5.

MORE light was thrown on the Anti-Profiteering and Anti-Hoarding Ordinances of the Government by Mr. C. C. Desai, Controller-General of Civil Supplies at the Press Conference held in Bombay

affirming their faith in the ideals and principles of the co-operative movement and reiterating their promise to foster the movement, there was some stock-taking, so to say, of the movement in the province. The speakers at the meeting urged that in post-war reconstruction the co-operative movement is bound to play an increasing and important part and therefore its value should be made known to the public. Another aspect of the movement, it was pointed out, would be to develop producers' and consumers' co-operative societies. In this connection it would not be out of place to point out the rapid growth made by the large consumers' co-operative society in the province namely the Triplicane Urban Co-operative Society, more popularly known as the T.U.C.S. The value of the co-operative movement in the village economy was also emphasized by many speakers. There is of course no denying the fact that it is the best and most effective instrument for rural savings. The enthusiasm and the energy shown by the co-operators makes one feel that the motto "all for each and each for all" is really gaining ground in this province.

Surcharge On Rice Cancelled

In view of the improved seasonal conditions in the Ceded Districts, the Government have cancelled the surcharge on rice and paddy levied in May last. This surcharge was levied on the commodity purchased by the grain purchasing officers for distribution in the deficit districts of the province and was intended to meet the loss on millets which were imported at considerable expense from the distant surplus provinces and had to be sold at a loss, mainly in the Ceded Districts. But this is not likely to result in any gain to the consumers in the deficit districts.

Manufacture Of Standard Manure Mixture

To assist the cultivation of the potato crop in the Nilgiris in the season 1943-44, the Madras Government have decided to manufacture and supply a standard manure mixture. A scheme has been prepared to that end costing a recurring expenditure of Rs. 26.02 lakhs and a non-recurring expenditure of Rs. 1.23 lakhs. An increased output is expected out of this scheme. Regarding the plea of the cultivators and dealers to allot a liberal quota for exports, the official view seems to be that permits are being granted for the export of such quantities as are in excess of the internal demand. It appears that contractors supplying to the services have been pulling down the market taking advantage of the restrictions in export. But this has been checked by constituting a committee and purchases are now being made through this committee and the co-operative societies at the controlled rates.

ever, such an exemption was obtained from Government, the limitation of profits to 20 per cent. will apply in all cases. Shopkeepers will be directed to exhibit list of prices approved by the Controller-General and to sell only at these prices to *bona fide* consumers. Regarding the administrative machinery Mr Desai stated that the same will not be elaborate as he believed that the consumer in his own interest will co-operate with the Government in enforcing the Ordinance and that this co-operation will be more effective than any elaborate system of inspection. In case of proved profiteering severe exemplary sentences will be levied. In reply to the fears expressed by many that as a result of these Ordinance black markets may flourish, Mr. Desai said that as all shopkeepers cannot afford to close down their business and go in the black-market, to that extent the consumer will be relieved. However, in regard to the stocks obtained by the dealers at present high prices, the consumer will have to accommodate the dealer. One wonders whether this is not likely to create greater confusion. How is a consumer to differentiate between stocks bought at high prices and those imported later, inasmuch as retail stocks will not bear any markets?

Control Of Indian Made Cigarettes

The latest article to be included in the Anti-Profitteering Ordinance, is Indian-made cigarettes, and a notification issued yesterday states that all producers of cigarettes are directed to maintain records of sale transactions which have to be submitted to the Controller-General of Civil Supplies. The succeeding paragraph of this notification is somewhat disquieting, which says that the information should state the cost of production, how it has been arrived at, the margin of profit made on sales, and whether it will be possible for the producer to give for each tin the cost of production in order that the consumer might know what the selling price is under the Ordinance. This is actually asking the to reveal their entire trade secrets. Perhaps, it is not generally known that most of the brands that have a reputation in India, which are passing on the cigarettes under the guise that they are made outside India. Only the London address is marked on the packings. The small Indian companies that have sprung up, even before the war had to meet with severe and cut-throat competition from these foreign combines, and it is more than likely that these small Indian concerns will suffer as a result of this control.

Socialisation Of Lancashire Cotton Industry

A cabled summary states that the Committee of the United Textile Factory Workers' Association which

Bengal Letter

REPATRIATION OF DES TITUTES—B I T T E R CRITICISM OF GOVT'S POLICY—CLOTH PROBLEM STILL ACUTE—DEPRESSION IN JUTE INDUSTRY. (From Our Correspondent)

CALCUTTA, Nov. 13.

THE Government of Bengal are now engaged in carrying out a policy of repatriation of destitutes from the cities to the villages. The policy is to be given effect to in several stages. First of all, the destitutes are to be collected from the streets of the cities and removed to relief camps. After the destitutes are restored to health and vigour, they will gradually be transferred back to their villages. There is nothing wrong with the policy of repatriation as such, and the public realize the need for helping the destitutes to get

has been deliberating for 18 months, recommends socialization of the Lancashire Cotton Industry and drastic reorganization to meet post-war "foreign" competition, and provide security of employment. The Report calls for control of the Industry by a Government Board of 13 members with a Chairman who has proved himself an outstanding success in the management of large industrial enterprises. It also recommends compensation for those who have invested money in the industries, which means the shareholders. The present control should continue until the Industry should be completely socialized. The Report deals with the money for the modernization of the factories, which it states should not be raised from the public which has already lost large sums, but must come from the State if the Industry should be nationally important. The other recommendations of the Committee are rather ambitious and are a sample of their mentality. The Committee is anxious for stability in raw cotton prices and recommends an international committee of control to stabilize same. It would, therefore, appear that in order that the industry may thrive in Lancashire, it wants control over raw commodities which others outside U.K. produce. This much, however, can be said: the Lancashire Cotton Industry relied on itself to meet foreign competition, rather than try to control other peoples' products in order that it may thrive. The Socialist Report goes one better than the free competitive organization and wants control over the products of agricultural countries so that workers in U.K. can maintain high standards of living.

Bearish Trend In Bullion Prices

The Reserve Bank's policy regarding its gold offers caused in the beginning of the week a state of stalemate in the Bombay Bullion Market. Contrary to its usual practice, the Bank offered 30,000 tolas of gold on the 6th instant, even though it was Saturday. Hence there was a decline in prices due to bear selling and liquidation. While the bears thus felt encouraged, the policy of the Bank, refusing to sell at a lower level, made them hesitate. On the other hand, bulls were not enthusiastic as they knew that gold offerings will continue at higher levels. This deadlock was ended on Thursday in favour of the bears when the Reserve Bank showed its readiness to offer gold at Rs. 774-0 as against its offerings on Wednesday at Rs. 78-2 and on Tuesday at Rs. 78-14-0. It was evident to the market that the Bank's price limit was being revised according to circumstances. The bearish feeling in the market was further accentuated by the knowledge that latterly the ready position in the market has become easy and that the ceaseless flow of gold from the Bank may prove burdensome. Thus the week ended on a weak tendency in prices, gold having declined nearly Rs. 3. The latest quotations are: Ready gold Rs. 76-6-0; Ready guinea Rs. 52; Ready silver Rs. 120-6-0.

back to their villages under proper guidance. But the manner in which the policy of repatriation is being given effect to has evoked strong and bitter criticisms. Since this policy became operative, pathetic scenes of mothers being torn away from children, wives being separated from husbands by Government agencies charged with the task of enforcing the official policy have too frequently greeted the horrified eyes of Calcutta's citizens. Apart from the shock it has caused to the social conscience of Calcutta's people, it has to a great extent defeated the very purpose of the policy of

repatriation. The panic-stricken destitutes have run hither and thither in a desperate attempt to evade the clutches of official agencies engaged in rounding them up. They have taken shelter under bridges, in crowding *bustees*, or have simply rushed back to the villages. In so doing they have courted more suffering and starvation for themselves, but they have also hindered the Government policy of rehabilitating them in their rural environment according to a well-laid-out plan operating in distinct stages. Recently the Government have recognized the need for carrying out their humanitarian work of repatriation in a humane way, but this recognition should have come earlier.

Reconstruction Committee at Work

At a recent meeting the lines on which the Bengal Post-war Reconstruction Committee will work were indicated. The following subjects will come within the scope of the deliberations of the Committee: (a) agricultural policy with special reference to increasing the food supply of the province, (b) public health including rural and urban sanitation and water supply, (c) education including technical education, (d) transport with particular reference to road and water transport, (e) industrial development—cottage and heavy industries, including consideration of how war-time industries may be sustained after the conclusion of the war, (f) post-war employment, (g) provision of cheap electricity in the province, (h) town and village planning, (i) social security and (j) labour. The Chairman of the Committee, Mr. K. Sahabuddin, revealed at the inaugural meeting that the Government of India had advised the provinces to pursue post-war planning with the utmost resolution undeterred at this stage by financial considerations. In regard to the terms of reference of the Committee at least one vital point needs clarification, viz., what would be the nature of the correlation between the work of the Committee in regard to industries and the work which the Bengal Industrial Survey Committee are now engaged in doing. Unfortunately, the point was not clarified at the inaugural meeting of the Post-war Reconstruction Committee.

The Cloth Problem

The cloth problem in the province continues to be rather acute. The prices are ruling high and there is

Sind Letter

THE OMNIBUS ORDINANCE—COMMERCIAL CIRCLES DISSATISFIED—TRADERS AND RATIONING— RESENTMENT AT RAISING OF WHEAT PRICES.

(From Our Correspondent)

KARACHI, Nov. 12.

THE omnibus Ordinance lately promulgated by the Government of India to prevent hoarding and check profiteering has been received with great dissatisfaction in local commercial circles. While agreement is expressed with the necessity of the twin objects the Government have in view, it is stated that the Ordinance requires to be drastically amended before it could be expected to be workable in practice, without causing undue difficulties to the producers and stockists of goods. The Buyers and Shippers Chamber has submitted in this connection a very elaborate memorandum to the Commerce Department emphasising that the Ordinance, in order to become workable and practical, should, (1) apply only to the essential commodities in daily use (2) there should be no general clause as to the fixation of prices but that the Government should fix the prices and the maximum quantities to be held at a time, in consultation with the commercial community, so as to keep down the prices of such essential articles in the consumers' interest (3) though

still a noticeable shortage in supply. In view of the coming into operation of all-India textile control and the definite assurance given by Sir Azizul in the Central Assembly that cloth production has increased, the continuance of high prices and shortage in supply is a matter of surprise. This must be due to the defective operation of the system of distribution. In this connection reference need to be made also to the inadequacy in the supply of standard cloth. Quantities of this cloth that have so far been available in this city are hopelessly inadequate, but the position in this regard is worse in the mofussil.

Jute Industry

The jute industry continues to pass through a phase of depression and sub-normal activity. The electrically-operated mills are of course favourably circumstanced and are able to work according to the schedule being sure of the steady flow of supply of power. The position of even these mills is not, however, quite free from certain handicaps. In the past months, their production had fallen due to their attempt to adjust themselves to a uniform working arrangement along with the other mills. Apart from that, a recent manifestation of shortage in the supply of labour has put the mills at some disadvantage. Such shortage of labour is due partly to the diversion of labourers to more remunerative Government work and partly to the movement of labourers to their homes for doing harvesting work. But the disadvantage of the electrically-operated mills is considerably less than that of the steam-driven mills. The latter are far behind their schedule in the matter of the production of jute goods. While this has been the position as regards production, the stocks of the mills are rather above the level in September. This is attributable to poor shipment rather than to any decline in demand. The shipment difficulty again was partly due to the fact that particular classes of manufacture for which shipping space was available could not be produced. The slow rate of jute production has naturally tended to exercise a depressing effect upon all sections of the jute trade. The demand for raw jute has been poor, though, it appears, this has not caused a corresponding slump in the price of raw jute. The alternative crop of paddy has become remunerative enough to make the cultivators unwilling to part with jute at too low a price.

the Chamber is gratified that the time for the declaration of stocks has been extended by the latest announcement of the Director-General of Civil Supplies to the end of November, the retailers should be excluded from the scope of the relevant clause, as such provision would be unnecessary "when wholesalers who are responsible for most of the stocks, are required to make the returns," (4) with regard to the maximum stock limit for the producers the limits proposed under the Ordinance may unduly hinder production in many cases. The vast body of dealers would naturally make the application of several provisions of the Ordinance difficult, and in such circumstances, similar control on production, besides being prejudicial to industry would not be desirable even from the Government's own point of view. For the time being therefore no limit should be imposed on industries as to the quantities to be held by them at any one time, (5) an arbitrary limit for maximum selling prices of all commodities has been fixed, without taking into consideration the mechanism of trade and

the various intermediary stages relating to sales; the maxima ought to vary according to the different commodities and at each stage of distribution and (6) as regards the possession of excess stocks, it would be proper and fair to merchants if the Government allow a reasonable time to them to dispose of such stocks, as has been done in the case of the cloth trade.

Merchants and Rationing

It is understood that the Government of Sind intend to ask all merchants and dealers to declare their stocks of foodgrains which will be rationed. This is intended to prevent hoarding which might encourage black-marketing when rationing starts. It was expected to be introduced by next week but has had an unexpected setback. However, arrangements are going on on the part of the staff. The distribution of ration-cards is now being undertaken. For the purpose of supplying rationed articles to retail distributors, Government intend establishing three or four godowns of their own. Foodgrains, properly cleansed and sorted, would be delivered to these godowns by the two Foodgrains Syndicates. The setting up of the syndicates has been condemned by *mucoadums*. They say that, as a result of the monopoly of trading rights conferred by the Government on these syndicates, 3,000 *mucoadums* have been deprived of their livelihood and thrown out of employment. A census of disabled and destitute beggars is also proposed to be taken for giving them ration cards and house-holders are advised to get themselves registered with licensed retailers.

Wheat Prices

The Government of Sind are said to have lately requisitioned considerable quantities of wheat from

local merchants and it is feared that the control rate might be raised by one rupee shortly, with the result that wheat would be sold to the public at Rs. 9 a maund. Resentment at this move is expressed by the local commercial community. In order to encourage the cultivation of food crops, the Government have issued orders that no lease money should be charged to small land-holders already holding not more than 20 acres of land, who take up extra land for lease for *rabi* cultivation during the current year, subject to the conditions that wheat shall be grown in such lands, and that the land shall be taken up for the first time.

Hydro-Electricity

A project for the establishment of a hydro-electric power station at Tando Mastikhan on the left bank of the Indus is under consideration by the Electrical Department of the Government of Sind. At Tando Mastikhan lies a ten-foot waterfall in the Rohri Canal, one of the seven canals under the Llyod Barrage. The scheme which envisages the installation of a 2,000-kilowatt station for generating electric power in Upper Sind was recently scrutinized by Sir William Stampe. If launched during the war-time, it will be undertaken as an emergency measure to save charcoal energy, and is expected to assist industrial development. A notable scheme floated recently is a factory at Rohri for the manufacture of strawboard and paper. Government have granted a monopoly for a period of ten years to the promoters of this enterprise and permission to remove 15,000 tons of grass every year from Sind forests.

A DELHI DIARY

NEW DELHI, Nov. 18.

A GOOD deal of interesting information was made available in the course of the week's sittings of the Central Legislature. An assurance has been given that the entire expenditure of the South East Asia Command will be borne by His Majesty's Government. The reply to a question as to what arrangements have been made for supplies to non-Indian forces in India consequent upon the establishment of the Mountbatten Command yielded the assurance from the War Secretary that this matter is under active and careful consideration and that the need for safeguarding essential requirements of civilian consumers was fully realized. One of the important suggestions made during the Food debate was that if the Government of India would import the foodgrains necessary for feeding the troops, prisoners of war and others connected with the Defence Services, it would to some extent relieve the food position. It was an European member of the Assembly, Sir Frederick James, who complained of "extravagance" in New Delhi and "a good deal of waste in military circles." It remains to be seen what the new Viceroy proposes to do to rectify these anomalies. Even if India gets back all the foodgrains exported from the country since the outbreak of the war, it would be of material assistance in the present crisis. In this connection it may be mentioned that according to a statement made by the Commander-in-Chief, the total tonnage of foodgrains held by the military in Bengal, Assam and Bihar on September 30, 1943, was 28,574 and that "as far as can be ascertained none of this was bought locally in Bengal."

Certain sidelights on the present famine problem in Bengal were given by the Director-General of Food in the course of his answers in the Council of State. The annual pre-war net imports of paddy and rice into Bengal were 56,659 tons and 25,288 tons respectively. So far as the current year is concerned, he was not prepared to give information regarding dispatches to Bengal on account of the Defence Services but dispatches for civilian consumption during the ten months January to October were 537,100 tons of foodgrains (rice, wheat, millets and gram). Up to now, Australian wheat imported into India totals about 45,000 tons, of which about 35,000 tons have been allotted to Bengal. The total quantity of foodgrains dispatched to Bengal from other provinces and States since July 15 is 285,000 tons of which dispatches to districts amounted to 46,000 tons. It was also stated that the total dispatches per day to the districts from Calcutta is about 1,425 tons by rail and about 625 tons by river and road. In addition, about 400 tons of wheat products are being dispatched from the Punjab. As regards Orissa, it was said that about 126,000 tons of rice have been exported from Orissa since December 1942.

These figures have been the subject of a good deal of lobby talk in the Legislature. If supplies have been so heavy during the last few weeks, what is happening to them? Why should there be still so much of scarcity—and even starvation? It is clear that the need is still urgent for moving more foodgrains into the districts from Calcutta. In this respect the Army authorities who have now assumed a certain measure of initiative and control have been trying to improve the position, but until fuller and more explicit statements are given to the public by the Bengal Government, there is bound to be a good deal of dissatisfaction in the public mind. I may add that according to an official statement, stocks in Calcutta on November 1 on account of the Bengal Government were about 64,000 tons.

Another subject of lobby talk was the Government's policy in regard to imports of consumer goods from abroad. Somewhat vague statements were made by the Finance Member and the Commerce Member, but no detailed statement is yet available regarding the classes of goods or the quantities to be imported. It has occasioned some surprise that despite the country's dire need the Secretary of State still pleads shipping difficulties for fully availing of Canada's generous offer of 100,000 tons of wheat to India. Naturally there is some complaint that, though shipping space is being found for importing whisky and such other articles the need for getting foodgrains is being dismissed in this way. Then again there is the question—if the Government are prepared to import consumer goods, why do they not consult representatives of commerce and industry and see that there is no room for confusion or dislocation? The Finance Member, in a statement in the Assembly, mentioned that the consumer goods to be imported will be cycles and drugs. This raises an important question. One at least of the new industries which have sprung up in war-time—despite great difficulties—is the cycle industry. It has taken great strides forward already. And it is the claim of the industry that if the Government is prepared to give the necessary assistance, it can supply the entire needs of the country including the requirements of the Defence Services. If shipping space is available, it is the Government's duty to utilize it for bringing machinery and other materials necessary for extending the producing of Indian factories, but the Government appears to have suddenly decided to import cycles of British manufacture in large quantities into India. Owing to the subsidy which the British industry enjoys, it is able to bring these cycles into the Indian market at a price which gives it a particularly advantageous position. For instance, it would appear that though the price of a second-hand cycle in England is about £10, the export price of a new cycle is Rs. 86. Are the Government fair to these new Indian industries by importing these goods at this time instead of helping them to extend their own production? Though the need for consumer goods is not denied, it is necessary to impress upon the Government of India that their first duty is to increase Indian production and help Indian factories to increase their output to the advantage of the country.

The debate in the Council of State on Mr. Sapru's motion for building up funds for post-war reconstruction was not entirely valueless. The Government's spokesman was not prepared to commit himself to a financial policy or agree to make any bloc allotments now, but he appeared to realize the futility of going on preparing schemes without some idea of the finances involved and the measures necessary for finding the money. The Government have agreed "to keep in view the necessity of finding funds for the purpose." Among the many suggestions made in the course of the debate were the reservation of a part of the E.P.T. collections for post-war reconstruction, and the transfer of sterling securities in the shape of gold and silver as a nucleus for the fund. All that the Government undertook to do was to keep the plans ready and after considering the post-war situation as a whole decide which scheme should be taken up first. Lobby comment was critical of the speech. Some members felt that the Government's refusal to build up funds only showed that they were not serious about post-war reconstruction and wished to shift the responsibility to their successors.

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NEWS PAGE

The Eire Government have allocated a sum of £100,000 for famine relief work in India, the amount to be made available to us through the Irish Red Cross. This gesture has been widely appreciated.

On the invitation of the Government of India and with the consent of the Royal Society, of which he is Secretary, Prof. A. V. Hill, M.P., is expected to visit India in this cold weather to advise generally on problems of scientific and industrial research in relation to reconstruction problems.

Under the Hoarding and Profiteering Prevention Ordinance, all producers of cigarettes have been directed, by a *Gazette of India* Notification issued on November 13, 1943, to submit to the Controller-General of Civil Supplies, New Delhi, information stating separately, among other things, what the cost of production is and how it has been arrived at, what is the margin of profit made on sales and whether it would be possible for the producer to mark on each tin of cigarettes the cost of production in order that the consumer might know what the ceiling price is under the Ordinance.

It is understood that the total quantity of food-grains that have arrived in Calcutta between July 16 and end of October is 1,96,005 tons, which includes 1,75,700 tons under the Revised Basic Plan. These figures do not include arrivals direct into parts of Bengal other than Calcutta, nor do they include arrivals under the free trade period which are reported to be about 100,000 tons.

It was revealed recently that up to the end of June this year, the British Commonwealth had contributed about 1,171 million dollars to lend-lease. To this amount the United Kingdom has expended about 871 million dollars (£217.75 millions) and Australia, New Zealand and India have expended approximately 300 million dollars (£75 millions).

The Bombay Millowners' Association have sanctioned bonus equivalent to two months' wages to the operatives employed in the cotton mills in Bombay. It is estimated that the cost of bonus will be a little over Rs. 1.25 crores.

Socialization of the Lancashire cotton industry and drastic reorganization to meet post-war foreign competition and provide security of employment are recommended by the Committee of the United Textile Factory Workers' Association in their report which was considered by the Association recently.

Over 100,000 infants and nursing mothers throughout the worst affected areas in Bengal are being given milk daily out of supplies made available by the Red Cross authorities.

The Drugs Control Order, 1943, issued on November 11 by the Government of India regulates the selling prices and distribution of drugs and pharmaceutical articles imported and ordinarily prescribed by doctors or in popular demand. Though Government's objective has been a return to the pre-war prices, the control

prices, however, have shown an unavoidable general rise of roughly 33-1/3 per cent. over pre-war prices.

The Secretary of the U.S. Treasury, Mr. Henry Morgenthau, has announced that Russia has agreed to send a delegation to Washington to discuss plans for an international currency stabilization fund and a world-wide reconstruction and rehabilitation bank.

It is understood that arrangements have been made to dispatch 8,000 tons of rice immediately to Cochin and Travancore to relieve the rice position in these States.

Mr. R. J. M. Inglis of the London and North-Eastern Railway, and Col. J. A. Appleton, formerly of the Pennsylvania Railroad and now in the U.S. Army, will shortly pay a visit of a few months' duration to India at the invitation of the Government of India in order to place their experience at the disposal of Indian Railway Administration.

Locust control work was continued in northern Bikaner and the Minchinabad area of Bahawalpur during the latter half of October and large quantities of hoppers were destroyed. Work was also reported to be in progress in Ferozepur district.

In a reply given in the Council of State on November 17, it was stated that the value of purchases of cotton textiles by the Government of India during 1943-44 was about Rs. 72.21 lakhs; and of textiles other than cotton textiles about Rs. 14.43 lakhs.

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The United Nations Relief and Rehabilitation Administration

THE anxiety of the United Nations to plan ahead for the resuscitation, both in human and economic terms, of the nations ravaged by this total war found concrete shape when a formal signing ceremony at Washington on November 9 established the United Nations Relief and Rehabilitation Administration. It will be recalled that the first draft of the U.N.R.R.A. agreement was worked out in negotiation between American, British, Soviet and Chinese representatives in Washington and was placed before the other United Nations and associated nations in June last (reports the U.S.O.W.I.). Many suggestions were received both from these Governments and from consultations with the appropriate committees of the U.S. Congress. The text of the agreement was considerably modified and, on September 20, the new text was communicated to the various Governments with invitations to sign.

Purpose and Organization

The purpose of the U.N.R.R.A. is "to meet the basic needs of victims of the war in territories controlled by the United Nations, including areas liberated from enemy control and subject, of course, to military necessities." The administration "will plan, co-ordinate, administer and arrange for the administration of measures for the relief of victims of war through the provision of food, fuel, clothing, shelter and other basic necessities and medical and other essential services, and will facilitate, in the areas receiving relief, the production and transportation of these articles and the furnishing of these services, in so far as is necessary for the adequate provision of relief. Each member Government will contribute to the support of the administration to the extent its constitutional bodies determine." The Administration will have a Council, consisting of one representative from each member Government, which will be a policy-making body, meeting in regular session at least twice yearly and in special session whenever the central committee or one-third of the members so decide. This Council will have a Central Committee, composed of representatives of Great Britain, the U.S.S.R., China and the United States, which will, when necessary, make policy decisions of an emergency nature between Council sessions, subject later to reconsideration by the Council, with participation wherever possible by the States directly involved. The Council has three main committees. The committee on supplies consists of members representing the Governments likely to be the principal suppliers of relief. The committee for Europe consists of all members representing Governments within the European areas directly concerned with its problems. The committee for the Far East has a corresponding membership. Standing regional technical committees on problems such as nutrition, agriculture, health and financial arrangements will be created as deemed necessary by the Council. Operations will be under the Director-General, appointed by the Council on the unanimous nomination of the central committee and holding execu-

tive authority of the administration. Under him the international staff includes two Deputy-Generals for Europe and the Far East.

Among the reasons adduced by American spokesmen for the setting up of the U.N.R.R.A. are that civilian conditions behind the United Nations armies must be stabilized so that supply lines can easily be maintained, the health of our troops safeguarded and production quickly restored to help provide material and transport for the defeat of the enemy; that the future prosperity and security of the United Nations would be imperilled if the liberated areas had to endure prolonged starvation, unemployment, disease and other consequences of economic disorganization; that the quick rehabilitation of the economic systems in liberated areas may be as important means of cushioning the shock of post-war economic adjustments. The rehabilitation of war damage would help other people to help themselves in restoring normal conditions and enabling their countries to resume normal trade; and that the co-operation of all nations in the solution of this worldwide problem is desirable in order to distribute the burden and provide means for others to bear a fair share.

The U.N.R.R.A. is conceived as an emergency measure. Although the responsibilities will be heavy at first, they will decrease as normal conditions return until the Administration can be finally liquidated.

Indian Fears

The Government of India announced on November 10, that the Indian Agent-General at Washington also affixed his signature to the agreement on behalf of India, but subject to the reservation that the Agreement shall not enter into force with respect to India until it has been approved by the Indian Legislature. But apprehensions regarding the scope and effect of the Administration's work in so far as our partnership with it is concerned are being expressed from many quarters in India, though all these are in full sympathy with the humanism and constructive statesmanship which the U.N.R.R.A. embodies. These apprehensions have been set in precise terms in the course of a communication addressed in the matter to the Government of India by the Federation of Indian Chambers of Commerce and Industry. It asks for necessary assurances in regard to certain fundamental questions so that no liability of unlimited and unknown nature may be accepted by the country, through its becoming a signatory to the Agreement.

These fundamental questions are: (a) The criteria to be applied in recognizing the claim of a country for aid in regard to relief and rehabilitation should be clarified and embodied in the Agreement. It is also essential that full investigation, in regard to a country's claim to receive aid as well as in regard to its economic condition at the time of giving relief should be carried out by a suitable author-

ity and through an appropriate agency. (b) It should be made clear as to whether the aid to be provided by a country is going to be in the form of finance or materials equipment, or resources, free gift or a loan or sale so that people in this country may know to what extent India will be committed in regard to contributions that she might be called upon to make. (c) As India herself has experienced extreme scarcity and her population has undergone considerable privations in respect of many essential goods such as food, textiles, medicines and other basic necessities, it is essential that, so long as these scarcities persist in the country itself, India will not be called upon to provide or spare such articles to the Administration. And if any such contributions should be demanded from this country, the representatives of Indian commercial community should be consulted as they will be able to apprise Government in regard to conditions of availability of resources in the country. (d) India should be given representation on the Committee of the Council for the Far East, which will consider and recommend policies with respect to relief and rehabilitation within those regions. This question is vital because there are certain areas to which, on account of long-established traditions and connections, Indian people would deem it desirable to give aid in the first instance, e.g., territories like Burma, Malaya, etc. (e) When the rehabilitation takes place, the Governments in those areas should not be allowed to resort to methods of discrimination in providing relief or restoring property rights to the various sections of the population in those areas. The rights and privileges of Indian nationals in regard to relief and rehabilitation should be exactly on the same footing as that of the indigenous population in those areas. (f) The scope of relief and rehabilitation should be limited to resumption of agricultural production and the restoration of essential services. (g) Arrangement for procurement and assembly of necessary supplies for such relief should be made only through the country's own commercial

agency or agencies and not through such extraneous organizations as the U.K.C.C.

Since the above was written it is reported that India may have to pay a contribution of 35 million dollars.

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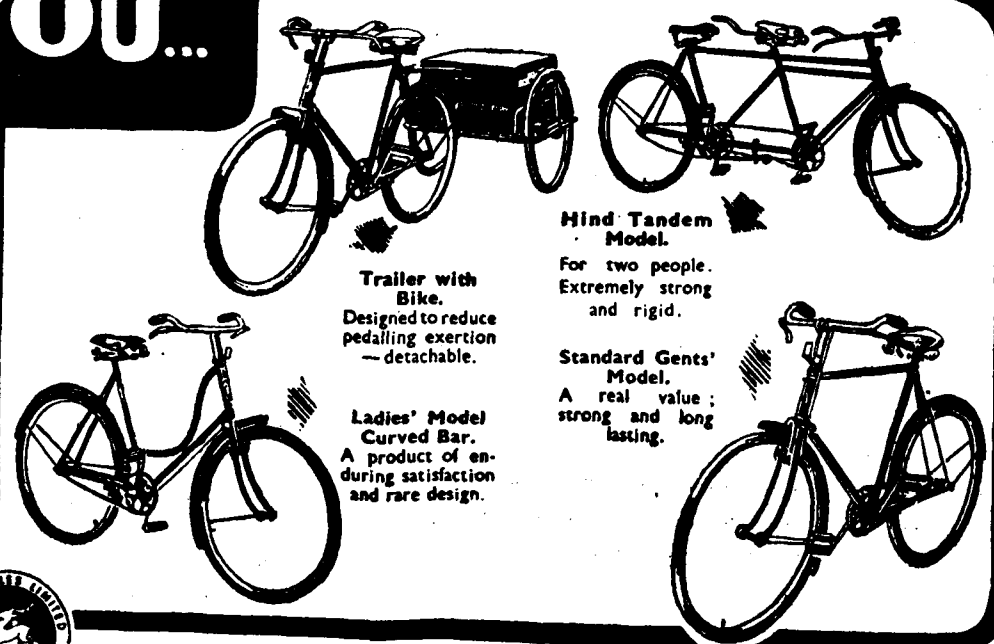
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GLEANINGS

MALDISTRIBUTION OF GOLD

The reported withdrawal of Argentine gold from the United States draws attention to the fact that Argentine, and Latin American countries in general, have improved materially their gold position during the war writes *The Financial News* (London): Many of them are likely to enter the post-war period with more or less substantial gold reserves far in excess of any they possessed at any earlier time. Although the United States may lose some of the gold through her adverse trade balance with Latin America during the war, she is certain to emerge from the war, with a huge increase of her gold reserve. Among the neutral countries, Switzerland, Spain, Portugal and Sweden have substantially increased their gold stock while Germany is understood to have accumulated large amounts of looted gold though she has lost some through her trade deficit with neutral countries.

Some of the occupied countries have succeeded in saving their gold stock or part of it from seizure by Germany, e.g., France, Belgium, and Holland. It is certain that Germany will be forced to disgorge her looted gold which will be handed back to its rightful owners. This will increase the holdings of France, Belgium, Holland and Czechoslovakia and the former will, therefore, in all probability enter the post-war period without a gold reserve followed by Italy and Japan. Among the Allies Great Britain's gold reserve is expected to be at a low ebb. Soviet Russia, having suspended gold production for the duration, may have only a relatively small reserve at the end of the war. Most liberated countries—other than these named above—will have little or no gold. China may have retained some proceeds of British and American loans. Some British Dominions on the other hand will have a stronger position than before the war.

Generally speaking the war will result in a substantial net increase of gold reserve of the Western Hemisphere at the expense of the Eastern Hemisphere and of Europe in particular. Taking the globe as a whole, maldistribution of gold which was such a troublesome question between the two wars will be worse than before. Nor is there any likelihood of correction of the maldistribution of gold through the normal process of international trade. On the contrary the trend will be towards accentuation of maldistribution in view of the increased requirements of Europe and Asia and of temporary decline in their capacity to produce for export. If the policy of the United States aims at creating a large surplus of visible and invisible exports, this itself would rule out the possibility of natural redistribution of gold. The only possible way out would be by loan arrangements covering amounts required over and above those for meeting current trade deficits in relation to the United States. Whether the country will be willing to make such arrangements remains to be seen.

ECONOMIC POLICY IN CHINA

The motive of economic enterprise, says Chiang Kai-shek in his book *China's Destiny*, must be to serve people through the most economic utilization of things. He quotes Mencius to elucidate his meaning. Mencius says that the Government must "regulate the wealth of the nation in such a manner that all men are able to support their fathers and mothers and feed their wives and children, and that in fat years every individual may have plenty while in lean years no person may starve to death."

Dr. Soong in a recent broadcast from the B.B.C., London, said that since 80 per cent. of China was agricultural, the main plank in Chinese post-war reconstruction would be the development of agriculture so that the ordinary man may have greater purchasing power. All heavy industries including those concerning public utility would be State-controlled. Provincial and county enterprises will be encouraged when such encouragement would enhance the comfort of the people. Private enterprises would be indirectly controlled only to provide for the welfare of labour. In all such enterprises, the policy of decentralization would be the governing basis so that if a particular industry in one part is destroyed, the same goods may be available from the other and also that the people may not be tempted to give up agriculture for wages. Foreign imports will be confined as far as possible, to heavy equipment of production so that finished goods may be available in plenty in the country itself. Thus, the main object be to provide the consumer with goods at the minimum cost and to produce all his necessities within the country. Such an achievement will certainly make for the greater happiness of the individual without breeding either too much capitalism or too much State dictatorship. The guiding principle throughout is the Aristotlean Golden Mean.

FLOODS LEADING TO FAMINE

The floods in the Damodar basin, mentioned in the White Paper as one of the major causes of the Bengal famine, were among the subjects discussed at the annual meeting of the Central Board of Irrigation which concluded in Simla on November 6 after a six days' session. The Board recommended measures to control soil erosion, as the floods were a direct result of years of denudation in the river catchment area. It was, however, emphasized that the problem was not merely a local one as soil erosion was occurring on a wide-spread scale throughout India. Mr. C. C. Inglis, Director, Central Irrigation and Hydro-Dynamic Research Station, Poona, described how the problem was largely one of excess sand and soil washed down from the hills and deposited in the plains, causing rivers to build up their beds and then breach their banks, thus flooding vast areas. If the excess sand washed down could be reduced it would be possible to control the rivers and make them scour their beds. This, he pointed out, would reduce flood levels and enable the rivers to carry all their sand to the sea. The solution lies in the afforestation and planned land management in the hills, particularly the foot-hills. It was described how land closed to grazing produced far more grass for local cattle and at the same time prevented soil erosion. By allowing grass to grow, the amount of rain running off land to cause floods is reduced by 60 per cent. and the loss of soil is reduced by nearly 100 per cent. Water is thus conserved, so that instead of adding to the floods, it seeps to the ground to augment the dry weather supplies used for irrigation.

The Board also considered ways and means of increasing the efficiency of irrigation systems with a view to making the available supplies irrigate a bigger area of crops. The need for having more rain gauges was also emphasized at the meeting. Before an irrigation project is taken up the supplies which can be expected have to be estimated from the data of many years. It was pointed out that in India there were insufficient rain gauges to give accurate data and that more gauges were required.

BOOK REVIEWS

THE ECONOMICS OF INDIAN AGRICULTURE
Part I, By Dr. B. V. Narayanaswamy and P. S. Narasimham, 1943 Rochouse and Sons Ltd., Madras.

The study of Agricultural Economics has not received its due place in the scheme of studies in our universities. The Royal Commission on Agriculture recommended that Agricultural Economics should be recognized as a separate subject in the degree course; But this is not enough, though essential. The subject should receive greater attention in the arts college curriculum and the Universities should encourage a closer and intelligent study of rural economics by our young men who elect to choose the subject for research. It is therefore necessary that suitable text books should be made available for the different stages of the study. Though there is no dearth of literature on agricultural conditions in India, much of the matter is scattered in the number of Government Reports and no complete up-to-date account of the economics of Indian Agriculture has been attempted to serve the purposes of College and University students. The authors of the Book under review, from their own experience as teachers of the subject have felt the need of the students and have attempted to provide the undergraduates of our universities with a text book which will not merely give the student a comprehensive survey of the economic problems confronting Indian Agriculture and their possible solutions but will at the same time present these with a proper theoretical background. In this, no doubt difficult task, they have succeeded in bringing out a handy and readable book on the Economics of Indian Agriculture, the first part of which has been now published.

Chapters I and II give the general background to the book explaining the need for a special study of rural economics and present position of Indian Agriculture. As indebtedness is at the base of rural distress, Chapter III is devoted to a thorough discussion of the causes of indebtedness, estimates of debts, and the measures taken by the State to afford relief. From this they pass on to the treatment of Agricultural Credit, first in its theoretical aspect in Chapter IV and, subsequently in Chapter V and VI to detailing the existing sources of rural credit, the agencies that supply credit and the methods adopted by them and their effects on Agriculture. It is not clear why the 'indigenous bankers' have been classified under "some minor agencies providing rural finance" though in their own words "they control more than 90 per cent. of the banking business of the country" and 'play a prominent part in the financing of the movement of agricultural produce.' The rest of the book, nearly half, is devoted to a review of the Co-operative Movement in India except the last Chap-

DEPARTMENT OF COMMERCE

Import Trade Control

The Government of India have published a Handbook on Import Trade Control containing a brief account of the Import Trade Control system at present in force in India. The Handbook has been compiled for the use of importers and contains in full the Government notifications concerning Import Trade Control together with complete copies of the various forms of application for import licences. Copies of the Handbook may be purchased from the Manager of Publications, Civil Lines, Delhi, at a cost of Rs. 2, or 3 shillings, each.

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ter which studies the role of the Reserve Bank of India in the provision of Agricultural finance. The authors incline to the view that only through co-operation can a reorganization of agriculture on more profitable lines be realized and have condemned the overcautious attitude of the Reserve Bank in implementing the provisions in the Statute regarding agricultural credit.

The second part, the contents of which are published in the book, is expected to cover the more important questions relating to the cultivation of land, irrigation, sub-division and fragmentation of holdings etc. on which particularly there is need for precise and fuller information. We hope the authors will make it fully informative as the first part which we commend as an easy handbook to the student as well as to the general reader.

BOOKS RECEIVED.

1. *Our Economic Problem*. By P. A. Wadia and K. T. Merchant, New Book Company, Hornby Road, Bombay.
2. *Bases of Peace in Hindu Political Economy* By Rabindra Lal Roy, 18 Ram Ratan Lane, Bha-galpur, Bihar. Price Rs. 3 or 6s or \$2.
3. *Food and Farming in Post-War Europe* By P. Lamartine Yates and D. Warriner, Oxford University Press, Price 3s. 6d. net.
4. *Report on Fairs, Markets and Produce Exchanges in India*. Manager of Publications, Delhi, 1943. Price Rs. 1-4-0 or 2s.
5. *India and International Currency Plans* By V. K. R. V. Rao, S. Chand and Co., Delhi Price Re. 1-8-0.
6. *Relief Deliveries and Relief Loans: 1919-1923*. League of Nations, Geneva, (Indian officer, New Delhi.)

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MONEY MARKET

(From Our Correspondent)

NEW DELHI, Nov. 18.

The only notable feature during the week has been the reappearance of the inflationary trend, despite all that has been said against it in the Central Assembly and Parliament. A fresh addition of no less than Rs. 9 crores has been made to the paper currency against Sterling securities and the total note issue of the Reserve Bank has crossed the 800 crore mark. There is no cancellation of Rupee securities on the present occasion of increase in the Sterling assets of the Reserve Bank as in the past, with a view to stave off a part of the increase in note issue incidental to the acquisition of Sterling.

The rise in the balances held abroad by the Reserve Bank's Banking department by over 21 crores and consequent total increase in its liabilities last week already foreshadowed the revival of the inflationary trend.

This increase in total note issue against Sterling despite the successes of the recent central and provincial borrowing and increased tax payment during the recent weeks is possibly in connection with Mountbatten's enterprise which may start this winter. The need for funds in the market continues unabated with the busy season. The deposits and advances of the Scheduled Banks have mounted up. The curtailment of the usual amount of Treasury Bills tendered for has failed to reduce the rate for treasury bills. The call money rates remained constant at ¼% at Bombay and ½ % at Calcutta.

Treasury Bills

Tenders for six crores of three months' Government of India Treasury Bills were opened on Tuesday, the 9th November, 1943. Total amount offered was 9.145 crores. The amount offered was proportionately higher for a reduced tender than that during the previous week. Yet the rate of 0-13-8 per cent. did not fall and it reflects a weak bidding for the tenders. Tenders at Rs. 99-12-9 were accepted in full

and those at Rs. 99-12-6 were allotted 57%. The amount tendered for next week is again only Rs. 6 crores. During the week ended 5th November Treasury Bills worth 1.68 crores were sold in favour of the Issue department.

Reserve Bank

Total note issue is now over Rs. 800 crores as compared to Rs. 791 crores previous week. Notes in circulation have risen by about Rs. 8 crores and those held in the Banking department by 1 crore. The Sterling Securities held by the Reserve Bank show a rise of Rs. 10 crores and stand at about Rs. 684.84 crores now. Silver coin is less by a crore on the assets side of the Reserve Bank. The percentage of Reserves to Liabilities has risen and is 91.151 in place of 90.924 of last week and is easily explained by the fact that the expansion in note issue has been less than the acquisition of Sterling assets. There is a fall in the total deposits of the Banking department of about a crore and it is now about Rs. 158.85 crores in place of Rs. 159.88 crores. But the deposits of the Central Government have risen from about Rs. 46.72 crores to about Rs. 49.51 crores and those under other Government accounts have risen from about Rs. 11.94 crores to about Rs. 13.37 crores, thus showing a total rise of nearly 5 crores in Government deposits. But this is offset by a fall of about 6 crores in Banking and other deposits. Increase of about a crore in the notes held and a decrease of nearly two crores in the balances held abroad are the only conspicuous features on the assets side of the Banking department.

Scheduled Banks

The rise in the deposits as well as in the advances continues. Demand liabilities stand at 472.97 crores in place of 467.32 crores of last week. The bills discounted show a rise of about Rs. 70 lakhs and the advances of about Rs. 42 lakhs. The balances with the Reserve Bank have gone down by about 5 crores but the cash in hand has risen by more than 2 crores. These changes are in accord with what might be expected with the advent of the busy season.

INVESTMENTS

(From Our Correspondents)

BOMBAY, Nov. 17.

The stock exchange rules steady and unexciting. It is passing through a period of relative stability. Bullish sentiment is absent, but one cannot yet boldly ascertain that a down-trend has set in. General working of the industries does not warrant any major decline in share prices. This is not to say that factories are not experiencing difficulties of various kinds, for example, coal shortage is growing, collieries find both labour and wagon in short supply and jute mills are thereby compelled to run for three weeks in a month. Recent reports of jute mills show reduction in profits and dividends. Anglo-India has declared a dividend of Rs. 7-8 for the half-year against Rs. 10 previously; Reliance has lowered it from Re. 1-8 to Re. 1-4; Fort Gloucester from Rs. 15 to Rs. 12-8 and Gourepore from Rs. 20 to Rs. 17-8. Cottons mills which run on coals are also threatened. Bombay mills are run by electricity, but Ahmedabad mills are faced with this danger. Sugar factories are meeting with other obstacles despite gur control. Gur prices are so high that it pays the cultivator to convert cane into gur rather than sell cane to the factory. Mysore sugar, South Bihar sugar, Nizam sugar and several other factories crushed less than normal cane on account of this difficulty. Deccan factories mostly grow

their own cane, but partially depend upon outside cane. Recent reports of these factories show higher profits than in the previous year, though cane supply was not plentiful. Belapur has declared a dividend of Rs. 9 as against Rs. 6 last year. For the current season price of sugar is raised by Re. 0-13-0 per Bengal maund and cane prices in U.P. and Bihar raised by Re. 0-2-0 per maund, that is, factories dependent upon outside cane will have to pay roughly Re. 1-4-0 more for cane while they will realize Re. 0-13-0 more for sugar. They will be at a net disadvantage compared to last year, but they will be assured of better cane supply in future. The reports of U.P. and Bihar sugar factories received recently show excellent results; Champaran sugar manufactured over 5 lakh maunds of sugar. Its recovery was also excellent at over 11.75%. Out of a profit of 20 lakhs a sum of Rs. 11 lakhs was set aside for taxation. Dividend declared for the year is Rs. 3 (against Re. 1-8-0) at the current rate of Rs. 45 (face value Rs. 10) cum-dividend. The share yields well over 6%. Other units of Begg Sutherland group have also done well. Balrampur has paid a dividend of Re. 0-8-0 (against nil), Samastipur Re. 1 (against Re. 0-8-0) and Ryam Rs. 2 (against Re. 0-8-0). Balrampur manufactured 2½ lakh maunds of sugar, i.e., much below its capacity on account of cane shortage. Samastipur's crushing was very good but on account of a bad standard year nearly 6 lakhs out of 10 lakhs has to be set aside for taxation. Balrampur is quoting Rs. 17-8, Samastipur Rs. 21 and Ryam Rs. 40.

MADRAS, Nov. 14.

The Government Securities market remained steady and only minor changes in prices have been seen. A fair volume of business was reported during the week. Three and half per cent Paper was rather easier at Rs. 97-6. Three per cent. Loans were quoted Rs. 98-4. Four per cent. Loans 1960-70 were steady at Rs. 111-14. The new Funding Loan was quoted Rs. 98-4 against the issue price of Rs. 98-8. There was little change in either Provincial Loans or State Loans. There was very little good scrip offering in the Fixed Interest Securities, though the demand continued as strong as ever. A few plantation debentures and preferences were offered and were readily absorbed. There was very good demand for Bank shares and all the principal shares have substantially gone up in value. Reserves closed with buyers at Rs. 126. All the shares of the Indian Banks moved up to Rs. 297, Rs. 146-8 and Rs. 76-8. Indo-Commercials on continued good demand found buyers for the "B" shares at Rs. 27 and "C" shares at Rs. 56-8. Mysore Banks found buyers at Rs. 413. Imperials and Centrals were also active. Activity in textile shares was somewhat sub-

dued and the trend was a little uncertain though no real weakness appeared. Buckingham and Carnatics were done at Rs. 302-8. Mettur Industries fluctuated round about Rs. 300. Radhakrishnas improved to Rs. 432. Most of the other shares were sticky at the last quoted rates. Business was on a small scale in the Planting section. Cochin-Malabars were steady round about Rs. 18. Rajagiris have declared a final dividend of 7½ per cent. making 12½ per cent. which is 5 per cent. higher than last year and the shares were quoted Rs. 17 cum-dividend. Thirumbadis were easier and movements in Midlands were narrow. There were more enquiries for tea and coffee shares than rubber shares. Highland Produce were marked up to Rs. 46. O. Valleys were firmer at Rs. 15-12. Peermades, Periakarmalais and United Nilgiris were other active shares. The miscellaneous section was dull except a few selected scrips. Bruntons continued to be active and the shares were taken up to Rs. 17-8. Spencers were placed at Rs. 12-4. Sugars and Chemicals were other active counters. A large volume of inquiries for Mysore Papers lifted up the price rather suddenly from Rs. 26-8 to Rs. 30 and there was still buying interest at the close.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, NOV. 15.

Cotton

The high-light of the week has been business with U. K. after a lapse of 18 months. It is reported that about 15 thousand bales have been sold, mostly of the 4F varieties. Trading in Bombay has been a tame affair, and prices have moved within very narrow limits between Rs. 450 and 454, for I.C.C. Jarilla Jan. Mill demand has been very poor. There has been persistent selling pressure from the upcountry by way of hedge sales. The delay caused by the Government of India in making arrangements for the import of Egyptian cotton, has led the mills to cover their requirements from the stocks already lying in Bombay. This firmed up Egyptian quotations. The East African quotations are also steady, and estimates of the crop have gone down. The new crop Uganda was estimated at 3,50,000 bales, but it is now believed that it would be only about 2,25,000 bales.

Copra

The Government of Bombay have issued an Ordinance prohibiting export of copra or coconut oil or copra cake from any place within the limits of Bombay City and the Bombay Suburban District, to any place in India outside the limits of the City and the District except under a licence.

Simultaneously, Government have issued another order under which every person is required to furnish every Monday to the Director of Civil Supplies (Statistical Section) a full and correct statement in a prescribed form of the stocks of copra, coconut oil and copra cake held by him in Bombay City and the Bombay Suburban District on his own account or on account or in partnership with any persons on the Saturday immediately preceding such Monday if such stocks amount to the quantities specified below: Copra 15 maunds or more; coconut oil 10 maunds or more; and copra cake 5 maunds or more.

Groundnuts

The Ministry of Food during the last three weeks bought 55,000 tons of groundnuts. In the local market business in Khandesh quality November/December Bombay was done at Rs. 17-4-0 for Dec/Jan. from Rs. 17-0-6 to 17-2-0 and for Jan/Feb. at Rs. 16-15-0. Madras quality was sold at Rs. 16-15-0 to Rs. 17/- in Madras Marmagao, business in Dec/Jan.

was done at Rs. 17-2-0. The attention of the local merchants is centred round not so much on the groundnuts market as on the groundnut oil market. The interest in the oil market has been due to phenomenal rise in the price of groundnut oil at Rajkot which is one of the principal centres of groundnut oil markets in India. All over India prices of groundnut oil have been firm, but the rise in the Rajkot market is said to be due to cornering of groundnut oil there. It is for this reason that the spot price in Bombay is much higher than the forward quotation.

Linseed

Some business in bold linseed was done on Bazar terms at Rs. 15-8-0. Oil quotations:—

Groundnut oil ready	Rs.	11	0	0	per	qr.
" " Dec.		10	2	0	"	"
" " Jan.		10	0	0	"	"
Copra oil		10	6	0	"	"
Linseed oil		11	8	0	"	"
Castorseed oil		11	12	0	"	"

Cloth

The tone of the market has been firm in keeping with the healthier activity experienced during Diwali holidays. Demand was not so active as consuming centres were only gradually coming in for purchases. Export trade has been on a limited scale. Local buying has been on a rather bigger scale and this has led to an improvement in prices of greys, bleached and fancy cloths. It is expected that after the announcement of the revised "ceiling" prices, the situation would improve further. The ruling rates in Leopard cloths are a little better, the basis for 39," 41," 43" and 45" being Rs. 2-5¼ o Rs. 2-5½ a pound.

Sugar

The Government of India have increased the prices at which sugar factories should sell sugar by annas 13 per maund. In consequence, the Bombay Government have revised the maximum wholesale prices of crystal and crushed sugar in Bombay City and suburban districts as below:—

Crystal (per maund of 82.27 lbs) big grain Rs. 17-6-9, medium grain Rs. 17-4-9, Small grain Rs. 17-2-9, and crushed grain Rs. 16-14-3.

The retail prices of crystal and crushed sugar have accordingly been increased from Rs. 0-6-6 per 2 lbs. to Rs. 0-6-10 per 2 lbs., and from Rs. 0-6-3 to 0-6-7 per 2 lbs. respectively. Retail prices of lissa sugar have been increased from Rs. 0-7-6 to Rs. 0-8-0 per 2 lbs.

MADRAS, Nov. 14.

The groundnuts market was a little better than last week. Arrivals were meagre due to difficulties of transport and this probably accounted for the slightly firm market. Firms bought fair quantities during the week. The quotations improved from Rs. 75 to Rs. 75-8. It is reported that the British Ministry of Food again bought about 16,000 tons for export from the East Coast and West Coast at £34-15-0 for delivery ninety days. It is stated that the Ministry are further interested and have invited offers. The oil market ruled weak and quotations declined from Rs. 160 to Rs. 158. It is reported that the Commissioner of Civil Supplies has permitted the exports of oil already contracted for. A quota, it is stated, will be fixed for exports during the current groundnut season. The cake market continued to be firm round about Rs. 140. Due to the restrictions in the inter-district movements and paucity of transport facilities, arrivals were practically negligible. Demand continued to be good but as supplies were poor business done was of a small volume. According to official figures, the area sown with groundnut up to September 25, 1943 is estimated at 2,911,000 acres. When compared with the area of 2,799,200 acres for the corresponding period of the previous year, it shows an increase of 4 per cent.

Yarn

The yarn market was active during the period under report. There was brisk demand from weavers and a fairly good turnover resulted. In spite of this, quotations were unchanged due to the weight of stocks of yarn manufactured in August last and which should be sold before the end of the month. Railway bookings from Coimbatore were closed for the major part of the week and hence arrivals were poor. The new ceiling prices are awaited with interest and it is reported that one prominent South Indian Mill has entered into selling contracts at the ceiling rates to be fixed by the Government.

HAPUR, Nov. 15.

The Urad market generally ruled easy. However, at the opening time today the prices turned

steady owing to profit coverings and on groundless rumours that the Government have issued permits to some traders for the exports of some *Khattis* of Arhar. Almost at every soar, the bears were very active and augmented their sales. The traders are expecting further easiness in prices. Urad Magh opened at Rs. 11-6-6 and closed at Rs. 10-14-1½ as against Rs. 11-8-9 last weekend. The highest and the lowest peaks touched during the week were Rs. 11-8-3 and Rs. 10-11-6 respectively.

Juwar

A two-sided sentiment is in evidence in the *juwar* market. The former part of the period being steady in unison with higher Punjab advices, while the latter quiet and easy in the absence of traders' activity. The volume of business was smaller than Urad, and fluctuations were insignificant. *Juwar* Poos opened at Rs. 6-9-6 and closed at Rs. 6-6-9, touching the highest and the lowest levels at Rs. 6-10-9 and Rs. 6-5-2¼ respectively.

Gur

The tone of the market was quietly easy. The arrivals of new *Gur* have begun to increase and it is expected that they would increase more as the cultivators have finished sowing operations of *Rabi* crops. The U. P. Government have fixed the price of sugar cane at Re. 0-12-0 per maund f.o.r. Sugar Mills.

Grains

The grain markets remained quiet with fluctuations confined to narrow ranges. Prices are expected to decline further. The arrivals of peas have again begun to increase, the daily average being 500 maunds. Demand from the outside stations continue to be small. Today the wheat stock in pits is placed at 180 *Khattis* against 8 *Khattis* a year ago.

The following are today's quotations: Wheat: Ready Rs. 12-4-6, Gram Ready Rs. 10; Stock 4 *Khattis*; Barley, Ready Rs. 7-4; Stock 9 *Khattis*. Peas, Ready Rs. 9-15; Stock 100 *Khattis*; Arhar, Ready Rs. 8-10-0; Stock 269 *Khattis*; *Juwar*, Ready Rs. 6-5; *Gur*, Ready Rs. 10 to Rs. 11-4-0; Raw Sugar, Ready Rs. 10.

COMPANY NOTES

THE CENTRAL INDIA SPG. WVG. AND MFG. CO. LTD.

The latest annual report of the Company for the year ended 30th June, 1943, shows total trading profit, after provision for taxation, at Rs. 24.09 lakhs as against Rs. 19.05 lakhs in the previous year or an increase of Rs. 5.04 lakhs. And it is plain that the gross figure was correspondingly higher, so also provision for taxation. The amount set apart for depreciation has remained same as last year, though post-war replacement needs might be higher as war-years roll on with the mill machinery strained to the utmost, and reserves for the year have shown a slight decline as against last year, so that, although other charges are much higher, there is an increase in equity earnings from 22.5 to 33.2 per cent. The trend of profits over the last three years is analysed in the following table:—

	(Years ended 30th June)		
	1941.	1942.	1943.
Gross profit	14,18,909	61,30,249	97,67,143
Provision for taxation	2,50,000	42,25,000	73,58,000
Depreciation	4,00,000	6,00,000	6,00,000
Net profit	7,68,909	13,05,249	18,09,143
Dividend on pref. shares ..	2,50,000	2,50,000	2,50,000
Ordinary shares:—			
Earned, after taxation, depreciation and dividend on preference shares	5,18,909	10,55,249	15,59,143

Earned per cent. to ordy. capital	11.7	22.5	33.2
Paid (NET)	4,68,750	6,56,250	11,71,875
Paid per cent.	10	14	25
Reserves	50,000	3,91,429	3,70,000
Carry Forward	12,800	20,370	37,641

The accounts for the year under review show considerable improvement in turnover, both in cloth and yarn, which amounted to Rs. 346.36 lakhs as against Rs. 274.59 lakhs in the previous year. Sales also, recorded an increase of Rs. 62.22 lakhs to Rs. 301.37 lakhs, but balance of stock on hand showed a slight rise. It may be noted that sales of yarn have aggregated Rs. 98.36 lakhs or a rise of Rs. 17.26 lakhs as compared with last year.

Investment in Government Securities and cash on hand and with banks amounted to Rs. 37.59 lakhs last year. Gross block stands at Rs. 186.45 lakhs against which there is provision for depreciation to the tune of Rs. 117.61 lakhs leaving a net block of only Rs. 68.84 lakhs. Total capital of the Company is Rs. 96.88 lakhs, of which Rs. 50.00 lakhs forms preference capital and the balance ordinary. Reserve funds have accumulated to Rs. 38.50 lakhs or about 82.1% of ordinary capital.

CURRENT STATISTICS

BANK OF ENGLAND

	Nov. 10, 1943	Nov. 3, 1943	Nov. 11, 1943	Aug. 3, 1939
(000's omitted)				
Total Bullion	1,943	1,975	1,651	263,700
Public Deposits	9,600	6,100	7,200	31,100
Other Deposits	209,100	205,300	191,500	129,100
Of which Bankers' Deposits	156,900	152,800	142,900	90,100
Govt. Securities	176,800	163,300	174,200	113,100
Other Securities	17,400	17,900	21,300	17,900
Of which Discounts and Advances	1,300	1,000	2,500	6,400
Notes and coins	41,100	46,900	18,500	34,200
Notes in Circulation	1,010,900	1,005,000	863,200	529,500
Ratio of Reserve to Liabilities	18.77%	22.18%	21.38%	9.28%

U. S. FEDERAL RESERVE BOARD

	Nov. 4, 1943	Oct. 28, 1943	Nov. 1, 1942	Aug. 31, 1943
(000's omitted)				
RESOURCES:				
Total Reserves	20,261,000	20,293,000	20,862,000	14,660,610
Total Bills				
Discounted	39,000	13,000	11,000	6,190
Bills bought in open market				550
Total U. S. Government Securities	9,476,000	9,291,000	4,551,000	2,426,190
LIABILITIES:				
Federal Reserve Notes in actual Circulation	15,760,000	15,521,000	11,302,000	4,609,280
Deposits—member Bank Reserve Account	12,069,000	12,005,000	12,211,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note—Liabilities combined.	67.9%	63.3%	82.4%	83.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON NOVEMBER 5, 1943

ISSUE DEPARTMENT

	Rs.
Notes held in the Banking Dept.	9,42,68,000
Notes in circulation	790,62,18,000
Total Liabilities	800,04,86,000
Total Notes issued	800,04,86,000
Assets	
A. Gold Coin and Bullion:—	
(a) Held in India	44,41,43,000
(b) Held outside India	631,83,96,000
Total of A.	729,25,39,000
B. Rupee Coin	12,46,91,000
Gov. of India Rupee Securities	58,32,56,000
Internal Bills of Exchange and other commercial Paper	—
Total Assets	800,04,86,000
Ratio of Total of A to Liabilities: 91.151 per cent	

BANKING DEPARTMENT

	Rs.
Capital paid up	5,00,00,000
Reserve	5,00,00,000
Deposits:—	
(a) Government	
(1) Central Government of India	49,50,60,000
(2) Government of Burma	1,14,20,000
(3) Other Government Accounts	13,33,56,000
(b) Banks	66,39,56,000
(c) Others	8,20,10,000
Bills Payable	2,84,91,000
Other Liabilities	7,41,79,000
Rupees	158,84,72,000

Assets

	Rs.
Notes	9,42,68,000
Rupee Coin	9,46,000
Subsidiary Coin	1,29,000
Bills Purchased and Discounted:—	
(a) Internal	—
(b) External	—
(c) Government Treasury Bills	—
Balances held abroad *	138,90,87,000
Loans and Advances to Governments	10,00,000
Other Loans and Advances	7,20,66,000
Investments	3,09,76,000
Other Assets	—
Total	158,84,72,000

* Includes Cash and Short term Securities

ISSUE DEPARTMENT COMPARATIVE STATEMENT

	Nov. 5, 1943	Oct. 29, 1943	Nov. 6, 1942	Sept. 1, 1939
(000's omitted)				
Held in the Banking Department	9,42,63,	8,95,70	9,94,45	35,04,49
In Circulation	7,90,62,18	7,82,08,95	5,27,36,90	1,62,13,17
Total Notes	8,00,04,85	7,91,04,55	5,37,31,35	2,17,17,66
A. Gold Coin and Bullion	44,41,43	44,41,43	44,41,46	44,41,53
44,41,46				
Sterling securities	6,84,83,96	74,83,95	59,50,11	3,40,83,39
Total of A	7,29,25,39	7,19,25,39	1,03,91,57	3,85,24,82
B. Silver coin	12,46,91	13,45,66	75,87,11	19,67,07
Rupee securities	58,32,56	58,32,60	37,38,98	1,32,39,46
Silver bullion under Coinage	—	—	—	—
Percentage of Reserve to				

BANKING DEPARTMENT COMPARATIVE STATEMENT

	Nov. 5, 1943	Oct. 29, 1943	Nov. 6, 1942	Sept. 1, 1939
(000's omitted)				
Cash	9,53,43	9,12,67	10,03,53	35,15,27
Balances held abroad	138,90,87	140,53,85	86,31,12	10,98,33
Investments	7,20,66	6,81,66	6,65,65	6,81,34
Bills Discounted:				
(a) Internal	—	—	—	—
(b) External	—	—	—	—
(c) Government of India Treasury Bills	49,97	59,45	1,15,67	—
Loans and Advances to the Government	10,00	—	—	31,00
Deposits:				
(a) Government	63,93,36	59,90,93	14,54,16	14,89,43
(b) Banks	66,39,56	71,79,66	68,13,10	26,91,43
(c) Others	8,20,10	10,69,96	3,93,60	1,24,37

STERLING PURCHASES

	Total Amount Purchased.	Average rate.
(000's of £)		
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.
August	8,546	1sh. 6d.
September	8,371	1sh. 6d.

IMPERIAL BANK

(In 000's of Rupees)

	Nov. 5, 1943	Oct. 29, 1943	Nov. 6, 1942
Liabilities—			
Subscribed Capital	11,25,00	11,25,00	11,25,00
Capital paid-up	5,62,50	5,62,50	5,62,50
Reserve Fund	5,75,00	5,75,00	5,70,00
Fixed Deposits, Savings Bank, Current and other Accounts	196,60,50	197,72,81	153,88,51
Loans against securities per Contra	—	—	—
Acceptances for Constituents	—	—	—
Sundries	1,43,43	1,34,81	1,00,05
Total	209,41,43	210,45,12	166,21,06
ASSETS—			
Government Securities	132,57,09	124,90,71	97,47,67
Other authorised investments	2,59,45	2,19,56	1,27,42
Loans	12,73,56	12,93,55	8,51,97
Cash credits	20,92,67	21,37,50	14,31,81
Bills Discounted and Purchased	2,66,52	2,29,29	1,97,71
Liabilities of Constituents for Acceptances per contra	—	—	—
Dead Stock	1,72,29	1,72,29	1,75,96
Sundries	1,13,19	1,05,40	98,28
Bullion	—	—	—
Balances with other Banks	1,83,26	1,61,89	4,42,24
Cash in hand and with the Reserve Bank of India	33,23,40	41,95,13	35,17,93
Total	209,41,43	210,45,12	166,21,06

SCHEDULED BANKS

Comparative Statement

	29-10-1943	22-10-1943	30-10-1942	1-9-1939
(In thousand Rupees)				
Demand Liabilities in India	467,32,36	472,58,84	326,54,83	134,36,49
Times Liabilities in India	138,71,02	137,95,52	103,32,89	102,24,34
Cash in India	19,89,46	21,59,73	12,77,00	6,69,92
Balances with Reserve Bank	70,37,81	66,20,34	66,83,98	25,17,19
Advances in India	154,28,28	150,36,98	80,24,20	101,52,16
Bills discounted in India	4,83,66	4,47,04	1,92,81	3,37,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue Dept.
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	—	9,80,00
" 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
" 21	15,84,25	8,00,00	0 13 5	—	3,46,00
" 28	20,10,75	8,00,00	0 13 6	—	4,79,50
Oct. 4	15,86,50	8,00,00	0 12 6	—	2,06,50
" 12	12,28,00	8,00,00	0 12 6	—	5,22,00
" 19	14,57,00	8,00,00	0 12 1	—	5,40,76
" 25	12,86,00	8,00,00	0 12 9	—	3,18,00
Nov. 2	10,70,50	8,00,00	0 13 8	—	3,19,00
" 9	91,450	60,000	0 13 6	—	16,800

MATURITY OF OUTSTANDING TREASURY BILLS

AS ON OCTOBER 31, 1943

Date of Maturity.	Amount (00's of rupees)	2nd Dec. 1943	7,80,25
3rd "	—	—	15,25
4th "	—	—	4,50
5th Nov. 1943	6,50	—	—
6th "	7,63,75	—	—
7th "	29,75	—	—
8th "	—	—	—
9th "	—	—	—
10th "	—	—	—
11th "	—	—	—
12th "	—	—	—
13th "	—	—	—
14th "	—	—	—
15th "	—	—	—
16th "	—	—	—
17th "	—	—	—
18th "	—	—	—
19th "	—	—	—
20th "	—	—	—
21st "	—	—	—
22nd "	—	—	—
23rd "	—	—	—
24th "	—	—	—
25th "	—	—	—
26th "	—	—	—
27th "	—	—	—
28th "	—	—	—
29th "	—	—	—
30th "	—	—	—
31st "	—	—	—

SUGAR POSITION FOR SEASON 1942-43

(Figure in towns)

Producing Area.	Production up to 31-10-43.	Despatches during the period 22-10-43 to 31-10-43.	Progressive total of despatches from 1-12-42 to 31-10-43.	Percentage of progressive despatches to production.	Physical stock as on 31-10-43
U.P.	6,13,243	14,607	5,41,214	88.3	72,029
Bihar.	2,37,671	7,858	1,99,171	83.8	38,500
Bombay	77,221	1,113	69,351	89.8	7,870
Madras.	34,390	901	29,126	84.7	5,264
Punjab.	6,579	45	6,278	95.4	301
Bengal.	16,537	698	16,530	87.9	2,007
N. W. P. P.	3,167	11	2,560	80.8	607
Orissa.	2,092	3	1,864	89.2	228
Sind.	2,008	81	1,795	89.4	213
Indian States.	81,004	658	74,690	91.5	6,914
Total.	10,74,512	26,175	9,40,579	87.5	1,33,933

N. B. Balance physical stock of 1941-42 sugar as on 31-10-43 was 2892 tons.

INDUSTRIAL DISPUTES IN INDIA

Period	Number of strikes.	Strikes in which wages were raised.	Workers involved.	Days lost.	Successful.	Partially successful.	Unsuccessful.	Indefinite.	In progress
Total for 1942—	654	381	8,20,495	32,93,027	84	164	303	5	98
Provisional	—	—	—	—	—	—	—	—	—
July 1942	43	27	46,550	1,52,437	4	20	16	3	—
August 1942	117	41	1,63,115	11,97,826	12	10	76	—	19
January 1943	103	51	1,00,271	4,41,813	14	46	37	—	7
February 1943	60	35	46,520	1,91,410	7	20	24	1	8
March 1943	61	41	46,553	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	20,975	97,958	3	7	18	6	50
June 1943	48	22	32,238	1,12,531	7	13	19	2	5
July 1943	40	26	19,103	73,096	6	14	9	3	8
August 1943	29	13	14,888	36,426	5	4	5	12	3

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																
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	106	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	119	136	208	119	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	108	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	223x	110	107	149	268	106	113	138	291	110	124	155	279	110	120	148	267	108	111	121	176
May	106	116	135	214	105	112	141	271	103	107	142	234	109	108	155	299	111	113	145	317	112	122	158	309	101	113	155	278	108	110	123	177
June	106	116	145	224a	110	114	152	289	104	111	149	252	108	114	175	336	109	116	160	381	116	126	178	317	100	109	162	275	109	111	131	183
July	108	120	160	225	108	121	160	288	104	115	153	266	109	126	190	341	108	120	181	361	119	134	199	312	102	114	166	275	109	115	136	185
Aug.	109	125	160	227	107	126	168	..	104	118	158	266	112	130	203	..	111	125	183	354	117	131	202	319	102	120	177	..	110	117	140	185

*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. ||Base: Year ending June 1936. x Revised figure.
Nagpur and Jubbulpore do not include housing.

(a) Figures from June onwards relate to the calendar month and not to the month ended 15th June as before.

INDEX NUMBERS OF WHOLESALE PRICES BY GROUPS OF ARTICLES

BOMBAY					CALCUTTA				
(July 1914=100)					Prices in July 1914=100)				
Commodities	No. of Items.	July '43.	June '43.	July '42.	Commodities	Sept. '43	Aug. '43.	Sept. '42.	Sept. '39.
Cereals ..	7	196	196	187	Cereals ..	530	572	177	86
Pulses ..	2	216	217	155	Pulses ..	450	449	186	99
Sugar ..	3	246	248	192	Tea ..	137	106	169	142
Other Food ..	3	280	283	171	Other Food Articles	582	579	349	125
All Food ..	..	234	235	179	Oilseeds ..	341	323	161	106
Oilseeds ..	5	172	183	118	Mustard Oil ..	273	239	..	81
Cotton, Raw ..	5	94	94	94	Jute, Raw ..	119	113	76	90
Cotton, Manu- factures ..	6	297	333	186	Cotton, Raw ..	186	176	108	75
Other Textiles	2	83	83	83	Jute Manufactures	195	194	129	102
Hides & Skins	3	99	98	99	Other Textiles (Wool and Silk) ..	202	196	162	110
Metals ..	5	740	760	722	Hides and Skins ..	95	95	82	67
Other M & W Manufactured Articles ..	4	232	232	226	Metals ..	301	297	273	147
Food ..	..	234	235	180	Other Raw and Manu- factured Articles ..	236	211	146	95
Non-food ..	..	275	284	249	All Commodities ..	349	345	196	106
General Index ..	..	260	267	225					

CAWNPORE*

(August 1939=100)

	Oct. '43.
Food ..	390
Fuel and Lighting	374.3
Clothing ..	405.7
House Rent ..	100
Miscellaneous ..	250.6
General cost of living index	349

*Working class cost of living index.

BANGALORE*			
(Base year=100)			
Particulars	June 1943.	May 1943.	June 1942.
Foodgrains and Pulses ..	314	257	168
Oil and Oilseeds ..	276	277	156
Other Food Articles ..	287	284	178
Textiles ..	356	377	156
Others ..	338	310	197
General Index Numbers ..	313	295	175
*Compiled by the Department of Industries and Commerce, Mysore.			

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

				Pre-war (1939)			
				Rs. a. p.			
Commodities	Grade & Quality	Market	Unit	This Week.	Last Week.	A Year ago.	(1939)
Rice (not in husk)	Kalma	Calcutta.	per md.	..	..	9 14 0	4 14 0
Wheat	Basmati Sela	Amritsar.	..	20 8 0	20 8 0	..	..
	Average quality.	Karachi.	..	8 0 5	8 0 5	5 15 0	..
		Hapur.	..	12 5 0	12 5 0	..	..
		Lyallpur.	..	10 12 3	10 13 6	5 1 0	2 5 0
Sugar	Marhowrah Crystal No. 1.	Cawnpore.	..	15 5 6	15 5 6	12 3 6	9 15 0
Sugar raw (Gur)	Chikna best quality.	..	..	8 8 0	..	..	..
Tea	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 15 0	0 10 5
	For home market	Calcutta.	..	0 9 2	0 9 2	0 15 6	0 4 4
Potatoes	Pahari Haldwani	Cawnpore.	per md.	20 0 0	18 4 0	..	..
Groundnuts	Bold.	Bombay.	per 500 lbs.	..	95 0 0	49 15 0	..
Groundnut Oil	Expeller	Madras.	per 500 lbs.	160 0 0	160 0 0	..	..
Castor Oil	Average	Madras.	per 500 lbs.	205 0 0	205 0 0	145 0 0	..
Coconut Oil	Average	Madras.	38 lbs.	17 8 9	17 6 9	..	..
Castor seeds	Average	Bombay.	per candy	17 8 0	17 6 9	13 4 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	..	16 12 0	11 7 0	6 13 6
Mustard	Toria 9% admixture.	Karachi.	(656 lbs.)	96 0 0	95 8 0	61 12 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F	..	..	..	..	..	..
	(Punjab) R.G.	Karachi.	per 784 lbs.	..	461 0 0	..	..
	Jarilla 3/4"	Bombay.	per candy	..	..	..	..
Cotton Piece-goods.	Grey Dhoti	..	44"x10 yds.	7 12 0	7 12 0	..	..
	Markin 11 lbs.	..	43"x38 yds.	26 6 2	26 6 2	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	..	..
	No. 20s.	..	..	17 8 7	17 8 7	13 5 4	3 12 10
Jute	Raw Firsts.	Calcutta.	per 400 lbs.	73 0 0	71 0 0	53 0 0	41 8 0
Jute Bags	B. Twills 2 1/4 lbs.	..	per 100 bags.	67 12 0	67 12 0	50 0 0	28 13 0
Wool (raw)	Kandhar (cleaned)	Karachi.	per md.	60 0 0	60 0 0	50 0 0	32 0 0
Cow hides	Best quality (Agras)	Calcutta.	per 20 lbs.	10 8 0	10 8 0	10 8 0	8 8 0
Goat skins	Best quality	..	per 100 pieces.	130 0 0	130 0 0	120 0 0	115 0 0
Tanned Hides	Best quality (cow)	Madras.	per lb.	1 3 6	1 3 6	1 3 6	0 12 0
Tanned Skin	Best quality (goat)	..	..	2 5 0	2 5 0	1 15 0	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 9	5 4 9	5 5 3	3 13 3
Coal	Selected Jharia (best).	..	per ton into wagon.	10 8 0	10 8 0	6 8 0	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 500 lbs.	..	..	142 0 0	43 8 0
Cement	Indian Swastika.	Calcutta.	per ton f.o.r.	..	60 0 0	44 0 0	..

* January.

CROP FORECASTS

FINAL FOR THE SEASON 1942-43

Crop and Forecast.		Tracts comprised in the figures and percentage of Indian crop represented by them.		Estimated Area	preceding year (100= figure of same date preceding year).	Final figure 1941-42.	Estimated Outturn	Per cent. of preceding year (100= figure of same date preceding year).	Final figure 1941-42.
				Acres.		Acres	tons		tons
Castor seed.		Practically all castor-growing tracts.		1,352,000	141	958,000	147,000	162	91,000
Rice.		About 98 per cent. of the total rice area.		74,919,000	102	73,579,000	24,533,000	97	25,351,000
Rape and Mustard.		A little over 95 per cent. of total rape & mustard area.		5,784,000	93	6,204,000	1,043,000	96	1,089,000
Linseed.		94 per cent. of the total area.		3,408,000	102	3,348,000	411,000	114	361,000
Wheat.		98 per cent. of the total wheat area.		34,298,000	101	34,039,000	10,971,000	109	10,037,000

RURAL RETAIL PRICE INDEX NUMBERS*

During the months April to June 1943.
Base January 1943=100.

Name of Centre.	Cereals.			Pulses			Other articles of food.			All articles of food.			Lighting. Fuel and			Clothing.			Miscellaneous		
	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June	April	May	June
Eastern Zone																					
Bamra (Orissa) ..	111	132	181	106	129	150	109	118	126	108	122	139	129	129	129	121	142	158	100	105	116
Malbang (Assam) ..	138	184	241	120	120	120	108	118	132	112	123	139	105	107	106	144	150	150	119	138	148
Rajapur (Bengal) ..	270	324	300	94	127	123	97	107	111	106	121	124	98	98	105	124	143	148	119	145	153
Shankargarh (U.P.) ..	107	139	158	120	141	159	98	99	107	106	123	136	+	+	+	133	143	137	112	108	107
Sonalli (Bihar) ..	210	262	272	104	107	109	108	121	135	113	142	154	87	81	81	130	153	187	132	136	126
Northern Zone																					
Multapi (U.P.) ..	114	133	142	116	133	125	117	126	129	116	129	130	89	89	+	112	120	105	180	200	205
Nana (Jodhpur) ..	68	71	67	102	102	115	91	94	103	89	92	101	128	105	126	130	133	126	113	143	143
Salamatpur (Bhopal) ..	118	142	132	109	115	117	100	105	102	104	114	110	99	105	100	149	127	136	142	164	175
Shujabad (Punjab) ..	104	135	125	96	105	107	95	104	111	98	115	115	94	95	96	135	156	141	111	128	117
Gujar Khan (Punjab) ..	101	121	124	92	108	107	94	109	120	85	110	117	97	92	91	131	146	128	104	117	122
Southern Zone																					
Krishna (Hyderabad) ..	130	136	144	103	101	109	117	121	129	118	122	130	+	+	+	130	133	130	123	125	111
Lakh (Bombay) ..	106	113	133	97	104	106	98	110	110	98	109	111	+	+	+	135	135	119	121	127	118
Malur (Mysore) ..	107	107	107	126	130	130	113	118	120	115	118	120	88	88	88	143	170	179	124	143	145
Muniguda (Orissa) ..	110	110	110	113	113	121	105	105	104	107	107	108	86	86	86	143	146	149	107	104	104
Kudchil (Bombay) ..	120	130	150	105	128	142	116	122	124	115	124	129	+	+	+	129	136	122	121	149	202

*Provisional Figures.

As the price quotation for certain items in this group are not available for Index Numbers for the group concerned are not given.

STOCKS AND SHARES

BOMBAY (Nov. 16)—

GOVT. SECURITIES—

	This week	Previous week
	Rs. a. p.	Rs. a. p.
2½% 1948-42 ..	99 10 0	99 11 0
3% 1949-52 ..	102 5 0	100 11 0
3% 1951-54 ..	100 11 0	100 2 0
3% 1963-65 ..	100 0 0	98 4 0
3½% G. P. Notes ..	99 14 0	97 6 0
3½% 1947-50 ..	98 0 0	103 6 0
4½% 1960-70 ..	111 13 0	111 13 0
4½% 1955-60 ..	115 8 0	115 8 0
3% 1946 ..	102 5 0	102 5 0
3% 1944 Defence Loan ..	106 3 0	106 3 0

TEXTILES

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Ahmedabad ..	492 8 0	496 4 4
Bombay Dyeing ..	1957 4 0	1,961 4 0
Central India ..	464 0 0	406 0 0
Century ..	941 0 0	946 0 0
Colaba Land ..	244 0 0	246 0 0
Indian Bleaching ..	229 0 0	238 0 0
Gokak ..	341 8 0	346 0 0
Kohinoor ..	628 0 0	634 0 0
Phoenix ..	697 8 0	702 0 0
Simplex ..	280 8 0	281 0 0
Swadesh ..	611 0 0	605 0 0
Vishnu ..	2,665 0 0	2,660 0 0

MISCELLANEOUS

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Alcock ..	557 8 0	560 0 0
Bombay Burma ..	425 0 0	425 0 0
Belapur Sugar ..	263 8 0	258 0 0
Bombay Burma New ..	154 12 0	154 12 0
Bombay Steam ..	650 0 0	667 0 0
Bombay Tramway ..	159 0 0	159 0 0
British Burma Petrol ..	3 0 0	3 0 6
Scindia Steam ..	36 3 0	36 11 0
Shivrajpur ..	74 5 0	73 0 0
B. I. C. ..	6 10 0	6 10 0
Tata Chemical ..	33 8 0	33 8 0
Tata Oil ..	83 2 0	83 2 0
Tata Power ..	1,845 0 0	1,850 0 0
Andhra Valley ..	1,835 0 0	1,862 0 0
Tata Hydro ..	196 0 0	198 0 0
Tata Steel Ord. ..	396 8 0	398 0 0
Tata Steel Defd. ..	1,906 4 0	1,935 0 0
Premier Construction ..	209 0 0	195 8 0
Indian Iron ..	35 10 0	36 0 0
Burma Conforation ..	3 11 0	3 14 0
Associated Cement ..	222 0 0	222 4 0

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Indian Copper ..	2 9 0	2 10 6
Tata Steel 1st Pref. ..	222 0 0	222 8 0
Tata Steel 2nd Pref. ..	153 0 0	154 8 0

BANKS

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Central ..	85 12 0	85 7 0
Imperial (Fully Paid) ..	1,890 0 0	1,892 8 0
Imperial (Party Paid) ..	469 6 0	468 12 0
Reserve ..	129 0 0	129 12 0
India ..	198 0 0	198 12 0

CALCUTTA (Nov. 15)—

JUTES

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Champdany ..	212 0 0	212 0 0
Anglo-India ..	392 0 0	392 0 0
Howrah ..	65 0 0	64 8 0
Kamarhatti ..	552 0 0	555 0 0
Barnagore ..	166 0 0	166 0 0

STEELS

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Kumardhuli ..	8 4 0	8 4 0
Steel Corporation ..	27 0 0	27 1 0
Jessop (Ordinary) ..	21 7 0	21 7 0
Burn ..	397 0 0	397 0 0
Bhartia Electrical Steel ..	16 1 0	16 1 0

TEXTILES

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Elgin ..	96 0 0	96 0 0
Cawnpore Textile ..	14 13 0	15 0 0
New Victoria ..	10 7 0	9 9 0
Muir ..	15 11 0	16 2 0
Kesaram ..	15 11 0	16 2 0

MINES

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Burma Corporation ..	3 9 0	3 11 0
Consolidated Tin ..	2 10 0	2 10 6
Indian Copper ..	2 10 0	2 9 0

SUGAR

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Belsund ..	13 0 0	13 2 0
Samatipur ..	21 1 0	22 2 0
Carew ..	27 4 0	26 14 0
Balrampur ..	17 8 0	17 0 0

MISCELLANEOUS

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Indian General Navigation ..	125 0 0	125 0 0
Dalmia ..	17 8 0	17 10 0
Rohas ..	32 0 0	32 2 0
Titagarh ..	27 2 0	27 15 0
Alumunium Corp ord. ..	18 8 0	18 8 0

TEAS

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Beradighi ..	65 8 0	65 8 0
Dimakushi ..	50 8 0	50 8 0
New Sarai ..	29 4 0	29 4 0
Hasimara ..	117 0 0	117 0 0

COALS

	This week	Previous week
	Rs. a. p.	Rs. a. p.
Raneegunj ..	33 4 0	33 4 0
West Jamuria ..	33 4 0	33 4 0
Bokaro and Ramgarh ..	31 12 0	31 12 0
Barrakar ..	24 5 0	24 5 0
Equitable ..	44 4 0	44 4 0

THE EASTERN ECONOMIST

Vol. 1

NEW DELHI, NOVEMBER 26, 1943

No 28

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Utilisation of Sterling Assets

MUCH misunderstanding and confusion still prevail among certain sections of opinion both here and abroad as to the precise nature, significance and ownership of the sterling assets accumulated by India since 1939. We examined the thesis of those who hold the view that these assets in the hands of the Reserve Bank of India are currency reserves held as backing to the enormous volume of notes issued in India, that they can be used for currency purposes only, and that, therefore, they cannot be regarded as credits available to the country in the sense that they may be used for capital construction and equipment in India. Such a view, in our opinion, fails (1) to take note of the magnitude of the sums involved and (2) to distinguish between the mechanism of a thing and its real content. If the reserves are of the order of about Rs. 100 to 200 crores which a trade deficit of three or four years can wipe out, they should certainly be regarded as not available for other than currency purposes. But the magnitude involved is of the order of Rs. 700 to Rs. 1,000 crores, and no amount of external factors operating after the war and no degree of incompetence and indifference on the part of the monetary authority in India can wipe out these large reserves in any short

period of time. Secondly, and this is of greater importance, the Reserve Bank is only the nominal holder of these assets and certainly is not entitled to dispose of these assets in any manner it chooses. It came to acquire these assets by a process which has been rightly condemned by every section of public opinion in the country, and if it is allowed to use them as it likes, it will constitute a double wrong. The Government used the mechanism of the Reserve Bank for a purpose not contemplated or envisaged when the Act was framed. Instead of raising public loans on behalf of the British Government which should have limited the scale of their expenditure in India to the proceeds of such loans, the Government of India exploited the machinery of the Reserve Bank to finance British expenditure without having or raising funds therefor by a mere process of issuing notes against sterling in England; thereby one of the worst forms of inflationary finance came to be adopted under cover of legal sanction. This was the first wrong. The essence of the transaction was that forced savings have been inflicted on the population and especially on those sections whose money incomes did not increase or declined. They have undergone the privation and sacrifice, the

obverse of which represents the credits which India has made to Britain. These involuntary savings have been the source of the sterling credits which Britain has virtually obtained from us. They belong, therefore, to the community and Government as representing the community may claim ownership, not the Reserve Bank. If, therefore, the Government act on the assumption that these assets are currency assets and belong to the Bank and, therefore, adopt a deflationary policy likely to fritter them away, that will be a second wrong against the community, and we should warn them against it.

There is, however, one important difference between the way in which India has become a creditor and that in which other countries have so emerged. When, for example, during and after the last war U.S.A. became a creditor nation, the people of the country had surpluses and credits which they either directly or indirectly with the help of their Government lent abroad. This is not the way that we have lent to Britain in the present war. Had the Government of India been able to raise sufficient loans and used them for lending to Britain, the process would have been similar. It could then be said that those who were holders of the rupee loans corresponding to the sterling credits were virtually Britain's creditors. But that is not the case. The owner of the sterling balances is really the Government (ignoring the legal form whereby they are held by the Reserve Bank) and not the people. This is in striking contrast to the usual manner in which one nation lends to another or becomes a creditor to another. The vast sums that Britain owes to India are not owed to any particular sets of individuals but only to the Government who, in turn, have absolutely no liability to any sets of individuals in India. The sterling credits are thus the Government of India's to be utilized in any manner they like. They represent vast external sums on which no interest is payable but on which interest may be exacted. This apparently happy position has been rendered possible by the Government's simple method of raising sums by inflation which, carrying with it no liability to repayment, as ownership cannot be traced to particular individuals and on which, of course, no interest is payable. Thus have the Government, in contrast to the people, become the owners of our loans to Britain.

We have dwelt on this point at some length because a clear understanding of it is essential for examining all proposals for utilizing the resources. Some have warned the Government that these balances should not be used or wasted in assisting sectional interests, the idea being that certain sections of the community, e.g., the business men, industrialists and so on, might make a demand on them thereby depleting them. Surely this is a misreading of the position. All business men and industrialists who desire to replace their worn out plants or to reconstruct have every right to ask the monetary authority to convert their rupee capital which they may have or will raise into the necessary foreign exchange to buy the necessary equipment. For what else does the Reserve Bank exist except for this obvious purpose? But by so doing no resources can be frittered away. The Bank will only replace one asset by another. If sterling is replaced by rupee assets, the latter will be available to Government for their schemes of reconstruction, public works or any other works of capital outlay. It may be argued that the providing of foreign exchange is itself an act of grace and that discrimination should be made as to which of the demands of private business should be met. Without going into the larger question as to the advisability of exchange control after the war, it may be said at once that any grant of sterling or foreign exchange after the war

need not be at the expense of the accumulated sterling credits. Each year the country secures by its exports a quantum of foreign exchange more than adequate for all its normal import purposes. We had a normal surplus balance even after payment of interest on sterling debt. Now that the sterling debt has been wiped out, the surplus, if any, should increase, and this would be sufficient for all the normal demands of private industry. If more is required, then the conversion of sterling assets into rupee assets would become necessary, but, as has been said, they could be utilized by the Government as usefully and beneficially as sterling assets.

But is this the real issue? Is it all a question of whether the sterling resources are likely to be used for sectional interests, whatever that might mean? Is not the real danger this, that Government, having absolutely no plans for the use of such large resources which have come into their hands, are likely to waste them by adopting a most dangerous deflationary policy? The very fact that the Finance Member is still thinking of these assets as currency reserves indicates that danger. We have, let us again repeat, Rs. 700 crores, which may increase to Rs. 1,000 crores, of sterling assets. A portion should be set aside as reserve to maintain exchange stability. It should not exceed about Rs. 200 to 300 crores; because if more than this amount is said to be needed, it can only mean that our exchange rate is wrong and must be revised. We cannot afford to repeat the blunder of propping up an exchange rate out of equilibrium. Hence the remainder of these assets amounting to about Rs. 500 to 700 crores is absolutely the possession of Government. How are they going to use them? What plans of rebuilding and re-equipment, establishment of new industries, financing existing industries, whether Government-owned or private, do they have? In framing their own plans, they must have a picture of the whole of our economy. They should know what the industrialists themselves are proposing to do and build up their schemes of expansion and reconstruction in the light of the gaps and deficiencies likely to be found in the proposals submitted by private industry. Above all, there are vast schemes of capital construction in agriculture, public utilities, basic and other essential industries awaiting development which Government alone are fitted to undertake. The social benefits which should be created by Government's reconstruction schemes including outlay on education, sanitation and public health must be adequate to the heavy sacrifices which Government's war finance has imposed upon vast sections of the community.

The war may end at any time, sooner than one may venture to hope, and perhaps suddenly. It is, therefore, imperative that we should be ready with our plans of reconstruction. Not merely with plans of reconstruction, but also with definite economic and financial policies to be adopted at the end of the war. The sudden cessation of Government's demand and of their expenditure may cause a serious decline in price. Many may be thrown out of employment. Demand for war products will stop. Any rapid decline will spell disaster. No one can argue that the present high level of war-time prices is about right or should be continued. But one wrong does not justify another. We must avert the calamity of a sudden and rapid fall of prices. If levelling down of prices is necessary, it should be done gradually and smoothly. One way of guarding against a catastrophic fall is to maintain consumer purchasing power by lengthening out the process of demobilization and dismissals after the war. War bonuses and pensions should be continued for quite a considerable period. Industry and agriculture should be assured of minimum prices for their products. It is not possible to outline all the details within the space of this article. But it will be clear to all that the problem is

not insoluble. What is required is not the constitution of indifferent advisory committees, but the setting up of two or three wholtime committees, small in size, consisting of experienced business men and officials, who will sit continuously and hammer out policies and programmes. One Member of the Government should be wholly engaged in this task. It cannot be said that the Government of India as a whole (with one or two individual exceptions) have either the capacity or the

desire to get themselves ready with plans of economic reconstruction. In the result India, having suffered all the pangs of hunger and distress during the war, will benefit little after the war on account of Government's acts of commission in the one case and of omission in the other. What the country asks of the Government is a definite plan which can effectively utilize the sterling resources which have been built up by painful sacrifices.

World Capital Bank

BOTH the Keynes Plan and the White Plan recognized that international schemes for currency and exchange stabilization formed but one part—and by no means the most important part—of the total problem of international economic reconstruction. Both plans emphasized also that it would not be wise to charge a single international agency with varied responsibilities for dealing with all the difficult and complex aspects of international economic problems. If the currency and exchange problems were given priority, it was mainly on consideration of convenience, since the general scheme adopted in this sphere, would, in a large measure, set the context in which other international economic objects and their institutional implementation could be viewed. One of the objectives which has been generally regarded as essential for the balanced development of the international economy, was the need for more rapid development of the hitherto backward areas of the world. For the continued backwardness of these regions constitutes a heavy drag on the development of world commerce and so of prosperity of the world as a whole. The *cliché* that if the Chinese peasants wore their shirts one inch longer, all the problems of the British textile industry would be solved, contains an important element of truth. The realization of the truth that the prosperity of one sector of the world economy must inevitably be retarded by the backwardness of another important sector of the world, led both the White Plan and the Keynes Plan to stress the necessity of a separate institution to take up the responsibility of supplying medium-term and long-term loans to help a more rapid development of economic low pressure areas. For neither the Stabilization Fund nor the Clearing Union could extend these long-term loans; they were competent only to give short-term accommodations to correct temporary disequilibrium. The currency plans have stirred up great controversies, but when recently the United States gave out some details of their proposals for a world capital bank, they received only general notice. Yet the proposed Bank must have particular bearings on India as constituting one of the major backward areas of the world.

The capital resources of the Bank will be so great that when established, its operations must necessarily have decisive influence on international economic relations. The issued capital would be \$10,000 million, being 50 per cent. paid-up and 20 per cent. being paid in gold, either immediately or in regular instalments over 10 years. The Bank can issue its own debentures and issue notes, subject to a gold reserve of 50 per cent. The Bank will encourage private financial agencies to provide long-term capital for the sound development of productive resources of member countries, but since no private financial agency could possibly possess such huge financial resources, supplemented by power to issue debenture and notes, the Bank's voice may in practice be dominant. Each member country will have a minimum share-holding, determined in relation to its respective national income and voting power of the member countries in the administration of the Bank, will be closely related to their share-holdings.

The national incomes of the backward countries are necessarily comparatively small, and consequently, although one of the primary objectives of the Bank is the development of the backward countries, these countries will be meagrely represented in the board of administration, which will be dominated by two or three big countries. This may not be of great importance in the case of the colonial countries which have not yet gained their political independence. But in the case of independent backward countries, e.g., China and possibly also India, these may naturally evince suspicion in accepting any international credit extended to them, if these credits are coupled with terms and conditions which (even if they do not appear immediately harmful) are suspected to be the opening wedge of international economic penetration in those countries. If, on account of these suspicions, those countries refuse to avail themselves of the benefits extended by the Bank, the utility of the Bank itself will be seriously reduced.

The Bank itself is linked with the United Nations Stabilization Fund, in the sense that nobody who was not a member of the latter could be a member of the former. This clearly raises the question how far the two institutions are compatible in their operations. It is argued that the greatest cause of international economic difficulties is the fact that the distributions of the different factors of production are not in consonance with one another. Thus, for example, the distribution of labour through the world is not in conformity with the distribution of capital. The remedy consequently is that either labour must migrate to capital or capital must migrate to labour. This does not mean, however, that if the Bank lends international capital to these backward, populous countries, international economic difficulties would tend to smooth out. For, although capital moves, the ownership of capital does not. For this reason, as international lending proceeds, demand for foreign exchanges in the reverse direction and consequent strains on the foreign exchange market, tend to be piled up. Further, as the process of industrialization of the backward countries proceeds, purchasing power in those regions rises, and consequently, the income elasticity of demand for imports varies. We cannot say *a priori* whether it would rise or fall. For, although the demand for some of the simpler manufactures may fall, on account of the new ability of the countries to supply them from domestic resources, the demand for higher grade industrial products and raw materials from abroad is also affected. There is no reason to imagine why these varied and contrary pressures should cancel out at any moment or should tend to cancel out over the medium period or long period. The reasons why in the nineteenth century in spite of considerable overseas investments, reasonable international equilibrium prevailed were, firstly, income elasticity of demand for imports was high; secondly, considerable part of the growing annual income in the shape of interests and dividends of foreign capital was annually ploughed back into commerce and industry in the foreign countries instead

of being remitted to the lending country; and finally, the surplus on the current account was habitually lent abroad.

Once the industrialization of the backward areas has been achieved, it is very likely that we shall have discovered a new system of equilibrium in our international economic relationships. But it would be a remarkable coincidence, on which we cannot count, if the period of industrialization will itself be characterized by continuous attainment of equilibrium. It is, of course, ensured that in extending a loan to any country or in the Bank's guaranteeing any credit, the Bank will have the soundness of the investment project thoroughly examined. We are told that the "decisions of the Bank will be based exclusively on economic considerations." But the problem of liquidity in this connection has, at least, two aspects. The investment project must be "self-liquidating" not only in the *internal* sense but also in the *international* sense. Even in the narrow commercial sense, an investment may be "paying" and self-liquidating in the internal sense, but, it does not follow that it is also self-liquidating in the international sense. For while from the point of view of a particular industry or firm an external loan will be justified the moment it is assured of its capacity to earn a dividend after providing for the interest on such external loan, from the point of view of the country the problem is not solved until the interest can be transferred abroad. That will depend upon how far the other sections of the economy can adjust themselves to the new requirement by creating the additional export surplus required. For the very process of international capital investment will impinge on both the debit side and the credit side of the international balance of payments of the countries, and unless an international authority is charged simultaneously with the planning of the liquidation of these various pressures, we cannot hope that international equilibrium will continuously emerge. In other words, liquidation has to be planned by an international economic agency, but this implies basic and far-reaching considerations which neither the White Plan nor the Keynes Plan has contemplated. Indeed some go so far as to suggest that there is no way out on orthodox lines, and the only solution is outright international gifts to the backward countries rather than international loans.

There are further very important considerations. The proposals do not contemplate the supersession of private forms of lending, *e.g.*, shares, bonds and debenture. The Bank will indeed encourage private parties to extend long-term loans to other countries. It will in every way facilitate such operations and give guarantee of its own to "sound" investment projections. Only when foreign countries are unable to secure foreign funds from private sources, that the Bank will come in to supplement the loans from private sources and by guaranteeing loans from its own sources. If all foreign loans are to be judged from the point of view of immediate commercial profitability, the rate of investment will be kept down at a very low level. This is because a particular investment may prove to be unprofitable if it is considered singly, but may become profitable as soon as it becomes part of a wider plan. Thus, during the war the steel industry and the textile industry in India have expanded considerably. Consequently, these industries will find themselves saddled with excess capacity after the war. But if

an economic plan is put through, the increased purchasing power of the masses and also new investment demand will form a growing market for these industries. Or again, suppose there is a large investment Rs. 50 crores, in one particular sector of the economy, say, textiles, without simultaneous planned investment in other sectors. In such a case the textile industry will move into depression. This will not be due to the fact that everybody is well-clothed in our country. This will be because the workers in the textile industry will not spend the whole of the additional purchasing power which is disbursed to them on account of the new investment, on clothes alone. They will, possibly, spend 20 per cent. of the new income on clothes, 30 per cent. on food, 10 per cent. on entertainment and 40 per cent. on miscellaneus. Therefore, the investment will show profit only if the total investment is distributed among the different industries roughly in these proportions. This can be done only if there is economic planning. "Private enterprise," "private initiative," past experience and all such phrases will be totally futile when we are contemplating the rapid building up, from the bottom, of the entire economic structures of the backward countries.

It is true that the Bank itself can only deal with or through, the Governments of member countries, their Central Banks or Fiscal Agencies, but it is prescribed to act only when private enterprise itself is inadequate to supply the investment funds, either with or without the Bank's assistance. Private enterprise may, of course, grant credit to Governments or their Agencies alone. But the existing private institutions in the international capital market, generally almost always grant credit to single enterprises. If loan transactions are largely left to private agencies, the demand for foreign credit by the backward countries, which will pass the test of the criterion of private profitability will be extremely meagre and it is doubtful if the contemplated huge funds of the Bank can be adequately utilized. It is clear that the Bank can work successfully only if it is backed by a suitable economic plan for the rapid development of the backward countries.

This raises important questions, *e.g.*, whether the economic plans for the various economic regions should be independently evolved by independent regional authorities, or whether they should be evolved and co-ordinated internationally. This is important because in the administration of the Bank itself, the backward countries are very meagrely represented. The industrialization of the backward areas will lead to a vast acceleration of the past rate of international lending which cannot be effected merely by the existence and operation of the World Capital Bank. In addition to the economic plans for the industrialization of the backward areas, there should be an active plan for the liquidation of the obligations which will gradually grow up as a result of the enormous flow of international lending. If this cannot be arranged, in the end probably the technique of lease-lend will prove more fruitful and less trouble-breeding than the instrument of the World Capital Bank. Finally, the backward areas themselves must be given adequate voice in all schemes which touch them. These the present proposals do not. Any suspicion in any quarters that the scheme is merely the apparatus of a new type of colonialism and economic penetration would heavily weight the chances of success against the scheme from the beginning.

The Week's Notes

RELIEF AND REHABILITATION

It is one of the tokens of the ambiguous position held by India in the comity of nations that she has all the obligations of an independent nation without any of its essential rights, and although she is herself at present in dire need of help to combat famine and pestilence which is stalking through large areas of the country, she is asked to make her contribution to the relief and rehabilitation of other countries. India has already signed the relief and rehabilitation agreement, subject to ratification by the Central Legislature—a condition which in view of the actual circumstances may mean exactly nothing. What has exasperated Indian opinion most is the callous attitude shown by the recent U.N.R.R.A. conference to the India famine. On November 12, it was "authoritatively learnt that the famine in India will not be discussed by the conference." At the same time it was learnt that great resources have been accumulated for relief work in Europe after its liberation and that relief work in liberated Italy was already proceeding. However, agreements on further details in the administration of the U.N.R.R.A. have been arrived at and allocation of the financial cost has been made. The total fund at the disposal of the U.N.R.R.A. will be \$2,500,000. The principle was accepted that each country's contribution should be about one per cent. of its national income, although there would be flexibility in financing arrangements. The United States will probably contribute \$1,000 million and contributions expected from other countries would be as follows: Britain \$635 million, Canada \$100 millions, Australia \$40 million, South Africa \$12 million, New Zealand \$8 million, Latin America and Egypt \$495 million and India \$35 million. It was revealed that India's contribution would consist primarily of cotton and finished textile goods and burlap needed for wrapping. The principle was conceded that in view of India's extremely low standard of living, she would not be expected to make her contribution of full one per cent., but no cognizance was taken of the fact that India herself may stand in need of relief and rehabilitation assistance. After the last war, the blockade was not immediately lifted and there was an unnecessary prolongation of privations in continental Europe, which did much to help the anarchic and revolutionary condition prevailing immediately after the war. Cynics have suggested that the relief and rehabilitation arrangements made this time so much in advance of the second front, are guided not so much by humanitarian considerations, as by a desire to buy off a possible revolution in Europe during the post-war uncertainties. In India there is no chance of a revolution and therefore no chance of relief. In vain Lord Catto pleaded that the U.N.R.R.A. should help India first. The Atlantic Charter and the U.N.R.R.A. do not operate in India.

ARMY SHOULD HELP HARVESTING

While the problem of extending relief to the stricken people of Bengal has naturally been the immediate preoccupation, the task of rehabilitation, especially of its shattered peasant economy also demands increasing attention. The famine has not been all an urban affair and it has had far-reaching effects on the rural classes as well. Many observers who have personally investigated the conditions in the interior of the province, have testified to the "gradual disintegration of the peasantry." Probably the only class which has profited in this food crisis has been the bigger landholders. But the small farmer, the

peasants and agricultural labourers have alike been severely hit. In the land of the Permanent Settlement, the agricultural labourers no longer form a class attached to the land; they have been reduced to the status of a resourceless proletariat whom the land does not support. Further, this class has been decimated by starvation and disease, and those who have survived are devitalized and cannot supply fully efficient labour power so much needed this time of the year. It is difficult to estimate accurately the extent of mortality among the peasantry. The *Times of India* has estimated the mortality among certain classes at the staggering figure of one-third, "while people have died by the thousand around the villages without any record of their passing." The countryside presents a strange atmosphere of desertion and despair. Fortunately, the long-awaited *aman* crop has been a bumper one this time, but it is to be gravely apprehended that a part of the crop may be lost because of the shortage of agricultural labour on the land. The early relief of the Bengal famine hinges substantially on the proper harvesting and procurement of the *aman* crop. The army has lent its helping hand in the distribution of food supply, but the prior problem is that of procurement and in this also the army can contribute substantially. In such highly mobilized countries as Great Britain and Germany, where there is shortage of labourers on lands, the help of the army is sought during harvesting. In rural Bengal today there is also a grave shortage of labour power, and whatever there is, is not as efficient as before. It would indeed be tragic if any part of the bumper crop is lost because of our incapacity to harvest it. The army is well placed to help in the harvesting, especially because the bulk of the Indian army is drawn from the agricultural classes.

SALE OF GOLD

The sale of gold in the open market by the Reserve Bank of India in the last two months, if continued as definite policy, may well prove to be a turning point in the monetary history of this country. For nearly twelve years now from September 1931 when England abandoned gold, there has been a persistent and large-scale export of the yellow metal from India contrary to her age-long tradition to import. The restrictions on the import and export of bullion since the outbreak of the war have on the whole served to prevent import and encourage export. It is therefore of particular importance that the sale of gold by the Reserve Bank not out of its own stocks or internal sources but on behalf of some undisclosed principals may mean the restoration in some sense of our habit of having a net import of gold. There are however distinct differences between this method of absorbing bullion and the pre-depression method of acquiring it by investing the export surplus or the possible resumption of consumption demand in the post-war period. Quite apart from the fact that in the pre-depression era gold was bought from the open market at world prices and not from the Reserve Bank at artificial prices unrelated to the other world markets, the sale of gold is now invested with an anti inflationary purpose which was not the case before. This consists in reality not so much in arresting our accumulation of sterling as has been argued in certain quarters, for it is difficult to see how long and on what scale Britain can make payment in gold for her war expenditure in India, but in restoring the confidence of the cultivator in the currency and inducing him to part with his produce and divert his cash from the commodity to the

bullion market. For this to be done with some effect, the Reserve Bank must sell gold continuously and on a larger scale than has been done in the last two months. We can hardly say with any assurance that the recent sales of gold have percolated to rural areas where their anti-inflationary effort would be the greatest. But the purpose of the Reserve Bank in selling gold seems not even remotely connected with stemming inflation. It seems to be intent only on getting profits for its foreign principals by selling at current abnormally high prices. The Finance Member, in refusing a statement of policy on the subject, has certainly not improved his monetary policy, but only accentuated uncertainty and denied himself the benefits of a definitely declared anti-inflationary sale of gold policy. Everything will depend on how long and in what quantities the Reserve Bank will continue these operations. The public have a right to know how far the Government propose to implement the recommendation of the Gregory Committee which strongly urged upon large import of gold to satisfy the needs of the agriculturist.

CO-OPERATIVE RESEARCH IN INDUSTRY

Industrial research in this country has not made much headway nor received its due attention from Government and industrialists. The needs of war led to the establishment of the Council of Industrial and Scientific Research. But for the results of the Council to be fully fruitful, not merely is more money necessary, but close collaboration between the research experts and the manufacturers, for the difficulties of modern production cannot be precisely forestalled by laboratory work alone and co-ordination at every stage is called for. Moreover since few firms in India can afford to have their own laboratories, the only method of attaining technical progress is for the firms of an industry to pool their resources and run a common research organization. This system which originated in England during the last war and since developed rapidly attained distinct success with the help of Government. In India we have a similar need and a similar opportunity. In the Council of Scientific and Industrial Research, we have a body to offer a certain amount of technical and financial assistance. Sir S. S. Bhatnagar, its Director, in his recent address to the conference of Indian Chemical Manufacturers, not only stressed the importance of co-operative research and promised the Council's help, but complained that if no research associations had so far been financed by the Council, it was because Indian industry had not organized itself and asked for help. The obvious advantages of co-operative research in England have dispelled all suspicions that monopolistic rights in products and processes will have to be surrendered. Pooling of technical knowledge has profited all and injured none. Small firms which cannot afford a research body, and industries which do not feel the need for research, but still require scientific advice, have gained by co-operative research. There is urgent need in India for industrialists to profit by this experience and seize the present opportunity. The chemical manufacturers have already on the advice of Sir Bhatnagar decided on a research association. It is to be hoped that other industries will explore a similar possibility.

FUTURE OF RUBBER

Among the many revolutionary changes in the conditions of supply which the war has brought about, the emergence of a permanent synthetic rubber industry is one of the most important. Time was when plantation rubber could brush aside synthetic rubber as no more than a remote rival. Today the competition of synthetic rubber has come to stay. Among the in-

fluences which have tended to consolidate the synthetic industry are the very large output in U.S.A., the heavy capital investment, the vested interests newly created and above all, the natural anxiety of America not to be caught again by failure of supplies as was the case in this war when Malaya was lost. But if the new industry has come to stay what will be the effects on the plantation or natural rubber industry? Will rubber be one of the commodities which will have to face a post-war slump?

In answering this question it is necessary to bear in mind that though the increased supplies may lead to over-production and slump in prices, the interests of both sections of industry are joined to ensure an economic price for rubber. The U.S. is interested now as a producer of rubber, no less than as a big consumer. Until the outbreak of the war the influence had been thrown on the side of cheapness. Today she finds it to her advantage to guarantee an economic price so that maximum output may be secured. If this be so, the maintenance of a high price for natural rubber will also be to her interest. Against this background of American economy one can easily understand the proposal that is being canvassed for the establishment of a world rubber cartel embracing the producing interests of both natural and synthetic rubber. But the problems which the cartel will raise will be more than those which bring it into existence. If the world rubber supplies exceed (as they are likely to) the demand therefor, can the cartel really succeed in stabilizing in the long run? Unless costs are reduced and demand increased, a rubber cartel will be only a temporary solution of a problem which can be solved only by a more permanent readjustment of supply to demand. Moreover it must be integrated with a general scheme of commodity pools. But we may be sure of one thing. In the immediate post-war years rubber will enjoy a good price as it will take some years before the damaged plantation industry can get into its stride once more.

TEA CONTROL

The international tea control in operation for now a decade has had a fairly successful time; the participating countries which were assigned an export quota adhered to the agreement, and producers had a guarantee of profit. But any tea regulation scheme after the war if it is to succeed must be adapted to a general scheme of commodity stabilization and regulation. According to a review of the tea regulation scheme drawn up by the International Tea Committee, the potential exportable tea production of the world is estimated at 1,105 million pounds whereas the pre-war world consumption was 890 million pounds. On this reckoning excess productive capacity may be put at 215 million pounds. But the estimated export surplus fails to take note of the potential and actually extended productive capacity of India and Ceylon which certainly can export more than their allotted quota of 400 million pounds and 270 million pounds respectively. The elimination of excess supplies is the crux of the problem and the old method of solution was by restrictive regulation of output and prices. The real remedy lies in an expansion of markets and increased consumption. Both can be secured by reduction of costs and increased efficiency. But in the case of commodities like tea which is a conventional necessity in some countries the saturation point may be reached early. In the case of India there is still room for increased consumption. But there is no gainsaying the fact that there will be soon a discrepancy between potential output and economic demand. The Hot Springs Conference by emphasising the need for increased consumption and adequate nutrition has rendered a distinct service. But

the question of price has been ignored and that is the crux of the problem. The world will continue to be hungry as long as articles of food are not available at prices within the reach of the poorest consumer; but at those prices, the producers suffer a loss and must restrict production if their incomes are not to decline down a rapid path. The dilemma can only be averted by regulating both production and consumption and by subsidising the consumer no less than the producer.

LARGE VERSUS SMALL UNITS

Now that the war is expected to end shortly, discussion as to the merits or otherwise of big industrial units has entered upon a new phase. At the end of last war there was a great swinging of public opinion in favour of the large units. The various amalgamations were not only voluntarily effected, but encouraged by Government. The 120 independent railways in Britain were amalgamated into four companies at the instance of the Government. The British Government also sponsored the Coal Mines Act of 1930 which had as its object the controlling of production and of prices. Similarly, the Agricultural Marketing Act, the London Passenger Board, the Iron and Steel Cartel were all organized more or less under Government patronage and support and the efficacy and value of large business units came to be regarded as almost axiomatic. But soon the anti-social features of large units came to be recognized and criticized. While cartels were regarded as useful and efficient organizations they also were found to be capable of serious abuses and the question of control in various ways was discussed. Today once again the same problem is coming up for consideration. Recently Lord McGowan wrote in the *London Times* in defence of combines and cartels. According to him large combines such as Imperial Chemicals, far from acting in restraint of trade, had really developed new industries and new outlets for British labour, and had also reduced the cost of production. The same testimony to the efficiency of cartels was also given by Sir Malcolm Stewart, Chairman of the Association of the Portland Cement Manufacturers, who stated that in the period 1925-38 the cost of production was reduced by 32 per cent, and the net selling price by 34 per cent. This was accomplished despite advance in cost of fuel, steel stores, and of increased wages to labour. These big industrial magnates not only regard big units as inevitable but as highly desirable and necessary. Cartels have, according to them, an important role to play in post-war period when, without planned organization of industry, stability of economic conditions cannot be achieved.

Although there is a great deal of truth in these statements it cannot be denied that cartels and combines do give raise to a major social problem. If they confine their activities only to industries where their efficiency is undoubted no one could object to them. But actually they often acquire control over unrelated industries in new fields in which they are not inherently more efficient. Cases are not unknown where cartels have been formed to realize profits through restrictive control of markets, and have exploited not only consumers but also other non-integrated producers. The present war has also led to the concentration of industry. In the U.S.A. for example about 70 per cent, of the value of all war contracts has been concentrated in 100 corporations and about 9 per cent, of the total has gone to one corporation. Such large concerns possess great financial power and unless subject to some degree of public restraint may seek and achieve monopolistic control over the market. Effective social control is

therefore necessary to restrain them from such practice, and one of the objects of this control should be the restriction of the large business units to the fields in which advantages of sizes are clearly present. But they should be prevented from achieving control over forms of production and distribution in which smaller business units may operate with equal or greater efficiency.

COTTON PRICES

It will be recalled that in May this year the Government of India banned forward and options trading throughout India in the current crops, while the latter has remained banned in the province of Bombay since the outbreak of the war. At the end of last month, however, when the Government of India fixed Rs. 550 and Rs. 400 as the ceiling and floor prices respectively for cotton they permitted the reopening of the futures market "as an experiment," only in the East India Cotton Association, Bombay, and subject to the above range of prices. In continuation of this, the Government have issued a Press Note last week (published elsewhere in this issue) explaining how they propose to maintain the price of cotton between the floor and ceiling prices fixed. In addition to the above prices which refer to basis Jarilla 3/4" staple they have announced floor and ceiling prices for thirteen other varieties, and the price-fixation for the remaining varieties tenderable in terms of the Indian Cotton Contract is to follow.

As is well-known, the futures and options markets in agricultural raw materials are on the one hand the media for the cultivator to reach his product to the manufacturer, and on the other, in their main function, speculative agencies to which the manufacturer resorts to guard against an undue rise in the price of his raw material. According to the present decision, the Government propose to enter the futures market to buy the new crop 1943-44 season cotton regardless of the quantity offered at all leading centres. They did it before early last year, but only to the extent of about 10,000 bales in all and the consequent benefit either to the grower or to the consumer of cotton textiles has been negligible, though in the process of this purchase it has been alleged that the Government made a handsome profit. The present decision has apparently been prompted, as was indicated in last month's Press Note on the subject, by the desire to supply cotton to the mills at lower prices to enable the latter to meet the standard cloth and Supply Department orders at controlled prices. Remembering the fact that the prices of basis Jarilla have been stabilized at 20 per cent. lower than recommended by the Cotton Committee of the Textile Board, and prices for other varieties have been fixed in relation to Jarilla, the objection raised on behalf of the growers that prices fixed for cotton manufacturers do admit of better prices to raw cotton is not met. And now the Government propose not only to perpetuate that scale "with utmost determination," but to corner varieties other than Jarillas at the "floor price or the market rate, whichever is lower," which perhaps means that the floor price is not really the guaranteed price. At the other extreme, in the event of cotton reaching the ceiling price, they propose to requisition such quantities as are required by the mills at any price down to 5 per cent. below the former "at the discretion of the Government." Though the Press Note protests the interests of the growers and anxiety not to upset "normal trading," it is doubtful if their present decision to enter the futures market as arbiters between the grower, the manufacturer and middleman will satisfy any of the three parties. But the Government's decision to guarantee minimum prices and put a ceiling price marks a very decisive stage in their machinery of control.

SPECIAL ARTICLES

Financing Social Insurance

By Ravindra M. Mehta

I

THE object of Social Insurance is to secure freedom from want to members of society in the event of the involuntary loss or impairment of their social usefulness through unemployment, sickness, industrial accident, old age, etc. The approach of social insurance is fundamentally different from that of individual or private insurance. It stresses more the social objective and emphasizes the responsibility of society as a whole to alleviate the financial and other difficulties of the members of society, considering that those difficulties arise on account of social ills which are not often of the making of its individual members but of the society of which they form part. Consequently, in social insurance schemes, the personal history of the insured person (*viz.*, his health, age, nature of work, etc.) should not at all be taken into account while considering his eligibility for admission to the scheme. The relevant factor is not the 'personal' one but the presence of an insurable risk in its relation to social efficiency, *viz.*, whether the person to be insured is one whose earning power is likely to be involuntarily lost or impaired. Such risks arise only in the case of the working members of society and the cover is still further restricted for the sake of administrative convenience to workers in particular territorial or industrial groups in regular remunerative employment and falling within defined limits of remuneration. Further, Social Insurance schemes are at a disadvantage as compared with private insurance, in that no freedom of individual selection of risks is allowed, but the fact that the State itself often enters into the scheme as the guarantor, permits of the transfer of the excess cost from one class of insured to another class who are less exposed to the risk in question and also between successive generations of the insured. The wide field of action of social insurance thus permits of great flexibility in its financial basis. The financial bases of the social insurance schemes obtaining in different countries can be classified under the following three main headings: (i) Funding or Actuarial Capitalization basis, (ii) Assessment or Distribution of Costs Basis, and (iii) Emerging Cost Basis.

The *Funding Basis* adopts the principles of ordinary or individual life insurance to the purposes of social insurance. It is based upon an individual conception of financial equilibrium at an age when the workers usually start earning wages. An initial liability is however assumed by the scheme in respect of older entrants into the scheme, in respect of whom this equilibrium does not obtain. Thus under this basis the essential "social" character of "social insurance" is somewhat lost sight of and this basis has therefore never been considered suitable for social insurance in practically all the important countries. The only exception is the United Kingdom, where the special circumstances obtaining at the time of inception of the "National Health Insurance" scheme and the peculiar characteristics of the British themselves combined to lead to the adoption of the funding basis. So, ordinarily, the funding basis would not merit serious consideration in any scheme of social insurance, but for a Government and a people, like those of India, who instinctively look to the British precedent in all problems of political and economic development, the disadvantages inherent in the British precedent and the advantages of any alternative system have to be specially emphasized. It would be out of place in this short

article to describe in any detail the actuarial basis of the scheme operating in Great Britain. But it is essential to state briefly the general principles to understand the limitations and the drawbacks of the scheme. By definition the contributions and benefits are assumed to be over an indefinite duration or even if they vary the variations are predetermined, presumably according to conditions obtaining at the inception of the scheme. It is however a well-known fact that the incidence of the risks covered under any insurance scheme is not uniform. Even in the same industry, locality or social conditions, mortality, sickness and unemployment risks increase with age after a certain usually low age; risks of personal accident and unemployment are affected by other factors besides age. Therefore, the contribution for such individual member is usually more than what is required to cover the risk for the first few years after entry and less than what is necessary in subsequent years. The excess contributions in initial years are set apart and accumulated with interest to constitute a fund to meet the excess cost in future years. The contributions would thus ordinarily be dependent upon the age at entry as in ordinary life insurance, which is impracticable for a social insurance scheme where entry into and exits from insurance will normally occur at all ages, irrespective of the will of the insured person. This difficulty is met with in the British scheme by the Government giving paper credits to the social insurance funds to set up the necessary actuarial reserves in respect of entrants into the scheme at a higher age. The contributions are calculated as applicable to the lowest entry age, *viz.*, 16. At the initiation of the scheme, large paper credits were necessary to set up the sufficient reserves for entrants at higher ages. The State also undertook to bear two-ninths of the total cost of the scheme every year and the two-ninths of the contribution of the insured members and their employers which were thus released, were to be utilized for the redemption of the paper credits granted by the State in respect of the initial higher age entrants.

The calculations of the contributions on the above basis involves rigid assumptions regarding rates of mortality, sickness, unemployment, etc., and also regarding interest rates, which are assumed to be constant throughout the working life time of the insured member. These calculations are, therefore, most likely to be vitiated by unforeseen changes in these underlying assumptions even if the social changes in the period do not necessitate any variations in the rates of benefits or contributions or the prevailing rate of interest. The history of the N.H.I. scheme in Great Britain is itself a striking example of the contradiction involved in trying to fit long term assumptions of almost static conditions to a dynamic society. In any case, it is a recognized fact that the introduction and operation of any social insurance scheme is in itself sufficient to alter considerably the experience of the insured group in respect of the insured risks and this fact alone is likely to upset the most refined actuarial calculations. Also, the establishment of a fund usually involves a periodical investigation into its solvency, which means an assessment of the financial effect of the variations of the experience from the assumptions underlying the calculation of the contributions. The fetish of solvency of the fund according to actuarial standards clouds the vital issues of the social needs of the insured and the benefits and contri-

butions are periodically adjusted at every review solely to satisfy that fetish. The problem is further complicated, if, as in the United States, the insured are divided into "approved societies"—which are old established, non-profit making, voluntary organizations of working men for mutual benefit, mostly without any regional, industrial, occupational or social criteria—and it is further stipulated that each of these societies should be individually solvent, in spite of the varying risks borne by them. Half-hearted attempts in the U.K. at reinsuring the risks of individual societies with a "Central Fund" a "Contingency Fund" have not prevented drastic alterations in benefits to the British workers in spite of the uniform contributions paid by them. Again, in inflationary times, the fund cannot permit the necessary enhancement of benefits without finding itself insolvent. Even if present contributions are increased to conform to the increased wage-levels, the fund itself being expressed in standard monetary units cannot similarly be enhanced. Since the existing fund *plus* the commuted value of future contributions have to meet the commuted value of future benefits and the fund itself is not enhanced in value, the increase in benefits will not correspond to the increase in contributions and thus would be far from attractive to the insured persons and would considerably impair the insurance value of the scheme. Moreover, the extension of the benefits and of the beneficiary or contributory class or group will raise the question of equity as between the old and new beneficiaries and contributors and the administrators will be hard put to justify the alterations and extensions.

Sir William Beveridge in his recent Report on Social Insurance condemns the funding basis. He says that "the State with its power of compelling successive generations of citizens to become insured and its power of taxation is not under the necessity of accumulating reserves for actuarial risks and has not, in fact, adopted this method in the past." In the same connection, the I.L.O. *Report on the Actuarial Technique and Financial Organization of Social Insurance, 1940*, says that "the best financial system is not that which is based on the most successful estimates but that which is sufficiently flexible to allow the financial organization to be adjusted, without upsetting its structure, to any transformation of economic and social conditions." The funding basis does not satisfy the above criteria, and it will therefore be a tragedy, if, in spite of these objections, the funding basis is followed in India when we have the advantage of starting *ab initio* and without the historical trammels to which the U.K. working class was heir.

The *Assessment Basis* on the other hand satisfied practically all the criteria detailed above for a satisfactory financial basis for social insurance and has therefore been adopted almost universally in connection with such schemes, the only important exception being Great Britain. Under this basis, the groups of insured persons pre-determined on an industrial or a territorial basis, are divided into as many groups as are administratively convenient. The persons within each group eligible for various types of benefits are treated separately and their initial number and subsequent movements in that group (now entrants, withdrawals and deaths) also estimated. The probabilities of insured risks occurring during a short period of usually one year, which in turn may vary within each group with age, sex and other factors are used to assess the financial cost of insurance in that period to that group. The total cost of the scheme is then estimated on the basis of certain fixed rates of benefits and then the contributions in respect of each insured person or group—whether paid by the insured or by others on his behalf—are fixed in such a manner that the total contributions including any subsidies received during the period should be sufficient to pay for the benefits to be granted and the expenses of administration during the same period. Though the total cost of

the scheme is found for all the groups combined for the purposes of central administration, usually each group is kept as a separate unit for financial purposes. Also the above basis is usually modified to enable the establishment of a Contingency Reserve Fund to meet any unforeseen increase in the cost of the scheme due to such uncertain factors as epidemics, or other such emergencies. The purpose of this reserve is, however, quite different from that of the actuarial reserve under the funding basis. It is only intended for the purpose of levelling out the excessive cost of such emergencies as described above and not for the discharge of any actuarial liability. Also, it is generally built up out of surplus revenues and the total amount of such funds are never allowed to exceed the average annual cost of the scheme. At the initiation of any such scheme, the contributions are generally assessed on a very conservative basis, so that surpluses generally arise out of which the Contingency Reserve is built up. With the progress of the scheme accurate assessment becomes possible and then the contributions can be so assessed as to be just sufficient to meet the cost of the scheme in every period.

Thus while it should be recognized that accurate assessment of the insured risks and of the insured population can at best be only intelligent guesses at the inception of the scheme, the growing volume of data obtained in successive years through the operation of the scheme itself can enable the estimation of the financial costs with greater certitude in each succeeding period. The periods themselves may be kept short so that variations in the risks and in the benefits and contributions adjusted to meet the current circumstances may be given effect to in the financial estimates with the least avoidable time-lag. The extension of the scheme to cover other contingencies and other groups of workers can be effected without raising the question of equity as between various groups and without the possibility of throwing the existing financial basis out of gear. Eventually, when all members in Society are covered for all adverse contingencies affecting their "earning power," complete equity can be established. In India, however, even an approximate assessment of the cost of such a scheme is almost impossible at the outset on account of the dearth of data regarding the insured population and the total absence of actuarial functions for sickness and mortality rates etc., applicable even to the known population.

The *Emergency Cost Basis* is only a modification of the assessment basis to meet the above objections. No attempt is made there to relate the contributions of individual workers to the benefit received by them. Under this basis only the social purpose of such a scheme is kept in mind and the benefits are based only upon the social needs of the workers and the contributions are related to their capacity to pay. Thus the benefits would usually be related to the cost of living indices in the district,—this will probably be done under assessment basis also—while the contributions would be charged as a proportion of the wages, certain workers earning below a minimum wage level being exempted completely. The estimate of the cost of the scheme is then done only for budgetary purposes, so that the guaranteeing authority can have some idea of the extent of its burden in each year. The initial lack of data is therefore not much of a problem, except in that the guaranteeing authority may feel reluctant to assume a liability of unknown extent. On the other hand it may be contended justifiably that as the insured population at the inception of the scheme is but a small fraction of the working population of the country, they should not be favoured at the expense of the vast major part of the workers, who stand as badly in need of the benefits of social insurance as the insured population, and who contribute a far greater share to the wealth of the country.

(To be continued)

The Bengal Famine

Pressure on Land

By K. Santhanam

"HOW many are you in your family?" I inquired of a friend who had come to receive us at Noakhali and who was bitterly declaiming at the distress of the middle classes. "We are fifty souls in all," he said. I was astonished and wondered whether by some freak of tradition the Malabar Tarwad had been transplanted in East Bengal. Oh, no! The family consisted of a father, his six sons and their six wives and thirty-seven children of these six sons. There were some daughters, but they were married and were only occasionally present at the family mess. This may appear a rather extreme example, but families of 20, 25 and 30 are rather the rule than the exception in Bengal. Though this is not the immediate cause of the present famine, this pressure of population makes it a dangerous neighbour likely to step in at the slightest excuse. Taking Bengal as a whole, the sown area comes to 60 cents per head. In East Bengal it is even less. For instance, Dacca has only 14.4 lakhs of acres for a population of over 42 lakhs, which works out at 35 cents per head. Out of a total area of 17 lakhs of acres, 14.4 is under cultivation, 2.1 lakhs are not available for cultivation and only about sixty thousand acres are classified under culturable waste. This means that almost all land fit for cultivation is sown and there is practically no room for extension. In Faridpur District, there is not even a single acre of forest or culturable waste and the acreage per head is 50 cents. In East Bengal, the density per square mile in 1931 was 668 and it must be greater now. It cannot be far short of the figure for Travancore which was 796 for 1941.

How the population and the pressure on the soil of Bengal have increased rapidly is shown in the following table:—

Year	Population Millions.	Density of population per sq. miles.
1901	42.8	548
1911	46.3	593
1921	57.5	607
1931	51.0	658
1941	61.4	740

On the other hand, the cultivated area does not show any expansion. In 1916-17—the net cultivated area actually cropped was 24.7 million acres, while in 1936-37 it was only 24.5 millions. The acreage under rice increased only slightly from 21.1 million acres in 1917 to 21.9 million acres in 1936-37. This did not, however, result in any increased yield of rice, the estimated yield of both years being 250 million maunds. The benefits of British rule are reflected in an increase in the population while they seem to have reduced the fertility of the Indian soil. For, comparing the yield of rice in important countries of the world, we find that in 1913 the average yield in India was 932 lbs. per acre against 1952 lbs. in Italy and 1827 lbs. in Japan, while in 1938-39, the average for India fell to 728 lbs. per acre in contrast to the increase in Italy to 2905 lbs. and in Japan to 2276 lbs.

In appearance, no two regions can be more unlike than Travancore and East Bengal. The former is a

mountainous region full of forests, while East Bengal is a level paddy field lying almost on the beds of some of the broadest rivers in the world. Yet these two are running a race in big families and density of population and are the most thickly populated areas in India. It is for experts in physiology and sociology to say whether this coincidence is fortuitous or is based on similar causes in spite of the apparent differences of geography. There are, however, some common factors which may partially account for this strange phenomenon. Both the regions have an annual rainfall of about 100 inches. The main diet of the people in both is rice and fish. The hills in one and the rivers in the other provide good drainage and reduce the rate of mortality. The houses are scattered and not grouped in large clusters.

It is only the natural fertility of the soil in Bengal that has so far borne this tremendous pressure of population. Both the people and Government seem to have left things to nature. I cannot help feeling that this method cannot go on hereafter and that planned effort is needed to restrict, if it cannot be altogether eliminated, the change of courses of the rivers and khals, to extinguish the water hyacinth, to introduce better standards of housing, especially for flooring, to organize rotation of crops, and introduce scientific fish culture. But mere planned economy will be useless without planned control of population. I do not wish to tread on the delicate ground of the methods of population planning, but it is evident that unless Bengal finds means and ways to limit her population by intelligent methods nature will step in and do the job in its own crude and terrible way. I am repeatedly told that the present famine is comparable to the great famine of 1770, and Bengali thinkers tend to ascribe both to political causes. It is needless to say that politics cannot be separated from economics. It should be admitted that if Bengal politics had been more stable and public-spirited the intensity of present famine could have been mitigated to a considerable extent by timely and far-sighted measures. But the consideration of immediate and temporary causes should not make anyone forget the irresistible tendencies of natural forces without which the temporary factors cannot do much harm. The problem of population is not peculiar to Bengal. It is common to India, China and many other countries. But the present famine should induce the leaders of Bengal to concentrate their attention on it immediately.

Another reflection arising from the present famine is the need for a stand-by to rice. Bengal is dangerously dependent on rice. I have shown how Travancore has been saved by tapioca. I do not know if any such subsidiary crop can be grown in Bengal. I am told there are possibilities for potato cultivation on a big scale. The months intervening between the harvest of the *aman* crop and the next monsoon should be used for all kinds of dry cultivation. The people of Bengal are being forced with great reluctance to get accustomed to *jowar* and *bajra* and it will be wise to encourage them to get into the habit of using these as a permanent part of their diet.

We have seen how price control without control of adequate stock is impossible and that without price control scarcity is accentuated by panic. If the experience of Bengal is to be fully utilized to prevent its recurrence elsewhere, it is the duty of all Governments in India and the Government of India as the

co-ordinating authority to arrange for the building up of stocks during normal years. The knowledge that stocks for six months are lying with the authorities and will be released to prevent abnormal price fluctuations and to meet special needs of particular localities will be of incalculable benefit to Indian agriculture and the best possible insurance against famine in any part of India. It was the duty of the Government of India to have built up such stocks when the threat of war began to loom on the horizon. But it failed to take any steps even after war had been declared and actually discouraged Provincial Governments and States from doing so. Now Bengal is sucking up all the carry-over of other parts and next year the whole country will have to live from season to season. This can be managed if a nation-wide plan for rationing and controlled distribution is rapidly evolved and put into force.

But such a plan requires two things (1) in initial grain reserve (2) public co-operation. In the present conditions, a grain reserve cannot be built up from local stocks and so it has to be brought from outside. The annual deficiency of India has been estimated at 2.5 million tons and if the Government of India can buy this stock for 1944 from Australia, Canada and the U.S.A., it would be a solid foundation for a solution of the present muddle. The sterling reserves of the Government of India cannot be used to a greater or more beneficent purpose. Shipping will of course present a difficulty. Here again the simple course is to request Britain to arrange with the U.S.A. to put forty or fifty ships at the disposal of the Government of India for this purpose.

About the need for enlisting public co-operation for any rationing scheme it is not necessary to say much. I cannot imagine that even the bureaucrats of the Government of India believe in their ability to carry it through without the active and enthusiastic support of the Indian people and their accredited leaders.

THE TATA IRON AND STEEL COMPANY, LIMITED.

NOTICE

Pursuant to condition 2 of the conditions endorsed on the Bearer Deposit Certificates of the Tata Iron and Steel Company, Limited, notice is hereby given that 14th December, 1943, is fixed as the date for payment of the principal moneys under the Certificates. Along with the principal sum interest at 3 per cent. per annum (less income tax) will be paid for the period, 10th August to 14th December, 1943, from which date interest will cease to run.

For facilitating payment on the notified date as aforesaid, holders of these Certificates are requested to lodge the Certificates with the Company as early as possible along with unused Interest Coupons. At the same time they should intimate to the Company the name of the person in whose favour the income tax deduction certificate is to be prepared.

By order of the Directors,
Tata Sons, Limited, Managing Agents,
A. R. DALAL,
Director.

Bombay, 18th November, 1943.

No. 31.

Secrecy of Victory

PRODUCTION OF MICA
India's Importance To Efforts of
United Nations
WASHINGTON Oct. 4.—A Far
Eastern survey published by the
American Council of Institute on
Pacific Relations points out that
British India is the most important
source of mica, acute shortage of
which contributed to Germany's de-
feat in the last war. The survey
says "India is indispensable to the
efforts of the United Nations if only
for the production of mica necessary
to the maintenance of all electrical
production, both military and civil."
India has "a practical monopoly of
production due to the amount and
quality of her mica deposits and the
abundance of labour".—(Reuter).

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THE WORLD ABROAD

Congress Opposition to Anti-inflation Measures

(From Our Washington Correspondent)

WASHINGTON (By Cable), Nov. 24.

A fortnight ago this correspondent reported that the tide of inflation was rising in the United States. That tide has swelled meanwhile, as Congress gives increasing signs of willingness to heed demands of various pressure groups in disregard of the Administration's pleas for the continuance of inflationary curbs. Latest evidence of this trend is anticipated in early approval by the House of the bill which would extend the life of the Commodity Credit Corporation, but would prohibit the payment of any subsidies to enable continued ceilings on food prices.

If the Senate as expected sustains this action, it would mean the virtual end of the food price ceiling. It is true President Roosevelt might veto the measure forbidding subsidy payments, but it is also possible that the House and Senate supporters of this legislation could muster the required two-thirds majority to enact the Bill over a presidential veto. The situation was most aptly described by the democratic leader of the House, John McCormack, who said: "We have a spectacle in this subsidy fight of Congress saying to the President, 'We direct you to hold the price level as of September 15, 1942, but we are going to take away your power to do it.' We might just as well say to one of our generals in the battle area, 'We direct you to hold the line,' and then in the next breath say we order all his troops to retire."

Farm interests are leading the attack on subsidies which Administration spokesmen estimate would cost 800 million dollars yearly or the equivalent of three days' cost of prosecuting the war. These groups, including cattlemen's organizations, hope that if subsidy payments are abolished, it will be impossible to maintain the Government price ceiling and food prices will reach 'normal levels.' These developments have only encouraged organized labour in pressing demands for the termination of wage ceilings, which multiplied when the Secretary of the Interior, Mr. Harold Ickes, awarded half a million coal miners a dollar and a half daily wage increase. Both the American Federation of Labour and the Congress of Industrial Organizations have announced their intention of seeking higher wage levels. Last Friday 50,000 aluminium workers joined the procession by asking a 15 cent hourly increase on the ground that wages must keep pace with the higher cost of living. Congress has little desire to avert such increases. Indeed, last week, a Senate sub-committee unanimously approved the resolution to override the ruling by the Director of Economic Stabilization, Mr. Vinson, against an 8 cent hourly increase for 1,100,000 non-operating railroad employees. There seems a good chance that Congress may thus actually legislate higher railroad wages and tacitly approve generally mounting wage scales for all labour. It is not only in the matter of prices and wages that Congress is complacently surrendering to inflation forces. Both Democratic and Republican members of the House Ways and Means Committee last week approved the two milliard 140 million dollar tax bill instead of the Treasury's proposed ten and a half milliard additional annual taxes which Secretary Henry Morgenthau described as needed to divert excess spending power. The

Committee's report said that the Roosevelt Administration had "exaggerated" the inflation problem. The report pointed out that the estimates of the inflationary gap range between ten and twenty-five milliard dollars and said: "It was readily apparent that the inflationary gaps were small compared to the grand total of more than one hundred milliard dollars accumulated savings in the hands of individuals. . . . Idle currency and demand deposits of forty to sixty milliard dollars represent potential excess buying power because this amount is clearly in excess of normal savings." The Committee's report concluded with a remarkable statement which directly contradicts the reasoning of virtually every economist. "The Committee's conclusion was that the maintenance by Government of proper psychology and freedom from fear of inflation on the part of every consumer is considerably more important than the absorption of current excess buying power through additional taxes."

The conservative press of most nations has recently editorialized warning against the dangers of inflation. But those admonitions apparently had little influence on legislators. The *Wall Street Journal* summarized the current dilemma thus: "There are two ways to attack inflation, firstly, put the lid solidly on wages and farm prices; secondly, take money away from those getting an increased supply through taxes. Washington hesitates to do either."

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NOVEMBER 26, 1943

THE EASTERN ECONOMIST

993

Keynes and White Plans Scrapped

(From Our London Correspondent)

LONDON, Nov. 23. (By Cable).

IT is reported here that the American bankers have successfully torpedoed both the Keynes and the White Plans for post-war international exchange stabilization causing considerable uneasiness in the City of London.

According to these reports which are so far unconfirmed, the American bankers have forced the Washington administration to abandon any scheme of international collaboration, especially any machinery of creating credits, for international trade, apparently because they think that such credits are the sole prerogative of commercial banking.

Even the establishment of a common denominator for measuring the value of international trade movements, such as the Bancor and Unitas, is alleged to have been vetoed by Wall Street, which is seemingly convinced that post-war world trade can flourish on much the same lines as before the war.

Apparently, all that would survive from months of discussion at Washington, New York and London would be the Anglo-American currency pact, of which the chief feature would be the grant of substantial credits to London from New York, enabling London to release the least possible portion of the huge foreign-owned sterling deposits—estimated at one milliard sterling—which accumulated here during war.

The money market editor of the *Financial News* writes in this connection "it would be certainly a grave mistake if the post-war role of this country were that of a borrower of the United States, while British participation in an international scheme can be visualized, it is a much more difficult task to visualize our role in a British-American scheme."

The original Keynes Plan was no tenthsiastrically received by the City of London, when bankers—like their opposite numbers in Wall Street—found many features irksome, but they generally acknowledged the need for a skilful attempt to restart international trade in both goods and services on a basis which permitted London to liquidate gradually, her huge short-term indebtedness to India, various dominions and some neutral countries.

If both the Keynes and White Plans are virtually scrapped, then Britain must make her own separate arrangements with her short-term creditors unless she agrees reluctantly to hand them over to New York. There are many signs to indicate that the British authorities are deeply concerned over the strong revival of old-fashioned individualism among American bankers and industrialists. A similar phenomenon is observable here also, but with the Conservative Government in power few seemingly fear that Britain would be unable to force through almost any scheme of post-war reconstruction which the Cabinet is convinced would be desirable. Mr. Roosevelt appears to be, on the other hand, obviously under the severest pressure.

The speech of Mr. Richard Law, Minister of State, is considered most significant, in this connection. Addressing the Foreign Press Association, he warned that an outburst of economic rivalry after the war between the United States and Britain would be the surest way to plunge the world into chaos.

The Minister, said: "During my recent visit to the United States, I uneasily realized that there are people on both sides of the Atlantic who, though accepting the idea of political co-operation after war, draw a line in the matter of economic collaboration. How often in this country one hears people speaking with horror of something they call 'American Economic Imperialism,' as though it were something which we must fight only less fiercely than we fight the Germans and Japanese. And often I heard the people in the United States speak of British trade in the same way as men used to speak about Hitler's spring offensive. What dangerous nonsense it all is!"

IMPORT TRADE CONTROL

Holders of import licences for goods falling under Parts II to V of the Schedule annexed to the Government of India, Commerce Department, Notification No. 23-ITG/43, dated 1st July, 1943 which are valid for shipment upto 31st December, 1943 are informed that licences other than pre-payment licences will stand automatically revalidated to cover shipments made in the period January-June, 1944 and do not require formal revalidation by the licensing authorities.

Sd/- Y. N. Sukhtankar.
Joint Chief Controller of Imports.
30



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ABSOLUTELY
NECESSARY?**
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EMINENT ECONOMISTS

V

Mahadev Govind Ranade

Revolt Against British Economics

By D. G. Karve

"THE great Indian dependency has come to be regarded as a plantation, growing raw produce to be shipped by British agents in British ships, to be worked into fabrics by British skill and capital, and to be re-exported to the dependency by British merchants to their corresponding British firms in India and elsewhere."

Even those whose knowledge of Indian economic studies is no more than cursory have, it is safe to assume, heard the name of Ranade—Justice Ranade, the Father of Indian Political Economy. Over forty years have elapsed since his death, and the centenary of his birth was celebrated early in January 1942, the Economists' Association of India signaling the event by a special session held in Bombay. As the popular title bears out Ranade was a Judge of the Bombay High Court when he died on January 16, 1901. Before he came to the High Court Bench Ranade had occupied, for over twenty years, important positions in the judicial service of the province. Special mention must be made of his tenure of the posts of special judge to try cases, and to supervise the work of lower judges, under the Deccan Agriculturists Relief Act. The first-hand and intimate knowledge that Ranade possessed of Indian economic conditions was gathered on the spot in the course of his varied judicial duties.

The pre-eminent position that Ranade occupied among his contemporaries was due to the leader's role that he played with distinguished success in fields so wide apart as religious and industrial reform, political and literary organization, educational activity and reform of the administration of Indian States. Ranade has sometimes been described as 'the Prince of Indian Graduates.' This pseudonym reflects two features of the career of Ranade—that he was among the first graduates of the University of Bombay, and that by his scholarship in the New Learning and by his real insight into and appreciation of old Indian culture he personified the best combination of the East and the West. Ranade's writings on such varied subjects as history, politics, religion, economics, industry, and literature bore unmistakable traces of deep scholarship—in fact to use a manner of speaking rendered obsolete by the use of electricity, they smelt of mid-night oil.

Besides his scholarship the actual contact with affairs that Ranade maintained through the National Congress, the Industrial Conference, the Social Conference and similar bodies made his influence a live force from which hardly any section of the awakened intelligentsia of the country was immune. Through the pages of the quarterly Journal of the Poona *Sarvajanik Sabha*, which while it lasted maintained a record of periodical journalism which even the best-known scientific and literary journals of today might envy, and through personal correspondence Ranade exercised an active leadership of the thought of his days. In fact to interpret the new world created by British consolidation to his contemporaries and to lead their renaissance effort was his appointed task. While the Government of the day occasionally persecuted and then honoured him, with stoic unconcern he went on addressing himself to his countrymen bearing, as Tilak said of him, the banner of national resurgence. The unparalleled influence that Ranade wields even today on the minds of students of Indian economics is traceable no less to his commanding personality than to the inherent validity of his penetrating analysis.

Economic thought has never been free from controversy, either in this or in any other country. But when Ranade's interest in economic studies was roused, first by the exigencies of his position as a teacher of the subject in the Elphinstone College at Bombay, and later by his deep concern for the lowly state of his country the differences of outlook and opinion among economists were specially acute. The British School was so well enthroned in academic and administrative tradition as to be treated with the respect due to the 'Classical School.' It was not as though even in England there was no 'opposition.' Such a state of 'single party rule' would have been against the peculiar genius of the British people who know how to enjoy the distinction of tolerating a critical minority. A genuine and powerful protest against the *classical* school had its origin, however, in continental and American countries where the dictates of common-sense and common interest were seen to conflict too violently with the principal dictum of the English school, 'Leave things alone.'

Ranade was a close student of these currents of economic thought in the contemporary world and he was a sad witness of the ruin and disintegration brought on Indian economy by the 'Let alone' policy of the State. As a matter of fact this so called let alone policy was a policy of 'Don't Care' so far as Indian interests were concerned. The interests of British business men in India were not only properly protected but actually subsidized by the Government. A protest from Indian public men who appealed to the State to temper the pace of railway extension and to mitigate the rigour of a free trade policy was met by a reference to the allegedly universal and immutable truths of Economic Science as it was understood in England. Anybody who desired to secure a hearing for his programme of an economic policy of the State, other than that of doing nothing, had to challenge the validity and authority of the English school.

It was Ranade's characteristic genius to be eclectic and realistic at the same time. He had studied all the English Economists; in fact he had much in common with Adam Smith and John Stuart Mill. Like the former Ranade approached economic problems from the wider sociological angle, and like him he kept close to practical realities while outlining his theoretical doctrines. Needless to say in both these vital respects he found Ricardo most disappointing. For Ranade Economics was a science of National wealth, both the words, national and wealth being equally significant. The doings of individuals had relevance to a study of economics only in so far as they explained the process of the community's striving for welfare. Holding such views on the subject Ranade had no difficulty in sympathising with List's dictum that the permanent interests of a nation were far more important than the immediate advantage of individuals.

Such views, therefore, as that anything that promoted an improvement in the productive efficiency of the nation should be secured even at the cost of temporary sacrifice on the part of consumers found immediate support from Ranade. The somewhat rigid views of the German Historical School about the sequence of stages in economic evolution and the relevance of particular sets of economic laws to correspond to each did not commend themselves to Ranade. Nor did he

approve of List's distinction between comparative advantages created by nature and those due to human causes. Ranade believed that the diversity of economic, social and historical conditions was so great as to defy any rigid classification. Economics, *i.e.*, analytical abstract economics, must always be considered as hypothetical and practical economic policies must be evolved in each context taking all the economic and non-economic factors into account.

The ultimate success of industries rarely depends on any single factor, nature, technique, enterprise or skill; there is in the resultant effect no priority for any of these. So long as taking all relevant things into consideration there was a reasonable prospect of an industry making good it should be taken care of by all the methods at the disposal of the community. Indeed there would be a priority or order of preference among such industries themselves but the State should lay down no hard and fast general rules as to the principles on which a claim to protection should need initial justification before its intrinsic merits were examined. Judging from the past record of India and other Eastern countries Ranade felt that when the advantages conferred on the West by the progress of science were assimilated by the Easterners industry would return to its natural home, the East, where raw materials, abundant labour and assured markets could always be found.

Though, therefore, Ranade refused to give unqualified support to the idea of stages he thoroughly endorsed the supreme importance of change as an ever-present economic phenomenon. The Classical school at best analyzed static economic relationships in certain assumed conditions. In periods of change and in environments where the assumed conditions did not exist the general Laws of Economics were utterly inapplicable. Ranade, of course, had a special grouse against the British Government in India who while supporting absolutism in economic science were enthusiastic advocates of relativity in political matters. While economic liberty was advocated as a panacea for India's economic evils an autocratic system of political administration was upheld on the grounds of the traditions and habits of the people. Further while economic liberty, *i.e.* non-interference in economic matters by the State, was the declared policy of Government, British capitalists were encouraged by a guarantee of interest to undertake railway construction in India.

Ranade disliked the use of strong words. Such glaring inconsistency, which some would not have hesitated to describe as interested hypocrisy, Ranade dubs 'a curious change of front' and twits the protagonists of the shaky case for Government in the following terms: "If in politics and social science, time and place and circumstances, the endowments and aptitudes of men, their habits and customs, their laws and institutions and their previous history, have to be taken into account, it must be strange indeed, that in the economic aspect of our life one set of general principles should hold good everywhere for all time and place and for all stages of civilization."

The policy of State inactivity in economic matters was unacceptable to Ranade on even a more fundamental ground than the relativity of economic truths. He was not ready to set any artificial limits to the competence of the State, which was the community's organ for collective action, and which would justifiably operate wherever the shortcomings of individual and private efforts were proved. The traditions of State direction and patronage were always strong in India.

For this reason as well as on account of the proved evils of private capitalism Ranade preferred a State regulated to unchecked industrialism. While, therefore, Ranade as a work-a-day publicist handled many questions of public economy *e.g.*, land revenue, rural credit, federal finance, tenancy legislation, internal and external colonization the main object of his efforts at rousing economic opinion in the country was to make the people and the State industry-minded.

Ranade's views on land revenue are well known. The two following quotations contain these in a nutshell. "We have always maintained, and will continue to maintain till there is no occasion left for it, that the State has no proprietary rights in cultivated or waste lands, and that its interest is confined to a claim for a share of the produce, which may be more or less onerous, but is not of the nature of a monopoly or differential rent," and, "a permanent ryotwari settlement fixed in grain which the land produces and commuted into money values every twenty or thirty years can alone furnish a solution of this agricultural problem."

Had the government of the day shown the wisdom to accept this policy many a bitter controversy of later days would have been effectively forestalled, and the cultivator would have been saved from the chilling effects of at least one dreadful nightmare.

Federal finance was a subject to which Ranade's attention was pointedly drawn on account of his membership of Lord Dufferin's Finance Committee. In common with the rest of the Committee Ranade had recommended a basic policy of leaving direct sources of revenue to the provinces, making up the central gap by suitable contributions. No system of federal finance has ever retained all its features in tact, but certainly Ranade's scheme of treating all the direct taxes alike would have given to the provinces a sense of adequacy and fairplay which all later schemes have lacked.

We have described Ranade as a rebel against the British school of economists, and in his critical role he certainly merited that description. But Ranade was a builder by nature and a critic only by necessity. Few are aware of the real origin of the famous lecture on Indian Political Economy delivered by Ranade at the Deccan College, Poona in 1892. This lecture is in a real sense the manifesto of the school of Ranade, and in fact of all Indian Economists who have cared to study things as they are. In this lecture Ranade has, as he himself declared at a later date, 'endeavoured to lay down a few general principles which should regulate the action of the State in respect of the development of industrial enterprise in India.' The economic thought of Ranade, like that of all great economists, was essentially an outcome of his own environment.

The humanitarian, the politician, the economist and the social reformer in Ranade all combined to impel him to concentrate on the necessity of industrializing the economic life of the country. In his scheme of modernization agriculture figured along with industry and commerce. He urged on the attention of the State a policy of agricultural development which was designed to work out an Agrarian Revolution in this country. It was suggested that partly by improving the general condition of the agriculturists, as for instance in respect of the credit facilities available to him and of the system of taxation to which he was subject, and partly by assuring to him a profitable market for his produce the organization

and technique of Indian agriculture should be thoroughly modernized. How very wise this policy was and how unpardonably guilty they have been who deliberately set this advice at nought is vividly, though tragically, witnessed in the India of today.

Agriculture must be the foundation of Indian economy, an agriculture which utilizes all the aids that modern science and technique can place at its disposal. But both for strength and safety the fullest possible development of manufacturing industries is also called for. The eternal problem of Indian poverty which is the real cause of our political subjection and cultural backwardness can never be solved except by a thoroughgoing industrialization of the nation. Those who are concentrating their well-meant efforts at national progress too exclusively on political or even educational programmes are, according to Ranade, guilty of a dangerous sense of disproportion. Again and again in his writings and speeches Ranade harks back to this point. A few extracts may underline this supreme trait of Ranade's thought.

"Political ascendancy is not the only particular vantage ground which we have lost. Commercial and manufacturing predominance naturally transfers political ascendancy, and in this our collapse has been even more complete."

"There can be no doubt that the permanent salvation of the country depends upon the growth of Indian manufactures and commerce, and that all other remedies can only be temporary palliatives."

The chief obstacle in the way of the normal working out of the legitimate economic destiny of the country was, of course, the domination over all spheres of activity established by a foreign government. In fact the doctrine of relativity was to be extended so as to cover the special position of subject peoples. After enumerating the various peculiarities of the Indian social complex which in his opinion justified a modification of the laws of English economics so as to suit the Indian context Ranade goes on to say "To these must be added the economical drain of wealth and talents, which foreign subjection has entailed on the country." Where an element of drain or exploitation is an integral part of social economic organization nothing appears or works in a normal fashion. All things by whatever name called have a sure tendency of ultimately working to the benefit of the rulers and to the detriment of the ruled.

Thus contact between an ill-developed and a progressive economy is calculated normally to improve the productive capacities of the latter and ultimately to benefit them. But where under the guise of free trade the backward economy is mercilessly exposed to the immediately devastating effects of superior competition the patient is dead before the effect of the medicine has time to make itself felt. What the German or American administrators could see easily the British Indian rulers refused to see. Hence Ranade was moved to protest:

"But our contact with the world outside and the freedom of exchange which has resulted in consequence have produced one most undesirable result. They have aggravated the situation by making us more than ever dependent upon a single precarious resource. The industry and commerce of the country, such as it

was, is passing out of our hands, and, except in the large Presidency towns, the country is fed, clothed, warmed, washed, lighted, helped, and comforted generally by a thousand arts and industries, in the manipulation of which its sons have every day a decreasing share."

While through the processes of trade and finance—in this latter sphere a minimum of service being vouchsafed to the people for a maximum of taxation a large proportion of which is spent on heads which benefit the European employees of the State—what Taussig would call a 'predatory' sharer in the national dividend levies his toll the fund itself gets attenuated on account of the indifference and hostility of the State. With characteristic moderation, or more appropriately with a greater sense of realism, Ranade argued that if there must be a drain let us at least see that the pool is well-stocked. Feed and nourish the milk-cow, this is the whole moral of one of Ranade's published essays in which he exhorts the Government to follow the Dutch East Indian system of State subsidized development. The State in Ranade's opinion was not acting in its own economic and military interest in neglecting the development of Indian manufactures and industries.

The interests of the governors and the governed and of all classes among the people would be best served if a planned process of industrialization was adopted with State initiative and State direction. While then the question of the drain would be left to the politicians for solution prosperity, strength and justice would be secured for all. Industrial regeneration would lead to a national reawakening the effects of which would be far-reaching. The insistence of Ranade on the supreme importance of planned industrialization and on a fair distribution of the produce of industry is borne out by the following observations that he makes:

"When the country was thus enabled to obtain a new start, and factories and mills on a small or large-scale were set up all over the land, the present paralysis would give way to a play of energies which would far more effectively than schools and colleges give a new birth to the abilities of the nation. This is our plan."

"It is in this spirit that the distribution of produce among the needy many and the powerful few has to be arranged, i.e., in a spirit of equality and fairplay, and the orthodox views of finality in such matters must be reconsidered in all the relations of life."

That noticeable advance has been made on the industrial front since Ranade wrote has of course to be recognized. But it is futile to deny that much of this progress has taken place in spite of, rather than because of, the policy of the State. A planned programme of reorganization and development of all the productive resources of the country is no less a military and economic necessity today than it was in Ranade's days i.e. over half a century ago. The indifference, or at best fitful and partial awakening of the State of these realities of the situation has persisted in the face of an almost unanimous and evergrowing volume of Indian economic opinion. Indian economics is today no less than what it was Ranade's days 'economic wisdom in political wilderness.'

Poona.

FROM THE PROVINCIAL ANGLE

Madras Letter

CONSERVATION OF FERTILIZER STOCKS—NEW LICENSING ORDER—END OF PROHIBITION—CYCLONE DAMAGE—ALKALINE SURVEY (From Our Correspondent)

MADRAS, Nov. 19.

Prohibition

THE increased use of groundnut oil cake as a fertilizer and food for cattle has resulted in a very large demand for this commodity in this Presidency. As a result of the war, the prices of inorganic nitrogenous manures have risen very considerably and even at the present price of the cake, considerable economic advantages are offered by its increased use as a manure for crops, notably sugarcane, in view of the short supply of ammonium sulphate. Research work has indicated that sulphate ammonia contains about 20.6 per cent. of nitrogen and decorticated groundnut cake contains 7.5 per cent. nitrogen and that the replacement of the chemical manure by the cake in no way affects the crops. The cake as a valuable protein food for cattle has been admitted on all hands. These reasons are probably responsible for the action of the Madras Government in bringing groundnut oil cake under control. Already, a rule is in force whereby this commodity cannot be exported from the Presidency without a permit from the Commissioner of Civil Supplies. Now, an order called the Madras Manure Dealers' Licensing Order has been issued which is to come into force on December 1, 1943. Under this order, not only oil cakes but also bones, bone grists, bonemeal, bone super, fish meal and such other chemical manures as the Government may notify have been brought in, and any one desirous of dealing in them has to take out a licence. The licensee will have to maintain accounts as regards stocks and sales. A reading of the conditions and terms of the licence gives the impression that at no distant date price control will also be introduced.

Manures

In this connection, it would be relevant to mention that the Madras Government have placed a substantial sum at the disposal of the Director of Agriculture for buying and supplying manures for the "Grow More Food" campaign, but it seems that no big purchases have been made so far owing to the prevailing high prices. Presumably this was also one of the reasons that prompted the Government to bring manures under control. A zonal system for the distribution of manures is also being thought of by the authorities. Recently an informal conference of producers and consumers of oil cake and fertilizers in the Presidency was held which was attended by the Director of Agriculture and the Controller of Railway Priorities, Madras. A draft scheme for the regulation of the movements of cake and bones and bonemeal was discussed and it is stated that the latter have been dropped from the scheme of control. As regards the former, a sub-committee has been constituted to examine the proposal further. From the fact that the conference was attended by a majority of European interests and the composition of the sub-committee is also of that character, some apprehension is felt regarding the outcome of these discussions. The exclusion of bones and bonemeal from the proposed control scheme is a significant pointer in the direction.

This week's Fort St. George Gazette contains an Act promulgated by the Governor and assented to by the Governor-General suspending prohibition in the Province. The Government have issued a Press *communiqué* setting forth the reasons which made them decide to open toddy and foreign liquor shops from January 1, 1944. In the past three weeks and more, there has been a chorus of protest against the intentions of the Government and the New Year's gift of the Governor only betokens a contempt for public opinion. The main reason mentioned is the alarming increase in illicit distillation but from the published figures it is established that such cases only number about a dozen a day in the entire wet area. Further, the Government are not closing arrack shops but hope that the reintroduction of toddy may have some effect in reducing the illicit offences. A very curious argument is advanced by the Government that as public enthusiasm for the reform has waned, its continuance has the effect of increasing the contempt for law. At this rate every law that is contravened should have to be repealed! Finally, the bogey of inflation has been brought in and the Government say that the additional revenue, consequent on the suspension of prohibition, will be a method of combating inflation.

Implements

A big scheme for the manufacture of agricultural implements has been sanctioned by the Government of Mysore. During the eight months ending June 1944, Rs. 7 lakhs are to be expended for the manufacture of the implements and carts. The scheme includes the manufacture of 4,000 ploughs and other agricultural implements like *kuntées*, sickles and crowbars as also bullock shoes and carts.

The Sugarcane Crop

The heavy rains and cyclone last month have caused considerable damage to the sugarcane crop in the Presidency. The condition of the crop is reported to be generally satisfactory in all the districts except Chingleput and North Arcot, where the crop had a setback on account of the heavy rains last month, and Vizagapatam where the crop on an area of about 5,000 acres is reported to have been damaged by the cyclone. Thus, the yield in these areas is likely to be poor and as regards the other districts it is expected to be normal if the season continues to be normal.

Alkaline Deposits

A preliminary survey of the alkaline earth deposits in the Presidency is to be undertaken by the Madras Government with a view to formulating a scheme for organizing the manufacture of caustic soda in some selected centres. The alkaline deposits are known to exist in many districts in the Presidency and if the scheme matures, it will greatly increase the wealth and prosperity of the province. A chemist is to be employed to conduct the preliminary survey and it is expected that he will take a year to complete it.

Bombay Letter

**NEW STOCK EXCHANGE AT HYDERABAD—
PROFITEERING IN DRUGS—DEPRECIATION
ALLOWANCE AND TEXTILE SHARES.
(From Our Correspondent)**

BOMBAY, Nov. 20.

WITH the inauguration of the Stock Exchange at Hyderabad, the week under review has witnessed the welcome addition of an organized market for dealing in shares and securities. At present dealings are restricted to the shares of some 25 companies in addition to the Hyderabad Government securities, but it is probable that the list will be widened in due course. The opening ceremony was performed by Sir Purshotamdas Thakurdas, and he pointed out that compared to the size and the needs of India there are fairly few regulated Stock Exchanges. One of the high-lights of his speech was the emphatic repudiation of the suggestion that capital in India was shy. If it was shy, he argued, it was entirely due to the policy pursued by the Government of India.

Shortage of Housing Accommodation

The housing problem in Bombay has been very acute, and Government requisitioning of buildings has thrown many respectable citizens on the streets. The local Corporation recommended rationing of dwelling places in the City, but this is considered to be extremely difficult in practice. The Municipal Commissioner has made a study of the problem, and in his report he has given the causes that have led to the present acute position. The increase in the population has been due to the influx of naval and military personnel, men employed due to increased activity in textile and other industries, labourers engaged by military and naval contractors, refugees from foreign countries occupied by the enemy, businessmen and etc. from Middle Eastern countries and persons from other parts of India in search of employment or because of better living conditions in the City. The Commissioner recommends the removal of the last three categories of persons from the City to ease the shortage of housing accommodation. There is every sympathy for refugees, but why should they be accommodated only in the City of Bombay, when the City is experiencing such an acute shortage of dwelling accommodation and is faced with much difficulty in coping with the problems of internal traffic, food supply, the supply of electricity, water etc. The Municipal Corporation has recommended to the Government these suggestions of the Commissioner, and requested the Government to extend financial and other assistance to carry out the recommendations.

Anti-Profiteering Drive

The Anti-Profiteering Drive has not been much of a success in Bombay so far on account of the difficulties of its enforcement. Consumers have still to pay fantastic prices for their requirements. No doubt there has been a slight drop in the prices of stationery, books and certain imported articles. The official view is to rely mainly on the co-operation of the consumers

in the enforcement of the Ordinance. Consumers are advised to report cases of profiteering even when they cannot get cash memos. One wonders how any action would be possible against a merchant in the absence of a cash memo, as then, anybody can abuse the Ordinance by indiscriminate charges against the merchant. The Government of India are to appoint a Dy. Controller of Civil Supplies in Bombay to be assisted by four inspectors of whom two will be stationed in Bombay, one at Ahmedabad and one at Poona. The Provincial Governments are also expected to set up their own machinery to collaborate with the officials of the Central Government. The greatest profiteering is in drugs where, in some cases prices are about 15 times the pre-war basis. It is learnt that some of the officials of the importing houses themselves are tempted to take advantage of the conditions prevailing in Bombay, and supply the goods *via* the black market at exorbitant rates rather than supply them to long-standing practitioners. The officials seem to overlook that where encouragement is given to exorbitant prices from the source of the supply itself, there is little chance of the control being effective.

Stock Exchange

The stock exchange was dull and inactive. The market moved within narrow range. The textile shares firmed up on the reports that the Government would agree to a substantial increase in the depreciation allowance for the cotton mills. The market estimates of the increase in depreciation allowances that might be given seem to be too much on the high side. If, however, higher depreciation is allowed, it is obvious that those mills which possess new machinery will stand to benefit more than those with old machinery which have already been written down to very low levels. It is the old mills which will be badly in need of replacement and renewals immediately after the war. It is to be hoped that when the Government Committee goes into this matter, it will take into consideration obsolescence allowance for mills with old machinery. The continued upward trend in the gilt-edged market has been damped by the continuance of profit-taking by "stage." Sales of 3½ per cent Paper have been fairly heavy. It would appear that institutional investors consisting mostly of the new entrants into the field of banking, insurance and investment finance, have sold Paper which they had bought in the neighbourhood of Rs. 94 to show some decent profit in their first year of working. Then again, there are reports of sales of Paper by individual bankers in Sind and Punjab as a profit-making measure. Another source of selling has come from those who wish to buy the 4th Defence Loan. Be that as it may, it is noteworthy that all such large sales have been well absorbed by the market. This again demonstrates the inherent strength of the gilt-edged market, and should be sufficient to infuse confidence in the revival of the upward trend in near future.

Bengal Letter

**BUNGLING IN PRICE CONTROL—CLEANING UP
CALCUTTA—PLEA FOR STANDARD WEIGHTS
AND MEASURES—VICISSITUDES OF
JUTE INDUSTRY.
(From Our Correspondent)**

CALCUTTA, Nov. 19.

THE *Aman* crop, which is anticipated to be a bumper crop of ten million tons is hoped to bring substantial relief to this famine-stricken land. If the crop proves to be as considerable as this after harvesting, it would certainly go far towards relieving the present crisis. But considerable doubts and misgivings exist in the public mind with regard to the procurement operations of the Government in respect of the *Aman* crop and their possible effects upon the price and distribution of it. The hope that the cloud of gloom that has so long hung over this province may soon be lifting would perhaps be sadly disappointed if any kind of reckless buying of the new crop by Government agencies upsets the balance of the market. On this point doubt is all the greater because the Government have not yet come out with a clear statement of their scheme regarding the procurement of *Aman* crop. Apart from the *Aman* crop, some relief is also expected from the forthcoming rationing arrangement which is expected to become operative from the middle of December. The rationing arrangement will of course apply only to Calcutta and certain neighbouring areas consisting in all of 30 lakhs of people. Up till now these are only hopes of the people. It is for the Government to bring about the fulfilment of these hopes.

Defective Price Control

The Bengal Government have never achieved much of success in their price-control experiments. Among other causes, a failure to take a realistic view of the pre-requisites of price control has been responsible for this. Some months ago the Government fixed up the maximum prices of rice and paddy, the result of which was the complete disappearance of the commodities concerned from the market with consequent hardship of a very serious character to the consumers. That the fixation of a price that does not bear a proper relation to the conditions of the market and that does not ensure a fair deal to the producer or manufacturer cannot succeed is too often forgotten by the Government. Yet another phase of control of prices of rice and paddy that has been inaugurated by the Government goes to show in a conclusive manner how amateurish and inexpert the Government can be in their handling of price-control affairs. The reference is to the new price control Orders which are to come into effect from December 1. The details of the Orders are not relevant in the present context. Suffice it to note that for Calcutta and certain other districts the maximum wholesale price of paddy which may be sold by the trader will be Rs. 10 per maund and that by the agriculturist will be Rs. 9.8 per maund. The Calcutta Rice Mills Association have drawn attention to the fact that if the trader is to sell his paddy at Rs. 10 per maund in Calcutta and the districts linked up with Calcutta, the rice mills cannot on the existing cost basis produce rice at a lower cost than Rs. 17 per maund, and that without any profit. If, however, allowance is made for a profit-margin of 6¼ per cent., the price of rice ex-mill would be Rs. 18-1.6 per maund. The Government's

error in making an inadequate allowance for the difference between the price of paddy and that of rice is emphasized all the more by the fact that the existing margin allowed in this regard is Rs. 8 per maund whereas under the new Orders the margin would be to the extent of Rs. 6 only. According to considerations of fair price, which should be the basis of any effective system of price control, this is manifestly an unsatisfactory arrangement.

Standardization of Weights and Measures

To an apparently minor issue, but one which affects deeply the daily existence of ordinary men and women, a pointed reference was made in a recent discussion at a meeting of the Calcutta Corporation. The allegation was made that short weights and measures were in use in the municipal markets, while conditions in this respect, it was apprehended, were far worse in the private markets. The opinion was expressed that without waiting for the amendment of law with regard to the weights and measures the Corporation should take immediate action by insisting on their market superintendents making regular inspections and testing weights at random. The problem in this respect is in many ways an all Bengal one, and several official Inquiry Committees had in the past urged the need for standardization of weights and measures. But Calcutta may well give a lead in this matter.

Jute Industry

There has been some brightening-up of the outlook for the jute industry due to the improvement in the coal position. But though arrival of coal has improved, bitter complaints are still heard regarding the quality of the coal received by the mills. On the whole the steam-driven mills are now able to put in more work. This is reflected in the output of the mills in October which was 69,739 tons compared with 55,544 tons in September and 46,088 tons in August. The progress in the working of the mills which was already indicated in the September output has thus been well maintained in October and it appears that in the current month also the position in this respect continues to improve. Let it be noted, however, that compared to the output of the corresponding period of previous years the output of the mills in October was still below the normal level. In October 1942 the production is 90,833 tons. The changing position of the jute industry has had its reactions upon the jute markets. There is a falling-off in the prices of heavy goods and hesitations due to an anticipation of further improvement in the working and production of jute mills. But raw jute prices are resisting the pressure towards a downwards trend. This is due to a feeling that the mills, with the increase in their working hours, will have to buy more and more jute. Higher prices of paddy have also had indirectly bolstered up jute prices. Anticipation of reduced sowings of jute in the coming year has tended to produce the same result. But it should not be forgotten that the prices of jute have authoritatively been considered to be all too low at their existing level, and further reduction of these prices may inflict undue hardship upon the cultivators.

U.P. Letter

THE NEW CANE AND SUGAR PRICES—EFFECT ON SUGAR MANUFACTURERS IN BENGAL AND THE PUNJAB—HOUSING IN CAWNPORE

(From Our Correspondent)

CAWNPORE, Nov. 22. THE sugar manufacturers in the U.P., as also in Bihar, will get Rs. 14-13 for every maund of sugar manufactured by them during the current season as against Rs. 14 last season. They will pay this year 13 annas per maund for cane as against 10 annas 9 pies last year. Both the prices are inclusive of the cess which was nine pies per maund last year and has this year been raised to one anna. In short the manufacturers in the two provinces have been permitted to raise the price of their product by 13 annas per maund in return for having to pay 2 annas 3 pies per maund for their sugarcane. Taking into account a further general rise in the manufacturing costs, the manufacturers who had been taking a long-range view of the cane position had pressed for a four annas per maund increase for the grower, but find that the price offered for the manufactured product is low, and a fall in profits of the sugar industry for the coming year is generally anticipated. In some quarters it has been suggested that the price offered now for cane crop might not prove attractive and there might be some shortage of cane in the season 1944-45.

Compulsory Saving

A further reason for holding this view is the decision of the United Provinces Government, and the Bihar Government are likely to follow suit, to deduct two annas from every maund's price due to the cultivator and enforce compulsory investment of this amount in the National Savings Certificates, and in Defence Savings Stamps where the amount is less than Rs. 10. The grower will thus be paid immediately only 10 annas per maund—what he was getting last season. With many checks on *gur* production, the grower howsoever irksome he might find this compulsory saving would not be able to divert the cane intended for the vacuum pan factories during the current season but might have his revenge in the coming season if prospects for other crops remain as good as they are today. It is expected that this compulsory investment of two annas from out of every maund cane price should yield a saving of about Rs. 3 crores in Bihar and the United Provinces together, and the two Provincial Governments can well point to this achievement with pride, but it would be a pity if this achievement leads to a shortage of cane next year.

Sugar in Bengal

Mr. M. P. Gandhi commenting on the latest development, in a Bombay journal, has stated that "factories outside the U.P. and Bihar, e.g. those in Bombay-Deccan area, having their own cane farms, and those in other areas, e.g., Bengal where minimum prices of cane are not fixed by the Government, will benefit considerably by the present increase in sugar prices, and will have the necessary impetus to produce the maximum quantity of sugar, if only out of profit motive." It is true that in the past factories in Bengal had this advantage over the U.P. and Bihar factories, that is, they did not have to pay so much for their cane as the U.P. and Bihar factories had to, while they got for their produce the same price which was realized by the latter, with the additional advantage of having their market outside their door. But this time the boot is on the other foot. While in the past the U.P. and Bihar minimum cane price used to be higher than the ruling price in other areas, this year it is reported that factories in Bengal might find it extremely difficult to obtain their cane requirements at prices very much

below one rupee per maund. The factories in the Punjab too might have some difficulty in getting their cane at prices having some parity with the U.P. and Bihar prices. Hence it is very likely that factories in Bengal whose production last season had shown a sharp fall might approach the Sugar Controller to grant them certain concessions to offset this disadvantage. And if the Sugar Controller cannot or will not help them they might approach the Sugar Board set up recently by their provincial government.

In the Punjab

News has come from the Punjab that the Provincial Government, under an emergency legislation, have provided for a 14½ annas per maund price for the growers' cane. This is the first time when the Punjab Government have fixed cane prices and is obviously due to the inability of the factories there to get any cane at prices fixed in the U.P. and Bihar. How are the manufacturers there going to make any profit if they are to market their produce at Rs. 14-13 a maund is the important issue that now arises. Apparently the Punjab Government would also take measures to see that the manufacturers get a fair return. Both Bengal and the Punjab would thus produce new problems for the Sugar Controller and on his ability to reconcile their independent actions with the Central Sugar Control, will depend the future of the latter.

Housing in Cawnpore

Like Bombay and Delhi, Cawnpore too has a serious housing problem. Here the population figure has risen more than two-fold since the outbreak of the war consequent upon the expansion of industries and trade. Even before the war began there was a scarcity of housing in the city, claimed to be the industrial metropolis of Northern India. The U.P. Chamber of Commerce had recently appealed to the local Government to lift the ban on the use of building materials to enable quarters to be built for civilians. The U.P. Government have, in reply, stated that the question of shortage of accommodation at Cawnpore had been engaging their attention for a long time, but owing to the imperative need of ensuring the requirements of essential industries and prosecution of war, all building materials such as steel and cement had to be conserved to the utmost extent possible. The Government were, however, giving the utmost help to the Improvement Trust and other bodies intent on providing quarters for workmen engaged in war industries. The anti-inflationary policy of the Government and the transport position precluded their lifting of the ban on the use of building materials for private houses.

Piecegoods Market

During the last two weeks there was a tremendous amount of activity in the cotton piecegoods market, and there were heavy clearances of coatings, greys as well as coloured, mostly towards the Punjab and the N.W. F.P. There was also a very keen demand for prints. The local mills raised the prices of prints and there was a rise of up to Rs. 4 per piece for coatings. There is still a flourishing black market in cotton textiles. The coarser qualities produced by the mills of Cawnpore continue in great demand thus indicating the comparative unpopularity of the standard cloth which offers similar quality in some cases at lower prices. There is considerable confusion regarding the future trend of the market consequent upon the coming into force of the stamping of prices and the introduction of ceilings for all varieties. It is understood that the new ceilings for all the varieties produced in Cawnpore have already been arrived at.

Punjab Letter

UNIONIST MINISTRY'S JIBBING AT PRICE CONTROL AND RATIONING—SIR CHHOTU RAM'S DEFENCE—SUGAR RATIONING IN LAHORE

(From Our Correspondent)

LAHORE, Nov. 20.

THE Punjab is just now going through a painful reversal of thought and policy from decontrol to control. It would be absolutely untrue to say that all sections of population are opposed to reimposition of control over prices and introduction of rationing. But the Unionist Ministry which professes to represent the interests of the agriculturists at large and certainly does represent the interests of the larger landowners is jibbing a good deal at price control and rationing of foodgrains.

Food Policy

By now the case of the Punjab—or to be more precise of the Unionist Ministry—has received wide publicity and its main outline is sufficiently well-known. Choudhry Sir Chhotu Ram and Sardar Baldev Singh who have acted as the spokesman of the Ministry have reiterated their arguments with added vigour in two recent statements. Sardar Baldev Singh has endeavoured to rebut the charge that in opposing the reimposition of control the Punjab Ministry is actuated by the ignoble desire to benefit a handful of idle feudal profiteers and has pointed out that owners paying land revenue of Rs. 500 and over number only 2,600 and contribute only about 7 per cent. of the total production of wheat. On the other hand, owners paying a land revenue of Rs. 200 and below number over 3,391,000 and contributed more than 87 per cent. of the total yield of wheat in the province. He has also stressed that the Punjab was not opposed to price control as such but to a unilateral control of wheat prices unaccompanied by a control of the prices of those goods which the agriculturist consumes. Sir Chhotu Ram expressed this view in even clearer terms while speaking to the Political Science Teachers' Conference held here on November 19. "The Punjab," he said, "will be prepared to accept statutory control if it finds that after the growers' requirements at reasonable rates and in sufficient quantities have been made available, the prices of foodgrains have failed to register a proportionate fall. It will also be agreeable to statutory control if the Government of India or anybody else can convince it on the basis of authentic figures that the price of wheat and other foodgrains is out of parity with the level of prices which the grower has himself to pay for his requirements." He pointed out that while the price of wheat had gone up since the commencement of war to September, 1943, by 342 per cent., the prices of articles like cloth, iron and steel, etc., had risen much higher. The prosperity of the Punjab Agriculturist was, therefore, only an illusion. The Punjab grower had gained only in that he had cleared off a substantial part of his old debts and did not have to resort to the moneylender to borrow soon after the harvest.

Statements like these could not have failed to arouse comment and criticism. There are important sections of urban population, in particular persons with small and fixed means, who understand well what high prices mean to them and who, therefore, remain unconvinced by the otherwise cogent reasoning of the Ministers. The suggestion regarding parity between agricultural and non-agricultural prices, they say, cuts both ways. If the Punjab Ministry insists on the provision of adequate stocks at reasonable prices of consumers' goods as a condition precedent to the acceptance of price control, the Government of India may also similarly insist on the provision of large stocks

of foodgrains at reasonable prices and they may also give the assurance that if prices of goods consumed by the grower cannot be brought down, the food prices will be revised upwards. Apart from this, the urban consumer has a well-founded suspicion that the high prices of foodgrains have benefited mostly the larger landowners who have large surpluses to sell. They are not willing to be deceived by the definition of a large landowner as one who pays a land revenue of Rs. 500 or over; for they would include any owner holding 50 acres or over (i.e. paying a land revenue of about Rs. 100 or over) among the larger owners. They often repeat the question to which so far no satisfactory answer is forthcoming: in what way has the larger landowner shared his war gains with the State? Has he paid excess profits tax or income tax or surcharge on income tax or any other substantial direct tax?

Arrivals of wheat in the Punjab *mandis* seem to have improved in response to the advice of the Ministers and the Governor to the growers to part with all their surpluses. On November 20 the total arrivals in the Lyallpur market were 2,000 bags and the prices of wheat 591 stood at Rs. 11-8. At a recent meeting of the National War Front in Lyallpur, the Governor, Sir Bertrand Glancy, in the course of his speech, told the zamindars that if they hoarded more grain than they reasonably required, they would surely live to regret their shortsightedness most bitterly.

Sugar Rationing in Lahore

The scheme for the rationing of sugar in the city of Lahore has been under preparation for some months. A family census has already been taken but the coupons have so far been distributed only in some areas. Sugar has already been rationed in some of the larger cities of the Punjab like Rawalpindi where it has been very successful and in Lahore also a kind of *de facto* rationing has been operated for many months. From December 1, 1943, it is proposed to bring a full-fledged rationing scheme into operation. The monthly quota allowed to all persons above four years of age will be one seer and two chhataks (equivalent to two and a quarter pounds). It remains to be seen how far this quota will prove adequate in practice and how the scheme will provide for special and periodical requirements of the people on occasions of marriages, festivals, etc.

Bargain Sales of Cloth

During the last few weeks there has been a regular spate of 'Bargain Sales' by cloth dealers, general merchants and hardware stockists. The sales seem to have been occasioned by the announcement of the Ordinance to check profiteering and hoarding. There has been a heavy rush of the buyers at these sales showing either the heavy volume of postponed demand or the desire to convert idle cash into tangible goods or both. In some items the reduction in prices seems to have been substantial but in the more popular items it is nowhere near the buyer's expectation. The price of cloth is still outside the reach of the poorer and the lower middle class consumers and the meagre sales of standard cloth have not brought any appreciable relief. In fact in the case of both food and cloth, the problem is more of 'famine prices' than of physical shortage. It is, however, obvious that these are only two facets of one problem and without larger supplies it would be difficult to satisfy the consumers' demand at reasonable prices.

A DELHI DIARY

NEW DELHI, November 26.

IT is at this time of the year that New Delhi buzzes with speculations about the Finance Member's Budget plans for the coming year. As the revenue and expenditure figures for the first six months are now available, they may be taken as a fair basis for the revised estimates. The increase in revenue collections as compared with the previous year during these six months is as much as Rs. 30 crores. If the same proportion is maintained one may expect that the revised estimates for the whole year may exceed the Budget estimates by over Rs. 60 crores—a total of over Rs. 250 crores as against the Budget estimate of Rs. 195½ crores. There are certain interesting features of the revenue returns which may well have a bearing on the Budget proposals for the coming year. Though the Finance Member anticipated a decrease of Rs. one crore in customs receipts for the year, the first six months alone have yielded an increase of Rs. 3 crores. It looks as if the coming six months' yield may be even more fruitful, for the Government of India have announced their intention to import large quantities of goods. So also under "other heads", though the Finance Member has anticipated a decrease, the actual earnings during these six months have improved to the extent of Rs. 6 crores. The only revenue source which has failed to come up to expectations is the salt duty, but the coming six months may make up the deficiency now disclosed. Taking the figures as a whole the Finance Member has every reason to be satisfied with the revenue returns which have substantially exceeded his expectations. From the revenue point of view at least, the Finance Member can hardly put up a case for imposing any additional taxation.

Even on the expenditure side the position is not so bad as one may have anticipated. During these six months the Central Government's expenditure has gone up by just over Rs. 22 crores. Defence expenditure has already passed the hundred crore mark. And as the monthly war bill is now in the neighbourhood of Rs. 18 crores—according to the September figures—the net Defence expenditure will easily exceed Rs. 200 crores. The figures for the first half year show that expenditure has exceeded revenue collections by over Rs. 60 crores. For some reason the Finance Member put the year's estimated expenditure as less than the previous year's revised figure, but there is little doubt that the Finance Member will be disappointed in this expectation. The year's deficit is bound to be much more than the figure of Rs. 97 crores mentioned in the Budget statement. In spite of increased taxation it may go up to the previous year's revised figure of Rs. 140 crores.

The position regarding Railway earnings is also more satisfactory than had been anticipated. The earnings in October show an improvement of nearly Rs. 1½ crores over the actuals for October of the previous year. The total earnings for the seven months, April to October, amount to over Rs. 100 crores—an increase of over Rs. 15 crores compared with the previous year. One may therefore expect that contributions from Railways will exceed even the budgeted figure of Rs. 27 crores. According to the latest statement issued working expenses of Railways during the six months have risen only by Rs. 1-1/3 crores. According to an official calculation the earnings of State-owned Railways are 78 per cent. higher than in 1939. In view of the very favourable position of revenues, the general expectation is that neither the Railway Member nor the Finance Member will think of any large-scale additional taxation for the next Budget. It is difficult, however to foresee what additional expenditure may have to be incurred in the remaining half year—partly by reason of the sudden demands due to the famine, and partly by reason of additional war expenditure if an offensive starts in the near future. Among the members of the Assembly there is an increasing feeling

of dissatisfaction with the taxation policy of the Government of India—that it is haphazard and inequitable and that it seriously interferes with production, both agricultural and industrial. In a communication to the Government of India the Federation of Indian Chambers of Commerce and Industry suggest a comprehensive investigation of all the issues relating to taxation and industrial policy in consultation with and with the co-operation of the Indian industries and their representative bodies. In the Committee's opinion the method by which profits are set aside for employment in further growth of business should be fostered and encouraged instead of being subjected to penal taxation. This subject is likely to figure largely in the discussions of the Central Legislature during the coming Budget session.

In the course of a statement in the Council of State the Commander-in-Chief said that the Supreme Commander South-East Command will have under his command such units of the Indian Army as are placed at his disposal by the Commander-in-Chief. He added: "The South East Asia Command will place demands on the Government of India which will then with due regard to India's financial and economic position decide whether to arrange provision from Indian or other sources. The financial problems arising out of the establishment of the South East Asia Command are engaging the closest attention of Government." This has left the position somewhat vague, but at the moment no further information is available.

The only tangible result of the long debates on Food in the two Houses of the Central Legislature is the resolution adopted in the upper House, but according to lobby comments it means nothing useful. In England there is a powerful body of opinion demanding the appointment of a Royal Commission to inquire into the food situation, but the Government of India, as could be seen from the Food Member's statements in reply to the debate, have been resisting it. So long as Mr Amery is in office, there is not likely to be any commission of inquiry. The Government of India have accepted the demand in principle, but as it has been left to them to decide the time at which the inquiry should be made, it may be safely presumed that there is no intention of having any inquiry in the near future. Moreover the stipulations regarding the composition and terms of reference are such that the proposal hardly inspires any enthusiasm.

One or two important announcements were, however, made by the Government's spokesmen which show that the Centre may after all try to enforce certain policies. The Director-General of Food said: "Certain Provincial Governments had not observed our instruction to refrain from price control measures which have not had our approval, and the issue of a formal direction on the subject is under consideration." The Food Member also gave an undertaking that the Central Government have decided to assume responsibility for the feeding of Greater Calcutta. These announcements, however, do not take us far, but I understand that the Viceroy is moving in his own way to secure co-ordination of policy in regard to food supply and distribution. The Governors Conference discussed mainly the food question, but there are reports that Lord Wavell placed before them also a country-wide drive for economic improvement—somewhat on the ill-fated rural reconstruction drive which Sir John James Grigg started nearly ten years ago. The Viceroy is also going round the provinces to confer with Provincial authorities on the food question. It is likely that whatever else he may or may not achieve, he will be able to remove the differences between the Centre and Provincial Governments on questions of food policy. But will that be sufficient to solve the food question? ARGUS.

NEWS PAGE

The Reserve Bank of India will shortly issue Bank Notes bearing the signature of Mr. C. D. Deshmukh, the present Governor of the Bank. Bank Notes previously issued continue to be legal tender.

The U.P. Governor has issued an order directing every manager of a sugar factory and every purchasing agent to deduct two annas per maund of sugarcane from the price payable to a cane-grower, and pay the amount to the grower in Defence Savings stamps.

Widespread reductions are shown in the new cargo war risk insurance schedules issued by the British Government War Risks Office. Reduction in rates for United Kingdom voyages range up to 20 per £100 while for overseas voyages the reductions reach 50%.

It is reported that the consumption of country-made "foreign liquor" has of late been on the increase in Bombay City, resulting in an increase of Excise revenue realized from the City from about Rs. 1,07,00,000 in pre-prohibition days to Rs. 1,15,00,000 at present.

A survey of destitutes, by the Anthropology Department of the Calcutta University, in the famine-affected districts of Bengal has revealed that of nearly 200 families studied in Kandi, over three-fourths were found to be agricultural labourers and one-twelfth small cultivators. Nearly two-thirds of the total number were children and infants and another 10 per cent. old persons. About one-fifth of the families were found to have disintegrated.

Dr. Otta Schwarz, the President of the Revenue, announces, according to the German overseas radio, that Germany's total expenditure during the first four years of war amounted to 367,000 million Reichsmarks.

At the beginning of September, 1943, an extent of 66,342 acres of land had been brought under cultivation in Mysore out of a total area of 190,317 acres granted under the 'Grow More Food' Scheme, while the improvement in the price of silk and cocoons has caused an extension in the area under mulberry from about 30,000 acres in 1939-40 to nearly 65,000 acres at present.

The Government of India have decided to appoint a Committee with Sir John Sheehy as Chairman, to examine whether the textile industry is justified in asking for an increased rate of depreciation. The Committee will assemble in Bombay on December 6, 1943, in the office of the Textile Commissioner, Bombay, and examine such witnesses as may be produced by the Textile Control Board.

At a recent meeting of the Utilization Branch Advisory Committee (Geological Survey of India) it was stated that while prospecting of lead-zinc ores in Mewar State would continue, the project had been dropped as a war measure. A hydro-electric survey of the area, with a view to investigating the possibilities of developing cheap power, was suggested. The views of the Committee were also obtained on the arrangements made by the Government for training mining personnel for the operations of the Utilization Branch.

The Chinese representative on the Council of the U.N.R.R.A. has estimated that China would require more than eight and a half million tons of food supplies for relief for six months.

Inquiries made in the Food Department indicate that five food ships carrying wheat and wheat products were recently unloaded at an Indian port within a period of three weeks.

It is stated that in the cyclone-affected areas of Midnapore nearly 150,000 pieces of cloth, 35,000 blankets and 10,000 children's garments have so far been distributed by the Government of Bengal, while over 12,000 pieces of cloth, 6,000 blankets and nearly 8,000 children's garments have been distributed to the destitutes in Calcutta.

As Government is satisfied that dealers and others in possession of unstamped cloth will have had by the end of December, 1943 sufficient time to dispose of their stocks provided they have genuinely tried to do so, they have now made it clear that not only will no further extension be granted but that it will be an offence to possess such cloth after that date. Machinery is being set up to ensure that all such cloth remaining unsold is seized as soon as possible after December 31.

According to a cable from Ottawa, the production of Canadian wheat and linseed crops for the current season are estimated at 293.7 million bushels and 17.7 million bushels respectively. Last year's corresponding figures were 607.7 million bushels and 14.9 million bushels respectively.

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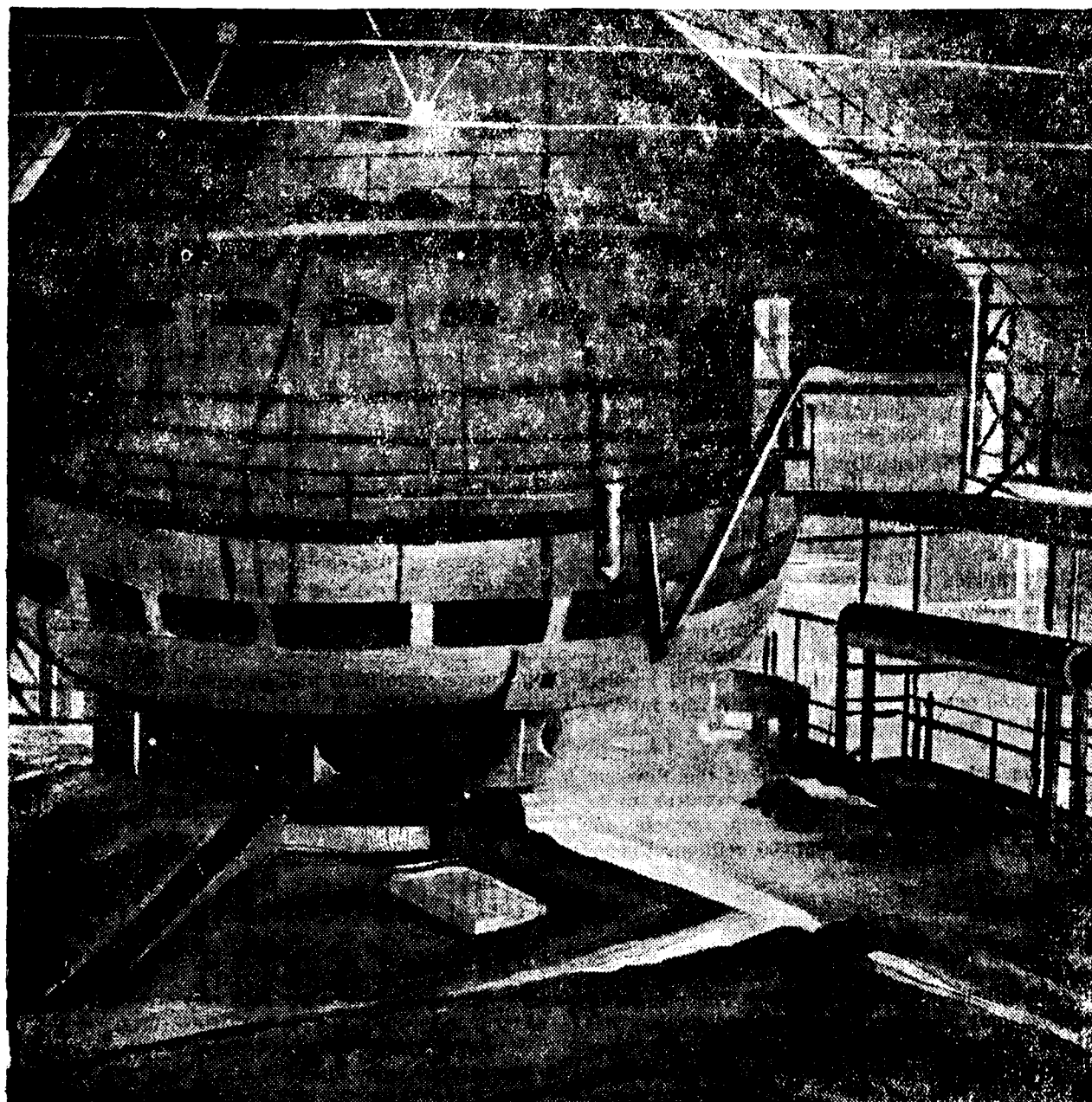
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GLEANINGS

FLOOR AND CEILING PRICES FOR RAW COTTON

It is now considered desirable that the widest publicity should be given to the means by which the Government of India intend to maintain the price of Indian cotton between the floor of Rs. 400 per candy and the ceiling of Rs. 550 per candy in terms of the Indian Cotton Contract, says a Press Note issued by the Industries and Civil Supplies Department. The following floor and ceiling prices have been accepted for the descriptions mentioned below. Floors and ceilings for descriptions tenderable against the Indian Cotton Contract and not included in this table will be announced at a later date.

Description	(Per candy of 784 lbs.)	
	Floors Rs.	Ceiling Rs.
Indian Cotton Contract		
(Jarilla $\frac{3}{4}$ " Staple) ..	400	550
Bengal (Deshi)	165	315
Oomra (Deshi)	225	375
4F	450	600
Western Farm	510	660
Tinneveilli	485	635
Karunganny	505	655
Sind N.T.	575	725
Surat	600	750
Gaorani	575	725
Nandyal	535	685
Compta	590	740
Cambodia	610	760
Punjab|American 289F	610	760

The above prices are Bombay delivery, new mill terms and will not be changed during the 1943-44 season. The basis on which Government will buy cotton is however as laid down in the next paragraphs.

The Government of India intend to buy new crop 1943-44 season cotton by whomsoever offered in Bombay, Karachi or up-country at the floor prices or their up-country equivalents except that Government will not buy any cotton unless the Indian Cotton Contract in the market of the East India Cotton Association in Bombay, is quoted at the floor price of Rs. 400 per candy and then Government will buy basic Jarilla Khandesh $3\frac{1}{4}$ staple as the floor price of Rs. 400 per candy and other styles at the floor prices named above or at the market rate for those styles whichever is lower. Government intend to carry through this policy with the utmost determination regardless of the quantity of cotton offered.

In the event of cotton reaching the ceiling prices named above, Government will requisition such cotton as required by mills. The requisition price may be either the ceiling price or any price down to 5 per cent. below that ceiling price at the discretion of Government.

RECIPROCAL TRADE

The National Foreign Trade Convention, which met in New York from October 25 to October 27, pointed out the fact that Government leaders and business interests are increasingly recognizing the economic interdependence of the world, writes Leo Cherne, the American columnist (according to the U.S.O.W.I.). Numerous speakers echoed the sentiments of President Roosevelt's special message to the convention, in which he said: "No one nation can benefit fully from the industrial capacity of its citizens unless all nations reduce excessive restrictions on commerce and forego practices which injure others and divert commerce from its natural channels." Following up this line of thought, American importers and exporters at the convention urged a reduction of tariff barriers, thus stimulating two-way foreign trade after the war. It is noteworthy that the convention stressed the expectation of increased United States imports after the war, running almost double the average for the years 1935-1939. Obviously, such large-scale United States purchases abroad would be of considerable aid to foreign countries in the re-establishment of their peace-time economies.

During the convention, a representative of the Chase National Bank told the special bankers' session that the United States should offer financial assistance to foreign countries with weakened economies, including, first, outright contributions of money or goods for which no repayment should be expected; second, short-term loans, helping to revive basic industrial operations and strengthen monetary systems, thus enabling the repair of war-torn economies and the resumption of participation in international trade and the consequent ability to pay off this short-term indebtedness; third, long-term loans involving the usual long-term investment risks and therefore based on worthy inducements and guarantees.

United States business men have been conducting foreign trade activities wherever possible without injury to the United Nations war programme. The real importance of the Foreign Trade Convention thinking lies in the fact that public policy parallels the attitudes and plans of the business community. Repeated Congressional endorsement of the reciprocal trade agreements programme, aimed at reducing tariff barriers, is good assurance that a policy of co-operation will characterize the post-war period. Negotiations for additional reciprocal agreements are even now under way.

INDUSTRIAL RESEARCH

The Industrial Research Committee of the Federation of British Industries have recently made a pronouncement on the subject of industrial research in general, reports our London correspondent. Discussing the financing of research, they come to the conclusion that too little is done in this matter in Great Britain, and suggest that both industry and the State should increase their allocations for this purpose. If comparisons are made between research expenditure in Great Britain and the U.S.A. and Russia, the former appears pitifully small. That may be said of some other countries too, India included, though in India there is at least the excuse that the financial resources of industry and country are comparatively small. One thing is clear. In the future research in all fields of industry will have to take a much more important place than in the past. The rates at which the rehabilitation of the different national economies will take place and the rise in the standard of living will be fostered are to a very large extent dependent on research and the application of the results of research.

BULLION AND PURCHASING POWER

In *The Financial News* (London) Dr. Paul Einzig makes the suggestion that it was a mistake not to satisfy the Indian hoarder by providing him with sufficient bullion, writes our London correspondent in an Airgraph dated October 26. "The obvious remedy," continues Dr. Einzig in his Lombard Street column, "would have been the absorption of a large part of the surplus purchasing power of the Indian people by supplying large quantities of gold and silver for hoarding purposes. Owing to the increase of the purchasing power of the Indian public, its absorbing capacity for both metals has increased very considerably—the more so in view of the dishoarding of large amounts of gold which took place in the thirties. A policy of fully satisfying the demand for gold and silver would, further, have inspired confidence and gone some way to moderate the upward trend of prices which tended to accentuate food hoarding." Dr Einzig admits that some bullion was provided but, in his view, not in sufficient quantity. "The deficiency in its supply," he continues, "led to a sharp rise in its prices. This in itself would have been sufficient to give rise to food hoarding, because the rise in the price of bullion tended to cause a rise in the rupee prices of goods."

HEAVY CHEMICALS IN INDIA

In his presidential address to the Conference of Manufacturers of Chemical and Pharmaceutical Products held in Bombay early this month, Sir Santi Swarup Bhatnagar revealed that as a result of the impetus given by the Supply Development Committee, the Master General of the Ordnance, the Board of Scientific and Industrial Research and the Supply Department, the findings of the Basic Chemicals Committee have been given practical shape to some extent. India now manufactures or shortly will manufacture sulphuric acid, about 80,000 tons, caustic soda about 4,500 tons, soda ash about 56,000 tons, chlorine about 2,600 tons, chlorosulphuric acid about 15 tons, and formaldehyde about 60 tons, a year. The production of coal tar has risen to 80,000 tons of which nearly 40,000 tons a year are distilled and such constituents as naphthalene, anthracene, benzene, toluene and phenol are being recovered. Other chemicals such as potassium chloride, potassium chlorate, barium chloride, bromine, sodium sulphate, sodium sulphide, sodium and potassium dichromate, etc. now manufactured in fair quantities. Joint efforts have been made by the Master General of the Ordnance and the Director of Scientific and Industrial Research, for improving the indigenous coke production methods in India so that valuable by-products may not be lost. Various suggestions to recover more tar acids have been adopted by the industry and it is hoped that the coal tar distillation industry which has begun to realize that they were until lately a mere road-tar manufacturers' association will soon develop into a real chemical industry supplying basic organic chemicals so essential to the pharmaceutical industry of India. An excellent survey of the basic organic chemicals so essential to the pharmaceutical industry in India has been prepared and the Shalimar Tar products have decided to embark on the production of phthalic anhydride and have approved the results of the pilot plant which was constructed in the laboratories of the Council of Scientific and Industrial Research. Messrs. Parry and Co. are fast on the way to produce acetic acid.

COAL UTILIZATION

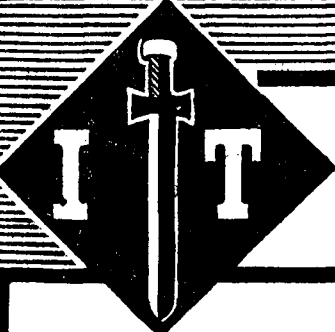
A lessened coal production used to greater advantage and sold at a higher price, thus yielding better wages to the miners, by a transformation, over the next twenty years, in the utilization of coal both as a chemical compound and as a source of energy was foreseen recently by Mr J. P. Bennett, Director of the British Coal Utilization Research Association, according to a dispatch from our London correspondent. Much progress has been made in boilers and grates for industrial energy production and by these means much of the heat that formerly run to waste could be harnessed. But even with the best plants in use at present a large proportion of the heat released in the combustion process escapes up the chimney. Together with it, however, an even larger amount of potential heat and energy escapes in the form of smoke. Research, according to Mr. Bennett, has made them discover the fact that more or less complete combustion, which means the consumption by fire of all volatile matter in coal, requires a heat of 600 degrees centigrade. In order to fit boiler plants and coal-fire appliances with linings which can withstand this heat, it was necessary to produce a fire brick of sufficient resistance. This seems to have been accomplished at least in the laboratory stage. Naturally, alterations in the designs of new plants and appliances will have to be made accordingly. But that does not offer any great difficulties. In fact some such appliances are already in use.

Mr Bennett also indicated that great progress was imminent in the utilization of coal as a chemical compound, and it would be no burden either on industry or on the ordinary consumer to pay a very much higher price in view of the great increase in the utility value of the material. And when this progress comes to pass, it will enable the coal industry to pay much higher wages to those who produce the coal.

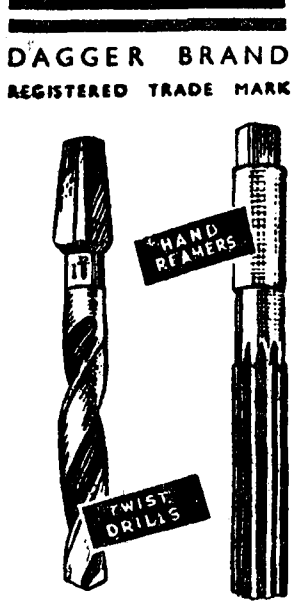
"We have heard of the experiments in Russia to burn the coal in the seams and to extract the gas that way," adds our correspondent. "But so far, it appears this is dependent on a particular method of producing sufficient and cheap oxygen, and if this method can be developed so as to bring down the cost of the necessary oxygen, the Russian method would probably be suitable for mines where the hewing and hauling up of coal is uneconomic by any other method, while the good seams will be worked by mining and the coal utilized by the methods indicated by Mr. Bennett."

AUSTRALIAN WAR DEBT

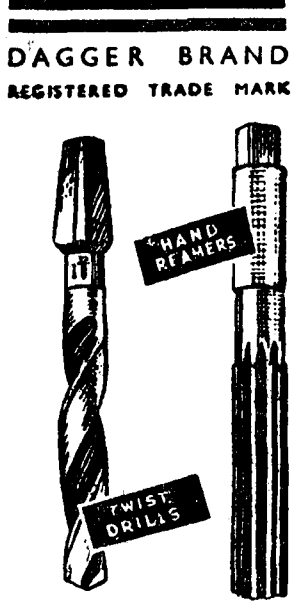
The recent repayment by the Australian Government of £12,000,000 advanced by the British Treasury in 1940 is something of a landmark in the country's war finance, observes *The Times* City Editor. By the repayment of this loan the Commonwealth has cleared off all its overseas war indebtedness, which up to June 30 amounted to £(Australian) 175,000,000. When this loan was made by the British Government to assist in meeting the Commonwealth's war commitments in Great Britain, Australia's sterling balances were at a low level. Since then they have increased substantially as may be gathered from the figure of the Commonwealth Bank's sterling funds. At the end of August these stood at £(Australian) 83,000,000, compared with £(Australian) 63,000,000 in August, 1942. Payments by the British Government for Australian wool and credits resulting from dollar payments by United States troops have contributed to the increase. This improvement in Australia's sterling balances should facilitate future conversion of publicly held sterling loans. Two Commonwealth loans fall due next year a 3½ per cent. issue on January 1 and a 3 per cent. loan on October 1. The outstanding amount of the first is £4,491,000; of the second, £8,125,000.



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BOOK REVIEWS

THE TREND OF PROFITS—A FACTUAL ANALYSIS
by M. H. Gopal, Journal of the Mysore University,
Section A-Economics. Volume III, Part X, 1943.

Every student of economics in India is greatly handicapped by the great deficiency in the organization of statistical data in our country. Although we have index numbers of a sort of wholesale prices and cost of living, index numbers of general economic activity, production and profit are conspicuous by their absence. This study by Dr Gopal of the Mysore University of the trend of profits in our country during the inter-war period would therefore be appreciated by all. In a pioneer effort like this, the inevitable limitations are well understood, but, nonetheless the picture which is presented to the reader is highly interesting, and it is to be hoped that even a more intensive and comprehensive survey would naturally affect the broad conclusions reached by the author. Dr. Gopal's study is limited to joint-stock concerns in general and mostly of the non-agricultural type. His sample contains 351 companies in 1918 and 541 in 1937. In number this represents 13% in 1918 and 5% in 1937 of the total number of companies existing in the respective years, but they cover most of the major units. The principle followed in determining the make-up of the sample, however, seems rather obscure. Thus in his sample, Dr Gopal takes 5 groups of industries, e.g., finance, transport, mining, manufacture and miscellaneous. To these groups respectively he gives the weightage (in percentage 6, 12, 19, 57 and 6 in 1918 and 6.5, 7, 10, 71.5 and 6 in 1937. We are not told why, except that he has included all concerns that are quoted in the *Capital* and the *Indian Finance*. This must have vitiated particularly the figures given for general level of profit.

Dr. Gopal's study reveals three distinct periods, e.g., (1) the war aftermath (1918-22) with average profits (dividends) at 25.1 per cent., (2) normalcy (1923-29) with profits 12.6 per cent., and (3) depression and after (1930-39) with profits at 8.6 per cent. The steady fall in the general rate of profit is thus apparent. Dr. Gopal examines individual industries and finds that the rate of profit differs very widely from industry to industry, e.g., 41.2 per cent. in jute mills to only 5 or 6 per cent. in light railways, electricity and telephone. The discrepancy becomes even more glaring when we take individual firms within the same group. In the jute mills, some of the firms have from time to time declared staggering rates of profit, while others have been unable to declare any. Dr. Gopal slyly remarks, "It is hard to imagine that all these profits are traceable to the superior efficiency of the entrepreneur or the greater risk or uncertainty involved." Comparing the case of India, the United Kingdom and the United States, he finds that our average rate of profit is much higher than the British and even the American rates, and also fluctuates more violently from year to year. In the case of a number of firms, the rates of profits are phenomenal. These facts obviously have bearings on the use of Excess Profits Tax as a fiscal technique in our country. Dr. Gopal again points out that, unlike Great Britain and the United States, in India, there is a "wide gulf" between the rates of interest and the rates of profit. The inefficacy of raising interest rates to curb the inflation must therefore be obvious.

INDIAN LABOUR AND POST-WAR RECONSTRUCTION. By M. N. Roy. Published by Dr. A. P. Singh, Lucknow, May, 1943. Pages 58. Price Re. 1.

Irritated by the partial nature of the international schemes for post-war reconstruction which are on the anvil, Mr. Roy has brought out this pamphlet

as "a contribution to the discussion on the subject." Mr. Roy's thesis is that since labour is the creator of wealth, India should be the richest country in the world. The problems of post-war reconstruction would be rendered easy only if "the sovereignty of labour in the process of production" is fully recognized. Private industrialists, guided by profit motives and calculations of post-war depression, are unwilling to expand production during the war, but "Indian labour does not hesitate, nor makes any mistake." Consequently, labour becomes the "only reliable factor" for the Government to depend on.

As for economics, Mr. Roy urges the essentiality of abolishing the profit motive and instituting "production for exchange and not production for use." Further having stated on the first page that production and not distribution is the prior problem, at the end of the pamphlet he says that "to begin with," there should be expropriation or "more equitable distribution of national wealth." For this would increase the purchasing power of the masses, which would give an impetus to trade and industry. Apparently, his order of priorities has changed and he is still thinking in terms of "production for exchange." Mr. Roy's financial technique is remarkable. The Government will acquire the ownership of lands from private landlords by paying them in bonds "on condition that at least seventy per cent. will be invested in industrial enterprises. Hoarded wealth and potential wealth will thus be converted into fluid capital invested in production." It is not clear how bonds are invested or how the change in the ownership of lands helps us to get the machines and factories we need. But it is clear that this jugglery cannot solve our vast economic problems.

THE SPECIAL FOOD NUMBER OF THE 'FORUM'.
Price Rs. 1/8, Azad Publishers, 23 Hamam Street, Fort Bombay.

The publishers of the *Forum* have rendered a valuable service to the cause of famine relief in Bengal by the publication of their special food number. The harrowing pictures of misery and privation depicted by Mrs. Nehru and Mr. Badruddoza in the pages of this number can not fail to touch the deepest chords of sympathy. The comprehensive treatment of the problem and the practical suggestions for solving it, made by Dr. S. P. Mookerjee deserve the attention of the Government as well as the public. Prof. Anjaria in his learned article advocates that the Government should undertake the responsibility for the minimum needs for nutrition and Mr F. Haq sets out a plan for immediate nationalization of land as a permanent solution of the want of food in Bengal. These long-term solutions touch larger problems which the country must be prepared to face. Mr. Alva deserves to be congratulated for getting together a very interesting and informative symposium on the question of the hour.

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MONEY MARKET

(From Our Correspondents)

NEW, DELHI, Nov. 25.

The increase in the total notes issued by the Reserve Bank against increasing sterling assets which reappeared last week has continued during the week under review. A rise in the total assets as well as the liabilities of the Banking Department, accounted for mostly by the rise in the Government deposits against balances held abroad is also evident. The rate for treasury bills has remained constant in spite of a lower amount of six crores tendered for again this week. It is surprising that it should have remained steady instead of declining in the face of an unusually large amount which was offered. This is possibly explained by the fact that the demand for funds continues to be brisk owing to the seasonal factors and the bidding for these bills is consequently weak. Such an explanation is supported by the notable rise in the deposits and a relatively high figure for advances that appear in the accounts of the Scheduled Banks for the week. But the considerable rise in the Scheduled Bank balances with Reserve Bank and their improved cash position are equally significant and point to the fact that there is essentially no scarcity of funds in the market. Despite the reappearance of a few export bills and a little demand for T. T. and remittances, with the general circumstances in the bill market continuing to be the same as last week and, with the securities showing a tendency towards easiness, the money market rates are unchanged. The call money rate continues to be 1¼ per cent. at Bombay, 1½ per cent. at Calcutta.

Treasury Bills

Tenders for six crores of three months' Government of India Treasury Bills were opened on Tuesday the November, 1943. Total amount offered was Rs. 13.20 crores compared to Rs. 9.145 crores of last week. Tenders at Rs. 99-12-9 were accepted in full and those at Rs. 99-12-6 allotted approximately 77 per cent. The average rate for accepted tenders continued to be Rs. 0-13-8 per cent. per annum. The amount tendered for next week is again six crores. Treasury bills worth Rs. 1.81 crores were sold in favour of the Issue Department of the Reserve Bank.

Reserve Bank

Total note issue is Rs. 4,32,69 crores above that of the last week. It stands at Rs. 804,37,55 crores as compared to 800,04,86 of the previous week. Out of this increase only a little over Rs. 31 lakhs have been added to the notes held in the Banking Department and the rest, about Rs. 4.01 crores have gone in circulation. The Sterling securities held by the Reserve Bank show a rise of Rs. 5 crores and stand at about Rs. 689.83 crores as compared to about Rs. 684.84 of last week. The Rupee coins show a decline of nearly Rs. 67 lakhs while the Rupee securities stand at about Rs. 58 crores, the same as previous week. The percentage of Reserve to liabilities stands at 91.282 per cent. compared to 91.151 of the previous week. The total assets and liabilities of the Banking Department show a rise of about Rs. 4 crores, they stand at 162,62,95 crores in place of 158,84,72 of the previous week. The Government of India deposits have risen more than five crores but they are countered by a fall of over 3.2 crores in the other Government accounts and about 20 lakhs in the deposits of the Government of Burma. The bank deposits with the Reserve Bank have risen by over Rs. 3.5 crores while the other deposits bills payable, and other liabilities, each shows slight decline. The notable feature in the composition of the assets of the Banking department is the increase of over Rs. 3.32 crores in the balances held abroad, notes have increased by about Rs. 31 lakhs and all other items also show slight increases.

Scheduled Banks

The demand liabilities have increased by over six crores and stand at about Rs. 479.06 in place of about Rs. 472.97 of the previous week. The time liabilities have also increased by about a crore. Although the advances show a decline of about Rs. 1.3 crores they stand above Rs. 153.33 crores a figure which is higher than all previous weeks except the last. The balances with the Reserve Bank of the scheduled Banks have increased by about Rs 4.85 crores and their cash position has improved by over 13 lakhs.

BOMBAY, Nov. 20.

The Reserve Bank's offerings of gold have put a check on any steep increase in prices in the Bullion Market. On Tuesday last, the Bank offered more than the usual quantity of gold, which opportunity was exploited by bears on the anticipation that the Bank would be forced to lower its price for selling. The Bank, however, refused to sell gold below Rs. 77-4-0, which reversed the feeling in the market. Conditions in the market looked like being stabilized by the Bank's ability to sell gold. It has been learnt that a big quantity of Mysore gold has been disposed of by the Reserve Bank. One of the features of the week has been a higher off-take of gold in Bombay from upcountry areas. Another noteworthy feature of the market has been a jump in the premium for ready gold and silver.

The quotations today are as under:—

Ready mint gold Rs. 77, Ready Guinea Rs. 52-12, Ready silver Rs. 122-14.

In the silver section there were persistent reports that something like 10,000 bars of silver had been landed in Bombay from abroad. At first it was surmised that this must have come under Lease-Lend, and that it might be sold in the open market. As the week drew to a close, however, this fear disappeared in the belief that the import of silver must have been for coinage and not for sale in the open market. If silver has come on Lease-Lend basis, it would be correct to assume that such silver would be used for coinage only, as no silver is made available by the U.S.A. under Lease-Lend except for purposes of coinage or for consumption by industries for war work.

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INVESTMENTS

(From Our Correspondents)

BOMBAY, Nov. 24.

The Stock Market has reached minor recovery during the week. Even though turnover is relatively small, more confidence is in evidence—steels, textiles and miscellaneous have all recorded fair gains. Peace rumours have subsided and feelings of a protracted war are growing. The absence of Japanese aerial activity is also aiding public confidence. Tata Defd. have recovered by Rs. 50 during the week, the closing quotation being Rs. 1,945. Tata Ord. have recovered around Rs. 398. In the textile group there has been a wide-spread improvement. Bombay Dyeings have improved by Rs. 50 to Rs. 1,982-8 and Kohinoors from Rs. 619 to Rs. 641. Curiously Centurys which have previously remained active were neglected around Rs. 940. Investors' attention has been drawn to other scrips. Colabas have risen from Rs. 242 to Rs. 255, Gokaks from Rs. 340 to Rs. 350, Simplex from Rs. 281 to Rs. 293, Sassoon Cotton from Rs. 31 to Rs. 33 and Swadeshi from Rs. 600 to Rs. 610. The low prices of raw cotton and mill stores continue to affect favourably the textile mills. Prices of cotton piecegoods ruled firm and the current margin of profit for mills is exceedingly satisfactory. In spite of reduced dividends of so many jute shares and partial closing of the jute mills prices of jute shares continue to rule very steadily compared to jute shares. Therefore and in view of the enormous margin of profit, textile shares rightly remain popular with the investors. Cawnpore textile shares have also been very active during the week. New Victorias have risen from Rs. 10-4 to Rs. 11-8 and preference from Rs. 13 to Rs. 17 on rumours of a large increase in the forthcoming dividend. Swadeshi Mills of Cawnpore have had a sharp jump, the closing quotation being Rs. 2,050 on expectation of a bonus declaration. British India Corporation are receiving attention at Rs. 6-12. The miscellaneous shares were equally active. Shivrajpur firmed up from Rs. 73 to Rs. 82 on expectation of increased dividend against Rs. 4-12 last year. Premier Constructions have firmed up from Rs. 210 to Rs. 228 on rumours of increased dividend. Bombay Steams have had a sharp rise of Rs. 60 and closed at Rs. 720. The gilt-edged market has also recorded improvement. Three and a half per cent. Paper has risen from around Rs. 97 to Rs. 97-6 with buyers over. It is nearly six weeks since official sale of paper was discontinued; it has given sufficient time for the market to absorb the large floating stock which was weighing heavily on the market. It is a rough estimate to say that the present capacity of the market to absorb 3½% Paper is Rs. 10 crores per month. The floating stock can now be said to have been absorbed and even though over-enthusiasm is absent the undertone of the market is very steady. It may not be surprising if there may be further small

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Nov. 20.

Cotton

The market has ruled weak and the I.C.C. January lost about Rs. 12. At the close of the week, the market has steadied down on Government clarifying the position that their idea to support the market at the "floor" price is to buy the cotton at the floor levels. The *communiqué* stated that Government are determined to prevent cotton falling below the "floor" levels. As regards the other growths, Government have indicated the floor levels at which they would buy, but if the

improvement in 3½ % Paper. Three and a half per cent. 1963165 has also ruled firm with buyers over at Rs. 98-6. In the short and medium dated issues occasional inquiries continue with little change in prices. Occasional selling inquiries for the fourth defence loan, namely, 3½ % 1953-55 is in evidence at Rs. 99-14 though the loan is on tap at par.

MADRAS, Nov. 19.

There was hectic trading on the Stock Exchange during the week and a good volume of business resulted. Bank shares were in the limelight. There was selective buying in textiles. Sugars and chemicals were very active as also the Mysore group of industrial shares. In the gilt-edged market, business was restricted and 3½ per cent. Paper eased to Rs. 97-2. Three per cent. Loans 1963-65 and the 3 per cent. Funding Loans 1966-68 were quoted Rs. 98-3. Four per cent. Loans 1960-70 were firm on some support and improved to Rs. 112-2. The demand for all provincial loans continued unabated with the 3 per cent. Madras Loans 1952 and 1953 being done around par. There was good demand for State Loans and a fair volume of business was reported.

Owing to the scarcity of scrip and the substantial improvement recorded in the quotations of well-established banks, the attention of investors turned to other stocks. The leading banks in South India are bound to make record profits this year. The real secret of the profits can be traced to the fact that the banks have huge deposits at low rates of interest which the banks have invested in Government bonds and loans yielding a substantially higher rate of interest. In some cases the difference works out to over 2 per cent. During the week, Bharat Banks proved a very popular counter, the price being lifted to Rs. 119. Reserve Banks closed at Rs. 127. Indians, Indo-Commercials and Centrals continued to rule high and firm. There was good investment demand in Public Utilities but this sudden demand found the market bare of stock. In the textile section, Sitarams, Radhakrishnas, Rangavilas, Mysore Spuns and Mysore Silk Filatures recorded improvements on the week's trading. Business in the Planting section was poor though some shares were features like Coorg Rubbers and O. Valleys. Coorg Rubbers on rumours that the estates have been sold at a good price were lifted up to Rs. 82 closing at Rs. 80. In the miscellaneous section, the increased price for sugar was partly responsible for the activity in sugar shares. Mysore, Deccans, Travancores and Southern Indias came in for business and the quotations have gained on the week's transactions. On rumours that Mysore Papers have made substantial profits and that a dividend of 12½ per cent. will be declared, these shares were taken up avidly. Chemicals continued to be as firm as ever.

market prices when the I.C.S. January touches Rs. 400 are lower than the indicated levels, they would buy at the current market prices. There was not much evidence of mill demand.

The published figures of consumption of Indian cotton for the season ended August 31 show that during the last season, Indian mills consumed just over 40 lakhs of bales as against 42 lakhs in the previous season. There is evidence of the downward trend of consumption in America where the October consumption has fallen to 8,46,000 bales as against 8,72,000 bales in September and 9,72,000 bales in October 1942, and 9,56,000 bales in October, 1941. The decline is accompanied by a decline in the number of active spindles.

Another interesting feature of the American position is that the growers have placed 1,319,000 bales of cotton into the 1943 loan, which is 6,31,000 bales above the previous season's figure.

Seeds and Groundnuts

The Ministry of Food bought a small quantity of groundnuts at their last limit, viz., £34/10 and £34/15. Locally, the market for groundnuts was much easier owing to the absence of buyers, especially exporters. Business in Madras-Marmagao Jan.-Feb. was done at Rs. 15/14 and Dec.-Jan. was sold up to Rs. 16/3. Khandesh quality for November 26 declaration was sold between Rs. 16-5 and Rs. 16-7. In bold some business was done at Rs. 95.

Castor Seed

Some business for January-March 15 was done at Rs. 16/12.

Groundnut oil ready: Rs. 12 per quarter, Groundnut oil ready December: Rs. 10 per quarter, Groundnut oil January: Rs. 9-11 per quarter, Copra oil: Rs. 10-6 per quarter, Linseed oil: Rs. 11-8 per quarter, Castor-seed oil: Rs. 12 per quarter.

HAPUR, Nov. 22.

During the week under review, the local commodity markets witnessed an easier feeling following bearish outside news and increased arrivals. Reports from the mofussil stations reveal that there has been a good flow of grains to the markets in the United Provinces and the prices continue to be depressing. With effect from November 15, the U.P. Government have reduced the ceiling prices of wheat, gram and rice in the province and they have fixed Rs. 11-12 per maund for wheat in Meerut Region and Rs. 12 per maund in other Regions. Similarly, the price of gram has been fixed at Rs. 9-4 per maund and that of rice between Rs. 13 and Rs. 15 per maund. Wheat and other foodgrains are easily available in the U.P. and in many marts they are being sold at cheaper rates than the Government maximum buying prices. It is expected that the prices may sag further on account of the following factors: (1) Increased arrivals from the villages. The farmers say that they would no more withhold their wheat as it has begun to be affected by *weevil* and *Sursuli*. (2) Sowings of *Rabi* crops on a larger scale. The prospects of the next wheat harvest are very promising and the standing plants are growing satisfactorily under ideal weather conditions.

The arrivals of wheat averaged 350 maunds daily while for peas they were 450 maunds. The local wheat stock is computed at 188 *khattis* against 8 *khattis* a year ago. The stocks of other grains are placed at 100 *khattis* for wheat, 9 *khattis* for barley and 266 *khattis* for *Arhar*.

Urad

The local *urad* market during the early part of week under review was bullish and the prices were well maintained in sympathy with higher *Arhar* prices and encouraging spot demand from upcountry centres. But reaction set in subsequently, owing to increased arrivals. The undercurrent appears to be easy. *Urad Magh* opened at Rs. 10-15 and closed at Rs. 11-0-5¼ touching the highest and the lowest peaks at Rs. 11-9-9 and Rs. 10-13-6 respectively.

Juwar

The local *Juwar* market during the week reviewed showed an erratic feeling. The early part of the week was marked by a bullish attitude caused by higher advices from eastern markets and speculators' support but thereafter there was a reaction owing to upcountry murky weather and lower spot values. *Poos* and *Fagun* quotations after opening at Rs. 6-8 and Rs. 6-4 advanced to Rs. 6-12 2½ and Rs. 6-8 respectively, the highest levels of the week, closing finally at Rs. 6-10-4½ and Rs. 6-3-10½. The traders are taking little interest in *Fagun* transactions and difference

between the two positions has widened to 0-6-6 per maund.

The *gur* prices were easy owing to imposition of restrictions on the exports of *gur*.

The following are today's quotations:

Wheat: Ready Rs. 11¼, Gram: Ready Rs. 9/6, Barley Rs. 7/3/6, Peas: Ready Rs. 9/8, *Arhar* Rs. 8/8, *gur* Rs. 7 to Rs. 9/14, Raw Sugar Rs. 10/4.

MADRAS, Nov. 19.

The groundnuts market was firm and office limits were ruling between Rs. 75-12 and Rs. 77. The main winter crop has begun to move and arrivals have been fair during the period. Still larger quantities are awaiting to be marketed at almost all the important upcountry centres for want of transport facilities. Mercantile circles anticipate that this year's groundnut yield will be 20 per cent. more than the crop last year. Exporters were good buyers and it is reported that on an average about 2,000 tons have been bought daily. The British Ministry of Food have rejected offers at £34-15-0 and do not seem to be interested for the time being. Present indications are that the Ministry might reduce the prices further by about 10sh. The oil market was also firm at Rs. 163. There was good demand and a fair volume of business has been done with Kathiawar for shipment from the West Coast in countrycrafts. It is reported that a fairly large quantity of oil is awaiting shipment in Madras to Calcutta. It is gathered that there will be no undue restrictions in the issue of permits for the export of oil from the Presidency, though a quota arrangement may be enforced in regard to exports of groundnuts. The cake market continued to be steady at around Rs. 140. There was no abatement in the demand but supplies were not free.

Skins and Hides

This market has remained stiff and unchanged from the position of the past fortnight maintaining a very firm tendency in goat, sheep, buff hides and kips. The quotations are ruling well above the London askings and calculating on a c.i.f. basis the price would be about 1½d. above the London control level. Thus exporters have evinced practically no interest in the United Kingdom business, particularly in view of the exacting standards and specifications at the other end. There has also been no business with the U.S.A. The volume of local business continued to be fair and was particularly brisk in goat and sheep. Stocks and arrivals during the period were poor. In view of the recent rains in these parts and the consequent dislocation of work in the tanneries, supplies will be difficult in the very near future and such supplies as are available may not be up to the export grades and standards. As regards wattle bark, the speculative element has been completely wiped out of the market and genuine requirements of the tanneries have been fully met with, by the system of control initiated some time ago.

DEPARTMENT OF COMMERCE

Import Trade Control

The Government of India have published a Handbook on Import Trade Control containing a brief account of the Import Trade Control system at present in force in India. The Handbook has been compiled for the use of importers and contains in full the Government notifications concerning Import Trade Control together with complete copies of the various forms of application for import licences. Copies of the Handbook may be purchased from the Manager of Publications, Civil Lines, Delhi, at a cost of Rs. 2, or 3 shillings, each.

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Nov. 17, 1943.	Nov. 10, 1943.	Nov. 12, 1942.	Aug. 30, 1939.
Total Bullion ..	1,965	1,943	1,623	263,700
Public Deposits ..	8,500	9,600	8,200	31,100
Other Deposits ..	200,000	209,100	192,200	129,100
Of which Bankers' Deposits ..	147,300	156,900	145,700	90,100
Govt. Securities ..	170,200	176,800	177,300	113,100
Other Securities ..	16,600	17,400	21,200	31,000
Of which Discounts and Advances ..	1,200	1,300	3,200	6,400
Notes and Coins ..	38,300	41,100	16,400	34,200
Notes in Circulation ..	1,013,700	1,010,900	865,200	529,500
Ratio of Reserve to Liabilities ..	18.35%	18.77%	8.17%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

* Nov. 18, 1943. Nov. 11, 1943. Nov. 19, 1942. Aug. 31, 1939.

	1943.	1943.	1942.	1939.
Resources:				
Total Reserves ..	20,250,000	20,234,000	20,809,000	14,660,610
Total Bills Discounted ..	34,000	22,000	8,000	6,190
Bills bought in open market ..				550
Total U.S. Government Securities ..	9,832,000	9,865,000	4,695,000	2,426,190
Liabilities:				
Federal Reserve Notes in actual Circulation ..	15,947,000	15,918,000	11,447,000	4,609,280
Deposits — Member Bank Reserve Account ..	12,263,000	12,198,000	12,622,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note Liabilities combined ..	66.7%	67.0%	81.2%	86.9%

RESERVE BANK OF INDIA

Weekly Statement of Account as on November 12, 1943.

ISSUE DEPARTMENT

	Rs.	Rs.
Notes held in the Banking Department ..	9,73,75,000	
Notes in circulation ..	704,63,80,000	
Total Notes issued ..		804,37,55,000
Total Liabilities ..		804,37,55,000
Assets:	Rs.	Rs.
A. Gold Coin and Bullion:—		
(a) Held in India ..	44,41,43,000	
(b) Held outside India ..		
Sterling Securities ..	689,83,96,000	
Total of A. ..		734,25,39,000
B. Rupee Coin ..		11,79,60,000
Government of India Rupee Securities ..		58,32,56,000
Internal Bills of Exchange and other commercial Paper ..		
Total Assets ..		804,37,55,000
Ratio of Total of A to Liabilities: 91.282 per cent.		

BANKING DEPARTMENT

	Rs.	Rs.
Capital paid up ..		5,00,00,000
Reserve Fund ..		5,00,00,000
Deposits:—		
(a) Government		
(1) Central Government of India ..	54,72,36,000	
(2) Government of Burma ..	95,79,000	
(3) Other Government Accounts ..	10,10,86,000	
(b) Banks ..	69,89,89,000	
(c) Others ..	8,12,31,000	
Bills Payable ..	2,60,52,000	
Other Liabilities ..	6,19,22,000	
Total ..		162,60,95,000

Assets

Rs.

Notes ..	9,73,75,000
Rupee Coin ..	12,34,000
Subsidiary Coin ..	1,46,000
Bills Purchased and Discounted:—	
(a) Internal ..	
(b) External ..	
(c) Government Treasury Bills ..	
Balances held abroad* ..	142,22,99,000
Loans and Advances to Governments ..	
Other Loans and Advances ..	
Investments ..	7,39,45,000
Other Assets ..	3,10,96,000
Total ..	162,60,95,000

* Includes Cash and Short term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Nov. 12, 1943.	Nov. 5, 1943.	Nov. 13, 1942.	Sept. 1, 1939.
Held in the Banking Department ..	9,73.75	9,42.68	10,77.33	35,01.49
In Circulation ..	7,94.63.80	7,90.62.18	5,35.46.19	1,82.13.17
Total Notes ..	8,04.27.55	8,00.04.86	5,46.23.52	2,17.17.66
A. Gold Coin and Bullion ..	44,41.43	44,41.43	44,41.43	44,41.46
Sterling Securities ..	6,89.83.96	6,84.83.96	3,51.83.39	59,50.11
Total of A. ..	7,34.25.39	7,29.25.39	3,96.24.82	1,03.91.57
B. Silver coin ..	11,79.60	12,46.91	17,59.24	75,87.11
Rupee Securities ..	58,32.56	58,32.56	1,32.39.46	37,38.98
Silver Bullion under Coinage ..				
Percentage of Reserve to Liabilities ..	91.282	91.151	72.542	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Nov. 12, 1943.	Nov. 5, 1943.	Nov. 13, 1942.	Sept. 1, 1939.
Cash ..	9,87.55	9,53.43	10,88.97	35,15.27
Balances held abroad ..	1,42.22.99	1,38.90.87	82,58.68	10,08.33
Investments ..	7,39.45	7,20.66	6,63.10	6,81.34
Bills discounted:—				
(a) Internal ..				
(b) External ..				
(c) Government of India Treasury Bills ..			47.45	1,15.67
Loans and Advances to the Government ..		10.00	21.00	31.00
Deposits:				
(a) Government ..	65,79.01	63,98.36	17,53.01	14,89.43
(b) Banks ..	69,89.89	66,39.56	63,99.91	26,91.43
(c) Others ..	8,12.31	8,20.10	4,09.22	1,24.37

STERLING PURCHASES

(000's of £)

	Total Amount Purchased.	Average rate.
1943:—		
January ..	3,132	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.
August ..	8,546	1sh. 6d.
September ..	8,371	1sh. 6d.
October ..	8,947	1sh. 6d.

IMPERIAL BANK

(In 000's of Rupees)

	This week Nov. 5, 1943.	Last week Oct. 29, 1943.	A year ago Nov. 6, 1942.
Liabilities:—			
Subscribed Capital ..	11,25.00	11,25.00	11,25.00
Capital paid-up ..	5,62.50	5,62.50	5,62.50
Reserve Fund ..	5,75.00	5,75.00	5,75.00
Fixed Deposits, Savings Bank, Current and other Accounts ..	199,77.75	196,60.50	153,88.51
Loans against securities, per contra ..			
Acceptances for Constituents ..	1,46.86	1,43.43	1,00.05
Sundries ..	212,62.11	209,41.43	166,21.04
Total ..			

ASSETS:—			
Government Securities ..	131,57.42	132,57.09	97,47.62
Other authorised investments ..	2,60.45	2,59.45	1,27.49
Loans ..	12,79.92	12,73.56	8,51.97
Cash Credits ..	20,98.95	20,92.67	14,31.81
Bills Discounted and Purchased ..	2,69.36	2,66.52	1,97.71
Liabilities of Constituents for Acceptances per contra ..			
Dead Stock ..	1,72.29	1,72.29	1,75.96
Sundries ..	1,17.30	1,13.19	98.28
Bullion ..			
Balances with other Banks ..	1,68.41	1,83.26	4,42.24
Cash in hand and with the Reserve Bank of India ..	37,38.01	33,23.40	85,17.33
Total ..	212,62.11	209,41.43	166,21.04

SCHEDULED BANKS

(In thousand Rupees)

	12-11-43	5-11-43	1-9-39
Demand Liabilities in India ..	479,06.83	472,97.31	331,81.41
Time Liabilities in India ..	141,06.30	140,34.93	105,16.81
Cash in India ..	22,33.44	22,20.42	14,71.68
Balances with Reserve Bank ..	69,89.45	65,04.70	62,60.09
Advances in India ..	153,33.19	154,70.53	81,50.17
Bills discounted in India ..	5,33.85	5,52.31	2,08.09

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue
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
" 21	15,84.25	8,00.00	0 13 5		3,48.00
" 28	20,10.75	8,00.00	0 13 6		4,79.50
Oct. 4	15,86.50	8,00.00	0 12 0		2,06.50
" 12	12,28.00	8,00.00	0 12 0		5,22.00
" 19	14,37.00	8,00.00	0 12 1		5,40.75
" 25	12,26.00	8,00.00	0 12 9		3,18.00
Nov. 2	10,70.50	8,00.00	0 13 8		3,19.00
" 9	91.450	60,000	0 13 8		16,800
" 16	13,20.50	8,00.00	0 13 8		18,100

MATURITY OF OUTSTANDING TREASURY BILLS

As on the 31st October, 1943.

Date of Maturity	Amount (000's of rupees)
5th November 1943.	1,275
6th ..	7,63.75
7th ..	29.75
12th ..	5.00
13th ..	7,51.25
14th ..	43.75
19th ..	16.00
20th ..	7,84.00
26th ..	3.50
27th ..	7,92.00
28th ..	4.50
2nd December ..	7,80.25
3rd ..	15.25
4th ..	4.50
9th ..	6,47.50
10th ..	1,07.75
11th ..	44.75
16th ..	12.50
17th ..	7,73.75
18th ..	13.75
24th ..	7,67.50
25th ..	32.50
30th ..	7,96.50
1st January 1944 ..	3.00
2nd ..	50
7th ..	8,00.00
15th ..	7,59.00
16th ..	41.00
22nd ..	7,38.50
23rd ..	61.50
27th ..	7,92.00
30th ..	8.00
Total ..	1,04,12.75

SUGAR POSITION FOR SEASON 1942-43

(Figure in tons)

Producing Areas.	production up to 31-10-43.	Despatches during the period 1-12-42 to 31-10-43.	Progressive total of despatches from 1-12-42 to 31-10-43.	Percentage of Progressive despatches to production.	Physical stock as on 31-10-43
U.P.	6,13,243	14,607	5,41,214	88.3	72,029
Bihar.	2,37,671	7,858	1,99,171	83.8	38,500
Bombay	77,221	1,113	69,351	89.8	7,870
Madras.	34,390	901	29,126	84.7	5,264
Punjab.	6,579	45	6,278	95.4	301
Bengal.	16,537	698	16,530	87.9	2,007
N. W. F. P.	3,167	11	2,560	80.8	607
Orissa.	2,092	3	1,864	89.2	228
Sind.	2,008	81	1,795	89.4	213
Indian States.	81,604	658	74,690	91.5	6,914
Total.	10,74,512	26,175	9,40,579	87.5	1,33,933

N. B. Balance physical stock of 1941-42 sugar as on 31-10-43 was 2892 tons.

INDUSTRIAL DISPUTES IN INDIA

Period	Number of strikes.	Strikes in which wages were raised.	Workers involved.	Days lost.	Successful.	Partially successful.	Unsuccessful.	Indefinite.	In progress.
Total for 1942	654	381	8,20,495	52,93,027	84	164	303	5	96
January 1943	103	51	1,00,271	4,41,813	14	45	37		7
February 1943	60	35	46,520	1,91,410	7	20	24	1	8
March 1943	61	41	48,553	1,19,161	6	20	18	1	13
April 1943 ..	98	74	17,180	80,781	8	41	28	5	18
May 1943 ..	84	65	20,575	97,953	3	7	18	6	50
June 1943 ..	46	22	32,238	1,12,531	7	13	19	2	9
July 1943 ..	40	26	19,103	73,098	6	14	9	3	8
August 1943	29	13	11,800	36,420	5	4	5	12	3
September 1943*	25	12	6,754	15,621	5	8	6	3	31

*Provisional

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
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	106 111 117 153
Nov.	104 108 120 170	111 111 129 188	108 1 03 130 196	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	119 119 153 231	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	109 108 150 246	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	101 107 136 223	110 107 149 268	106 113 138 291	110 124 155 279	110 120 148 267	108 111 121 176
May	106 116 135 214	105 112 141 271	103 107 142 234	109 108 155 299	111 113 145 317	112 122 158 309	101 113 155 278	109 110 123 177
June	106 116 145 224	110 114 152 289	104 111 149 252	108 114 175 336	109 116 160 361	116 126 178 317	100 109 162 275	109 111 131 183
July	108 120 160 225	108 121 160 288	104 115 153 266	109 126 190 341	108 120 181 361	119 134 199 312	102 114 166 275	109 115 136 185
Aug.	109 125 160 227	107 126 168 293	104 118 158 266	112 130 203 339	111 125 183 354	117 131 202 319	102 120 177	110 117 140 185
Sept.	107 123 162 233	108 126 160	103 119 162 289	113 1332 02 359	111 125 183 356	124 138 202 301	108 125 183	110 117 149 184

* 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.

(a) Figures from June onwards relate to the calendar month and not to the month ended 15th June as before.

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	1,146.45
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	1,634.56
December	111.59	104.41	5.56	7.13	5.74	3.91	12.06	250.40	1,884.96
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	9.08	7.60	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
August	140.07	127.87	5.64	7.70	6.69	6.24	13.60	307.81	1,688.07
September	132.17	139.31	8.96	8.61	8.12	5.27	15.33	317.77	2,005.84
October	163.01	139.07	8.73	10.43	9.48	6.80	17.61	355.13	2,360.97
Week ended October 1	28.67	28.95	2.02	2.40	2.44	1.37	4.10	69.95	2,075.79
" " " 8	33.39	23.46	42	1.17	1.45	99	4.19	65.07	2,140.86
" " " 15	34.05	21.66	2.62	2.51	2.13	1.49	2.71	67.17	2,208.03
" " " 22	37.57	40.87	1.69	2.95	1.93	1.51	3.36	69.88	2,297.91
" " " 29	29.33	24.13	1.99	1.40	1.53	1.44	3.25	63.06	2,360.97

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)	Kaima Basmati Sela	Calcutta.	per md	..	..	9 14 0	4 14 0
Wheat	Average quality.	Amritsar.	..	20 8 0	20 8 0	..	..
		Karachi.	..	8 0 5	8 0 5	5 15 0	..
		Hapur.	..	11 13 6	12 5 0	..	5 15 0
		Lyallpur.	..	10 12 0	10 12 3	5 1 0	2 5 0
Sugar	Marhowrah Crystal No. 1.	Cawnpore.	..	15 5 6	15 5 6	12 3 6	9 15 0
Sugar raw (Gur)	Chikna best quality.	..	..	8 8 0	8 8 0	..	..
Tea	For export.	Calcutta.	per lb.	0 15 0	0 15 0	0 15 0	0 10 5
	For home market	Calcutta.	..	0 9 6	0 9 2	0 15 6	0 4 4
Potatoes	Pahari Haldwani	Cawnpore	per md.	16 0 0	20 0 0	..	..
Groundnuts	Bold.	Bombay.	per 500 lbs.	95 0 0	..	49 15 0	..
Groundnut Oil	Expeller	Madras.	per 500 lbs.	162 0 0	160 0 0	..	..
Castor Oil	Average	Madras.	per 500 lbs.	205 0 0	105 0 0	145 0 0	..
Coconut Oil	Average	Madras.	38 lbs.	18 4 9	17 8 9	..	..
Castorseeds	Average	Bombay.	per candy	17 8 0	17 8 0	13 4 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	..	..	11 7 0	6 13 6
Mustard	Toria 9% admixture.	Karachi.	(656 lbs.)	96 0 0	96 0 0	61 12 0	36 12 0
Cotton (raw)	**Fine M.G. 4-F	..	..	..	..	..	..
	(Punjab) R.G.	Karachi.	per 784 lbs.	421 8 0	..	..	..
..	Jarilla 3/4"	Bombay.	per candy	443 8 0	..	..	..
Cotton Piece-goods.	Grey Dhoti Markin 11 lbs.	..	44"x10 yds.	7 12 0	7 12 0	..	..
		..	43"x38 yds.	26 6 2	26 6 2	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	..	..
	No. 20s.	..	..	17 8 7	17 8 7	13 5 4	3 12 10
Jute	Raw Firsts.	Calcutta.	per 400 lbs.	73 0 0	73 0 0	53 0 0	41 8 0
Jute Bags	B. Twills 2 1/4 lbs.	..	per 100 bags.	67 12 0	67 12 0	50 0 0	28 13 0
Wool (raw)	Kandhar (cleaned)	Karachi.	per md.	60 0 0	60 0 0	50 0 0	32 0 0
Cow hides	Best quality. (Agras)	Calcutta.	per 20 lbs.	10 8 0	10 8 0	10 8 0	8 8 0
Goat skins	Best quality	..	per 100 pieces.	150 0 0	130 0 0	120 0 0	115 0 0
Tanned Hides	Best quality (cow)	Madras.	per lb.	1 3 9	1 3 6	1 3 6	0 12 0
Tanned Skin	Best quality (goat)	..	..	2 5 0	2 5 0	1 15 0	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 9	5 4 9	5 5 3	3 13 3
Coal	Selected Jharia (best).	..	per ton into wagon.	10 8 0	10 8 0	6 8 0	4 12 0
Pig Iron	Foundry No. 1.	..	per ton f.o.r.	104 0 0	94 0 0	94 0 0	89 0 0
Copra	Fair average quality.	Cochin.	per 500 lbs.	162 0 0	..	142 0 0	43 8 0
Cement	Indian Swastika.	Calcutta.	per ton f.o.r.	62 0 0	..	44 0 0	..

* January.

CROP FORECASTS
FOR THE SEASON 1943-44

Crop and Forecast.	Tracts comprised in the figures and percentage of Indian crop represented by them.	Estimated Area	preceding year (100= figure of same date preceding year).	Final figure 1941-42.	Estimated Outturn	Per cent. of preceding year (100= figure of same date preceding year).	Final figure 1941-42.
Castorseed.	Practically all castor-growing tracts.	Acres. 1,352,000	141	Acres 958,000	147,000 tons	162	91,000 tons
Rice.	About 98 per cent. of the total rice area.	74,919,000	102	73,579,000	24,533,000 tons	97	25,351,000 tons
Rape and Mustard.	A little over 95 per cent. of total rape & mustard area.	5,784,000	93	6,204,000	1,043,000 tons	96	1,089,000 tons
Linseed.	94 per cent. of the total area.	3,408,000	102	3,348,000	411,000 tons	114	361,000 tons
Wheat.	98 per cent. of the total wheat area.	34,298,000	101	34,039,000	10,971,000 tons	109	10,377,000 tons

RURAL RETAIL PRICE INDEX NUMBERS

During the months June to August 1943.

Base: January 1943=100

Name of Centre	Cereals			Pulse			Other articles of food			All articles of food			Fuel and Lighting			Clothing			Miscellaneous		
	June 43.	July 43.	Aug. 43.	June 43.	July 43.	Aug. 43.	June 43.	July 43.	Aug. 43.	June 43.	July 43.	Aug. 43.	June 43.	July 43.	Aug. 43.	June 43.	July 43.	Aug. 43.	June 43.	July 43.	Aug. 43.
Eastern Zone																					
1. Bamra ..	181	211	217	150	167	184	126	130	136	139	150	157	129	129	129	156	149	122	116	126	125
2. Maibang ..	241	214	235	120	130	140	132	132	142	139	138	149	106	105	105	150	146	146	149	158	162
3. Rajapur ..	300	304	327	123	148	172	111	122	162	124	145	182	105	104	118	146	143	127	153	151	163
4. Shankargarh ..	156	182	181	159	180	178	107	114	116	136	157	157	100	*	*	137	122	106	107	118	119
5. Sonaili ..	272	362	318	109	131	163	135	149	158	154	181	186	81	92	105	167	156	*	126	133	132
Northern Zone																					
6. Multapi ..	142	141	128	125	121	116	129	125	120	132	127	121	78	78	71	105	94	84	205	205	228
7. Nana ..	115	113	107	103	106	99	101	103	99	126	126	118	126	109	99	126	109	99	143	138	141
8. Salamatpur ..	132	150	150	117	126	119	102	101	101	110	111	109	100	96	100	136	131	128	175	172	169
9. Shujabad ..	125	132	129	107	112	105	111	106	105	115	116	114	96	104	104	141	118	101	117	118	133
10. Gujar Khan ..	124	127	144	107	107	125	120	117	124	117	116	127	91	143	118	128	109	108	122	111	118
Southern Zone																					
11. Krishna ..	144	141	147	109	109	103	129	127	123	130	128	126	100	97	90	130	109	91	121	107	107
12. Lakh ..	133	152	144	106	102	124	110	109	103	111	110	111	11	11	11	119	102	95	118	116	104
13. Malur ..	107	107	118	130	130	130	120	124	122	120	123	123	88	88	88	179	161	117	145	145	145
14. Muniguda ..	110	120	129	121	119	120	104	109	112	108	112	116	11	11	11	149	130	106	104	123	124
15. Kudchi ..	150	172	159	142	144	139	124	121	120	129	130	127	11	11	11	137	131	116	202	190	186

* Price quotations not available.

† Price quotations not available for some of the items included in this group.

‡ Figures for January 1943 are not available.

STOCKS AND SHARES

	This week	Previous week	This week	Previous week
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
BOMBAY (Nov. 24.)				
GOVT. SECURITIES—				
2¾% 1948-52	.. ..	99 11 0	Central	36 12 0
% 1949-52	.. ..	102 5 0	Imperial (Fully Paid)	882 8 0
3% 1951-54	.. ..	100 11 0	Imperial (Partly Paid)	.. ..
3% 1963-65	.. ..	100 0 0	Reserve	129 0 0
3½% G.P. Notes	.. ..	99 14 0	India	198 0 0
3½% 1947-50	.. ..	98 0 0	CALCUTTA (Nov. 23).	
4½% 1960-70	.. ..	111 13 0	JUTES	
4½% 1955-60	.. ..	.. ..	Champdany	222 0 0
3% 1946	.. ..	.. ..	Anglo India	396 0 0
3% 1944 Defence Loan	.. ..	108 3 0	Howrah	66 11 0
			Kamarhatti	563 0 0
			Barnagore	175 0 0
TEXTILES				
Ahmedabad	492 8 0	1857 4 0	STEELS	
Bombay Dyeing	1983 13 0	464 0 0	Kumardhubi	8 11 0
Central India	478 0 0	941 0 0	Steel Corporation	28 2 0
Century	946 0 0	244 0 0	Jessop (Ordinary)	21 4 0
Colaba Land	246 4 0	341 8 0	Bhartia Electrical Steel	17 1 0
India Bleaching	.. ..	628 0 0	Indian Iron	35 14 0
Gokak	347 0 0	.. ..	TEXTILES	
Kohinoor	648 0 0	286 0 0	Elgin	99 8 0
Phoenix	640 8 0	611 0 0	Cawnpore Textile	15 0 0
Simplex	285 0 0	.. ..	New Victoria	11 11 0
Swadeshi	611 0 0	.. ..	Muir	.. ..
Vishnu	2665 0 0	.. ..	Kesarem	15 11 0
MISCELLANEOUS				
Alcock	557 8 0	.. ..	MINES	
Bombay Burma	420 0 0	425 0 0	Burma Corporation	3 1 0
Belapur Sugar	262 8 0	263 8 0	Consolidated Tin	2 8 0
Bombay Tramway	156 0 0	.. ..	Indian Copper	2 10 0
Bombay Steam	705 0 0	650 0 0	SUGAR	
Bombay Tramway	159 0 0	.. ..	Belsund	13 2 0
British Burma Petrol	3 0 6	3 0 0	Samastipur	21 1 0
Scindia Steam	37 2 0	36 3 0	Carew	27 12 0
Shivrajpur	80 0 0	74 5 0	Balrampur	17 5 0
B. I. C.	.. ..	.. ..	MISCELLANEOUS	
Tata Chemical	38 12 8	.. ..	Indian General Navgn.	125 0 0
Tata Oil	39 0 0	.. ..	Dalmia	18 2 0
Tata Power	1852 8 0	1845 0 0	Rohtas	32 0 0
Andhra Valley	1835 0 0	.. ..	Titagarh	27 0 0
Tata Hydro	196 0 0	.. ..	Aluminium Corp. Ord.	20 12 0
Tata Steel Ord.	397 8 0	396 8 0	TEAS	
Tata Steel Defd.	1922 8 0	1906 4 0	Deradighi	.. ..
Premier Construction	223 0 0	209 0 0	Dimakushi	.. ..
Associated Cement	226 0 0	222 0 0	New Sarai	.. ..
Indian Iron	35 12 0	35 10 0	Hasimara	.. ..
Burma Corporation	3 10 6	3 11 0	COALS	
Indian Copper	.. ..	2 9 0	Raneegunj	.. ..
Tata Steel 1st Pref.	.. ..	222 0 0	West Jamuria	.. ..
Tata Steel 2nd Pref.	.. ..	153 0 0	Bokaro and Ramgarh	31 8 0
			Barrakar	25 6 0
			Waukhaba	45 6 0

goods directly used in the battlefield, there has not been as much scope as in other countries, because we lacked the basic industrial equipment and in spite of our clamant demands, the Government took an unhelpful attitude in regard to the import of equipment. In spite of the few war factories which have recently come into existence and the turning over of railway workshops and other existing engineering capacities to the production of munitions, the fact remains that much the greater part of the war stimulus has gone to the consumer goods industries by way of an enormous military demand for all sorts of goods to the detriment of civilian life. This is important, both because we are saved (though it is not on the whole a benefit) the cyclical effect of reconversion in the highly intractable capital goods industries, and also because the problem of the transition consists simply in the recontraction of employment in these consumer goods industries to pre-war levels or the sustenance of demand to the expanded capacity.

Likewise the drafting of man-power to the armed and other war services, high though it be of the order of two millions, has not been, relatively speaking, as high as in other countries. The toughest bottleneck in the war effort of every nation has been found to be the scarcity of man-power. Many civilian trades have everywhere been closed, contracted, concentrated or telescoped to release a high percentage of the nation's manhood for essential services. Not so in India. Two million out of a population of 390 million growing at the rate of 5 million per annum presents no scarcity. Lack of skilled personnel there is, and it has been a grave handicap. But that has very little to do with the long-term problem of profitably employing this vast population. Re-employment of the two million men to be demobilized after the war is a problem of considerable dimensions, but is only part of the above larger problem.

In India, indeed, the term "reconstruction" is a misnomer, because unlike in the more advanced European countries, the main problem is not that of reconstruction, but of construction from the very bottom, and the problem of post-war readjustment and rehabilitation falls into proper perspective by the side of this much larger task. Nevertheless, as has been said, the transitional plans must be so framed that the long-term plan may emerge smoothly out of them. The long-term plan may naturally involve much wider issues. It will demand, for example, decisions in regard to State policy in relation to heavy industries, the rate of increase of national income and the rate of absorption of advanced methods of production. Any such plan will naturally require the mobilization of the total resources of the State.

But the immediate problem is the averting of a post-war slump which would ensue if the two million men in the armed forces were to be demobilized with the signing of the armistice and the army of educated men who are now absorbed in the vastly expanded administrative services of the State were to be discharged all at once. The essential characteristic of expanded employment in India in this war is that the bulk of it goes to the performance of services and not to the production of goods. Soldiers in the front, clerks in the office and the coolies in the construction works like aerodromes, roads and barracks have not added to the stock of goods, but have drastically trenched on it, thereby accentuating inflationary trends. If their incomes dry up after the war, unemployment will set in those consumer goods trades which have expanded to meet their demand. Thus the re-employment of these war service men is inextricably bound up with the cushioning of the slump.

Broadly the problem of demobilization and re-employment may be said to consist of three elements: (1) the armed services; (2) the administrative services; and (3) industrial workers and other war technicians. Each one of them will have to be tackled in its own way.

The question of providing for the soldiers in civilian life has received most attention, and several suggestions have been made to that end. Men have been recruited to the army at the rate of 50 or 60 thousand per month. To discharge the two million men at the same rate would take about 3½ years, a long enough period for the transition if only arrangements to absorb them in civil life were adequate by that time. Otherwise the rate will have to be slowed down. Again the cost of keeping them in service while doing nothing will also have to be considered, and the scales of remuneration correspondingly curtailed. In any case the present scales may prove unsustainable.

Plans of re-settlement must take account of several complex factors. While the bulk of the army has no doubt been drawn from the rural areas, a good number of them have learnt some skills or trades. In the words of Col. Brayne, the modern soldier is radio-minded, cinema-minded, machine-minded and motor-minded, and might on returning from the battlefield find his village more backward than when he left it. To settle them all once again in agriculture may not be possible or desirable. It will mean a waste of skill and training. Again, there is not sufficient surplus land in the country to make free gifts of sizeable plots to these men. Where the soldiers were previously agriculturists and are still having some land of their own to cultivate, some special facilities by way of technical and financial assistance will do. But if, as is likely, a large number of them prove to be landless labourers in possession of some industrial skill for which there is little chance of employment in the village, schemes of absorbing them in industries will have to be worked out. In any case, the view that these men constitute a privileged class for whose benefit ill-considered schemes of generous relief can be put through irrespective of their long-term social utility is one which should go.

The administrative services have seen an astonishing expansion in war. Many new departments have been created and old ones have grown. Educated unemployment has almost vanished. Some part of this employment is of the technical variety, like that of doctors and engineers. But the bulk of it is general clerical work. No exact or rough figures are available. But a five-fold increase on the whole is a modest assumption. How to provide for these men if the war ends? It will be impossible without being wasteful to keep them in service after the war if Government have just the pre-war volume of administrative work to do. But if there is an energising of the administration and the Government take on hand the huge and urgent task of preparing elaborate long-term plans in every sphere of national activity—industry, health, education, etc.—the present services would prove utterly inadequate. If we remember that in 1939 in Russia as large a number as 9.4 millions out of a total population of 170 were employed as the top administrative staff in State service, industry and agriculture, we can clearly see the great possibilities in regard to re-absorption of the demobilized staff, provided there is a concerted drive of any magnitude, for economic development.

The volume of industrial labour in possession of some skill or training awaiting absorption at the end

of the war will be abundant. Some of the men in the metal and engineering industries may continue to stay in them if these trades are retained and protected. Again, the increased employment in the consumer goods industries like the textiles, handloom weaving and other handicrafts will flatten out if the war stimulus is withdrawn. Measures to maintain employment in them form part of the broader policy of averting deflation and can be considered in that context. But a good part of the war services has learnt a skill and acquired a training not in industries which have added to the productive equipment of the country, but in rendering services auxiliary to fighting, as will be clear from a note appearing in another page. Soldiers become motor-drivers. Fitters and mechanics to planes, tanks and lorries learn just to serve the active needs of the battle. Their work stops when these machines they wield are withdrawn. Much of it is repair and maintenance service, ancillary in character and having no chance of survival without a broad-based industrial structure. How profitably to employ them?

It is here that the solution of the transition merges with the long-term objectives. The only way to increase national income is a huge drive for industrialization which will relieve the pressure on land and raise capital equipment per head. No measure of agricultural improvement has a chance of success which fails to draw off excess labour from land and render its modernization possible. It is for this reason that the proposed policy of the Government to concentrate on such measures as improving the farmer's implements, constructing irrigation works, etc., in the post-war years, leaving out industry to fend for itself and social services as impossible, is short-sighted, piecemeal and bound to fail. We have had agricultural departments and co-operative societies for four decades. We have had the dissemination of agricultural information, the grant of *taccavi* loans and model farms for a longer period. We have made but little headway. All this talk of agricultural improvement on the part of Government has tended simply to divert attention from the more urgent task of industrialization without doing anything for the agriculturist. We must guard against the new slogan assuming a similar sinister purpose in the post-war years. The suggestion made in certain quarters that in any programme of industrialization priority should be given to the manufacture of agricultural implements, cane and oil-crushers and pumps and similar auxiliary industries is calculated only to prevent us from building up the basic industrial structure and not to help the agriculturist.

The twin objects of policy, *viz.*, the building up of a basic industrial structure and the re-shaping of the occupational pattern of the population can be achieved only if we use domestic and foreign reserves with the utmost circumspection.

But what is the place of public works in the post-war transition and long-term plan? For this purpose we must distinguish between the different kinds of public works according as (1) they are predominantly capital-absorbing or labour-absorbing and (2) they involve greater or less utilization of foreign exchange. There are a variety of earth works like village road-making, river and canal communications, digging minor irrigation works, etc., which are mainly labour-absorbing which can be put through immediately after the war. The advantages of such a programme are: (1) it will cushion the sudden parching up of purchasing power; (2) it will mean no waste of foreign exchange; (3) it will make for an acquisi-

tion of permanent assets by using up idle labour; (4) the finance required for it will be quite manageable through taxation, borrowing or expansion, being purely an internal problem. The necessary safeguards are (1) that alongside such works, schemes for the building up of capital and consumer goods industries should be carried out according to a plan so that there might be no repetition of the present war-time experience of an expanding money income and a shrinking supply of goods; (2) that these works should not divert labour from other construction works. Recently the Crops and Soils Wing of the Board of Agriculture has urged the survey of culturable waste areas to ascertain how far they are really culturable, of primary catchment areas with a view to controlling erosion and providing irrigation and of cultivable wastes with a view to their improvement. Dr. Gorrie of the Supply Department also has emphasized the scope for bringing under the plough with the aid of many war weapons some 170 million acres (somewhat exaggerated) by employing the demobilized soldiers. This might require the use of some capital equipment. But the case for the adoption of some public works as these by employing idle labour without unduly trenching on our foreign reserves appears fairly strong.

But where public works consume a large proportion of capital relatively to labour and therefore foreign exchange for the import of the capital goods, the greatest scrutiny will be called for. Under the guise of improving communications, foreign exchange should not be frittered away in importing automobiles and lorries, locomotives and railway stock, telephones and like materials. The foreign exchange should be used for the import of plant and skill essential to the construction of basic industries. Given rigid economy in the use of foreign exchange and the full use of domestic labour and resources, there is no reason why we should not build up diverse works of enduring benefit and enjoy an expanding and non-deflationist economy even in the transitional period.

We may set out the governing criteria of demobilization and employment policy thus:—

(1) Public construction in the transition period should not take the form of projects which by eating into our foreign assets would render difficult the building up of basic industries.

(2) The surest way of reabsorbing in a permanent way the ex-service men in command of mechanical skill is to launch an industrial drive.

(3) Suitable public works depending on "internal" finance might be launched subject to certain safeguards so as to absorb the largest possible amount of labour and avert the sudden on-set of deflation.

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Twilight of Currency Planning

THE authors of the British and the American currency plans certainly took up their labours with hopes which were high, although by no means quite congruent. The experience of efforts for monetary and economic co-operation among the big powers during the inter-war years, was not totally satisfactory by any token and was indeed sufficient warrant for cynicism. But the stresses and strains of war, especially in its darkest period, generally stir up a fund of goodwill and simple idealism, which deal summarily with realism. In such a spasm of goodwill and idealism, the Atlantic Charter, and especially its economic clauses, were formulated. Ever since there have indeed been considerable efforts to bring out the practical implications of those economic clauses; there have been put forward schemes to develop organized international economic relationships and to put descending ceilings on all forms of trade restrictions. But discussions merely revealed more and more the disparate nature of the economic interests of the various countries, the complexities of the problems and the irrelevance of the idioms of idealism severed from realism. In the sphere of international monetary co-operation, too, the British and the American authorities began with immaculate formulations of objectives which were remarkably identical. Yet in spite of the substantial identity of avowed purposes, further stages of discussion only widened the gulf between the two schemes. The rift between the two became visibly wide and almost unbridgeable as soon as the U.S.A. Treasury, obviously under pressure from certain quarters, revised its proposals and brought up its pawns into effective array. Lord Keynes was deputed to America to investigate if there was any wide common ground between the American and the British schemes which could be built up for a plan for Anglo-American monetary co-operation in the post-war period. There was an interim press report that Lord Keynes' negotiations might lead to a compromise plan in which Britain did most of the giving and America most of the taking. In our issue of October 8, however, we pointed to the probability that the negotiations might break down because of basic incompatibilities. In the week before last, our London correspondent referred to as yet unconfirmed but strong reports that American financial interests have got the upper hand and the Anglo-American currency negotiations have broken down.

If the first efforts for Anglo-American monetary co-operation after the war have in fact finally broken down, as our correspondent suggests, it is a regrettable event, but it cannot be said that its possibility was not foreseen or strongly apprehended. Currency planners have in general such great faith in the mere machinery of currency control that they very often tend to forget the compulsions imposed by the basic divergences of economic circumstances of the various countries. And if the machinery of currency control which they set up, break down in operation, they blame the operators and not the inadequacy of the machinery to absorb the strains of the circumstances in which it is required to work. Thus the breakdown of the gold standard during the inter-war years was explained not by the inadequacy of the system, but by the failure of the various countries to stick to the "rules of the gold standard game." But it was not asked why so many countries, though seeking international stability and co-operation as such, yet found themselves unable to follow the rules. The crux of the situation is that international currency planning which must necessarily be pre-occupied with the mechanism of preserving the stability of the exchange system, does not redound in equal measures to the advantage of all the various countries. Different countries are in different stages of economic develop-

ment, possess different potentialities in regard to the possible rates of development and further stand in different international financial relationships with one another. The maintenance of international currency stability means that the price policies and the economic policies of the various countries must keep in pace with one another and must be "co-ordinated" into a particular pattern. Thus a country in spite of possessing ample resources for a much greater rate of economic development may have to take recourse to sustained deflation in the interest of maintaining monetary equilibrium. Clearly such a monetary stability would be onerous to the country concerned. It is quite possible that, within the present institutional framework, no system of exchange rates could be found which would impose that pattern of "co-ordination" which is considered satisfactory by a sufficient number of countries. In such a case, the quest for international currency stabilization becomes nothing but a snare and a delusion.

But even apart from these wider aspects of the question, it was becoming increasingly evident that the United States and Great Britain would emerge out of the war with so different economic prospects and would find themselves in such different economic circumstances that it would require great constructive efforts to ensure effective co-operation between these two powers in regard to the ordering of world economic affairs. For one thing, this war, even as the last war, has seen a considerable strengthening of the international financial position of the United States, while at the same time there has been a marked deterioration in the position of Great Britain. Two world wars have been the agency whereby, on the one hand, Great Britain has slipped from her position of the predominant international financial power into that of a probably net debtor country; and on the other, the United States has shaken off her debtor position into the status of the major creditor country. This fundamental difference in the economic status of the two countries, inevitably and decisively fixes the orientation of the two currency plans respectively. Again, Great Britain unlike the United States, being very poorly endowed with natural resources, is inevitably dependent on international trade and finance which has only marginal significance to the United States. With the very great deterioration in her balance of payments, Great Britain is more alive to the importance of ensuring the flexibility of exchange rates and also the importance of exchange control. All these have not the same urgency to the United States. Further, with the deterioration of her international economic position, Great Britain will be pre-occupied after the war with the grim task of maintaining her pre-war standards of living and keeping her lead over other nations in economic progress. Consequently, she is keen that any international authority should interfere as little as possible with the working of the internal economy and that its powers should be kept down to the minimum. On the other hand, the United States, sure of its strengthened position, is only too eager to ensure her hold on the executive of the international body and of increasing the power and authority of the body itself as far as possible. And, finally, during the war, Great Britain has been denuded of most of her stock of monetary gold, while the United States has come to possess nearly 80 per cent. of it. Consequently, she has become so much obsessed of it. Consequently, she has become so much obsessed with the necessity of maintaining the price of gold that the task of international economic reconstruction after the war becomes to her almost one of secondary importance. These salient differences in the outlook and

position of the two countries explain their different orientations to the problem of international currency organization. They also constitute the barriers to their effective co-operation in international monetary affairs.

With her great dependence on an expanding system of international trade, Great Britain had an obvious interest in building up international monetary stability, but she could not pay a price which might involve her economy in comparative stagnation after the war, such as was implicit in the rigid White Plan which would have as effectively consolidated the economic hegemony of the United States, as the gold standard in the nineteenth century became the apparatus of British financial dominance. The United States is still in some measure suffering from the unhappy memories of her past efforts for wider international economic contacts; and there is a strong isolationist school which relying on the ampleness of the resources and economic opportunities within her frontiers, would prefer as complete withdrawal as possible from the international field. This school has only strengthened the hands of those who dream of an aggressive "American Century" and would have all her own way or nothing in international economic reconstruction. The liberal and international school represented by Roosevelt and Cordell Hull find themselves hampered and apparently impotent under the sustained pressure of American checks and balances. The aggressive school suspect all international schemes, especially any machinery which is capable of creating international credit and therefore detracting from the indubitable international financial powers of the United Nations as a creditor country. They are more in favour of practical, gentlemen's trade agreements with Great Britain on international cartelization and parcelling out of markets; or a "modernized cartel system" based on "a fifty-fifty deal" or better still the position of the senior partner in an Anglo-American world firm. Addressing British commercial interests, Mr. Eric Johnstone, the President of the U.S. Chamber of Commerce, recently put the position in an idealistic garb thus: "Apart, you and we can turn into bitter rivals. Together, you and we, with our manufacturers and our exports, and our investments, can be the world's mightiest force toward lifting all the world's regions toward a higher level." Meanwhile, Mr. Johnstone has his plans for rushing commercial agents in the wake of the liberating Allied armies to capture the markets before other nations have had time to disengage themselves from the pre-occupations of war.

Trend of commercial and industrial opinion in the United States is thus away from general monetary and economic planning and is in favour of gentlemanly commercial and industrial agreements, with Great Britain in particular. British opinion also seems to have despaired of the feasibility of any currency plan as a practical policy and has been more and more thinking in terms of monetary and economic opportunism, e.g., currency grouping, exchange control, bilateral trade, international cartels and parcelling out of international markets. The reason why an influential section in the United States fight shy of international economic plans is that they fear that in the name of international co-operation, the United States as the richest country would be made the "milk cow for the rest of the world." Such a fear is in a sense justified, for whether it is relief and rehabilitation or schemes for international economic reconstruction, a large part of the cost must necessarily fall on her. If we think hard, we shall find that international economic problems cannot be tackled as long as we continue to think only along orthodox lines of international loans and credits. For

example, let us ask ourselves the crucial question why is it that common money is tolerable in a national economy, but not tolerable as amongst nations in an international economy. (This indeed is the core of the problem of international monetary stability.) The answer is that for the sake of the ideal of international common money (stable exchange rate) no nation will now-a-days submit itself to a sustained period of deflation. Yet the problem of "depressed areas" also occurs within a national economy. The reason why this is tolerable in the latter case is that within the national state, men and money in the depressed areas can more easily move out to regions of greater economic opportunities, and secondly, there is the apparatus of State—especially, social services—which in various direct and indirect ways sustains the standards of living in the depressed areas during the period equilibrium works itself out. International currency stabilization can be rendered tolerable to individual States only by similar supporting institutions, e.g., international social services, involving international taxation. But international taxation, even like national tax system, must in the modern world be progressively graded, and the United States, as the richest country will have to bear a large part of the cost. The question is whether after spending hundreds of billions of dollar to win the war, she will be frightened to spend a tiny percentage of this to win the peace. If she refuses to bear the burden and responsibilities and play her rightful part in international reconstruction, the organization of world economic prosperity would prove extremely difficult, and in the end this will inevitably recoil on her own economic prosperity.

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The Week's Notes

INDIAN SHIPPING INDUSTRY

On another page will be found a letter from one of our readers who is conversant with the problems of the shipping industry and entitled to speak with authority on the subject. He has taken exception to some of the points suggested in our weekly note in the issue of November 19. No one will ever suggest that the present Government of India should be allowed to participate in the management of Indian shipping company unless the industry itself chooses to invite Governmental control. But we were dealing with the post-war situation when we hope that a National Government will have come into power. Indeed, most of our recommendations on this and other important economic questions are based upon the essential postulate of a responsible and representative Government which enjoys the confidence of the people. Even if there be a National Government, the question of nationalization of any industry will have to be decided after taking into account all relevant circumstances and we are not one of those who would decide the issue on purely *a priori* grounds. On the other hand, our suggestion was that considering the magnitude of the capital involved, if our objective of full reservation of coastal trade and due share in the overseas trade and thus making India one of the great maritime nations is to be achieved, the shipping industry might need financial assistance. That assistance should, in our opinion, take the form of equities, not, *e.g.*, debentures, because Government should be prepared to bear the risks of ownership. As we visualized the matter, the companies will continue to manage their affairs subject, of course, to Government's control and supervision. It may be that shipping companies do not need any assistance from Government. In that case, Government's control beyond reserving coastal traffic to them (here again we mean a National Government) will be limited merely to the prevention of any unsocial practices. We fear, however, that after the war there would be intense and uneconomic competition in the shipping world. Shipping in many other countries may be Government-controlled and subsidized. In this inhospitable climate our nascent, infant shipping industry is unlikely to survive without active and continuous aid by the Government. Further, while our shipbuilding industry also must be built up as quickly as possible, we shall be running great risks of being forestalled in the competitive struggle if we take too long to bring the strength of our merchant navy to a respectable level. For this reason also we need purchase a large number of ships immediately after the war and re-condition them to bring them up to trade standards. To depend solely on the necessarily slow deliveries of our shipyards, would be to lag sadly in the competitive race.

We were aware of the progress achieved by the Indian shipping companies in training the technical personnel, but our object was to speed up the machinery so as to provide for the vastly increased number of ships which will be plying in the Indian waters and elsewhere. We wanted an active Government policy of assistance and believed that the system of mixed management would expand the shipping services to the scale that is in consonance with our position in the world trade. A National Government and a complete reorientation of the present Government's policy to the Indian shipping companies are, of course, the *sine qua non* of any change in the existing system.

Our correspondent is right in stating that "nothing should be done to hamper the establishment and development of an adequate and efficient building industry within the country." Fortunately in respect of some Indian companies at least there will be no conflict of interest between them and ship-building industry as they have stretched out to build ships by investing large sums in the enterprise. Shipbuilding industry may have to be subsidized or in the alternative shipping companies should be encouraged to buy Indian-built ships by giving them financial aids. The problems of the shipping and shipbuilding industry are of such national importance that they should receive the continuous and sympathetic interest of the future Government of India.

ANTI-INFLATION IN INDIA

In a thoughtful contribution on the subject published elsewhere in this issue, Prof. Anjaria asks the question whether we have sufficient anti-inflation weapons "to counter the effects of inflation while at the same time the note issue goes on increasing continuously" and answers it by saying that anti-inflation measures are no substitute for non-inflationary methods of war finance. Briefly, his argument is as follows: If it is not practicable to limit the rupee expenditure of the Government to the amount it can raise by non-inflationary methods, there are only two ways of meeting the situation, *viz.*, to reduce rupee expenditure as far as possible by retrenchment and economy in Government departments, deferred pay for Government employees and war contractors, and, secondly, to raise the sources of rupee finance by liquidating British assets in this country, and since this is likely to prove inadequate, to impose more taxes both provincial and central, including a ceiling on incomes and take compulsory loans. Prof. Anjaria gets vexed with those who demand increased production and an increased supply of consumption goods on the ground that it is incompatible with inflation, and "it is not a problem of war finance, but of technical efficiency."

In our view, Mr. Anjaria's measures cannot remove the root cause of the increasing note issue. It is impossible for the Reserve Bank in view of technical difficulties to go on accumulating sterling without issuing currency by means of a corresponding cancellation of the rupee securities. The weekly statements of the Reserve Bank in recent months bear this out. This might be overcome by an unfair revision of the financial settlement by which Britain would not give us sterling. Even then—as long as the purchases go on—note issues will continue, this time against rupee securities. We cannot admit that it will be practical politics to sustain the enormous scale of expenditure in India of the last two years, and the still more staggering rate to come when in the next two years the far eastern offensive gets going by taxes and loans, however ruthless they might be. Mr. Anjaria overlooks the peculiar social and economic terrain in this country in which fiscal measures have to operate and also the fact that deferred pay and compulsory conscription of earnings cannot reach large classes of persons who spend the bulk of their incomes at once on the necessities of life.

MONETARY vs. REAL FACTORS

If Mr. Anjaria all too readily assumes the feasibility of monetary measures, he concedes equally all too easily that it is not practicable to limit the rupee expenditure of the Government to what it can raise by taxes and loans. We ask, "Why not?" We contend that Britain has no business to ask us to bear burdens

for which we are economically ill-equipped. If the burdens are inescapable, the real remedy is to equip us for the task. Mr. Anjaria's re-emphasis on the conventional monetary analysis is hardly helpful to constructive policy. As if to clinch this point, he talks of "a situation where, on a balance of considerations, it may be decided that the successful conclusion of the war is so important that burdens would have to be imposed upon the people, even though such burdens may have adverse repercussions on their vitality and efficiency." We are simply astonished. We are told that the war production of the United States and Great Britain together is two or three times that of the Axis powers. In that case does not the principle of equality of sacrifice demand that additional burdens should equitably be placed more on their strong shoulders than on India writhing in the grip of extreme privations? Mr. Anjaria would have us believe that deaths by the thousands at home due to starvation, disease and exposure also form part of waging the war or in any way adds to the volume of war effort. He regrets our missing golden opportunities for an industrial drive like what was proposed by the Roger and Grady Missions, but thinks it altogether too naive to tell the Government at this stage 'give us the tools and we shall do the job.' We say 'no.' It is not too late even now to mend. We do not know when the war would end and scarcity would not disappear immediately with cease-fire. Basic industrial structure is not a thing which can come a day too soon for our country. If the war lasts another two or three years in the east, the import of equipment is the first condition of war effort and saving shipping space. In any case this is much less naive than seeking to avert famine by deferred pay and ceiling on incomes. As for the import of consumption goods, we have had occasion already to warn against the danger to which Mr. Anjaria alludes of scotching nascent war industries even before the end of the war and have specified the complex of considerations to be weighed in reaching decisions. But this objection cannot apply, say, to the import of fertiliser plant for food production. To dismiss a production drive as 'a broken reed' is to overlook the immense production possibilities of this country and to give up all hopes of raising national income. We wish Mr. Anjaria would, in stead of yielding to monetary orthodoxies, always welcome an increase in the supply of goods, as the opponent of inflation that he is.

PROGRESS OF TECHNICAL TRAINING

The Government of India are apparently busy making plans for the absorption in civilian life of demobilized soldiers and other workers in the war industries. It seems appropriate therefore to review the progress of the technical training scheme which was initiated by the Government in 1940, with a view to meeting the needs of war and creating a nucleus of trained technicians to help the industrial development of the country. The training facilities provided cover a wide variety of engineering and building trades. But the greatest number of trainees are fitters, carpenters, blacksmiths, turners and electricians. Of the total number of 43,480 technicians, who had passed out upto the end of April 1943, fitters accounted for 23,530 and other trades mentioned above had each taken up about 2,000 to 3,000 men. At the end of 1941, 2,676 trainees had passed out and the number had risen to 30,990 at the end of December 1942. From the beginning of 1943, a policy of consolidation and improvement has been adopted, and a number of uneconomical centres have been closed, as it is felt that a stage has been reached when existing training centres can meet all foreseeable demands. According to the latest figures given in the *Indian Labour Gazette*, at the end of August 1943, the total

number of training centres was 307, the number of persons under training 36,026 and the number of persons passed out 51,690. It is a significant fact in framing a policy of demobilization, that of this total of 51,690, the Indian Army alone has absorbed 45,066, while Ordnance Factories and Civil Industry have taken in only 2,690 and 2,325 men respectively. The following figures taken from the *Indian Labour Gazette* show how the trainees were disposed of:—

Indian Army	..	..	45,066
I. A. F.	..	..	1,150
R. I. N.	..	..	335
Ordnance Factories	..	..	2,690
Civil Industry	..	..	2,325
Civil Pioneer Force	..	..	124
Total	..	..	51,690

As we have pointed out in our leading article, the bulk of the training facilities has gone to men who render the auxiliary services of the actual fighting line by keeping in good condition lorries and machines and planes and has not resulted in adding productive equipment to the country. Only a bold industrial drive can absorb them in peace. The Bevin Training Scheme is intended to train up supervisory personnel and during their stay in England the trainees receive training not only in highly specialized engineering trades, but also get an opportunity of having a full insight into the principles of trade unionism and labour organization. So far 354 boys have been sent to the U.K., of which 263 have already returned after completing their training. Since these Bevin boys do not form a big number, their absorption after the war will be relatively an easy matter.

ECONOMICS OF POLITICAL DEADLOCK

Mr. C. Rajagopalachari in his pamphlet *The Way Out* points out the disastrous consequences of the political deadlock in the shape of the food crisis and the unmeasured privations obtaining in the country. There is much force in his argument that the present crisis in food and clothing is not due merely to neglect or inefficiency of the bureaucracy, but to the inherent weakness of the Central Government as at present constituted and to the entire dependence of the provinces on such an administration. For the economic problems of a war economy cannot be successfully solved by administrative machinery alone—incompetent as the existing machinery has often proved itself—without the willing co-operation of the great majority of the people. It cannot be doubted that if a popular and responsible Government had been in power in Delhi, the grave economic dislocations in our country would not have been allowed to develop to such an acute stage as today, and the disastrous financial policy so far pursued by the present Government would not have been followed. Yet the economic consequences of the political deadlock are not exhausted by the present calamities alone; they reach out to the future. A Government with a sense of its own transience and with no mandate from the people naturally cannot take a long view and for that reason it could not fail to take a cavalier attitude both to the war-time development of industries and the problem of planning for post-war reconstruction. Again, at present many international decisions are being taken which entail commitments for India but in the shaping of which India's interests go by default—either unrepresented or misrepresented. Vital domestic and international decisions will also be made in the immediate post-war period, which will have probably decisive bearings on the course of our economic development, but here again the absence of a representative Central Government will put us in an awkward corner. Well might Mr. Rajagopalachari ask: "When

in every other country progressive parties are planning the reorganization of industry and agriculture, is India to spend the first precious post-war years in political controversy?"

SURVEY OF NATIONAL RESOURCES

In the recent biennial session of the Crops and Soils Wing of the Board of Agriculture and Animal Husbandry, the Board put the greatest emphasis on better utilization of land resources and urged three surveys, firstly, of culturable waste areas to ascertain why they were not cultivated and to whom they belong, secondly, of primary catchment areas with a view to controlling erosion and improving irrigation, and thirdly, of cultivable lands not fully utilized because of deep-rooted weeds, water-logging, etc., in order to prepare projects for their improvement. The official classification of our agricultural land into "cultivable waste" and "not available for cultivation" is not a little misleading and in spite of Professors Bowley and Robertson's plea for the abandonment of the imaginary and misleading distinctions, the same old series of faulty and misleading statistics is being continued. Our knowledge of the extent and variety of our land resources is nothing if not rudimentary and no agricultural planning is possible without a comprehensive survey of our resources. The organization of reliable statistical data is pitifully meagre compared with such countries as the United States. In the United States, attention was long ago drawn to the need for an inventory of the nation's soil classified on the basis of agricultural value and the National Conference on Land Utilization in 1931 set up the National Land Use Planning Commission and the National Advisory Commission on Land Use. In India too we need something of this sort for the preparation of an exhaustive inventory and classification of our land resources. Indeed, this is only a part of the bigger problem of a comprehensive survey of our national resources as well as of our industrial and human equipment. We have often heard the *cliché* that nature is bountiful in India, but we really do not know how bountiful is nature in our countries, and whether in view of the requirements of our vast population, our endowment in natural resources is really adequate for any ambitious economic plan. For this we require a thorough geological survey to assess the full extent of the mineral resources of our country, and of our agricultural resources, water-power resources and so on. After such a survey it may turn out that we are really much richer in natural resources than we ever dreamt of. On the contrary we may as well find that although our natural resources are various, they are not quite abundant, in view of the requirements of our vast population. In that case, our economic plan must be made on a more modest scale. In any case, a proper survey of the national resources is prior to the formulation of any concerted programme for national development. A national stock-taking is the first step in economic planning.

REPARATIONS IN NATURA

It is definite that at the Teheran Conference, Russia strongly presented her viewpoints on the question of reparations from Germany for the devastations wrought by her in all countries overrun by her marauding armies. Indeed reports go to show, she had made up her mind a long time back and she was determined that Germany would be made to make good the destruction she had wrought. If we recall

that the Russian agricultural and industrial economy has been built up almost in its entirety by the Russians in course of two and a half Five-Year Plans at the cost of immense labour and privations, we may sympathize with the Russian temper in finding the fruits of their labours considerably undone by a destructive war. Naturally they have firmly and unequivocally stated their intentions in this matter. An official Russian committee is already preparing an assessment of the total material destruction wrought in Russian territory and undoubtedly at the proper time the bill will be presented. Russia, which one day was hostile to the imposition of reparations under the Versailles Treaty, is today inflexibly set towards exacting the full reparations. What makes this interesting from the economic point of view, however, is the new technique to be employed for repayment. During the period following the last war, there was attempt to get payment of the reparations and war-debt services in money and the process only succeeded in dislocating the international economy. This time we have grown much wiser and we have avoided the mistake of piling up any large volume of unpayable inter-allied war debts. Instead, the new technique of lease-lend has successfully eliminated the "dollar sign." In the field of reparations payment also, it is reported, the mistake committed after the last war will be avoided. Instead of demanding reparations in money, it is reported that Russia will demand reparations *in natura*—that is to say, Germans will have to replace in kind all machine tools and other industrial and agricultural equipments which Germans stole from and destroyed in Russia and German labour will have to aid in the rebuilding of all towns destroyed—"especially Stalingrad," as Stalin put it. In view of the sadistic methods used by Germans in all occupied countries, in utter disregard of all human considerations, such a term of penal servitude may have its educative aspects, but what is important from the economic point of view is that such payment *in natura* evades all the inherent difficulties underlying payment in money. The German economy with its vast machine tool and allied industries will not be in the least strained by such a method of payment. Germany can considerably improve on her war-time standard of living and yet easily make reparation payments *in natura* representing, say, 25 to 50 per cent. of what she has been spending on armaments. German industry may also be made to render aid *in natura* for the economic development of some of the backward areas in the world. However, the magnitude of the penalty to be exacted from Germany must be strictly defined in advance, and after the defined term of years, she should be allowed to resume her place in the comity of nations with undiminished industrial potential.

SMUT'S TRINITY

When Field-Marshal Smuts envisaged in his address to the Empire Parliamentary Association the world order which is to emerge out of the present conflict, there was much in it which could give inward satisfaction to the cynic. One may easily question, if F. M. Smuts reflects truly the mind of those who will be called upon to shape the things to come, whether the world is one step nearer the ideals of freedom and democracy after this frightful Armageddon. Is not the *Fuehrer Princep* of the Herrenvolk being resurrected in the Trinity of F.M. Smuts? Is not leadership going to be nothing but a function of power? Does not the suggestion for subjecting the colonies to dominions mean the survival of the same old relationships of domination or is not regionalism a new name for mandates? The speech of F.M. Smuts answers all these questions to the

entire satisfaction of the cynic. But what appears to be interesting is that F.M. Smuts should have thought of a hallowed Trinity in a background of human relationships based on power. Any Trinity is necessarily symptomatic of an unstable equilibrium in such a background; the failure of the League of Nations or the Concert of Europe was not because there was any want of a group of powers more powerful than the rest who could dictate their will on other people, when they joined together on any issue, but because there were hardly any issues whose solution could further their respective interests of leadership equally. F.M. Smuts ought to know the limitations of every concert of powers more than any body else, but this wishful thinking is understandable in view of his solicitude for Britain economically as well as politically. The rise of Germany disturbed the nineteenth century position of world leadership of Britain. But its destruction hardly improves matters for her; there has emerged a new mistress of the continent—a colossus bestriding it on the one hand, and a greater maritime power more resourceful than others, and unscarred by war, on the other. Britain must now collaborate in war as well as peace with this power. Her dominions are ready to help her but only on a basis of partnership in imperial domination over the colonial territories. It would be assuming a prophet's mantle to envisage now Britain's successor to that position of unity which she has lost irrevocably.

ANTI-INFLATION IN U.S.A.

Hardly had American politics settled down to work the agreement between the United Mine Workers and Mr Harold Ickes, the Fuel Administrator, over the coal strike, early in November, the House of Representatives seems to be working up another of its head-on collisions with the President. Inflation was the real contention in the dispute over wages in the coal strike. The miners had already received the full 15 per cent. increase over the January 1941 levels, permitted under the "Little Steel" formula, and the Administration feared that a further general increase of wage levels in all trades, without which the miners wage could not be increased, would contribute to inflation. The situation was got over by granting an increase of 1 dollar 50 cents a day to half a million soft coal miners, but making the wage increase conditional upon another hour of productive work in the working day. This sought, on the one hand, to make the increase individual and on the other increased output side by side with added purchasing power, and it has already produced favourable results in that there occurred during the third week of last month a sudden and large increase in bituminous coal production. But this agreement has led labour to believe that the Administration is willing to revise the "Little Steel" formula as an anti-inflationary measure, and John Lewis, the C.I.O. boss, is said to be preparing a campaign for a further general wage rise to some three million workers on the ground that as the overall cost of living has risen by 20 per cent. over January 1941, the old formula allowing a maximum rise of only 15 per cent. is obsolete.

It is on the food front, however, that the opposition to the anti-inflationary measure is plainer. In an article on American war finance which we reproduced last week, it has been pointed out that sectional inflation in the case of food supplies is in full swing and that the farm block is plumping for price inflation against effective subsidies and rationing. These forces asserted themselves when the other day the House of Representatives passed the Anti-Subsidy Bill, making the Administration's subsidy programme illegal with

effect from the first day of next year. This Congressional obstinacy is rather hard to understand in view of the fact that the Congress has no alternative to offer to holding down the 40 per cent. rise in food prices and the prospect of a general wage increase that would become necessary as cost of living will rise further on the withdrawal of subsidies. As a climax to its relentless fight with the Administration over anti-inflationary measures, the House also refused passage to the Treasury's 10,500 million tax bill to drain off surplus purchasing power, approving only a \$2,139 million tax bill instead. Whatever the Administrations leniency regarding a general wage rise to meet a carefully calculated and generally accepted cost of living increase, it is to be hoped that President Roosevelt will not leave his powers of veto unused in the case of food subsidies and additional taxation.

CATTLE PRICES

The conservation of cattle wealth is of fundamental importance to us, for, in the words of the ex-Viceroy, "cattle are in a real sense the basis of India's economy." It is reported from Bihar and other centres that due to excessive demand for purposes of slaughter, the prices of cattle have soared by leaps and bounds. A deputation on behalf of the Patna District Board has waited on the Food Controller of the Province and has urged that "if the prices of cattle offered by agents and other purchasing agencies are not brought down to reasonable limits by Government control there is every reason of apprehension that within a short time the cultivators who are always in need of money and are tempted by high prices offered would sell away their cattle undermining their own existence." We have more than once drawn pointed attention in these columns to the real danger that the present rate of indiscriminate slaughter of prime cattle constitutes to the progress of agricultural production in India and have administered the warning that mere diminution in numbers (under the defence that India has cattle far in excess of her requirements) without improving the quality which cannot be achieved in a short period, will only aggravate the problem and strike at the roots of our agricultural economy.

The Foodgrains Policy Committee under the chairmanship of Sir Theodore Gregory have recognized in their report, this fact of cattle depletion and the disastrous effect it is bound to have on Indian agriculture. To quote their words: "Agricultural production in India mainly depends upon bullock power. Milk and milk products form an essential component of the food of the people. It is therefore of paramount importance that the cattle wealth of India, particularly the plough cattle, transport bulls and the milch animals must be preserved in the interests of food production in the country." The Committee have expressed that they are not satisfied that the restrictions prohibiting the slaughter of cattle are strictly enforced. They have therefore drawn the attention of "the Centre, the Provinces and Indian States, to the imperative necessity of taking all possible steps to prevent the depletion of India's prime cattle, so essential for production, by the vigorous enforcement of the prohibitions recommended by the Central Food Advisory Council, through a trained inspecting agency which should be immediately appointed." The problem is so vital and much harm has already been done that the Government should give up its complacent attitude towards this question and without any further delay take neces-

sary steps to control the prices of cattle, impose severe restrictions on their export and enforce vigorously the provisions against the slaughter of prime cattle.

THE MICA INDUSTRY

The mica industry in Bihar presents a sorry picture of internal dissensions. Such a state of affairs appears to be particularly unfortunate because the industry needs badly unity to combat the ring of brokers who have been pocketing the best part of the price paid by the consumers. Measures of control are contemplated which should have appeared derogatory to the entire industry, but one is presented with a deplorable spectacle of big men in the industry supporting them evidently because these measures would injure men with small capital to an extent which may drive them out of it. The elimination of the small man for one reason or another would leave a larger field for the big man and their attitude is understandable. But broad social interests impel a closer scrutiny of the case which has been made against the smaller men. The two charges alleged against them are illicit dealings and inefficiency. It is said that 'the force of circumstances has converted what was originally a poor man's surface scratching activity into a deep mining industry calling for the use of complicated and expensive mechanical equipment.' But this apparently feasible argument is as empty a truism as to suggest that there is no room for the handloom industry because we have cotton mills. So long as there is any surface mica, no high degree of mechanization is called for to scratch it. It is amusing that of all industrialists and large miners the mica miners of Bihar should compliment themselves on the level of their mechanization. For it is true of some of the biggest concerns that they are large only in the size of their transactions, hardly possessing any degree of inten-

sive mechanization or modernization of their mining activity. Reports of accidents in some of the biggest mines disclose that the miners do not have even the safety lamps, that the galleries are seldom as spacious as required by the provisions of the mining act and one has to ascend and descend in most mines hanging down ladders. It is not to suggest that the conditions of work in smaller concerns are any better, but only to show that all is not the best with concerns that are said to be properly equipped and investigations are necessary to improve the lot of the miners.

MICA PIRACY

The other charge against the small man is that of theft and illicit dealing in mica produced by the bigger producers. The fact of mica piracy is proved by the excess of exports over total production which has always been an anomalous feature of mica business. But the extent of illicit dealing exceeds the total dealing by small men in most of the years and implicates the big men in this affair. Further no more substantial evidence is produced by the biggest men in the trade to support their charge than the number of dealers which they consider to be too many to market the fraction of mica not produced by themselves. It is said that there are as many as 750 dealers to dispose of 25 per cent. of mica which is not produced by twelve big men while all the rest of production is marketed directly by the twelve. But one is not convinced with this statistics because the paid agents of the bigger concerns may be quite in proportion to the number of independent dealers carrying forward the production of smaller men. Again this is not to suggest that all the dealers are either honest or necessary for the trade, but only that a careful inquiry is necessary to examine the nature of illicit traffic before measures are taken to control them.

SPECIAL ARTICLES

Anti-Inflation in India

Its Scope and Limitations

By J. J. Anjaria

THERE is an almost complete unanimity of opinion among Indian economists as to the character, causation and consequences of the inflation in India. Since May last, a change has come over the Government of India also and they have taken various steps to counter the currency inflation which they seem helpless to avoid. The Government of India seem to think so highly of the efficacy of these anti-inflation measures that sometime ago the Finance Member said that it would not matter if the note issue reached the figure of Rs. 1,000 crores. It is pertinent, therefore, to raise the question at this stage whether we can depend upon these measures for securing the desired results or whether there are any limitations to the efficacy of the same.

By way of anti-inflation the Government of India have raised taxation to a higher pitch; they have introduced the principle of compulsory loans in regard to a fraction of the Excess Profits Tax; they have tried to raise more loans, directly and through Provincial Governments, offering specially attractive terms to small savers; restrictions have been placed on new capital issues; and price control for individual commodities or groups of commodities has been attempted. More recently an over-all control has been sought to be imposed on prices through the Anti-Hoarding and Anti-Profiteering Ordinance. That these measures have a depressing effect on prices cannot be doubted; for sometime they cause nervousness among business men and dealers who thus revise their expectations of prices in the downward direction. Very soon, however, the increase of paper currency causes them to revise their expectations again, and the upward movement begins. The question, therefore, is: Have we sufficient weapons in our anti-inflation armoury to be able to counter the effects of inflation while at the same time the note issue goes on increasing continuously?

When one ponders over this question, one feels that the outlook is not too bright. As to taxation, the Government of India's position seems to be that the taxable capacity of the people has now been exhausted, and that, therefore, loans should hereafter be the sheet-anchor of our war finance. When it comes to loans, we are told that it does not seem possible to get sufficiently large amounts by the voluntary method, and compulsory loans can only be resorted to within narrow limits. Nor can we be more hopeful, as things are, about over-all controls on prices, wages and profits. This, then, is the situation which the Government as well as the public have got to face. Some way out has got to be discovered, or else, we must resign ourselves to the inevitable consequences of inflation in the present as well as in the future. Is there, or is there not, a way out?

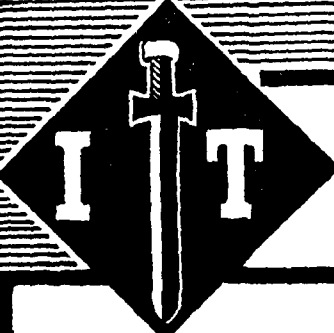
Before we proceed to answer the question, it is perhaps necessary to draw attention to the distinction between non-inflationary methods and anti-inflationary measures. The former aim at finding the necessary finance for the war by methods that prevent a rise in prices. The latter are in the nature of an antidote. The transfer of labour from peace-time to war-time activities involves higher wages; Govern-

ment expenditure during war increases in a variety of ways. These extra payments become incomes which raise prices and set up an expansion of currency and credit which may mean some inflation. Anti-inflation, properly conceived, is thus an antidote against such currency or credit expansion. It is a misuse of terms to talk of anti-inflation when you are resorting to inflation by the direct issue of notes. This distinction is indeed formal, but it may at least indicate the incompatibility of a policy of inflation and anti-inflation at the same time.

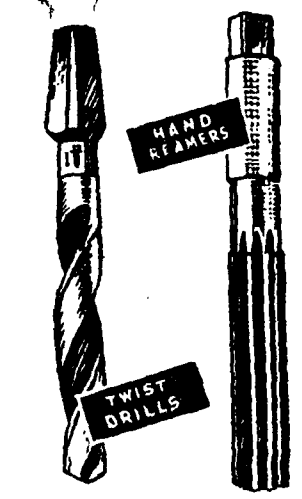
When the process of inflation is continuous, the distinction between non-inflationary methods and anti-inflationary measures tends to be blurred, for a successful anti-inflation drive obviates the need for more inflation. However, the distinction is not unimportant. If non-inflationary methods of war finance are adopted, the problem is to divert just that amount of purchasing power from the public as would enable the Government to secure command over the goods and services needed for the war. If the real resources needed for the war are very large, the taxation and loans necessary would be correspondingly heavy. If, on the other hand, inflationary methods are adopted, the problem is to impose more taxes and to get more loans so as to prevent this excess purchasing power from exercising an active influence on prices. The point is, anti-inflation measures in the correct sense of the word must have by the very nature of the case a limited scope and efficacy. They are not something you can, so to say, live on. Even countries in which inflation has so far been restricted within narrow limits and whose control arrangements are much more effective than ours are now realizing the truth of this dictum. In a country like India, the efficacy of these measures is even more limited than in other countries so that anti-inflation measures are, clearly, no substitute for non-inflationary methods of war finance.

One way of dealing with the situation would be to limit the total disbursements by way of rupee finance to such amounts as the Government can raise by non-inflationary methods. Assuming that this is not practicable, there remain only two ways of meeting the situation. One is to reduce rupee expenditure as far as possible and the second is to increase the sources of rupee finance.

Not much attention seems so far to have been paid to the former method. It is undeniable, however, that there is considerable scope for retrenchment and economy in various Government departments, especially those which have sprung up recently in connection with war work. It is not known on what basis the prices paid by Government for their enormous war orders are determined and whether care is taken to see that these prices do not themselves set up a spiral of high costs and higher prices. There is also no reason why payments for these war orders should not, at least partly, be made in the shape of war bonds so as to lessen Government's need for hard cash. A scheme of deferred pay to apply to all the employees of the Supply Department and other war departments should also prove helpful



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in this direction. It is possible that there is considerable scope for retrenchment, economy and deferred pay, all of which would reduce Government's need for immediate rupee finance.

The next course is to increase the sources of rupee finance by non-inflationary means. The biggest of them is the liquidation of British industrial and commercial investments in India. There has been a great deal of talk about this, and it was reported that several British companies were selling out. It is difficult to know precisely the latest position regarding the total amount of British assets in this country, but in any case, a definite policy of liquidating them is necessary on financial as well as other grounds. Another measure which would help in the same direction is sales of gold. The Reserve Bank has recently been doing this. But we do not know whether there is any consistent policy behind these sales and whether or how long it will be possible to continue this operation. Is it not significant that whereas all other anti-inflation measures are usually announced with a fanfare of trumpets, on this point strict silence has so far been observed, and no one seems to know what precisely Government policy is in respect of the imports and sales of gold?

If it is not possible, as probably it is not, even when these measures have been adopted to find all the necessary funds, resort must be had to further taxation and loans. There is, and can be, no other way. In this connection it is necessary to scotch some of the fallacies that are gaining ground in some quarters recently. It has been suggested, for example, that it is absurd to expect that the people of India should tax themselves to finance H.M.G.'s expenditure; that taxation has been pitched sufficiently high—doubled during the last four years—and that it is now necessary to increase the margin of consumption goods available for the civilian population so that they are in a better position to bear the burden. The Government of India have also been talking of increasing the margin of goods for civilian consumption as a newly discovered contribution to the solution of this problem of inflation. And yet the whole of this analysis rests on a misapprehension of the true nature of the problem.

First and foremost, the problem of war finance is essentially to divert certain goods and factors of production from their peace-time uses to new purposes to further the war effort. War finance is just an instrument to bring about this necessary diversion. The magnitude of the diversion necessary, that is, the sacrifice of civilian consumption necessary, has to be determined in the light of the military situation and also the capacity of the people to stand the privations consequent upon a reduction of the standard of life which war economy necessarily involves. The problem, therefore, is, first of all, to determine what degree of such privations or sacrifices the people can stand, though one can conceive of a situation where, on a balance of considerations, it may be decided that the successful conclusion of the war is so important that burdens would have to be imposed upon the people, even though such burdens may have adverse repercussions on their vitality and efficiency. In order that the real cost of the war may be borne more easily, it is axiomatic that the first step is to make the fullest use of all the productive factors at the disposal of the community. That is a course directed by commonsense. It is not a problem of war finance but of technical efficiency. The problem

of war finance arises in respect of the different ways of distributing the burden of the war. The different devices of taxation, loans and even some inflation (if necessary) have to be combined so as to distribute this burden equitably as between the different classes of the community on the principle of the least aggregate sacrifice.

Judged from this point of view, there is nothing absurd in the proposal that the people of India should consent to be taxed in order to finance the rupee purchases of the Allied Governments. It is true that there is now no revenue deficit in the Government of India's budget. The inflationary gap which economists talk of is, however, not an ordinary revenue deficit; it has the well understood sense of a deficiency of Government receipts by way of taxation and loans as compared to the total expenditure of Government, whether on its own or somebody else's behalf. Such a gap can be closed either by more taxation or more loans or a combination of both. No economist has ever suggested more taxation as the sole or even the most promising anti-inflationary measure at this stage. The point only is that more taxation cannot be ruled out and would in fact be preferable to the present inflation. There is no getting away from the fact that if we have to bear a certain burden and are actually bearing it, it is better that the burden is distributed in a manner that will not damage the economic stability of the country and even the war effort. To argue that there is a difference between straightforward taxable capacity and the capacity to bear the real burden of loan finance or inflationary finance is to state simply that people in general are too ignorant to realize the real significance of these different methods of war finance. The justification for loan finance is simply that thereby we can reach classes of people who cannot be reached by taxation however high and progressive, and that some people imagine themselves to be less hard hit when they subscribe to loans than when they pay taxes. If a system of taxation could be devised by which the repayment of these loans together with interest can be effected by taxing these very people, this justification would disappear. So long as that is not possible, loan finance has to be resorted to to induce those people to lend who must insist on a claim for the future. But most people now know that there is no such thing as transferring the real burden of the war to future generations. They are, therefore, more willing to tax themselves than they would otherwise have been. The only "justification" for inflationary finance is the incapacity or unwillingness on the part of Government to persuade the people directly to make sacrifices commensurate with the demands of the war; or it may be the desire to retain the support of those elements of the community which gain more from the high prices and high profits caused by inflation than they lose by way of taxation of war profits. When conclusions are drawn as to the impossibility of raising taxation further, it is forgotten that the right criterion is not the pre-war standard of taxation but the additions to currency which benefit particular classes and raise their taxable capacity. It is well known that there are several ways in which the clever and the unscrupulous manage to evade the E.P.T. In any case before the poorest classes are allowed to fall victims to actual starvation, there is a strong case for putting a definite ceiling on incomes. Taxable capacity, in this sense, there is plenty still, and, what is more, it is something that increases with every addition to the volume of currency.

As regards loans, it does not seem that a substantially better response can be had from the public

in the absence of a political settlement. It must, however, be added that the success of the loan programme is being handicapped by the very policy of inflation which makes it all but impossible for the vast majority of the people to have anything to save and lend. In these circumstances, the suggestion that certain taxes may be imposed by Provincial Governments and the proceeds given as loans to the Government of India to be returned in the post-war period when they could be directed to the needs of post-war reconstruction is a sound one.

Instead of exploring and availing themselves of all non-inflationary methods of war finance in the first instance and perfecting the machinery of control so as to make anti-inflationary measures more effective, the Government of India are now trying to divert public attention from the financial to the real burden of the war, and advertising their policy of releasing more consumption goods for the civilian population. On this policy two comments may be made. First, it is always and at all times desirable to increase the flow of goods and services available to the consumer. That has been our problem in the past, that is our problem today, and that will be our problem in the future. Scarcity is a thing always with us and measures which would diminish this scarcity would always be welcome. Maximum utilization of all available resources during war-time so as to leave as large a margin for civilian consumption as possible is undoubtedly a sound policy. The drawback of inflation is that it creates a scarcity of goods in relation to purchasing power and therefore makes it impossible for the poorer classes to buy their necessities with their old or slightly increased incomes. It is not open for a Government which continues the inflationary method of finding the necessary resources for war to speak at the same time of increasing the supply of civilian consumption goods. For a person who opposes inflation, an increase in the flow of goods and services which the community can command is always welcome, but he realizes that the discussion of the suitability of the various methods of financing the war is a discussion essentially of how to distribute the incidence of the burden as between the different classes; the problem of increasing civilian consumption is an entirely different matter.

If really the Government wanted to increase the capacity of the people to shoulder more war burden, they should have planned long ago an extension of industries, especially key industries and capital goods industries which would have helped the war effort directly by the production of certain war materials and indirectly by raising the taxable capacity of the people by stimulating employment and incomes. But we know the fate of the Roger and Grady Missions and of several proposals by Indian industrialists to start new industries which would help the war effort

and also have an assured future in the post-war period. It is altogether too naive to tell the British Government at this stage; "Give us more tools and machinery and we shall play our part effectively in the war effort."

Further, this plea for more consumption goods ignores entirely the real needs of the country. Is India in more urgent need of razor blades, radios and whisky or of food and clothes? Let us have, if we can, large imports of food. Let the military reduce their demand for clothing. Let us also consider, if necessary, the possibility of putting a ban on exports of cloth. That will be a real service and service that will bear immediate fruit. But increased imports of British manufactured goods in the name of the poor consumer are bound to have an adverse effect upon some of the nascent Indian industries started during the war, and may be, at the end of the war we shall be told we have suffered too much and too long for lack of consumption goods, so we had better import them for some time rather than insist on capital goods!

As to increased production to help in maintaining civilian consumption there is not much hope. There is still less hope of being able to increase production so as to start a "counter-inflation" such as Dr. V. K. R. V. Rao has suggested; for, it is inconceivable that we can increase production at anything like the rate at which our currency has been expanding. To suggest that by more production and more imports we can start a counter-inflation is, therefore, to rely on a broken reed.

To conclude: (i) Anti-inflation measures are no substitute for sound non-inflationary methods of war finance; (ii) considering all aspects of the problem, either we must limit or reduce the war disbursements of the Government of India or we must consent to pay more taxes and to subscribe to more loans—with due regard to ability; and (iii) inflation and expansion of civilian consumption cannot go hand in hand. If civilian consumption is to be expanded by arranging for more imports, the problem is to have imports of the right sort. If the objective is to be achieved by stimulating production, the case for it is independent of the need for anti-inflation measures, and, in any case, it would not be justifiable to be very sanguine about the success of such an effort. The only effective way to counter the inflation is, therefore, to redistribute the burden of war finance as indicated above and prevent a further diminution in the purchasing power of the poor man's rupee. This is the inevitable logic of the economics of war, as also of the economics of peace. You have to choose. You cannot eat your cake and have it too.

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Problems of Rajputana

By N. C. Mehta

THE journey through Rajputana—through its countryside—is a memorable experience. In the first place, it brings into view a vista of India's economic problem. Here is a vast territory treated in a step-motherly fashion by Nature. One would hardly think that this vast bulge on the west of India should constantly be thinking of water all the time as the principal problem. Go where you will and barring some favoured patches you see nothing but scrub land and desert with but little sustenance for the

man and the brute. This is certainly no place where one can lightly talk of growing more food or of encouraging complacently either the growth of agriculture or the adoption of better husbandry. Man is face to face with extremely tough realities and if there is any part of India which requires years of organized effort and vast application of wealth in the service of husbandry, it is Rajputana and its counterpart, the Gujarat—especially the peninsular part of it, Kathiawar.

The mere individual is utterly powerless to force an adequate living from the land. Luckily, however, the paucity of natural resources makes for a type of individual and cattle—tough and resistant to every vicissitude of fortune. There is no scope for softness of any kind and if the heroic days of Rajputana are perhaps over in the world of modern industry and urban wealth, the people are fully conscious of their destiny. If the Rajputs in the past bore the heroic traditions and left memories of their valour enshrined on every stone and shingle of their homeland, their enterprising brethren have won equal renown in the field of modern industry and trade as intrepid organizers, speculators and what is more for their supreme generosity. Go from one village to another and you will find the wealth of India thrown in these out-of-the-way places which has been earned by these enterprising sons of Rajasthan in the remote corners of the country. Nowhere in India would you find such lovely construction of wells with their cylindrical columns—often painted with lively figures as in Rajasthan. The beautiful *havelis* bear witness to the opulence of these enterprising traders. schools, hospitals and *dharamashalas* abound; but what is curious is that wherever you turn, it is the individual who figures on the scene and one sees but little evidence of that far-sighted action which can only be adopted and pursued consistently by the organized might of the State.

The problems, however, which face the people in Rajputana are of such magnitude that they can never be tackled by the unorganized effort or generosity of individuals, however powerful they may be. Rajputana is an organic unity—in its nature and range of problems—and I felt that the great problem of water, of developing cultivation, of producing food and fodder was one which could only be taken up on a unitary basis and would never yield to isolated efforts. Conservation of soil and afforestation and utilizing every drop of water by constructing proper reservoirs and damming the monsoon torrents are problems which require all the experience and knowledge of applied science and expenditure of vast sums of money, if this wonderful breed of men—the Rajputs, the veritable princes (I mean the residents of Rajputana, irrespective of their affiliations of caste or creed) whether in war or in peace, are to be preserved and to go out as the torch-bearers of intrepid courage and the leadership in the land. Curiously enough these people living in these adverse surroundings seem to develop qualities of leadership almost by instinct. I passed through three or four villages in Shekhavati—a district of the Jaipur territory—and I counter three or four families who would be responsible for controlling industrial enterprises of the magnitude of 40 to 50 crores of rupees in all parts of India, who had established vast enterprises dealing with jute, cotton, machinery, cement, sugar, paper, chemicals and were responsible for big banking and insurance business. The territory of Bikaner, which is even more inhospitable than perhaps the major part of Rajputana, seems also to breed a type inured to hardship but also to independence and venturesome spirit. Wealth is, therefore, a factor of the mind—the spirit, rather

than that of the resources or the environments. The resident of Rajputana, irrespective of his communal affiliations, is like the Scotch undaunted by his surroundings. He is in fact in love with them and never forgets them, though he earns his livelihood and prospers elsewhere but in his homeland.

Here for the first time one is vividly reminded what an enormous burden modern economic thinking has laid upon the poor cultivator. Modern industry with its automatic machinery, mass production, the application of the latest scientific technique and ample financial resources is but simplicity itself compared to the hazards of agriculture. The small and poor cultivator carries the risks which he can ill afford. He does not have the resources to take out the best out of his lands and yet this unskilled and resourceless man is made to carry the burden of the most complicated occupation that one can think of, subject to the vicissitudes of seasons, attacks of pests, difficulties of communication and inability either to finance the production or arrange proper marketing. And compare the paltry return from agriculture with that from the industry. The hardest working *kisan* can never hope to get even a modicum of the return that a small industrialist expects and earns as a matter of course. Here we have the root of the economic problem in this country. I have seen in Pilani—the birthplace of the Birla Brothers—where lakhs have been poured into developing the place economically and educationally and yet after years of effort one is only beginning to understand the magnitude and the nature of the problems. It is only the heroic mould in which these people are cast which is able to bear the strain of this constant frustration that is apt to seize a casual visitor. Agriculture, if it is to succeed in these parts, has to be treated as an industry—an industry which requires all the assistance of the State and the individual, for one has to fight Nature itself.

Scientific knowledge of the highest order is needed to bind the ever-conquering sand-dune, to develop the water supply by afforestation, to grow fodder and food for the people—problems indeed formidable, but these must be solved if Rajputana is to play the role which history and tradition have assigned to it. There are scores of States and Governments in Rajputana and in Kathiawar and these have to pull their weight together in a vast co-ordinated effort, for the problem is general and not individual and is tractable only if the shrewdness and the genius of its great business magnates are poured together. Individual charity will not resolve the impasse. Mere migration of the people for earning a livelihood abroad may not last long and may only result in depopulation and in depriving the mother country of its brightest and most promising human material. The homeland must remain as the source of inspiration and for that purpose it is essential that what is only at present a dream should be realized and act as an inspiration. These Western States which are at present so many disintegrated units should again merge into one glorious tradition and should become homelands worthy of its people in the past and in the present.

THE WORLD ABROAD

Production Trends

(From Our Washington Correspondent)

WASHINGTON (By Cable), Dec. 9.

JUST two years after the United States entered the war following the Japanese attack on Pearl Harbour, American industrial production is now at the highest levels in history. A year ago the nation was only beginning to emerge as a first-class Power. Today American industry can look back on its productive accomplishment surpassing any goal that could have been envisaged before the war. It is now becoming increasingly clear that the peak of production has already been reached or will be reached in the near future. Henceforth the country's leaders will devote growing attention to post-war problems including the conversion of armament manufacture into production of peace-time consumers' goods.

The Federal Reserve Board's index of industrial production reached the new high level in October of 145 per cent. above the 1935-39 average. November output may be slightly higher, but further gains are unlikely unless unforeseen unfavourable war developments necessitated the swelling of armaments production. The nation's war expenditures in November approximated 7,540 million dollars, which is above both September and October expenditures, but still below the peak in June. Since June war costs have been almost stabilized.

This reflects the belief that the United States in the coming year will be able to devote greater attention to satisfying civilian needs. In fact, stock-piles of raw materials have been rising rapidly, with the supplies of most materials now actually greater than needed in war effort. Steel, copper and aluminium are at present being produced in greater quantities than required for war purposes. This will probably result in the relaxation of restrictions on the use of raw materials for civilian goods.

Plans are now contemplated for the production of many civilian items which were not being manufactured for many months. This list covers at least 700 products, including electric irons, washing machines, aluminium kitchenware, etc. It is probable that the total value of civilian goods produced next year will be greater than in 1943, even if war against Germany continues another twelve months, which few here expect.

One of the most significant of recent changes in the economic picture has been the lessened strain for the manpower concerned. In another few months it is likely that manpower, like raw materials, will be

much more abundant. This will be partially due to Government cancellations of war contracts. Thousands of workers have been dismissed in recent weeks, and because of such cancellations, this trend will probably continue. The increased output of civilian goods, however, will absorb the shock of wholesale dismissals, and unemployment is not likely to become a problem until Germany surrenders. Meanwhile, the purchasing power of the American people is now at all time high. The Department of Commerce reported that income payments to individuals during September amounted to 12,545 million dollars or 20 per cent. above September last year. The Department estimated the total of 1943 income payments at 142 milliard dollars, compared to 114 milliard dollars last year.

Paralleling the income rise, money in circulation also made new record during October, totalling 19,247 million dollars or 140 dollars 37 cents *per capita*, compared to 14,210 million, or 104 dollars and 98 cents *per capita* a year ago.

Similarly consumer buying will reach all-time peak this year. The Department of Commerce estimated the year's total retail sales at 62 milliard dollars, compared with the previous record of about 58 milliard dollars in 1942. Earlier Christmas buying than usual was made during November. The sales of that month were highest in history and December business is expected to exceed that of a year ago.

Further evidences of improved outlook for civilians are more abundant food supplies. The Office of Price Administration promises more meat at least for next few months, and several food items have recently been removed from point rationing. The War Food Administration announced its releasing of several million cases of canned food to the public, explaining that stocks can now be spared from Government stores.

As business men prepare for greater civilian production they are also planning for post-war international trade. The National Association of Manufacturers will sponsor a meeting of business leaders for Allied and neutral nations in the United States next April. Invitations will be transmitted to principal business organizations in each country to send six delegates who will discuss exports, imports and the financing of world commerce. Within the next few weeks detailed agenda for this meeting will be formulated, and economists hope it will inaugurate a post-war era wherein trade barriers will be far less rigid than those that followed the last world war.

The Fight For Decontrol

(From Our London Correspondent)

LONDON (By Cable), Dec. 9.

THE city is taking much interest in the "British Federation of Commodity and Allied Trade Associations Limited," informed by 30 big Commodity Exchanges to defend their common interests in the post-war period.

Now they are almost completely at a stand-still, while various Government departments buy on a big scale and distribute commodities which the Exchanges

handled before the war. All the thirty Exchanges are fearful that Government will find war-time procedure so convenient that brokers, dealers and other middlemen will continue functionless and will be ignored after the war.

One of their problems is how to secure influential support of big consumers who before the war used the various futures market to protect themselves against severe price fluctuations. Many of those cor

sumers find the Government system of rigidly fixed prices to be a vast improvement upon the futures market, wherefore it is feared that they will be perfectly willing to see the war-time system continued. The problem differs in details with each commodity exchange, but seemingly the Federation plans some common campaign to persuade the manufacturers and other consumers that all sections of private industry should stand together in order to free industry from "bureaucratic control."

Even more difficult is the attempt to appease the British treasury, which is now reported to be convinced that Britain must maintain control over the country's supply of dollars and other currencies so as—among other things—to prevent British capital "taking flight" to New York or elsewhere whenever conditions here are difficult.

In pre-war days, commodity markets in all countries furnished relatively cheap, quick and fairly secret channels for transferring money from one country to another. Liverpool cotton firms, Liverpool and Baltic exchange wheat firms and London metal exchange firms cheerfully fulfilled orders which had the effect of transferring a given amount of British-owned sterling into equivalent amount of British-owned dollars, whereafter the British owner could proceed to New York and invest his dollars as he saw fit.

It is taken for granted that the Treasury will be adamant in refusing permit for any such transactions after the war at least until the world's economic problems are solved or approaching solution.

Hence the problem confronting commodity exchanges is how to resume their pre-war functions—which absolutely require abundant funds at home and abroad, and ability to transfer ownership of such funds with instantaneous speed—without giving

facilities to any outsider for transfer of capital from one country to another.

It has been reported that the scheme now under discussion would provide registration of all members in exchanges who would forfeit membership if found engaged in illegal transactions and secondly assign to each commodity exchange definite *quota* of foreign exchange which could be used only for strictly commercial—as distinguished from financial—transactions.

The Bank of England still holds in the various vaults in the country enormous stocks of small denomination notes—half crown and five shillings—printed in the early days of the war for use if Germans destroyed the Royal Mint or if German invasion disrupted communications between London and provincial centres. There is some speculation nowadays whether these will ever be issued for the public replacing fractional silver coinage. Similar small denomination notes are very common in other countries; but pundits believe they would be heartily disliked here. Furthermore, Britain's silver coinage furnishes an useful outlet for a certain amount of Empire silver.

Much interest has been roused here on the article written by Professor Varga, a well-known Soviet economist, in the latest issue of the *War and Working Class*, in which he states while Russia is interested in the re-establishment of the general use of gold throughout the world she is not specifically interested in either the Keynes or White plans for international clearing system.

It is recognized here that Russia uses gold solely as export and not as basis for her domestic currency or credit systems, but it is hoped she will eventually lend support to attempts to stabilize world currencies on grounds that whatever promotes world prosperity should indirectly promote Russian prosperity.

Control of Booms and Slumps

LONDON, Nov. 9. (By Airgraph).

"We have gone so far in drafting measures for the control of booms and slumps that some of us are apt to think of the trade cycle as an already conquered element. That is, of course, just what the "New Dealers" thought in 1929," writes the Financial Editor of the *Manchester Guardian* as an introduction to some excerpts from an old (1937) circular letter of a prominent firm of stock-brokers. That circular letter dealt with the periodicity of the trade cycle and gave the following two lists:—

Prosperity	..	..	1919
Strain	..	..	1920
Collapse	..	..	1921
Depression	..	..	1922-23
Revival	..	..	1924
Returning prosperity	..	..	1925-7
Prosperity	..	..	1927-8
Strain	..	..	1929
Collapse	..	..	1929-30
Depression	..	..	1930-31
Revival	..	..	1932
Returning prosperity	..	..	1933-5
Prosperity	..	..	1936-7
Projecting their statistical view into the future,			
they continued the list:—			
Strain	..	..	1938
Collapse	..	..	1939
Depression	..	..	1940-41
Revival	..	..	1942

Returning prosperity	..	..	1943-5
Prosperity	..	..	1946
Strain	..	..	1947

As can be seen, they take the nine years' cycle, twice repeated between the two wars, as a basis. It is an interesting point and, no doubt, there is superficial similarity, even though the length of the cycles have varied, between these periodicity of the above and those of the cycles of the last century. What is equally interesting but also rather disappointing is the fact that such statistics are not accompanied by the analysis of the particular factors governing each separate cycle. As things are, the prophecy in the second table may—it need not—come near the actual happening unless those in whose responsibility politico-economic affairs of State rests base their actions on less superficial foundations.

Undoubtedly much has been learned during the last twenty-five years. The way in which this war is being financed shows clearly the advance in applied economics. Yet, it also shows that the advance in thought has not been as fast as it should have been to keep level, or rather to reach level, with the difficulties which confront us, difficulties which will grow in complexity the nearer we come to the end of the war. There is good reason to expect that not all the mistakes are repeated that were made at the end and after the last war. But there is also a great probability that new mistakes will be made. If there is clarity in the minds of those who are now planning

for the peace, they very successfully conceal it. But, perhaps, we have to be glad that what mistakes are going to be made will give us a chance to advance from the level of knowledge of 1943 as we did from the level of 1919.

The talk about inflation—better expressed, the talk around inflation—now prevalent is a case in point. Some ten years ago it was understood that inflation meant, briefly, a state where the amount of money in circulation was so large that it caused the general price level to rise. That was a neat and straight definition. Of late years economists and other writers have treated the "price level" with contempt. And with the advent of the war economists and financial writers in general have been in the habit of hedging when discussing the continual increase in circulating media. The result is that we have inflation proper all over the globe. The Indian Famine is largely a result of inflation pure and simple—not entirely, because war contingencies made adjustments of supply more difficult than it would have been in peace-time. But to a very large extent the cause is inflation. In Great Britain and America—as in the European countries—inflation is the rule. The difference is in the control of demand and supply. To be exact in the control of supply.

It must be said that in Great Britain the control of supply has achieved outstanding success. Strict rationing, on the one hand, and greatly increased taxation on the other, have made the flood of surplus monetary media in the hands of the public largely ineffective. It looks at present that the U.S. Administration will not be successful as was British unless Congress takes second thought. So far it certainly failed in India. But what of the future? The active circulation of Bank of England notes has passed the 1,000 million (pound sterling) mark. 'Active' is of course a relative term. How many million pounds are in hoards, no one knows. But whether fully active or not, the public issue of money coupled with the ever-increasing amount of current account balances in the banks, are a potential danger to the economic machinery. It is idle to say that the Government should have restricted the issue of currency and should thereby have curbed the increase in liquid bank balances. Circumstances are stronger than theories, however correct the latter may be. Cheap money policy, the *conditio sine qua non* of successful war financing at low rates of interest, would not be achieved without a plethora of money. But the inevitable result will be that for a very long time to come rationing and super-taxation will have to go on. This is not to say that in the end, the results may not be worth the inconvenience. If the situation is handled as it demands, increased peace production may be able to absorb the surplus media in a shorter time than now seems possible. But the situation does prove again that so long as we cannot somehow control the velocity of circulation of currency and currency surrogates, such as liquid bank balances, we

cannot effectively control the monetary mechanism. Had we had such a means, the Government could have had all the money it got by way of loans of one description or other at the same low rate of interest without flooding the country with currency. When economists once have got their (intellectual) teeth into this cardinal problem, we shall have made a vast step forward.

News from the U.S.A. in matters of post-war reconstruction continues to be of the same depressing type. First, we had the different white plans; all, including the latest plan for a world bank, are full of indications that the U.S. wants to get rid of some of their gold. How far the Administration believes in this remedy we shall probably not know until some sort of a draft agreement comes to be published. But that they are not free agents is clear from the discussion in Congress on postwar trade and on Lease-Lend repayments, and last but not the least from statements to be found in publications by the bankers. Recently the Guaranty Trust Company of New York made the assertion that a return to the gold standard with free coinage of gold, free markets and private ownership of gold and currencies freely convertible into gold would be a better way to achieve exchange stabilization and trade recovery than any of the currency plans now under discussions. Add to this the voices in Congress and outside which demand an ever-increasing share of world shipping and air transport, but no lessening of tariffs; in other words increasing exports, visible and invisible but no corresponding imports; and one has the picture of the antiquated outlook of some of those "progressive" American business men. It is difficult, however, to judge by these voices. American politics are of the most difficult type to be understood by the outsider. Many of the arguments advanced are directed against the President and his Administration. As Prof. Dobie of Texas University said in the "Brains Trust" broadcast recently, economists and their theories are counted for little by the run of American politicians. It is therefore more difficult than elsewhere to argue with those politicians objectively and to convince them that they cannot continue to sell and to lend at interest if they decline to buy from their customers and debtors.

There are, of course, also more enlightened campaigners. The question is: Who will carry the country? With the presidential election in view next year the political pronouncements are the most difficult to interpret. Thus one is safe in discounting some of the noise as being merely intended to frighten the Roosevelt Administration. But be that as it may, the fact remains that Americans in general do not yet seem to have grasped the nature of the difficulties in front of them or the share American past policy had in contributing to the present situation.

FROM THE PROVINCIAL ANGLE

Madras Letter

POST-WAR RECONSTRUCTION PLANS PROBLEMS OF THE HANDLOOM INDUSTRY —PLANNED PROGRAMME OF RESEARCH (From Our Correspondent)

MADRAS, Dec. 3.

THE Madras Government have appointed a Special Development Officer to deal with the preparation and execution of schemes of developments. As these schemes would often relate to several technical departments and as there is need for administrative co-ordination of these schemes, the necessity for a full time officer has arisen. He will be called upon to make new plans and examine the working of old plans of development. What would be the nature of the post-war reconstruction work in Madras and what would be the duties of the Special Officer were explained to the Press by Mr. S. V. Ramamurthy, Adviser to the Governor. The war has brought to the fore the need for economic development on a large and comprehensive scale. Before the war the surplus population of the province found their outlet in the neighbouring colonies, Burma, Malaya and Ceylon but these being closed just now the need to find new land for cultivation has arisen. The war has also emphasized the need for Madras to be self-sufficient in food but the province is deficit in rice by 5 to 10 per cent., in millets by 10 to 30 per cent. and in pulses by 50 per cent. Schemes of irrigation are under investigation to make up the deficit. Two experimental schemes of land reclamation one in Wynad and the other in the Vizagapatam Agency have also been drawn up. There have been hydro-electric schemes in the south of the province and this has led to some industrial development, notably in Coimbatore. There has been none yet in the north and there is need for development in this direction. The natural resources of the province, particularly in minerals should also be tapped. A drive towards industrialization is also essential. Improvement of livestock and fisheries are other fields of development. A member of the Board of Revenue has already been appointed to be in charge of post-war plans but it is now stated that he will look after the work relating to individual soldiers and the Officer just appointed—Mr. S. Y. Krishnaswamy, I.C.S.,—will be in charge of all other schemes and plans.

Problems Of Trade And Commerce

With the Hon. Sir Azizul Huq, Commerce Member with the Government of India and the Hon. Sir A. Ramaswamy Mudaliar, Supply Member with the Government of India in the City, the Chambers of Commerce and trade associations got themselves busy in discussing with them matters of trade and commerce agitating them presently. The Commerce Member drew the attention of the various bodies to the need for planning out a post-war scheme in regard to every branch of trade, industry and commerce and it was with that view that the Government of India had issued a questionnaire to collect certain data. The prevention of hoarding and profiteering ordinance was subjected to severe criticism. But from the replies given by the Member an impression was left that in the early stages, it was not to be worked in any stern manner and that the Government would consider any representation from the trade as to the fair margin of profit. Sir Azizul Haq has made it

clear that the time limit for the disposal of unstamped cloth will not be extended beyond the end of the year, as the dealers have had five months to dispose of their stocks. The delay in the announcement of the revised ceiling prices was due to the fact that over 3,000 varieties had to be dealt with. But it was stated that it may be published any time now. The Commerce Member asked the mercantile community not to depend too much on the export markets as exports depended to a large extent on the importing countries and instead they should also exploit the home market. Relating to shipping, it seems that the whole shipping space available for both exports and imports were calculated in advance and adjustments were made to suit the economic life of India. The Government of India, it was stated, had evolved certain principles and had been following them but if those were not in the best interests of the country there would be no hesitation in changing them.

The Handloom Industry

The Handloom Committee of the Textile Control Board met in Madras this week and Sir Frederick Stones, Adviser to the Board presided. Representatives from all over India including provinces and States attended the meeting. It is understood that Mr. Kazimi's report on the question of supplying yarn at cheap rates to the handloom weavers figured prominently in the discussions and allied to it was the question of fixing the yarn prices at levels beneficial to the handloom industry. A proposal to constitute a central handloom board, the steps to be taken for the supply of dyes in adequate quantities to the industry and the question of limiting the quantity and the permissible time for holding handloom cloth by the dealers were also considered by the Committee. The request of power looms particularly from Malabar and Guzerat to exempt them from the operation of the Textile Control Order was also discussed. It is understood that certain tentative conclusions favourable to the handloom industry have been decided upon but until these are satisfied by the Central Government and an official *communiqué* has been issued, any report of the decisions will be in the nature of a conjecture.

Research Schemes

At the meeting of the governing body of the Council of Scientific and Industrial Research, several research schemes have been sanctioned. A survey of scientific facilities available in industrial, university and other institutions so that a planned programme of research may be undertaken is to be prepared immediately. Schemes for the study of activation of pyrethrum extracts, for the development of processes for the manufacture of rubber from certain Indian creepers and for the preparation of sorbitol were accepted by the governing body. It has been decided to approach the Government of India and prominent industrialists to raise funds to bring into being a national chemical laboratory, a national metallurgical laboratory and a national physical laboratory. It has also been decided to give immediate effect to the establishment of central glass and

silicate research institute and fuel research station.

Sale of Cloth

All cloth dealers including hawkers are to take out a licence, which will be issued free, for the trade in this province. This order has been issued under the Defence of India Rules and the licence is in addi-

Bombay Letter

LAND RECLAMATION IN RATNAGIRI—PROVISION FOR DEMOBILIZED SOLDIERS—INTEREST IN BANK SHARES (From Our Correspondent)

BOMBAY, December, 4.

THE Bombay Government are determined to carry out land development as a long-term rehabilitation programme. It is understood that they propose to spend as much as Rs. 70 lakhs on a land development, bunding and afforestation scheme during the ensuing year. In addition an expenditure of Rs. 10 lakhs has been sanctioned for the provision before the end of this year of technical staff and equipment. Immediate attention will be paid to the district of Ratnagiri, and the choice of this district is guided by the Government's anxiety to help soldiers returning after the war, as this is the Chief Recruiting Centre of the Province. High officials of the Government and the Department of Agriculture have visited this district recently, and intensive work will be undertaken for bunding and terracing with a view to increasing the cultivable area, the afforestation of the hillsides and the expansion of fruit cultivation, especially mangoes, pine-apples and citrus, for which the district is famous. If the measures to extend fruit cultivation are successful, it is intended to start a small-scale canning industry, as the monsoon fruit crops in Ratnagiri are often wasted with the suspension of the steamer and country-boat traffic after the end of May.

A Potato Scheme

The Bombay Government are also tackling the problem of potato supply both for civilian and for military needs. A scheme will be undertaken with a consignment of 35,000 bags of potato seed of the No. 1 variety from Simla, and the seed will be distributed to the cultivators in Poona and surrounding areas at a concession rate of Rs. 12 per maund although the Government have purchased the seed at Rs. 20 per maund. The Government will purchase the produce direct from the cultivators at favourable prices. The produce will be stored by the Agricultural Department and distributed to licensed retailers only for marketing

Bengal Letter

COAL SHORTAGE—MIGRATION OF LABOUR TO VILLAGES—RATIONING ARRANGEMENTS —OUTBREAK OF DISEASES

(From Our Correspondent)

CALCUTTA, Dec. 4.

IN this part of India, as in some other parts of the country, coal shortage has been very acutely experienced. Inquiries in informed circles reveal however that the future prospects regarding the supply of coal are far from encouraging or reassuring. It is true, as has been maintained by the Government, that the immediate problem regarding coal is not one of shortage

tion to any other under the Madras Regulation of the Sale of Cloth. Under the provisions of the Order, dealers are required to display at the shop a correct list in the language of the district of the maximum retail prices, if any, fixed by a competent authority for the kind of cloth available with him for sale. While dealers may not have any serious objections to the Order, petty street hawkers, mostly illiterate, would experience considerable difficulty by this Order.

in Poona at fixed rates. Poona will get a daily supply of 150 bags for civilian consumption and the military authorities will get 1,000 bags.

Stock Market

The results of the Cairo Conference and the Peace rumours led to profit taking and the consequent heavy liquidation resulting in a perceptible fall in the value of leading scrips. Textiles were the first to suffer. Steels too followed later, but the recession was comparatively small. Investment support has been meagre notably in textiles and steels the usual leaders in the miscellaneous section. It is generally felt that cotton mill shares have seen their peak. Leading firms of brokers advise their clientele of genuine investors to book their profits at every increase. What seems to sustain the textiles is the absence of any suitable alternative investment. Some of the institutional investors are taking the present opportunity to reduce the cost of their investments by selling a part of their investments and utilizing the profits thereof to write down the value of investments retained by them. This procedure saves payment of taxation on the capital profit realized from partial liquidation of investments. This is indeed a wise move as it provides an indivisible reserve to meet any capital depreciation in the value of their present investment in the post-war period. There is a considerable widening of interest in the Bank shares. The shares of almost all the well-established banks are the centre of attraction. The main reason for the spurt in the value of these shares is the growing belief that banks will soon be raising their paid-up capital either by calling up the uncalled liability on the partly paid up shares or by issuing new shares on attractive terms. With the deposits of Banks standing at unprecedented levels and fairly better outlets for these funds than a year ago, it is almost certain that even if the existing paid-up capital were to be doubled, the leading banks would be able to maintain their present dividend level. There is thus not likely to be a marked setback in the present value of their shares

of wagons, but of reduced raisings of coal which latter is explained in turn by the factor of shortage of labour. In part this is due to the migration of labourers from the coal mines to the villages with the advent of the harvesting season. With the high price of food-stuffs, the harvest in their villages has more than usual attraction to them this year. To make them return to the mines it would be necessary to offer

them some special inducement. The permission given by the Government for the underground employment of women cannot go far towards the improvement of the situation because the women folk have also gone away in large numbers along with the male labourers. Those women who are staying behind do not seem to be very eager to avail themselves of the new opportunity for securing employment. The restrictions have long been in force. The habits have changed. It takes time to discard new-formed habits and to re-acquire the old ones.

The colliery labourers will yet take much time to complete harvesting work, which being over they would be in a holiday-making mood for sometime. Altogether, in the normal course the labourers will not undertake the return journey to the mines until about the middle of January next. And already the output of coal in most collieries is down by about 50 per cent. In this state of things to bring back an appreciable number of labourers from the villages to the mines, without detriment to the harvesting work, it would be necessary to offer higher wages and to ensure better living conditions in the mines. Particularly cheap supply of food and cloth must be guaranteed. It is necessary that Government gives serious attention to these matters.

Towards Rationing

Rationing has not yet come into force in Calcutta and the industrial areas. It is still in the process of coming. Recently the distribution of ration cards has been taken in hand. It is not known however when rationing will actually be put into effect. Previous reports had indicated that rationing will be introduced from about the middle of December, but the administrative machinery in this regard has been moving so slowly that rationing may well have to be deferred till a later date. Further, the fact that the Central Government have undertaken the feeding of Greater Calcutta may well involve some readjustments in the rationing arrangement causing some further loss of time. Be that as it may, rationing in Calcutta is going to start under favourable circumstances, the flow of supply being assured by the Central Government's

U.P. Letter

ASSURANCE ABOUT ANTI-HOARDING ORDINANCE—PROFITS AND STOCKS IN COTTON TRADE—ARE CONTRI- BUTIONS VOLUNTARY? (From Our Correspondent)

CAWNPORE, Dec. 6.

MR. FAZL-I-LAHI, Deputy Controller General of Supplies, met the representatives of the Province's trades associations at Lucknow and in an informal discussion assured them that there was no intention of harassing business men under the Anti-Hoarding Ordinance and that their genuine grievances would always be redressed. Referring to the terms "landed cost" and "cost of production," he said that certain modifications were being introduced to obviate the present difficulties in interpretation. It was proposed to set up advisory committees to help in the enforcement of the Ordinance.

Reports from various centres in this Province indicate that the Anti-Hoarding and Profiteering Ordinance has already caused a downward tendency in the prices of a good many imported and Indian-

assumption of a considerable responsibility. The question is however being debated as to whether rationing should be extended in scope and applied to other parts of India. The Government claim to have taken in hand preparations for the introduction of rationing in other urban areas, and at Dacca the Civil Supplies Minister, Mr H. S. Suhrwardy talked of the possibility of introduction of rural rationing. Whatever the Government's plans and programmes may be in this regard, any attempt by the Government to acquire stocks of food by purchase in the market whether for rationing or for any other purpose will be opposed by the people. There is an extremely strong feeling against Government purchase of rice, and it is being emphasised by various sections of opinion that all would be well if only the Government will keep away from the market. At Dacca, Mr Suhrwardy gave the assurance that the Government will not purchase rice until the prices have appreciably declined, and until it becomes necessary to sustain the market in the interest of the growers.

Outbreak of Diseases

The problem regarding disease is steadily assuming serious aspect in this province. Cholera, dysentery, malaria—all these diseases are rampant throughout the province. The incidence of malaria has increased greatly, and the disease is found to have manifested itself in districts which had previously been comparatively free from it. The Government have been issuing reassuring *communiqués* regarding the supply and distribution of quinine, but considering the magnitude of the problem the arrangement made by the Government is woefully inadequate. From every part of the province reports are pouring in that quinine is not available at all or is available at a prohibitive price. The major preoccupation of the Government have so far been with the food problem but unless they turn serious attention to the problem of diseases also the province will be faced with a new crisis. It cannot be too strongly emphasized that the paucity of medical aid is another serious drawback of the situation. The Army authorities may help substantially towards the solution of the problem by prompt action in terms of the relief programme that had been announced by Lord Wavell during his visit to Calcutta.

produced articles. A number of factors appears to be responsible for this. The Ordinance has made its appearance at a time when it is generally assumed that goods for civilian consumption would be available in larger quantities than has been the case in the last three years of the war—there have been regular reports of larger imports of civilian consumption goods and of larger quantities being released for civilian consumption in India. The civilian consumers in this province are now paying less for their shaving blades, tooth paste and brushes than they were a few months ago. The marking of woollen goods' prices commences from December 19, but the mere announcement in the Press of the order was enough to bring down prices so far as this city is concerned.

Cotton Goods

A triangular contest seems to be going on between manufacturers, selling agents and the wholesale

dealers regarding the 20 per cent. (5 per cent. being on account of freight, etc.) profit margin allowed on the ex-mill prices under the Cotton Cloth and Yarn Order. It is not yet very clear whether the ex-mill price ceilings fixed recently are inclusive of the selling agents' commission. The result is that while some manufacturers have asked their selling agents to charge their commission from out of the 15 per cent. margin to be added to the ex-mill prices, others have continued the practice of giving to the selling agents their commission out of the prices charged by them. So far as consumers in a manufacturing centre like Cawnpore are concerned, it is being argued by consumers' interests that it is unfair to the consumers to add the whole of the 20 per cent., allowed under the Order, to the ex-mill prices, specially the 5 per cent. allowed on account of freight. Locally in Cawnpore all the mills have commenced price-stamping. Two prices are given: the wholesale or the ex-mill, and the retail, the latter being inclusive of the 20 per cent. margin.

Merchants Perturbed

The Cloth Merchants' Association of Cawnpore has telegraphed to the Textile Commissioner, the Secretary, Civil Supplies Department of the U.P. Government and others concerned, protesting against the order requiring dealers to submit a monthly return giving the stock position at the beginning and close of each month, and showing the exports made by them to places outside the Province. The order, the Association says, is impracticable and unworkable and would cause much hardship. It is pointed out that the stock-taking would take a lot of time and would not be accurate, owing to the present mode of business prevalent in the market.

The various notifications, issued locally and by the Government from New Delhi, avowing Government's intention to seize all unstamped cloth not sold out by December 31, coupled with the order requiring the submission by December 15 of a return giving stock position of unsold unstamped cloth as on December 10, have frozen all demand for this type of cloth. Reduced prices have ceased to induce buyers from the mofussil to purchase this cloth, and stockists feel that they might be left with a fair quantity of such stocks on their hands in view of too many notifications affirming Government's intention of penalizing those found in possession of unstamped cloth in quantities more than warranted by their individual consumption requirements.

"Forced" Contributions

The U.P. Government have come in for criticism in connection with the margin taken by them on exports from the province of *gur*, oils and oilseeds, etc. But before the Provincial Government learnt these new ways of enhancing their revenues and

turning a complicated civil supplies position of the country to their advantage, the district authorities in many a town had shown new ways of finding contributions for war funds, etc., by turning and twisting the trade channels. Here in Cawnpore for months the retailers had to pay Rs. 5 per bag of sugar and per tin of kerosene oil purchased by them. The "forced" contribution went to a laudable cause, like the Red Cross, but those who on principle objected to the payment had in effect to go without their regular supplies. Even now every buyer of one bag sugar in this city has to pay 12 annas, which does no doubt go to some useful war charity, like the W.V.S. But everyone knows that the retail price per bag of sugar is inclusive of the price of the bag, and here a farce is made of the buyer having to return the bag, and if he does not, he pays 12 annas over and above the "control" price of a bag of sugar. There is thus a regular income for the various funds which a District Officer may wish to encourage. In Lucknow the District Officer has struck upon a similar source of revenue, and the wholesale dealers have agreed to contribute the difference between the price at which they would have got non-Lucknow sugars and the price at which they now get Lucknow mill sugar to a fund which would be utilized for building a maternity home in Lucknow.

Director of Industries

When the Congress Ministry ruled this Province it was proposed to expand the functions of the Director of Industries, and his designation was actually changed into the Director of Industries and Commerce. But the intention to recruit this official from among first class business men remained an untranslated wish. The post remains reserved for an Indian civilian, generally an Indian who has held charge of a second class district in the Province.

It may also be noted that the U.P.'s Director of Industries and Commerce has nothing to do with the bigger industries and the big business. The Labour Commissioner has more to do with these. The Director deals only with the cottage and the smaller industries. That is why the Labour Commissioner is also being appointed the Registrar of Joint Stock Companies, a post so far held by the Registrar of Co-operative Societies. The Labour Commissioner, who is also Sugar Commissioner for U.P. and Bihar, has now ceased to be the Chairman of the National Service Labour Tribunal.

The second quarterly meeting of the U.P. Government's Economic Advisory Board was held in Lucknow on December 3, and the next meeting will now be held in February 1944. The Governor, Sir Maurice Hallett, presided over this meeting, and a number of matters, like the "Grow More Food" campaign, the sub-soil erosion in Muttra Brindaban areas, and fair prices for cloth, etc., were discussed.

Punjab Letter

NEXT STEP IN FOOD CONTROL—PROBLEMS FACING THE MINISTRY—NEW LEGISLATION FOR MATERNITY BENEFIT (From Our Correspondent)

LAHORE, Dec. 6.

THE most important recent event which created a good deal of stir while it lasted was the visit of Mr. Hutchings, the Food Secretary of the Government of India to Lahore. Prolonged discussions, about which the utmost secrecy is being maintained, regarding

food prices and rationing took place between Mr. Hutchings and the Punjab Ministers and officials directly concerned with civil supplies. Amidst the number of conjectures about the tussle between the Central Government and the Punjab Ministry, the latest surmise is that until the next rabi harvest, no-

attempt will be made to fix the prices of foodgrains. Rationing may, however, be brought into force in all towns of the Punjab having a population of over one lakh and there are only seven of them: Lahore, Amritsar, Rawalpindi, Multan, Sialkot, Jullundur and Ludhiana. This report is obviously tinged heavily with pessimism.

Price-Control Difficulties

The case may be summed up in the simple statement that if prices are controlled, procurement of supplies will become almost impossible. The coercive apparatus of the Government if used might produce corruption, black markets, house searches and seizures of stocks in rural areas, and these would release a flood of discontent. There are some big wheat-growing districts of the Punjab in the West and South-West where big estates and big landlords are fairly common. These landlords exercise a powerful sway over the countryside because in many cases they enjoy the dual power of landlord and *Pir* (religious head). They supply some of the essential vertebrae of the Unionist Party and if they feel convinced that the price fixed by the Government is unfair to them, it will be a hard job to break their resistance. This combined with the two other facts, (1) that the Punjab countryside has supplied a large number of recruits to the army and holds a record of loyalty during the war and (2) that the tales of destitution and death in Bengal that are still pouring in create a strong disposition against parting with stocks except at high prices, explains very largely, though it may not justify, the attitude of the Punjab Ministry.

Maternity Benefit

With the passing of the Punjab Maternity Benefit Act, 1943, the Punjab comes in line with other provinces in the matter of maternity legislation. The Act which received the Governor's assent on the 15th November, 1943, is intended, like similar Acts passed elsewhere, to regulate the employment of women in factories for certain periods before and after childbirth and to provide for the payment of maternity benefit to them. For thirty days before the delivery of child and for thirty days immediately following, a woman is not to be employed in a factory. During this period no notice of dismissal can be given by the employer nor can a notice be given within the period of six months before delivery with the object of depriving her of maternity benefit. The qualifying period of service for rendering the worker eligible for maternity benefit has been laid down as not less than nine months. The amount of maternity benefit provided in the Act is the average daily earnings of the worker or a rate of 0-12-0 a day whichever is greater and is payable during the period of thirty days immediately preceding and including the day of her delivery and for thirty days immediately following. It may be noted that the rate of 0-12-0 a day is higher than that provided in most other Provincial Acts. Provision has been made for the payment of maternity benefit in case of the mother's death to the per-

son who undertakes care of the child and in case of death of both child and mother to her nominee or legal representative. Any contravention of the provisions of the Act by the employer will render him liable to a fine up to an amount of Rs. 500. Any worker receiving maternity benefit and working elsewhere is also liable to be fined.

Cost Of Living

The latest working class index numbers, i.e., those for July 1943, are now available for five centres; viz., Sialkot, Ludhiana, Rohtak, Lahore and Multan. Except for the index number for Rohtak which has shot up from 318 in June to 363 in July (average prices from January 1931-December 1935=100) others show either a very small rise or a constant level or a small fall. The index number for Lahore, for example, has remained steady at 330. The variations in the indices for its constituent items are of considerable interest. The figure for food items shows a small rise; that for fuel and lighting is constant; clothing shows a substantial decline; house rent is again constant and miscellaneous items like cigarettes, tobacco, soap etc. show a fairly good rise. The item of clothing shows a substantial downward trend from June to July for all the five urban centres. Taken together the index numbers for the five centres do not indicate any worsening of the situation in July.

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YODHRAJ
GENERAL MANAGER.

A DELHI DIARY

NEW DELHI, Dec. 8.

The Viceroy is shortly to leave on tour to visit Bengal and Assam. The main interest of this tour will undoubtedly be the address which he will deliver at the annual meeting of the Associated Chambers of Commerce in Calcutta. In the past this occasion has invariably been utilized by the Viceroys to review political developments and indicate the Government's policy, but Lord Wavell is likely to set up a new precedent. Though he cannot eschew politics altogether from his speech, it is understood that he will confine himself mainly to economic problems—particularly the food question—and the war situation. Evidently the Viceroy feels that the time has not yet come for him to make any political pronouncement. From talks in New Delhi it does not appear that he has so far unfolded any new plans to his colleagues in the Viceroy's Council. Discussions so far have mainly centred on food and civil supplies problems. The view in official circles is said to be that as a result of the measures taken by the Food Department the situation in Bengal, particularly Calcutta, is gradually brightening up. On the one hand, the view continues to be urged, as Mr C. Rajagopalachari said the other day, that "bureaucratic authority cannot cope with the problem of food and clothing in any satisfactory manner" and that the present food crisis "is not due to neglect or inefficiency but to the inherent weakness of the Central Government as at present constituted and to the entire dependence of the provinces on such an administration". It is said that the Viceroy does not subscribe to this view. And he wants to show that the Central Government is strong enough to deal with the economic crisis and exact the necessary co-operation from the provinces. The coming year will show who is right.

In answer to the bitter controversies aroused in this country on the subject of India's position in the U.N.R.R.A. the Government of India have issued a note to clarify their position. There is little doubt that the whole question has been mishandled both here and in the United States. Had the Government of India realized the importance of this conference and arranged for India's proper representation, India's position would have received greater attention at the conference. If arrangements could be made for sending the Sarma propaganda delegation to the United States, why could not facilities be provided also for sending non-official representatives to international conferences of this kind? Unfortunately it has become the determined policy of the Government of India to confine India's representation at these conferences to officials. It is not clear yet whether the new Viceroy will make a departure from this policy of his predecessor and send non-official public men to future conferences—particularly to the currency stabilization conferences which are to meet next year. For some reason the Government of India did not also arrange for a full discussion of the U.N.R.R.A. during the last session of the Central Legislature. Now an assurance has been given by the Government of India that as soon as the Budget session of the Central Legislature opens in February next, a resolution inviting endorsement of the U.N.R.R.A. agreement will be moved, but no assurance has been given that the decision will be left to non-official members. There is a good deal of sympathy for the humanitarian objects of the U.N.R.R.A. but the attitude of the British and other delegations to Indian problems is responsible for the present feeling in political circles that if India is not to have proper representation and cannot have an effective voice in shaping its policies, it would be better for India to keep out of these international bodies. Owing to India's subordinate position, its membership of interna-

tional bodies means nothing more than enforced subscription of several lakhs per year without any proportionate return—as India's membership of the League of Nations has shown. The Government of India appear determined to commit India to membership of the U.N.R.R.A., but as the Congress Party is expected to be present in larger number during the next session of the Central Legislature, the Government's motion is bound to be resisted very strongly. The Government of India have stated in their *communiqué* that as India is obviously a country in a special position both on account of her low *per capita* income and of the economic and other burdens imposed on her by war conditions, the Government of India will take these special considerations fully into account in deciding upon the amount which the Legislature should be invited to vote as India's contribution to the U.N.R.R.A. This assurance is so vague that it is hardly likely to satisfy the elected groups in the legislature.

The Viceroy is expected to make a reference to the U.N.R.R.A. in the course of his speech at Calcutta. From information available here it would appear that the Associated Chambers of Commerce will make a number of detailed recommendations to the Viceroy regarding such questions as the continuance of the war risks insurance scheme, coal production, transport development, post-war reconstruction, etc. The seriousness of the coal position has been receiving considerable attention in New Delhi. Figures available show that though demands for consumption have been increasing production has been going down. In 1940 the extent of production was about 26 million tons, but it has gone down to much less since then. It is said that in the four months following June last the fall has been as much as one million tons. The Government have embarked upon certain measures for curtailment of consumption and have also taken up new schemes for improving labour conditions, for one at least of the reasons for the fall in production is the lack of sufficient labour. In the course of a statement in Bombay the Labour Member, Dr. Ambedkar, said, "If the output of coal has not been as satisfactory as it should be, it is because the wages of employees are not sufficiently attractive." He felt confident that if the scheme he had in view was put into effect there would be a number of persons going to the coal mines.

The recent observations of the Supply Member in expansion have been the subject of some comment. Hyderabad on post-war reconstruction and industrial He said: "Indian Chambers of Commerce so far paid very little attention to commerce and trade problems. All their attention was devoted to industrial expansion. Chambers of Commerce must from now on think of building up organizations to deal with different kinds of products." It is not quite correct to say that Indian Chambers have paid "very little attention" to commerce and trade problems. Rather the complaint has always been that the Government have not been responding, as they should be, to the representations of Indian Chambers of Commerce. If only the Government of India had cared to consult and respect the advice of the commercial community, the economic policy of the Government of India would not have proved so tragic a failure as it has been. But why should the Supply Member talk so deprecatingly about "all their attention" being devoted to industrial expansion? As Supply Member he should be anxious to speed up production and try to welcome this interest in industrial expansion. The economic future of this country depends, as he knows, on the speeding-up of industrialization.

ARGUS.

NEWS PAGE

The Punjab Government have decided to introduce wheat rationing in Lahore, Amritsar and Rawalpindi from March 1, 1944.

Advisory Committees in the provinces on which will be invited to sit representatives of the trade and of consumers.

It is understood that India has now been asked to export 1¼ million tons of coal to the Middle East countries and elsewhere by the Allied Command.

To preserve the nutritive value of rice a new process according to which, before dehulling, it is placed in a chamber treated with hot water under pressure, drained, dried and then milled in a normal manner is under consideration by the Food Department of the Government of India.

The Government of India wish to make it clear, says a Press Note, that if India's adhesion to the U.N.R.R.A. Agreement is approved by the Legislature, they will take the low *per capita* income of the country and the economic burdens imposed on her by relief operations within the country fully into account in deciding upon the amount which the Legislature should be invited to vote as India's contribution to the U.N.R.R.A.

Owing to heavy congestion in postal parcels traffic in recent months the maximum limit of weight permitted for inland parcels has been reduced from 1,000 tolas to 160 tolas, and the booking of parcels to the Bengal and Assam postal circle has been completely suspended, official, defence services and medical parcels (the last up to 320 tolas) being excepted.

The forthcoming Plenary Session of the International Labour Conference, the date for which will be decided this month, may be the venue for the United Nations to frame in concert their post-war social policies and programmes. This conference may also define the I.L.O.'s relations to the other United Nations' organizations engaged in similar work.

In Soviet Russia today, the factory workers have one rest day in every seven, making the working week generally 66 hours; the average earnings vary from about 300 roubles per month in a chocolate factory to 860 roubles per month at a coalmine; and workers invest on the average a whole month's pay per year in war loans.

Preliminary information indicates that, including imports from overseas, more than 120,000 tons of foodgrains have been supplied to Calcutta during the month of November. This works out to an average of 4,000 tons a day.

According to a new order, the Government of Mysore will be the sole purchaser of foodgrains in the State at prices fixed on a reasonably liberal scale and paid in cash on delivery at the nearest Government depot in the growing centres. Declared holders of land will be allowed to retain with them a quantity of grain fixed according to their family needs and all the rest is required to be sold to Government on demand.

In his forthcoming tour of Bengal the Food Member will examine among other things the position regarding supply of blankets and clothing and increased medical relief in Bengal and see what special measures are necessary for remedying malnutrition especially among women and children.

The general food situation in the Madras Province has improved owing to good rainfall and the harvests in the Southern and Northern districts, and it is learnt that all the famine camps, except a few in Anantapur, have been closed and labourers are now working on normal agricultural operations.

Soviet Russia favours return to a world gold standard, but is not interested in any international bank of currency stabilization fund, according to Prof. Varga, a noted Soviet economist.

Already one million vitamin capsules supplied by His Majesty's Government have reached Bengal and have been distributed. Supplies of vitamin tablets are also expected shortly by air. In addition supplies of sulphaguanidine, a drug used in the treatment of dysentery, are being flown out to Bengal.

With the object of securing the co-operation of the trade in implementing the Anti-Hoarding Ordinance, it is learnt that Government intend to set up

American Survey

Today, in the United States, civilian production is curtailed not only by War Production Board orders, but by materials and manpower shortages, and by the fact that many manufacturers find munitions production more profitable than making civilian goods that have not been banned, writes Thomas Foyle in a recent issue of the *Editorial Research Reports* (Washington). It has therefore become necessary to make positive plans for the production of articles for use of consumers, and so the Office of Civilian Requirements has now been given definite authority to determine the types and quantities of goods which must be produced to keep the civilian economy sound. The Office has also been made a "claimant" before the War Production Board's Requirements Committee, which allocates available supplies of scarce materials.

Civilian Supplies

Under the new system, the raw materials for bedsprings, essential household articles, farm machinery and other civilian necessities are now fitted into the quarterly allocations at the same time and on the same basis as materials for the armed services, the merchant marine and other "must" programmes. Thus a number of steps have been taken recently towards resuming some essential civilian production, even though military officials warn that supplies of steel, copper and other metals are still inadequate for the munitions programme. Production of farm machinery has been increased from 30 per cent. of the 1940 rate to 80 per cent.; additional steel has been made available for pressure canners, closures for gas containers, and a number of other home front requirements. But it has been officially made clear that these relaxations of the restriction on production of civilian goods do not presage a general decontrol. However, the Chairman of the National Association of Manufacturers has expressed the hope that there can be a more extensive resumption of civilian production while the war is still on, to cushion the shock of the period after the war when factories are being turned back from airplanes to automobiles. Reconversion may also be hastened by the probable necessity for supplying many types of civilian goods to countries reconquered from Germany. Anyway, Government officials are already recognizing that problems of reconversion will be eased by the extent to which it can take place before the last shot is fired.

Land and Labour

A comely, little booklet in our hands entitled *U.S.A.: A Reflection of Life in the United States* (Vol. 1, No. 1), is typically American in starting off with an extract that tells us what the U.S. is *not*. "The continental area of the United States is less than half the size of the Soviet Union, and smaller than either Canada or Brazil. The U.S. has certain vital deficiencies. It grows no rubber or coffee, and cultivates no silkworms to speak of. It has virtually no tin or platinum; not enough manganese, quicksilver, tungsten, or nickel. . . . Although it has a complex industrial civilization, the U.S.A. is not predominantly a manufacturing nation. Manufacturing accounts for little more than a quarter of the country's total income. The U.S.A. has built a network of cities, but it is not the most urbanized nation in the world. Actually less than 30 per cent. of its citizens live in big cities. The U.S.A. is still predominantly small town and rural; not metropolitan."

The booklet goes on to tell us about 'labour' brainpower at war. "Most gratifying to management executives is that workers are not confining their ideas to technical improvements in machinery operation, but are also contributing suggestions in many other important branches, such as maintenance, safety, and salvage operations. At the Consolidated airplane factory on the west coast, employees' ideas have saved 300,000 man-hours in six months. At General Motors war plants 31,777 ideas were submitted from April to September, many of them so good, that one new idea was put to work every forty-five minutes. At the Republic airplane plant, workers' ideas save 200 man-hours of work on every plane; at the Boeing factory, they save 60 hours on every Flying Fortress. A cooling device which estimates the hand burns of furnace workers is one of the typical ideas adopted."

International Trade

Washington correspondents and observers close to national policy-makers report that plans are already under way to develop 'organized international relations' in the very practical area of foreign trade, writes Leo Cherne (according to the U.S.O.W.I.). The aim is to reduce international trade barriers. Although the planning is still tentative, its seriousness is evidenced by the proposal of a 'ceiling on all trade restrictions' which was made by Brooke Claxton, Parliamentary Assistant to the Canadian Prime Minister, Mackenzie King. Mr. Claxton, speaking at a recent meeting of the American National Foreign Trade Council in New York City, suggested that nations should reduce all tariff over a period of time, by progressive stages, to an agreed maximum. Several detailed proposals are being considered in Washington. It is suggested, for instance, that limitation on imports be eliminated. In this respect, it is interesting to note that, more than ten years ago, the United States had already agreed on the abolition of such restrictions, although the programme has not yet reached the stage of international treaties. A second proposal is that nations should agree to outlaw export subsidies. A third suggestion is aimed at ending discriminatory agreements and preference systems in international trade.

The United States Tariff Commission reports that American tariffs have been cut down some 31 per cent. by the reciprocal treaties existing at the present time. Many of the planners who are considering the problems of world trade feel that the solution would be to extend the Hull system of reciprocal trade agreements on a large international scale. There is no sign yet as to whether Secretary Hull or President Roosevelt are either for or against any of the international trade programmes which are now being discussed in Washington. When it is remembered, however, that it was Secretary Hull who sponsored the Reciprocal Trade Agreements, which substantially lowered many American tariffs, there is every reason to suppose that a post-war programme designed to reduce international trade barriers in general would win official approval.

Tentative though the plans may be, they reflect a definite feeling in the United States that the way to a stable peace after the war lies, in large part, in the co-operative effort of all nations to design a workable system of international trade based on as few restrictions as possible.

GLEANINGS

RECLAIMING LAND

How the weapons of war may serve the needs of space was described by Dr. MacLagan Gorrie, Director of Woodware in the Supply Department, in a paper which he read before the Crops and Soils Wing of the Imperial Council of Agricultural Research at Baroda last month. Speaking on the scope of absorbing demobilized soldiers on the land, he estimated that with large-scale planning and in concert with Central and Provincial Governments, the Army, the returned soldier, and soil conservation specialists in the Provinces, some 170 million acres of *barani* land (land dependent on rains alone and not on irrigation) and waste could be brought into full cultivation.

The chief point of his scheme was to ask for the co-operation of the Army which already possessed very large forces of men trained to tractor driving and also had machinery suitable for the purpose in road graders and other earth-moving machinery. These could be employed by lending units and their machinery to Provincial Governments for definite projects in districts which have appreciable numbers of demobilized men returning to them. Much of the realignment of sloping lands could be done by bull dozers and road grader machines. The only additional machinery required would be trailer ploughs capable of sub-soil ploughing. This could easily be made in local workshops, copying the type already in use in the Ingram Estate at Palwal. The tractor power can be provided by Bren Carriers if tractors are not available.

Confining his proposals to non-irrigated lands, Dr. Gorrie estimated that out of 13 million acres of *barani* cultivation and 14 million acres of uncultivated waste in the Punjab, possibly 16 million acres were capable of a higher standard of land use, but only after a great deal of terracing, ridging and sub-soil ploughing. From 4 million acres of "current fallow" and possibly 6 million acres of land under intermittent cultivation and taking only half of this, he estimated there was an overall total of improveable land of 21 million acres in the Punjab alone. Similarly in the U.P. and C.P. and the drier parts of Bombay and Madras and in the broken country of Bihar, taking 10 per cent. of the net sown areas, half of the current fallow, half of the cultivable waste, a quarter of the non-available waste and 10 per cent. of the village forest land, he calculated that a total of 140 million acres for British India and 30 million for the Indian States of improveable land existed.

Dr. Gorrie emphasized three things. Firstly, he explained that the technique of water conservation field by field on *barani* land and particularly on the gently rolling slopes of badly eroded uplands could not be handled effectively by single cultivators and must be on a community basis. The second point was throughout rolling uplands there are many large blocks of land now practically unproductive which could be planned afresh in terms of run-off control, alignment of field terraces and sub-soil ploughing. Collective

action under the control and assistance of Government was the only way to ensure success. Thirdly, there was the question of preparation of "bad lands" for cultivation. Even the worst areas of deeply gullied uplands can be brought once again under the plough by the use of mechanical tractors, road-graders, bull dozers, heavy sub-soil ploughs and even, where necessary, by the use of explosives.

PLASTICS

"There can be no doubt that the materials generally known as plastics will play an important part in the production of many capital and consumers' goods. But the rate at which plastics are likely to displace other materials is often exaggerated," writes the London *Economist* in its issue of September 18. "Sir Herbert E. Morgan, Chairman of the British Homophone Company, has therefore rendered a public service when he said at the annual meeting of the shareholders of the Company on September 9 that 'it cannot be too clearly emphasized that while the plastic industry has many new fields open to it, plastics will only replace the use of other materials and methods when it is the best medium for the purpose. There has been much imaginative publicizing of the uses of plastics, but the practical utility of many of the suggestions put forward must be doubted. Publicity such as I refer to has already inspired speculation in the shares of plastic companies, and there are indications of many new ventures in that field. From my own knowledge of the industry I would suggest that 'some of these shares could easily reach a price which could bear no relation to the permanent earning capacity of the companies concerned.' Sir Herbert Morgan's warning is timely. He pointed out that Britain's plastic manufacturing resources have been "greatly added to" since 1939 for war purposes. At the end of the war the problem may not be one of immediate further expansion, but of finding outlets for existing productive capacity."

PROCUREMENT OF FOODGRAINS

The salient feature of the procurement arrangements in some Provinces and States is Government purchases of foodgrains directly from the grower or through agents. In Madras Province, Grain Purchase Officers have been appointed under the Commissioner of Civil Supplies who assigns to them monthly quotas for purchase and also prescribes ceiling prices. Paddy and rice cannot be exported outside the surplus areas without a permit. In the Coimbatore district, paddy-owners having between 2 and 5 acres will be asked to give up to the Government one-fourth of their produce; 5 to 10 acres: one-third; 10 to 50 acres: half; above 50 acres: three-fourths. Slightly different quotas of produce to be given up to the State have been fixed in the case of *cholan* and *ragi*. In the States of Travancore and Cochin all private sale of rice and paddy is prohibited and all surplus stocks of

paddy available with the cultivators are purchased by the State. Important grains can also only be sold through official agencies.

In Bombay Province, the Revenue Department is responsible for procurement arrangements and intend to buy 25 per cent. of the total outturn of rice and 10 per cent. of the total outturn of millets. In the United Provinces, purchasing agents work under the close supervision and control of 5 Provincial Regional Food Controllers and a large marketing staff. It may be mentioned that the market prices of wheat have come down and are below the ceiling prices fixed by the U.P. Government. In Orissa, private purchase of more than 10 maunds of rice has been prohibited and purchasing agents have been appointed in all districts who will work under District Officers. Descending scales of prices have been fixed for each district and all exports are only on Government account. In the Central Provinces, an official agency to procure supplies needed for both export and domestic consumption has been appointed, but the existing trade channels will be utilized for the purpose. A virtual monopoly in favour of Government of sales in markets and mills has been established.

In Sind, 2 syndicates, one for wheat and the other for other grains can alone buy for export purposes. All producers must sell all their surpluses to licensed dealers in the Province and whatever they are unable to dispose of by a certain date the Government proceed to requisition through the medium of their purchase syndicates. Just after that, the licensed dealers submit their returns and the Government directs them to sell what is surplus to the needs of the local retailers to the purchase syndicates for export. In Bihar, the Province has been divided into 6 regions, each in the charge of a Grain Supply Officer whose business it is to buy foodgrains from surplus areas and to

despatch in deficit areas. They control railway transport in order to eliminate competition in markets in which they are buying.

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LETTER TO THE EDITOR

Sir,—Having been a careful reader and, may I add, an admirer of your excellent weekly, I was rather surprised to read your editorial paragraph entitled "Indian Shipping" in the issue of November 19. While there will be general agreement with the objective you have in view, namely, the development of Indian shipping after the war and the need of "a definite plan" for the purpose, the writer, I am afraid, has not given adequate thought to or is not sufficiently acquainted with the actual conditions of shipping in India. It is true that "Government's assistance" is absolutely essential for the establishment and expansion of an Indian mercantile marine, but this does not necessarily involve, especially in the existing political conditions of India, Government's direct participation in sea-transport. The failure to develop national shipping in this country till now is due not to lack of enterprise or even want of financial resources on the part of Indian industrialists but is directly traceable to the apathy, inertia and want of sympathy of the Government themselves who have not been able to safeguard the interests of Indian shipping or to promote its development in the face of strenuous opposition of British shipping combines. Even those (like myself) who subscribe to the Karachi Congress Resolution of nationalization of key industries, feel that this can only be done if and when we have our own Government; before we nationalize our industries, we have to nationalize our Government. After all, the financial resources which would be necessary for building up an Indian mercantile marine fully in control of the coastal trade and also participating in the overseas trade of India would not be so large as to require the import of foreign capital or Government taking up equities. In any event, the large and accumulating sterling balances are there to draw upon, in case of need. The recognized methods of assisting national mercantile marine in other countries have been the reservation of coastal trade and financial aid in the shape of subsidy, bounties and construction loans. The suggestion about acquisition of standard ships from Britain and U.S.A. is an interesting one, but would present serious technical difficulties so far as their adaptability to the Indian coastal trade is concerned. Moreover, nothing should be done to hamper the establishment and development of an adequate and efficient shipbuilding industry within the country, for which efforts have already been made and a large amount of money has been expended. As regards the hiring and training of technical staff is concerned, which has been mentioned as another difficulty, the Training Ship *Dufferin* has been giving adequate training for both officers and engineers and, I believe, the Indian shipping companies

have nearly 80 per cent. of their officers and engineers, Indians. The establishment of the *Dufferin* and whatever success it has hitherto achieved, has been due in no small measure to the leading Indian shipping company, the Scindia Steam Navigation Co., Ltd., who have absorbed most of the personnel trained therein. Indeed, those who have been engaged in the Indian Navy during the war, will have to be found employment after the war. A few years ago, there was, in fact, unemployment of trained cadets because of the policy of the British shipping companies not to employ them as officers or engineers. The only way in which an Indian sea personnel can be trained and absorbed is by the corresponding growth of Indian shipping and for this purpose, it is hardly necessary to run ships under the aegis of the Government of India.

We do want a national shipping policy for the post-war period but that should be through encouragement of an Indian mercantile marine whose nucleus is already in existence as well as by the establishment of a shipbuilding industry within the country which would subserve the needs of Indian merchant shipping and Indian Navy.—yours, etc.,

A READER.

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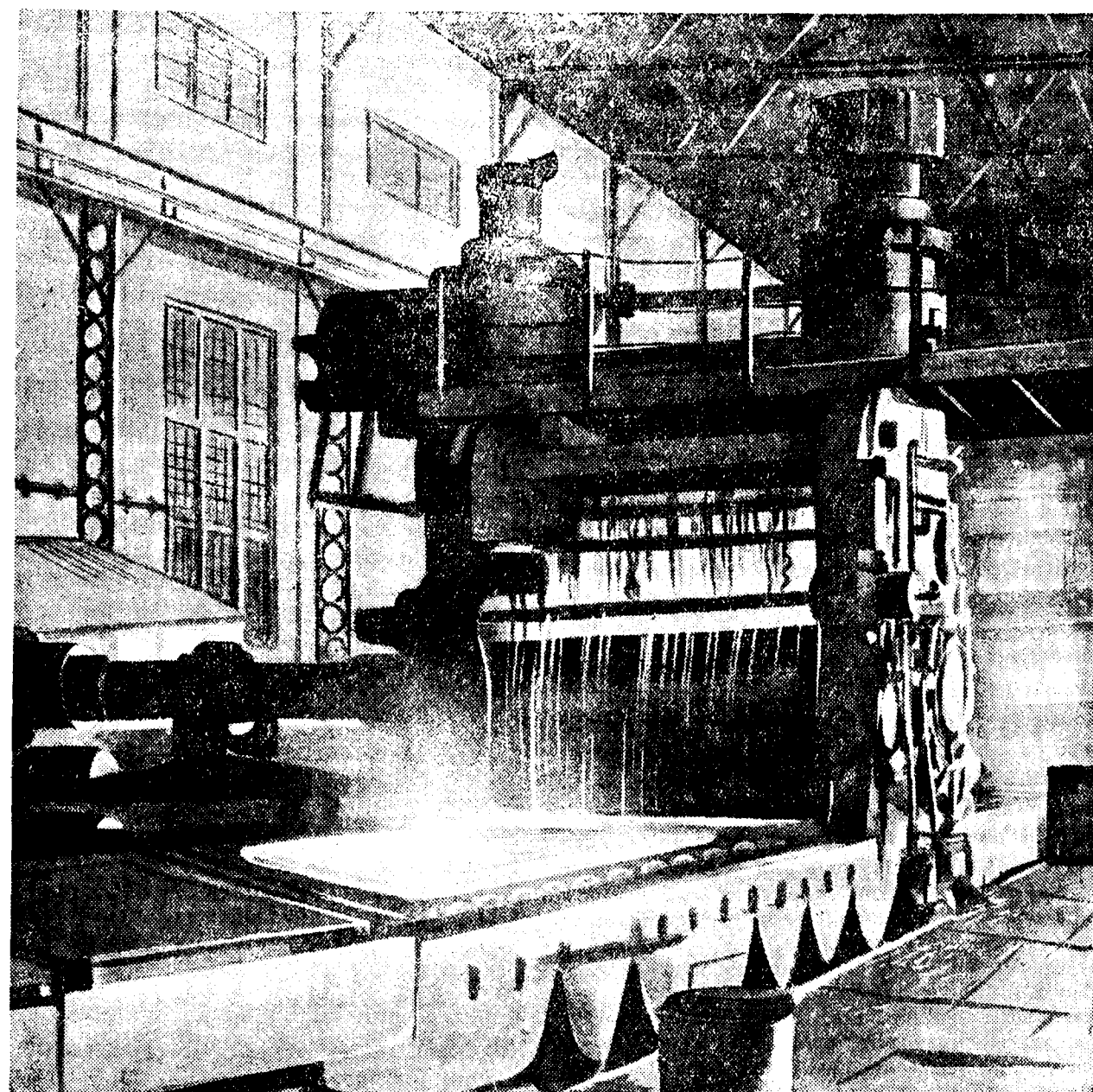
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BOOK REVIEWS

A STUDY OF THE INDIAN MONEY MARKET: By Bimal C. Ghose (Oxford University Press, 1943, pp. 295. Price Rs. 7/8/-.)

Mr Bimal Ghose deserves to be congratulated on this excellent study of the Indian money market with particular reference to conditions in the Calcutta market. While the development of banking has received a due measure of attention from students, literature on the money market has remained extremely scanty and scrappy. Excepting for the inevitably meagre weekly comments in financial journals there is hardly any adequate account of the principal markets. Those who are in intimate contact with money market conditions have not so far come out with a comprehensive account of them while outside students are handicapped by lack of contact with real conditions. Mr Ghose has in preparing this work pressed into service his experience as a practical banker, as a lecturer in banking and as an investigator. The result is a comprehensive study which draws with discrimination on available literature and incorporates much material that is new to the student of economics, though not to those in the money market.

The book is divided into three parts. The first part gives on conventional lines a descriptive account of the organized and bazaar sections of the Indian money market, viz., the Reserve Bank, Imperial Bank, Exchange and joint stock banks and indigenous bankers. Some interesting facts brought out may be mentioned. The Calcutta market which occupied a predominant position judged by the area it serves, its foreign trade, clearing returns and other evidence has been steadily losing ground to Bombay, whose importance is growing because of the situation of the bullion and cotton markets, the opening of the hinterland to Bombay due to railway and the favourable situation of the port. One peculiar feature of banking in India is that whereas in Bombay there are a small number of banks with large resources, in Bengal and Madras a very large number of banks each with small resources, are found to exist. The chapter on clearing is extremely lucid. The Calcutta Clearing Banks' Association is open only to banks with a paid-up capital of at least Rs. 10 lakhs and the smaller banks badly in need of clearing facilities and not admitted to the benefits by the Clearing Banks' Association, started their own Metropolitan Association, where, curiously enough, full payments are still made instead of the balance of debts and credits alone being cleared. Pioneer clearing is described whereby within the Calcutta Clearing House a private arrangement between a member bank and non-member bank for clearing facilities is given working, though not official recognition.

In the second part the description of credit control by the Reserve Bank makes familiar reading. The chapters dealing with the resources of the organized market and their operations reveal an intimate

knowledge of their actual work. But even the value of the tentative estimate of the resources of the money market at Rs. 80 crores (comprising cash, balance with bank, call money, bills and collateral) is vitiated by rapid developments after 1941. While the third part comprising a single chapter on the long-term capital market is naturally scrappy, the analysis of how the working capital of Calcutta's industry is provided is informative. In the jute and coal industries and trades, European firms generally provide their own finance, and only the Indian firms resort to banks for accommodation on cash credit basis. The tea trade is financed by banks by the hypothecation of crops.

The work on the whole is a welcome addition to the meagre literature on the subject.

OIL EXTRACTION: By Jhaverbhai P. Patel. All India Village Industries Association, Maganwadi, Wardha. Price Rs. 1/8/-.

There is practically an unanimity of opinion on the necessity for economic planning in India the objective of which is to raise the national income and thus the standard of living of the people. But in the methods of approach or means of attaining this end, there are two distinct schools of thought, one advocating intense industrialization as the only way out and the other represented by the Gandhian school, striving for full employment through the revival of our cottage industries, with a distrust for machinery and industrialization. In between the two economic ideologies lies the practical solution, which is to find the proper place for those of the cottage industries that can fit in and survive as a supplement in a scheme of progressive industrialization of the country. The All-India Village Industries Association with its unshakeable faith in the efficiency of human talents, has always directed its efforts not only to the revival but to the study, improvement and perfection of the manufacturing processes of the village industries. Oil pressing by the *ghani* has been one of the important and hereditary occupations in the villages, which is now languishing due to competition from the mills. Mr. Jhaverbhai P. Patel, has, under the auspices of the Association, made a highly interesting study of the present position of this industry and has set forth in the little book under review, his conclusions and the results of the experiments which he has conducted in regard to the construction of an improved and efficient *ghani*. His conclusions, based on research, bear scientific precision and in the first chapter covering 17 pages he is out to prove briefly but convincingly that notwithstanding the competition of the mills, the village *ghani* enjoys an honourable position still supplying the bulk of the oil used for edible purposes. What is more, he has adequate data to claim greater efficiency to the improved *ghani* when compared to the machine. He is of the opinion that the handicaps of the *ghani* industry which are mainly lack of capital, difficulty in disposal of oil-cake, inefficiency of the present *ghanis* and lack of side industries, can be overcome if only there is organization among the

ghani workers and assistance from the Government. The rest of the book contains instructions for the construction of an improved *ghani*, illustrated with appropriate diagrams and charts and will serve as an authentic and practical guide to students and others engaged in rural reconstruction work.

ORGANIZATION AND ORGANIZATIONS: By C. M. Srinivasan. The Author, 10, Mount Road, Madras. Pages 136.

Mr. Srinivasan starts with a list of all those qualities that go to make a good organizer and a sound organisation. Such qualities as commonsense, firmness, courage, honesty, endurance, patience and good manners have been dinned into the ears of generations of men and women throughout history, but all this teaching has not prevented tyranny and the suppression of the human spirit asserting themselves in the end. Mr. Srinivasan does not reflect as to why these qualities, doubtless widely practised for centuries, have resulted in no more than what Aldous Huxley calls a regression in charity leading to no real progress but to war and destruction. However

the author's contention that "the greater the ideal on which an organization is built, the longer will be its duration of utility" (perhaps he means *the* duration of *its* utility) is fundamentally correct, though the great ideal of lasting peace could not prevent a premature end to the utility of the League of Nations.

In the second part of the book Mr. Srinivasan writes on the characteristics of political, economic, social and religious organizations. Though there is, in this part, no more information than can be obtained from text books on the respective subjects, the author has made out some interesting points in places, as for example when he says that political parties in India are not strictly comparable to those in the western democracies because we have yet to win sovereign status and settle down to work an agreed constitution. But without a comprehension of ideological differences, any attempt to read the structure and working of social organizations can only be a superficial venture in the social sciences. However, as a popular account of some aspects of organization, Mr. Srinivasan's book will prove to be of interest.

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MECHANICAL DETAILS

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MONEY MARKET

(From Our Correspondent)

NEW DELHI, Dec. 9.

The expansion of credits against balances held abroad by the Bank in its banking department, in place of the expansion of currency backed with the sterling assets appears to be the expedient which the Reserve Bank has been pursuing for the last two weeks in order to prevent a further rise in the total note issue. The deposits of the Government and the banks have been rising rapidly and despite busy season the easy money market conditions have continued to ease further. The average rate for treasury bills has declined while the call money rates remain at the nominal levels of ¼ per cent. at Bombay and ½ per cent. at Calcutta. The steady accumulation of foreign assets in spite of the sale of gold appears to be a disquieting feature, as it reflects perhaps the increasing burden on Indian resources to help the war effort of other allies.

Treasury Bills

Tenders for Rs 6 crores of three months of Government of India treasury bills were opened on Tuesday, the 30th November. The total amount offered was Rs. 11.1350 crores as compared with 10.7125 previous week. Tenders at 99-13-0 were accepted in full and those at 99-12-9 allotted approximately 53%. The average rate for accepted tenders was 0-12-11 compared to 0-13-0 last week. The amount tendered for next week is again Rs. 6 crores. Treasury bills for 45 crores were sold in favour of the Issue Department. The amount of Rs. 1.50 crores tendered for by the U.P. Government had a good reception and the amount offered was 2.84 crores and the average rate for accepted tenders was only 0-14-5, which is a comparatively low rate for the tenders from the provincial governments. Tenders at 99-12-6 were accepted in full and those at 99-12-3 were allotted about 34%. Tenders for Rs. 2 crores of three months' Government of Assam treasury bills will be received at the offices of the Reserve Bank at Bombay and Calcutta up to 11 a.m. on Wednesday, December 8. Successful tenderers will be required to pay on Saturday, December 11.

Reserve Bank

The accounts of the Issue Department show no striking feature. There has been a slight increase in the total note issue amounting to 14.32 lakhs. Notes held in the Banking Department have risen by 45.99 lakhs. The amount of silver coin has increased Rs. 14.30 lakhs while the position of the other items is unchanged. The total assets and liabilities of the Banking Department show a rise of Rs. 9.6524 crores and

stand at Rs. 185.5931 crores compared to Rs. 175.9407 crores last week. Most of this rise on the assets side has taken place in the balances held abroad. They have risen to Rs. 164.0268 crores from Rs. 155.1611 crores previous week. They show a rise of Rs. 8.8677 crores over the previous week and a total rise of no less than Rs. 22.79 crores within the last two weeks. On the side of liabilities the rise is accounted for mostly by the rise in the deposits of the Government and other banks. The Government deposits have risen to a total of Rs. 73.0172 crores from Rs. 67.7825 crores last week, which shows a rise of more than Rs 6 crores. The deposits of the banks have risen to Rs. 84.0837 crores from Rs. 80.2249 crores which is a rise of over 3 crores.

Scheduled Banks

A rise of about 8 crores in deposits and less than a crore in the advances are the notable features of the Scheduled Bank accounts for the week ended 26th November. The demand liabilities stand at Rs. 492.4125 crores compared to 489.9189 and the time liabilities stand at about Rs. 145. crores compared to about Rs. 143.55 crores previous week. The balances with the Reserve Bank have risen about 4 crores and stand at about Rs. 82.64 crores. There has been slight decrease in the cash position and an increase in the bills discounted.

Bullion

Interest on the Bullion Exchange in Bombay as reported on December 4th, is greatly subdued. There has been little fresh incentive for buying especially in gold, and for the best part of the week, prices of gold have been ruling below the Reserve Bank's selling limit. In view of the announcement regarding the facilities made by the U.K. and U.S.A. to sell gold in India and in Egypt, and the constant offering of gold by the Reserve Bank, a bearish sentiment pervaded the market. It is now being gradually realized that the present prices of gold will not outlast the termination of the war. Floating stocks of gold are estimated at 200,000 tolas. The latest quotation for gold is Rs. 74-2-0 whereas the Reserve Bank's selling limit is about Re. 1-8-0 higher. Although the Reserve Bank has not been able to sell much gold during the week, a majority of traders believe that the Reserve Bank will lower its selling price in course of time.

Silver very nearly followed the downward trend of gold but the technical position of the market is tricky. Owing to the scarcity of stocks in the spot, bears were forced to cover their commitments, but it was found out that the supply came from leading bull operators who shrewdly unloaded their holdings. The latest quotation for silver is Rs. 121-40.

INVESTMENTS

(From Our Correspondents)

BOMBAY, Dec. 8.

For the third year running the first week of December has witnessed a break in share values. In December 1941, the disaster of Pearl Harbour initiated the decline; in December 1942, the first Japanese bombs fell on Calcutta; once again in 1943, Japan has struck a heavy blow on Calcutta. This has been sufficient to damp the enthusiasm of the investor. Quotations for scrips quoted on all the stock exchanges have been marked down. The investor who was keen to purchase coal and engineering shares on the Calcutta Stock Exchange has withdrawn. Bombay investors have always been actively interested in Calcutta shares until the situation clears up. It remains to be seen whether the Japanese raid is the

fore-runner of many more or whether it is one of those solitary raids which Japan has resorted to in the past. Prices must continue to decline if the raids are frequent for the investor in Bombay scrips a raid on Calcutta has always been a signal. Jamshedpur works of the Tata Steel Company are so close to Calcutta that the possibility of a raid on the Jamshedpur works is never ruled out, Tata Defds. closed at Rs. 1.990 on Saturday; when the market opened on Monday, Tatas soon touched Rs. 1,910. The textile shares were already ruling easy during last week. That was the result of lower prices which have set in the piecegoods market. For example Bombay Dyeings are reported to have sold 12,000 bales of Leopard cloth at Rs. 1-14-0 per pound, i.e. a couple of annas lower than the prevailing rate. There is a general feeling that piecegoods prices should decline further. With the exception of raw cotton commodity prices are showing downward tendencies and piecegoods prices

also showed similar trend. Textile share prices usually move in sympathy with prices of cotton piecegoods even though 1943 profits of mills are enormous. Doubts are raised that such profits cannot be maintained in 1944. Last weeks' enthusiasm for bank shares has subsided. Imperial Bank contributories which at one time touched Rs. 540 have declined to below Rs. 500. Rumours of increase in banks capital are generally discounted. The only exception is bank of Indias; it is said that the bank has decided to issue new shares of Rs. 50 paid up in the ratio of one new share for every two shares held at a premium of Rs. 100. It is not clear why the bank which is already in such a strong position should contemplate increase of capital. The gilt-edged section is equally quiet. Three and a half per cent. paper which tended to firm up on Saturday, and was quoting Rs. 97-9-0 has again declined to Rs. 97-5-0 with the year end drawing near. Giltedged market will very probably rule quiet. Prices may remain unchanged but there may be diminution in the volume of business.

MADRAS, Dec. 3.

The Stock Exchange opened cheerful during the week and a brisk turnover was witnessed. But during mid-week, peace rumours were to the fore and unfavourable war news from Burma imparted a nervous feeling and share values were hammered down. Broking houses were flooded with selling orders and a substantial part of the gains of the past few weeks have been lost. The only redeeming feature in an otherwise gloomy market was the banks section which continued to display extraordinary steadiness. A large volume of business was done in the gilt-edged market with three and a half per cent. Paper rising to Rs. 97-10. Almost all the dated loans came in for business and

fractional gains have been recorded. There was good demand for Madras Provincial Loans and State Loans.

A very large volume of business passed in the Banks section. Considerable attention was paid to Imperial contributories and there was some buying in these shares, on reports that the bank would decide on a further call up on these shares. Both the fully paid and the contributories have substantially moved up. Locally, Bharat Banks continued to be active, the shares rising to Rs. 123. Indian Banks and Indo-Commercial Banks were very firm. After a period of neglect, there were inquiries for Indian overseas and the quotation rose to a premium of Re. 1. There were buying orders for good class fixed interest yielding shares but scrips were short of supply. There was a small volume of business in public utilities and local electric company shares were dealt with at current rates. Textile shares after rising in the early part of the week began to decline at the close of the week for reasons mentioned in the foregoing paragraph. Sitarams and Rangavilas were down to Rs. 225. Sardas were quoted Rs. 275. Janardhanas declined to Rs. 216. Dhanalakshmis, however, remained firm at Rs. 577-8. The planting section succumbed to the rumours more than any other section. Thirumbadis were marked down to Rs. 4-12, Chembra Peaks to Rs. 12-10 and Fringfords to Rs. 20-10 and Cochin Malabars were down by a point to Rs. 17-12. Pullangodes were also easy at Rs. 2-13. In the miscellaneous section, a very large volume of business passed in Mysore Chemicals and Fertilizers and the quotation rose sharply to Rs. 34-4 C.D. Mettur Chemicals were also active. There was only a small volume of business in sugars. Brown tons were quoted Rs. 17-2. Mysore Paper had a large turnover and the shares were quoted Rs. 29-12 C.D.

prolonged drought conditions. This led to a sharp rise in the prices of East African cotton as well as Egyptian cotton like Uppers and Zagoras. New crop Kampala BP 52 is quoted at Rs. 1,010 and new crop Mwanza is quoted at Rs. 825.

Groundnuts

Some activity has been noticeable in the groundnut section of the local seed market during the week. Prices continued to be steady owing to purchases for the Food Ministry who are reported to have bought fair quantities of groundnut at £34-10 per ton, 60 to 120 days shipment, December/January Madras Marmagoa delivery is being done at Rs. 16-13, and business in January/February position is quoted at Rs. 16-7. In the Bombay market Khandesh quality December/January has been sold at Rs. 16-9-0, while January/February is quoted at a discount of Rs. 3. There has been practically no business done in the castor-seed, and even in linseed the quotation of Rs. 144 is nominal.

Oil quotations are as under:—

Groundnut oil ready Rs. 10/14 per quarter, Groundnut oil December Rs. 10/2 per quarter, Groundnut oil January Rs. 9/11 per quarter, Copra oil Rs. 10/6 per quarter, Linseed oil Rs. 11 per quarter, Castorseed oil Rs. 11/8 per quarter.

In the local market the prices of oil are maintained at last week's level, but some interesting developments are reported at Rajkot where great speculative activity has been going on for sometime past. Groundnut oil touched there a high rate of Rs. 20-2 for *Maksher* (Dec/Jan.) delivery on account of speculative buying, with the next position quoted at Rs. 15. Since then the State authorities are reported to have banned future trading in *Maksher* position on the 26th ultimo without laying down rules for the liquidation of outstanding contracts.

MADRAS, Dec. 3.

The gradual shrinkage in the exports, the increasing local demand since one year and more and the growing reluctance of erstwhile shippers to do business with London at the disproportionately lower prices offered seem to have had its effect. For, intimation has been received during the week from the Leather Controller in London that the British Ministry of Supply have agreed to raise the price of tanned hides and calf by 12½ per cent. Unlike the previous price schedules before December, 1940, unshipped outstanding contracts at the previous basis have been given the benefit of the new basis. To this extent, the shippers will be saved from dire distress. Whether the advance now announced is going to affect the trade beneficially is a matter for doubt because the market has been ruling at 1½ to 2 annas above the former schedule and with the assured advance now available, various sections in the trade who handle the stock from the raw commodity to the shipping stage, would try to grab as much as possible of this increase. The weakest interest would perhaps be only labour. As such, it would not be surprising if within the next week or so, the market covers up the deficient half-anna between the previous local rate and the present basis obtainable owing to the increase i.e., 2½ annas. It is also not known whether the Office of Price Administration which has fixed the price in the U.S.A. and which is "professedly aligned to the price set up under the British Control license system" will revise its schedule and "roll forward" the prices. During the week, offers were freely received from London but it would be too soon to say how far the shippers would respond since the market has not had sufficient time to stabilize itself to the new conditions. Local market operations, too, have not been brisk but in the meanwhile, the raw market has experienced a further spurt. Buffs and cow hides, inferior selections not included in the schedule, have also risen in a disproportionate manner.

The groundnuts market was quietly steady with firms' limits round about Rs. 76. With the availability of transport facilities, arrivals were heavy during the period but further rains at the close of the week, may affect the arrivals to some extent in the next few days. Firms were buying freely to cover up their huge sales to the British Ministry of Food in the past few weeks. There was no business with the Ministry during the week. The oil market was steady at Rs. 145 with fair

demand. There was more interest both in seed and oil from Calcutta. Cake continued to rule firm and there was no abatement in the demand.

HAPUR, Dec. 6, 1943.

The local commodity markets during the early part of the week remained quiet and stationary but towards the close displayed a sagging trend, resulting in a fall of four annas to seven annas per maund in comparison with the last week's prices. Arrivals continue to be increasing, the daily average being 500 maunds of wheat, 200 maunds of maize, 150 maunds of Bajra and 100 maunds of peas. It is expected that the arrivals of wheat would continue moving to the markets by the next 'Rabi' harvest. The procurement operations of the U.P. Government have been so successful that they are now in a position to dominate the wheat market in the province with the result that the market prices of wheat have come down and are in many centres below the prices fixed by the U.P. Government. With effect from December 4, the U.P. Government have again reduced the ceiling price of wheat for their purchases by four annas to Rs. 11¼ per maund for Meerut Region and it is anticipated that the Government may further reduce the price in view of the adequate and confident supply and stock positions. Possibilities are entertained that the Government of India would impose statutory control on the prices of foodgrains in the provinces on an All-India basis. It is reported that the statutory price control of wheat, if introduced, will have no application to the last 'rabi' produce but will come into effect only when the produce of the next rabi harvest comes into the markets.

'Urad'

Barring some reactions, the local *Urad* market during the week ruled generally easy following increased arrivals and huge sellings by speculators of eastern markets. It is reported that 30 wagons of *Urad* would be soon arriving here from an outside station. The daily arrivals averaged 2,000 maunds, the most part of which is being purchased for military account. 6,000 maunds of *Urad* were exported from here during the last two days, *Urad Magh* opened at Rs. 11/11½ and closed at Rs. 10/14, touching the highest and the lowest at Rs. 11/2/9 and Rs. 10/10 respectively.

'Juwar'

The *Juwar* market maintained firm tendency throughout the week on account of increased speculative support and no arrivals of *Juwar*. The straddle between *Poos* and *Fagin* deliveries have widened to nine annas. *Juwar Poos* opened at Rs. 6/14/3 and closed also on the same rate. The highest and lowest rates touched during the week were Rs. 6/14/10½ respectively. Other markets also ruled easy. Today's quotations are: Wheat: Ready Rs. 11/4, Stock 187 *khattis*, Gram: Rs. 9/9/6, Stock 4 *khattis*; Barley: Rs. 7/4, Stock 9 *khattis*; Peas: Ready Rs. 7/10, Stock 100 *khattis*; Arhar: Rs. 7/10, Stock 263 *khattis*; Gur: 7/6; Raw sugar: 8/4.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Dec. 4.

The condition of the cloth market continues to be unsatisfactory owing to the belief that the new "ceiling" prices to be fixed would be lower than the last prices. It seems that ruling prices will from now on be adjusted to the "ceiling" prices fixed by Government. As nothing definite is known about "ceiling" price, the price of all goods quoted vary from dealer to dealer. A point of interest is that a leading mill sold 12,000 packages in Leopard cloth at Rs. 1-13 per lb. despite the current price being Rs. 2-3-0. Demand for this cloth from the upcountry market is great.

Cotton

There has been a spurt in the cotton market, and prices have risen by about Rs. 15. The main cause of the rise in the I.C.C. is the all-round inquiry for all styles of cotton in the spot market. The prices of Sind N.T. have advanced from Rs. 595 last week to Rs. 620, and Punjab 289F has gone up to Rs. 625. There have been heavy sales of Sind N.T. for December and owing to the long time taken for bringing cotton by country-craft from Karachi to Bombay, there has been nervous short covering. Further, prices in the interior did not respond to the fall in the Bombay market quotations during the last two weeks. It is anticipated that when the crop begins to move in volume, there will be increased hedge pressure, and hence buyers have been cautious. The advance in the market has not been in the nature of a sharp shooting up in prices but of steadily hardening prices. As regards foreign cottons, it is now reported that the Uganda crop will be barely 1,80,000 bales as against the previous estimate of 3,25,000 bales. The downward revision of the estimate is due to severe and

EASTERN ECONOMIST PAMPHLETS

No. 1

PRINCIPLES OF ECONOMIC PLANNING

Foreword by G. D. Birla.

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CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Dec. 1, 1943	Nov. 24, 1943	Dec. 2, 1942	Aug. 30, 1939
	£	£	£	£
Total Bullion	1,827	1,927	1,143	263,700
Public Deposits	12,900	6,800	7,300	31,100
Other Deposits	225,600	236,500	181,200	129,100
Of which Banker's Deposits	168,000	183,200	135,000	90,100
Govt. Securities	204,300	205,100	188,600	113,100
Other Securities	24,900	17,000	20,200	31,000
Of which Discounts and Advances	6,100	6,000	3,800	6,400
Notes and coins	21,000	32,900	73,600	34,200
Notes in Circulation ..	1,030,800	1,019,000	877,500	529,500
Ratio to Reserve to Liabilities	8.81%	13.52%	21.38%	39.06%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Nov. 25, 1943	Nov. 18, 1943	Nov. 26, 1942	Aug. 31, 1939
	\$	\$	\$	\$
Total Reserves	20,225,000	20,250,000	20,809,000	14,660,610
Total Bills Discounted ..	48,000	34,000	..	6,190
Bills bought in open market	..	..	..	550
Total U.S. Government Securities ..	10,364,000	9,832,000	4,843,000	2,426,190
Federal Reserve Notes in actual Circulation	16,131,000	15,947,000	11,616,000	4,609,260
Deposits — Member Bank Reserve Account	12,402,000	12,263,000	12,746,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note — Liabilities combined	65.8%	66.7%	86.9%	81.1%

RESERVE BANK OF INDIA

Weekly statement of account as on November 26, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Department	..	10,31,02,000
Notes in circulation	..	794,36,96,000
Total Notes Issued	..	804,67,98,000
Total Liabilities	..	804,67,98,000
Assets		
A. Gold Coin and Bullion:—		
(a) Held in India	..	44,41,43,000
(b) Held outside India	..	..
Sterling Securities	..	684,83,96,000
Total of A.	..	729,25,39,000
B. Rupee Coin	..	17,10,00,000
Government of India Rupee Securities	..	58,32,59,000
Internal Bills of Exchange and other commercial Paper	..	..
Total Assets	..	804,97,98,000
Ratio of total of A to liabilities	..	90.627%

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	62,40,29,000
(2) Government of Burma	87,60,000
(3) Other Governments	9,79,83,000
(b) Banks	84,08,37,000
(c) Others	8,09,66,000
Bills Payable	2,46,91,000
Other Liabilities	7,84,45,000
Total	185,59,31,000

Assets

Rs.

Notes	10,31,02,000
Rupee Coin	15,42,000
Subsidiary Coin	1,37,000
Bills Purchased and Discounted:—	
(a) Internal	..
(b) External	..
(c) Government Treasury Bills	25,000
Balances held abroad *	164,02,68,000
Loans and Advances to Governments	30,00,000
Other Loans and Advances	..
Investments	7,58,98,000
Other Assets	3,19,59,000
Total	185,59,31,000

* Includes Cash and Short term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Nov. 26, 1942	Nov. 19, 1942	Nov. 27, 1942	Sept. 1, 1939
In Circulation	7,94,36,96	7,94,68,23	5,40,36,43	1,82,13,17
Held in the Banking Department	10,31,02	9,85,43	11,57,99	35,04,49
Total Notes	8,04,67,98	8,04,53,66	5,51,94,42	2,17,17,66
A Gold Coin and Bullion	44,41,43	44,41,43	44,41,43	44,41,46
Sterling Securities	6,84,83,96	6,84,83,96	3,59,83,39	59,50,11
Total of A	7,29,25,39	7,29,25,39	4,04,24,82	1,03,91,57
B. Silver coin	17,10,00	16,95,70	15,30,52	75,87,11
Rupee Securities	58,32,59	58,32,57	1,32,39,06	37,38,96
Silver bullion under Coinage	..	..	..	..
Percentage of Reserve of Liabilities	90.627	90.643	73.241	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Nov. 26, 1942	Nov. 19, 1942	Nov. 27, 1942	Sept. 1, 1939
Cash	10,47,81	10,01,33	11,73,07	35,15,27
Balances held abroad	164,02,68	155,16,11	87,28,54	10,08,33
Investments	7,58,98	7,53,67	6,54,98	6,81,34
Bills discounted:—				
(a) Internal	..	..	..	..
(b) External	..	..	..	..
(c) Government of India Treasury Bills	25	25	78,66	1,15,67
Deposits:—				
(a) Government	73,07,72	67,78,25	25,49,65	14,89,43
(b) Banks	84,08,37	80,22,49	31,47,48	28,91,43
(c) Others	8,09,86	8,64,67	4,36,53	1,24,37

STERLING PURCHASES

(000's of £)

	Total Purchased.	Average rate.
1943:—		
January	8,182	1sh. 6d.
February	11,070	1sh. 6d.
March	17,779	1sh. 6d.
April	9,219	1sh. 6d.
May	8,731	1sh. 6d.
June	6,338	1sh. 6d.
July	7,666	1sh. 6d.
August	8,546	1sh. 6d.
September	8,371	1sh. 6d.
October	8,947	1sh. 6d.

IMPERIAL BANK

(In 000's of Rupees)

	Nov. 26, 1943	Nov. 19, 1943	Nov. 27, 1942
Liabilities—			
Subscribed Capital	11,25,00	11,25,00	11,25,00
Capital paid-up	5,62,50	5,62,50	5,62,50
Reserve Fund	5,75,00	5,75,00	5,70,00
Fixed Deposits, Savings Bank, Current and other Accounts ..	206,83,69	202,58,10	157,66,21
Loans against securities per contra	..	..	..
Acceptances for Constituents ..	..	..	..
Sundries	1,66,80	1,56,57	1,24,64
Total	219,87,90	215,52,17	170,23,85

Assets—			
Government Securities	127,96,19	126,44,31	104,90,57
Other authorized investments ..	2,63,75	2,60,45	1,37,40
Loans	13,20,84	12,96,64	8,46,76
Cash credits	20,51,27	21,03,54	14,28,11
Bills Discounted and Purchased	4,68,01	2,87,72	2,09,45
Liabilities of Constituents for acceptances per contra	..	..	..
Dead Stock	1,72,36	1,72,34	1,76,81
Sundries	1,24,05	1,18,64	1,09,10
Bullion	..	..	..
Balances with other Banks ..	2,26,39	1,92,24	3,93,83
Cash in hand and with the Reserve Bank of India	45,65,04	41,76,29	32,52,18
Total	219,87,90	215,52,17	170,23,85

SCHEDULED BANKS
COMPARATIVE POSITION

(In Thousand Rupees)

	26.11.1943	19.11.1943	27.11.1942	1.9.1939
1 Demand Liabilities in India	492,41,25	484,91,89	339,63,61	134,36,49
2 Time Liabilities in India	145,00,92	143,55,88	107,43,12	102,24,34
3 Cash in India	21,78,02	22,04,54	13,87,00	6,69,92
4 Balances with Reserve Bank	82,64,11	78,83,30	59,20,95	25,17,19
5 Advances in India	152,42,70	151,69,31	84,15,01	101,52,16
6 Bills discounted in India	5,65,85	5,49,88	2,63,50	3,57,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue Dept.
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
.. 21	15,84,25	8,00,00	0 13 5	..	3,48,00
.. 28	20,10,75	8,00,00	0 13 6	..	4,79,50
Oct. 4	15,86,50	8,00,00	0 12 0	..	2,08,50
.. 12	12,28,00	8,00,00	0 12 0	..	5,22,00
.. 19	14,57,00	8,00,00	0 12 1	..	5,40,75
.. 25	12,89,00	8,00,00	0 12 9	..	3,18,00
Nov. 2	10,70,50	8,00,00	0 13 8	..	3,19,00
.. 9	91,450	60,000	0 13 8	..	16,800
.. 16	13,20,50	6,00,00	0 13 8	..	18,100
.. 23	10,71,25	6,00,00	0 13 8	..	34,725
.. 30	11,13,50	60,000	0 12 11	..	1,45,00

MATURITY OF OUTSTANDING TREASURY BILLS
As on the 31st October, 1943.

Date of Maturity

Amount (000's of rupees)

Date of Maturity	Amount (000's of rupees)
5th November 1943	1,275
6th	7,63,75
7th	29,75
12th	5,00
13th	7,51,25
14th	43,75
19th	16,00
20th	7,84,00
26th	3,50
27th	7,92,00
28th	4,50
2nd December	7,80,25
3rd	15,25
4th	4,50
9th	6,47,50
10th	1,07,75
11th	44,75
16th	12,50
17th	7,73,75
18th	13,75
24th	7,67,50
25th	32,50
30th	7,96,50
1st January 1944	3,00
2nd	50
7th	8,00,00
15th	7,59,00
16th	41,00
22nd	7,38,50
23rd	61,50
27th	7,92,00
30th	8,00
Total	1,04,12,75

SUGAR POSITION FOR SEASON 1942-43

(Figures in Tons.)

Producing Areas.	Production up to 22-11-43.	Despatches during the period 16-11-43 to 22-11-43.	Progressive total of despatches from 1-12-42 to 22-11-43.	Percentage of progressive despatches to production.	Physical stock as on 22-11-43.
U.P.	6,13,243	7,910	5,65,838	92.3	47,405
Bihar	2,37,671	4,622	2,11,856	89.1	25,815
Bombay	77,221	714	71,338	92.4	5,883
Madras	34,902	540	30,746	88.1	4,156
Punjab	6,579	57	6,429	97.7	150
Bengal	16,537	211	15,145	91.6	1,392
N.-W.F.P.	3,167	59	2,794	88.2	373
Orissa	2,092	2	1,905	90.1	187
Sind	2,008	..	2,008	100.0	..
Indian States	81,604	604	77,194	94.6	4,410
Total	10,75,024	14,719	9,85,253	91.6	69,771

N.B.—Balance physical stock of 1941-42 sugar as on 22-11-43 was 250 tons.

INDUSTRIAL DISPUTES IN INDIA

Period	Number of strikes.	Strikes in which wages were raised.	Workers involved.	Days lost.	Successful.	Partially successful.	Unsuccessful.	Indefinite.	In progress.
Total for 1942	654	381	8,20,495	52,93,027	64	164	303	5	98
January 1943	103	51	1,00,271	4,41,813	14	45	37	..	7
February 1943	60	35	46,520	1,91,410	7	20	24	1	8
March 1943	61	41	48,553	1,19,161	6	20	19	1	15
April 1943	98	74	17,180	80,781	8	41	29	5	16
May 1943	84	65	20,575	97,953	3	7	18	6	50
June 1943	46	22	32,238	1,12,531	7	13	19	2	5
July 1943	40	26	19,103	73,068	6	14	9	3	6
August 1943	29	13	11,886	36,426	5	4	5	12	3
September 1943*	25	12	6,754	16,621	5	8	6	2	21

*Provisional

(Base: August 1939=100)

* 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.

(a) Figures from June onwards relate to the calendar month and not to the month ended 15th June as before.

ALL-INDIA

(Base: Week Ending 19th August, 1939=100)

CALCUTTA

(Prices in July 1914=100)

Other Textiles (Wool and Silk) ..	202	202	183	110
Hides and Skins ..	98	95	88	67
Metals	293	301	291	147
Other Raw and Manu- factured Articles ..	236	236	149	95
All Commodities ..	334	349	200	106
Total .. 10,74,853	17,263	9,70,534	90.3	1,04,319

BANGALORE

July 1914=100

DECEMBER 10, 1943

THE EASTERN ECONOMIST

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Pre-war

* January.

RURAL RETAIL PRICE INDEX NUMBERS

During the months June to August 1943.

Base: January 1943=100

* Price quotations not available.
 † Price quotations not available for some of the items included in this group.
 ‡ Figures for January 1943 are not available.

STOCKS AND SHARES

	This week. Rs. a. p.	Previous week. Rs. a. p.		This week. Rs. a. p.	Previous week. Rs. a. p.
BOMBAY (Dec. 8).			Imperial (Fully Paid)	1980 0 0	1970 0 0
GOVT. SECURITIES—			Imperial (Partly Paid)	498 12 0	577 8 0
2½% 1948-52 ..	99 12 0	99 10 0	Reserve	129 8 0	130 0 0
3% 1949-52 ..	102 5 0	102 5 0	India	222 0 0	219 0 0
3% 1951-54 ..	100 10 0	100 11 0	CALCUTTA (Dec. 7).		
3% 1963-65 ..	100 2 0	100 2 0	JUTES—		
3½% G.P. Notes ..	97 5 0	97 6 0	Champdnay	220 0 0	223 0 0
3½% 1947-50 ..	103 6 0	103 6 0	Presidency	6 10 0	..
4% 1960-70 ..	111 15 0	111 15 0	Anglo-India	389 0 0	..
4½% 1955-60 ..	115 8 0	115 8 0	Nuddea	106 0 0	..
TEXTILES—			Howrah	64 2 0	..
Ahmedabad	507 8 0	507 8 0	Kamarhatti	554 0 0	..
Bombay Dyeing ..	1928 12 0	1947 8 0	Gourepore	785 0 0	..
Central India ..	455 0 0	411 0 0	Barnagore	168 0 0	..
Century	961 0 0	952 0 0	Budge Budge ..	428 0 0	..
Colaba Land ..	245 0 0	250 0 0	STEELS—		
India Bleaching ..	236 0 0	241 0 0	Kumardhubi	9 1 0	8 12 0
Gokak	344 0 0	351 0 0	Steel Corporation ..	27 1 0	..
Kohinoor	620 0 0	626 0 0	Steel Corporation Pref.	130 8 0	..
Phoenix	719 0 0	719 0 0	Jessop (Ordinary) ..	20 8 0	21 6 0
Simplex	280 0 0	282 0 0	Bhartia Electrical Steel	16 14 0	..
Swadeshi	568 0 0	601 0 0	Indian Iron	34 9 0	36 4 0
Vishnu	2630 0 0	2650 0 0	Marshall	4 6 0	..
Finlay	360 0 0	..	B.P.C.	6 4 0	..
Morarji	755 0 0	..	TEXTILES—		
New Great	431 8 0	..	Elgin	95 8 0	98 12 0
Swan	308 0 0	..	Elgin Pref.	210 0 0	..
Apollo	5 6 6	..	Cawnpore Textile ..	13 15 0	14 12 0
Sasoon	20 12 0	..	New Victoria	10 12 0	11 6 0
Sasoon Defd. ..	4 7 0	..	Dunbar	263 0 0	..
Model	342 8 0	..	Benares	14 0 0	..
MISCELLANEOUS—			MINES—		
Alcock	590 0 0	582 0 0	Burma Corporation ..	3 13 0	3 12 0
Bombay Burma ..	435 0 0	425 0 0	Consolidated Tin ..	..	2 7 0
Belapur Sugar ..	257 0 0	263 0 0	Indian Copper	2 9 0	2 14 0
Bombay Tramway ..	148 8 0	158 0 0	Bisra Stone	119 0 0	..
Bombay Steam ..	670 0 0	700 0 0	SUGAR—		
British Burma Petrol	3 6 0	3 2 0	Belsund	11 12 0	12 0 0
Scindia Steam ..	37 4 0	38 2 0	Samastipur	20 0 0	..
Andhra Valley ..	1900 0 0	1910 0 0	Carew	26 13 0	27 1 0
Shivrajpur	78 8 0	81 8 0	Balrampur	16 8 0	..
B.I.C.	6 6 0	6 13 0	Champmaran	43 8 0	..
Tata Chemical ..	30 14 0	33 2 0	MISCELLANEOUS—		
Tata Oil	86 8 0	..	Indian General Navgn.	132 0 0	134 8 0
Tata Power	1915 0 0	1940 0 0	Daimia	18 0 0	..
Tata Hydro	203 0 0	203 0 0	Rohtas	32 0 0	..
Tata Steel Ord. ..	390 0 0	396 8 0	Titagarh	26 8 0	27 0 0
Tata Steel Defd. ..	1907 8 0	1976 4 0	Aluminium Corp. Ord.	20 0 0	20 4 0
Premier Construction	234 0 0	246 0 0	COALS—		
Associated Cement ..	224 8 0	223 8 0	Baraboni	3 5 0	..
Indian Iron	34 12 0	36 0 0	Bengal	544 0 0	..
Burma Corporation ..	3 12 0	3 13 0	Bhailgora	12 5 0	12 12 0
Indian Copper ..	2 12 0	2 15 0	Buna Dhemo	8 12 0	..
Tata Steel 1st Pref.	223 0 0	222 8 0	Bokaro and Ramgarh	..	32 0 0
Tata Steel 2nd Pref.	156 0 0	158 0 0	Barrakar	24 12 0	25 0 0
BANKS—			Equitable	46 6 0	47 3 0
Central	89 0 0	89 8 0	S. Karanpura	8 8 0	..
			East Indian	27 10 0	28 12 0
			West Jamuria	36 10 0	..
			TEAS—		
			Bishnauth	38 0 0	38 4 0
			Loobah	..	25 0 0
			New Tarai	26 8 0	26 2 0
			Telpore	..	16 12 0

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Demobilization of Industries

III

THE end of the war will confront us not only with the human problems in connection with the demobilization and re-employment of our large armed forces and in general of those who are now directly or indirectly dependent on the volume of our war effort, but it will also present us with certain difficult and complex problems of industrial organization. The war has naturally made great demands on our industrial capacities. It is quite true that the Government has never been able to formulate and carry through a bold production drive commensurate with our true potentialities with a view to the maximization of our industrial war-effort. In point of fact, the attitude adopted by the Government has ever been unhelpful in regard to the importation of fertilizers, agricultural and industrial equipments, raw materials, etc., so that our agricultural and industrial production could not be increased to the fullest extent. Nevertheless, by a series of slow and staccato steps a very complicated system of economic organization has been built up to subserve the growing needs of the war economy. Private industries have been commissioned and new

factories have been built up, the ownership of which vest partly in the British Government, partly in the Government of India, partly in private individuals and partly are covered by the general ambiguities which surround lease-lend and other inter-governmental transactions. Small-scale and cottage industries have also been mobilized, though in a somewhat halting manner and a network of ancillary industries have arranged themselves in definite patterns of inter-dependence around central cores formed by Government and private industries. All the different units of production do not possess the same survival value in terms of the requirements of a peace economy. Many lines of production have been stimulated to an extent which could hardly be maintained in the ordinary course when peace returns. The costs of production of many of the units of production, again, would prove too high as soon as the stringency of circumstances imposed by the war is removed. It is quite clear, therefore, that the end of war will call for extensive industrial reorganization. The smoothness with which this reorganization can be effected

will depend substantially on the way the Government actively assists the planned and orderly demobilization of war plants, machines and war contracts.

At the end of the war the immediate urgencies in respect of both consumers' and producers' goods—the demand for which has been largely postponed during the war—would make themselves felt. But after a time this short-term pressure of demand will abate and demand will fall in line with the more permanent and long-term developments of our economy. But meanwhile, if during the period of readjustment, the war contracts are terminated suddenly immediately on the cessation of hostilities, the entire economy will be stricken with collapse. During the war there has been built up a concentric pattern with a score of Government factories at the centre and a host of feeder factories, over a thousand in numbers, including such diverse industries as small engineering like nuts and bolts, jute, sugar and cotton mills. To this must be added the vast network of small-scale and cottage industries which have been harnessed to the war effort. Any sudden termination of the war contracts will cause the collapse of the entire honeycomb. Consequently, the war contracts have to be liquidated in an orderly fashion and over a period which would give our economy sufficient time for readjustment. If the war in the European and the Asiatic theatres end in stages, as it might in accordance with certain prognostications, the liquidation of the war contracts in stages will be considerably facilitated; if the Government have, in addition, a well conceived public works policy, e.g., major development projects like urban reconstruction, hydro-electric schemes, agricultural rehabilitation and development of the transport system, they would be in a better position to take up any slack which may accompany the liquidation of war contracts. Even so, the Government may find that the process of readaptation of the war economy will entail great hardships to the various sectors and they may be forced to take up a sort of financial ambulance service to the distressed sectors.

But more important than such temporary ambulance service which may be necessary in the immediate post-war period, would be active Government assistance in the reconversion of plants. In India, unlike in some other advanced belligerent countries, the war has given a disproportionate stimulus to some of our industries, especially consumers' goods industries like textiles, leather goods, rubber goods, chemicals and drugs and so on, rather than led to extensive conversion of plants producing peace-time goods to produce war-time goods. It is quite true that, for example, railway workshops have been converted to produce machine tools and munitions of war, and these will have to be reconverted when peace comes; but relatively speaking, the problems of reconversion are not of very great magnitude. This is because a very large number of our industries consists of simple manufactures like textiles and not high grade products like typewriters, motor-cars or machine tools. The changeover necessary in textile mills to meet the changed specifications of war requirements is not so great as the problem of re-tooling necessary in a factory producing typewriters or motor-cars to produce machine-guns or army trucks. Nevertheless, the expansion in the various industries has been entirely guided by war-time requirements and at the end of the war we may be saddled simultaneously with excess capacity in some industries and deficient capacity in others. During the war, there has been an over-all increase of nearly 50 per cent, in the steel industry and considerable expansion of non-ferrous industries. All these will have to fall back into the peace pattern, unless the new capacities can be assimilated by a concerted

programme for national economic development. But the problems of reconversion, small as they are in comparison with problems in other countries, have to be tackled. We have to remember that war plants greatly vary in their degree of adaptability for peace-time purposes and, consequently, a study of the technical organization of the individual war industries will be necessary before we could formulate appropriate policies with respect to the operation, conversion, retention in stand-by condition and dismantling of war plants. Certain plants like explosives, shell-loading, etc., will not offer any scope for post-war reconversion and will have to be dismantled, except in so far they may be needed to meet the lower peace-time defence requirements. Some plants, especially those producing multiple-use raw materials or semi-finished manufactures, may be adopted for civilian use with only minor adjustments, while others may require more intensive and costly process of reconversion. The total outturn of Indian ordnance factories which now employ about one lakh persons, was Rs. 20 crores in 1942 and is probably over Rs. 25 crores this year. These have to be largely reconverted and so also, *inter alia*, the steel industry, the railway workshops and engineering shops such as we have.

The effective handling of these problems of reconversion and excess capacity, will require extensive technical engineering assistance and financial aid by the Government. Without such Governmental assistance, the process of reconversion and readjustment would not only be slow but also would add to the instability of the economy. As a result of multiple shift working, capital consumption in many industries has been heavy. During the process of re-equipment, reconversion and readjustment, we have an opportunity of assimilating new technological advances and thus strengthening our competitive position. All these problems of introduction of technological advances and the handling of various degrees of excess capacity in some sectors and deficient capacity in other sectors require the formulation by the Government of broad industrial policies. The Government will have to decide and unequivocally declare here and now what protection it is prepared to offer to the new industries which have grown up during the war but which have not had time yet to consolidate their competitive position. The declaration of post-war industrial and fiscal policy by the Government will give the industries concerned approximate bearings which would be so necessary in the uncertain immediate post-war period for planning in advance. Only the Government is in a position to collect on a comprehensive basis and collate the technical informations with regard to the re-equipment, reconversion and readjustment of productive facilities as well as the desirable rates of absorption of technological advances. As the National Resources Planning Board (U.S.A.) puts it, "Since many industrialists are not in a position to see the effects of their operation on the total economy, Government has the obligation of surveying the resources of manufacturing facilities in war industries with a view to assisting in the determination of their most valuable place in the peace-time economy. In connection with this programme, surveys should be conducted to supply manufacturers with reliable forecasts of the probable patterns of consumer demand and the related pattern of industrial demands for durable producers goods."

The reconversion and re-adjustment of our productive capacities, will be greatly facilitated if the Government comes forward without delay with a proper financial and fiscal policy in this regard. Our fiscal system singularly lacks an appropriate policy in relation to depreciation and obsolescence allowances, as

a result of which many of our industries will probably be unable to build up an adequate reserve fund for replacement, rationalization and expansion after the war. The provision in regard to the compulsory deposit of a portion of the Excess Profit and further Government contribution to this after the war, constitutes a welcome rehabilitation fund which would be available to the industries concerned. The Government, however, need build up a general rehabilitation fund which would be available to industries in general after the war, and not merely to industries which have reaped excess profits during the war. In the United States, proposals have been made for the immediate provision in the Federal tax laws for establishment of "post-war conversion reserves" limited to use within a short period after the termination of war contracts. The Government of India also may profitably examine the feasibility of setting up similar "post-war conversion reserves" in our country.

Another problem which the Government will have to face in connection with the demobilization of "war industries" and their re-conversion to the requirements of peace economy, will be the difficult one of *timing*, the neglect of which may confront us with serious bottlenecks. Not only will the demands for the various types of consumers' goods tend to make themselves felt one after another in a certain sequence, but the various sectors of the productive processes are themselves connected in a chain of successive dependence. The timing in demobilization of the various industries will have to pay attention to such considerations. Otherwise we may find, for example, that the final product industries have been demobilized and reconverted before the dependent industries have been demobilized. Different sectors of the productive process require different amount of time for re-conversion and consequently the timing of the demobilization of industries need to be properly programmed.

In India, the demobilization of industries will also raise certain questions of financial reorganization and settlement. The ownerships of the various factories and machines which have been added to strengthen our defence economy, vest in different quarters and at the time of demobilization, the question of financial settlement will come in. In the first place there are the Chatfield factories which were undertaken before the war for modernizing our army. The ownership of these is vested in India; although the original expenses of £34 mn were met by the British Government, India's liability was fixed at one-quarter of the sum. It is probable that this liability has already been liquidated.

There are then Supply Department undertakings, including new factories and facilities which have been set up at the cost of the British Government and also a host of ancillary industries to serve them. These new factories and equipments are erected at the expense of the British Government in whom consequently the ownership is vested. The value of these undertakings probably now amount to about Rs. 35 crores. However, not all of these factories and equipments will be easily convertible to serve peace-time requirements, but a considerable part of it will be. There is, therefore, much to be said for the buying out of these factories and equipments at half cost, as was proposed by the British Government. The Government will also have to consider the disposal of the equipments which were acquired under lease-lend. The equipments, etc., which were brought under lease-lend constituted partly the liability of the British Government, partly that of the Government of India and the rest were sold to Indian industrialists for cash which is kept in a suspense account. Nevertheless, owing to the ambiguities still adhering to the final settlement of lease-lend transactions, the Government have in many cases attached the

condition that the Government could take back the equipments at any times. This element of uncertainty attaching to the equipments acquired under lease-lend has prevented planning in advance by private industries. All these ambiguities have to be cleared up at the time of the demobilization of the industries. At the time of the disposal of the equipments, abandoned buildings, materials, etc., the Government while encouraging the acquisition of these by private industrialists, should also explore the possibilities not only of setting up public enterprises, but also of mixed corporations with joint private and governmental participation. In many sectors of the economy such mixed corporations will have decided advantage, e.g. in some basic industries, mining industries which call for a national policy for conservation, or shipbuilding or aviation industries. Such mixed corporations would also be very useful in such fields as urban redevelopment, housing, electric power, etc. Many of the army trucks, road-making machines, etc., could again be easily re-converted for use in public or semi-public model farms. In disposing of factories, machines, left-over army equipments and abandoned buildings and materials, the Government should strictly avoid the temptation of auctioning them to speculators at slaughter-prices—"at two a penny," as ran the common phrase after the last-war.

The Government will also have to tackle the problem of demobilizing the small-scale and cottage industries and re-organizing them to subserve the needs of the peace economy. Our cottage industries have always been the Cinderella of our economy. During the war these industries have been mobilized and they have made appreciable contribution to the war-effort. It has been estimated that in 1942, 12 to 15 million workers were engaged in the cottage industries, as compared with nearly 2 millions in large-scale industries. Due to the difficulty of importing machines, there was great demand for products of the cottage industries, which from being in a moribund state before the war, got a welcome stimulus in many lines. When the large-scale industries are demobilized after the war, there is need for the Government to see that the 12 to 15 million workers engaged in the small-scale and cottage industries do get a square deal and are not left to their fate. If the cottage industries are organized to supply the peace-time requirements, they can contribute substantially to our standard of living. These scattered small-scale industries need to be organized and rationalized.

Indeed the problems of the transition period and demobilization of industries, merge imperceptibly into the long-term problem of intensive capital formation. Temporizing with the problem of demobilization and organization of these industries would be inevitable—and have disastrous consequences, unless the authorities know what should be the true place of small-scale and cottage industries in their plan of economic development. Similarly in demobilizing the large scale industries, the Government will falter at every step unless they have a well-conceived policy in respect of regional planning and decentralization. During the war there has been a process of concentration—though not on so large scale as, for example, in Great Britain—in order to make the most of plant capacity. The Government will have to help the process of deconcentration and this has to be viewed against the background of national policy towards concentration of financial power. Finally, there are the larger considerations in relation to the public works policy, tariff and fiscal policy bearing on economic development. Although these larger policies are of paramount importance, the way in which the short term problem of demobilization of large-scale and small-scale industries are handled, will necessarily in a large measure, determine the course of economic development in our country.

The Transfer Process of Sterling Resources

SOME of our readers who agree with our analysis of the nature and significance of the sterling assets we have accumulated are frankly puzzled and seek a clarification of the process or mechanism by which these assets now in the hands of the Reserve Bank of India may be transferred to Government and made available for capital construction and schemes of reconstruction. They ask, and in our view, quite rightly, how these assets held by the Reserve Bank as backing against the enormous volume of note issue in London can be taken away by Government without undermining the confidence of the people in the currency. Are the rupee notes of the country now amounting to nearly Rs. 800 crores to be left without proper backing? And again by what authority and against what assets will these notes circulate?

These questions are important; they puzzle not merely the lay reader but even those who may be expected normally to have complete understanding of the matter. The Hon'ble the Finance Member has rendered the task of understanding none the easier by his periodical statements perfectly valid for the duration of the war but wholly untenable in the period after the war that subscriptions to Government's loans were not merely necessary for war finance but also an essential condition of the utilization of sterling balances. In other words, according to the Finance Member, to the extent to which the country is willing and able to take up Government's rupee securities in India, to that extent alone sterling assets will become available for Government's reconstruction plans. This is not only untenable but, in our view, also dangerous. We are anxious that the public thought on the subject should be taken out of conventional grooves and directed towards fundamental and not formal lines of approach.

Let us reduce the problem to its essential elements. Before the end of the war the Reserve Bank would have accumulated a reserve of about (let us say) Rs. 1,000 crores of sterling assets against say about Rs. 1,100 crores of note issue in the country. These assets accumulated through the currency mechanism represent the forced and involuntary savings of the community. They are, so to speak, the short-term assets of the people of India who had no choice but to undergo the privation and distress which their abstinence from consumption involved. These have been lent to the British Government who are bound to repay them at least after the war. The resources which will be repaid by the British Government should be made available to the community. How they can be made available is the problem.

The first thing we should do is to distinguish between the reserve required for maintaining the integrity of our currency system and the reserve which in essence constitutes our savings. The amount of gold and foreign assets which a country should have must bear some proportion to the volume of internal currency in circulation. In India the legal minimum is 40 per cent. consisting of gold and sterling assets. But that was when the volume of note issue was well under Rs. 200 crores. Today with Rs. 800 crores of note issue a maximum of Rs. 200 to Rs. 250 crores should be ample, and we may well say that the proportion of total external assets to internal note circulation need not exceed 25 per cent. or 250 crores whichever is higher. Some may regard this proportion as too low. In reality it is not so; because in the first place the amount of external assets that we should have being dependent upon the annual adverse balances may not be expected

to exceed about Rs. 50 to Rs. 70 crores in a year. Secondly, our normal external charges by way of interest on sterling debt have been cut down. Thirdly, for some years after the war the demand for the rupee will be sustained by the pressure of Great Britain to repay her debt and finally, exchange control and control of export and import trade after the war may well be expected to save us from a severe decline in our balance of trade. If, therefore, 25 per cent. of external reserves is regarded as sufficient, then the balance will become available for transfer to the Government, and the mechanism of transfer that we envisage will be something like this.

There should be a scheme of Sterling Transfer by which the Government of India and the Reserve Bank will enter into an agreement whereby the Reserve Bank Act will be so far altered as to provide for the changes contemplated. Taking the latest Reserve Bank Returns for the purpose of illustrating our proposal, we may say that in the Issue Department, the Liabilities will continue as heretofore. But in the assets side a great change will have taken place. (A) representing gold coin and bullion which today stands at Rs. 44.41 crores and sterling securities amounting to Rs. 634.83 crores both of which constitute 90.6 per cent. will be reduced to a total of Rs. 250 crores or 25 per cent. of the note issue whichever is higher. Since the volume of note issue is Rs. 804.67 crores, the total of A should be Rs. 250 crores. Gold should also be revalued at least at its world price and if this be done it will mean nearly a reserve of Rs. 90 crores. Under B, after Government of India securities there should be included newly created special *ad hoc* securities which would equal the value of the external assets thus reduced. But the special *ad hoc* bills or securities, it should be clearly laid down, will not be available for contracting the currency. They should be carried by the Reserve Bank practically permanently and may be operated upon only in two circumstances. One in case further repatriation scheme is launched and second if the Government have a scheme for buying British commercial investments in India. In these circumstances when the Government get the necessary capital funds for the market, a corresponding amount of *ad hoc* may be cancelled, and currency also contracted. But how would the Government get the resources thus released? We have seen above that the currency will have been backed by 25 per cent. gold and sterling securities partly by rupee securities and coin and mainly by special blocked *ad hoc* bills. The currency is therefore fully backed by some asset or other. Against the newly created *ad hoc* Government will get corresponding resources and these would appear in the Banking Department as Government's deposits in the Liability side, and as long as sterling securities remain unutilized, as Balances Held Abroad on the Assets side. Thus the Government will have come upon about Rs. 500 crores or whatever be the amount by the process, and as these funds are utilized for reconstruction work the deposits as well as the balances will be reduced. This is the essence of the process of transfer. We do not pretend to lay claim to all the intricacies of the working of these currency operations and it is open to the Reserve Bank or the Finance Department to suggest better and simpler alternatives. But what is necessary to emphasize is only this. Suppose the Government of India arrange for a loan for Britain for say Rs. 500 crores, how will they show their operations in the Reserve Bank accounts and how will they transfer the funds to the Government? If they answer this question, the mechanism of the

transfer of sterling resources from the Reserve Bank to the Government is also revealed.

The objections to our proposals may perhaps be anticipated. We have already examined in full the contention of those who regard the sterling assets as currency reserves and therefore hold that they should not be used for capital reconstruction. We cannot agree for reasons explained already. But it may be argued that the backing of blocked *ad hoc* bills for our currency would undermine the public's confidence in the currency system. We venture to demur. On the contrary we hold the view that the public's confidence will increase if they are assured that the currency system will not be allowed to be used for wasting our assets and that the new arrangement effectively safeguards their interests. The Indian public have stood the war-time note issue remarkably well—better than the so-called enlightened people of other countries. They know better than the people of other countries that no backing is required for internal currency. They at least have not been worshippers at the altar of monetary gold. It is the more sophisticated people of Europe and U.S.A. that cling to the use of gold as money, and indeed we have heard of recent developments pointing to the use of gold as internal money. So that the talk of the Indian public losing confidence if Government would do the straightforward thing by them is either ignorant or interested.

It is now necessary to return to the criticism of the Finance Member's suggestion that the use of sterling balances is dependent on the public's subscribing to rupee loans so that the sterling securities with the Issue Department of the Reserve Bank may be replaced by corresponding rupee securities. As we have already pointed out, in the present circumstances of war finance his argument is valid. If the purchasing power in the hands of the public cannot be utilized effectively in the building up of industrial equipment or in producing consumers' goods (for which the country should thank him and his colleagues) the loans would at least have the effect of reducing the inflationary process at work. We have also agreed that in the event of a programme of liquidating British commercial investments, rupee loans should replace the sterling made available for the purpose. But we strongly deprecate the idea that the utilization of sterling assets should await the purchase of rupee securities by the public. Now what will be the effect of a proposition of this kind? Does the Finance Member realize the implication of his proposal that in the post-war period it will mean an inevitable deflation? If Rs. 500 crores must be invested by the public so that Government may utilize 500 crores of sterling, currency to that extent will have to be reduced. From inflation to deflation! Yet it will not surprise us if the Government pursues such a suicidal policy. Having committed one mistake, cover it up by another!

We may be asked "Do you contemplate with equanimity the continuance of this large volume of currency in the country which may increase to Rs. 1,000 crores?" Yes; and we have the authority of the Finance Member for it, for although in the particular context in which he said he was not going to be alarmed with a note circulation of Rs. 1,000 crores he was quite mistaken, there is no doubt that in the post-war period the country is quite capable of using without inflationary effect as much as a thousand crore of rupees. Indeed if the rate of economic development which we envisage as desirable and

necessary after the war is accepted by the country, the volume of note circulation in the then circumstances will not be regarded as excessive. After the war there would be pressure for economic development both from private enterprise and the Government who would find themselves with vast sterling resources. The employment of men and material would so far increase the incomes that the country can quite easily absorb the currency and yet the price level need not rise and may even fall. It would be therefore wholly unnecessary to bring about a deflation of currency so as to utilize sterling assets. On this ground we strongly plead for the adoption of the method of special *ad hoc* bills to back the rupee currency with the definite object of not seeking their cancellation.

In conclusion it may be observed that our main objective should be (a) to fix the proportion of external assets which should be held by the Bank after taking into account all circumstances, (b) to transfer the balance of the sterling reserve to the Government of India by permitting the latter to create an *ad hoc* bills which are not expected to be cancelled so as to avoid deflation, and (c) to allow increased economic activities to absorb the large amount of currency circulation; thereby inflation would be avoided. Any other course would land India in a trough of depression.

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The Week's Notes

POLICY FOR AN EMPIRE

In another page appears an article from a correspondent shedding some interesting light on the point of view of the extreme right wing in Britain about the empire. The point of view is not that Great Britain has exploited her colonial empire too ruthlessly but that she has failed to formulate and pursue a vigorous imperial policy. The exploitation of the empire has been left to the desultory and spasmodic efforts of private enterprise, instead of being backed by "an effective and comprehensive imperial policy." The conception is that the entire empire (barring "the Dominions which would not close down their industries for Britain's benefit") should be integrated into an economic entity with Britain as the industrial heart and the colonies as the suppliers of raw materials. One would have thought that such ideas have been dead and buried long since, because that is precisely the German *Herrenvolk* conception. That is how Germany has been trying to organize Europe economically—transferring all industries in occupied Europe to Germany or German ownership, and the peoples of occupied countries being cast for the role of agricultural labourers and suppliers of raw materials. Recently the trend of opinion in Great Britain has veered towards a more vigorous economic exploitation of the empire; the deterioration in her international economic position has probably strengthened the hands of the neo-imperialists. Even in the British policy towards India, many discern a distinct shift of emphasis from politics to economics and this reads curiously in the background of our correspondent's article. The idea is that if the economic condition of the masses is made a little more tolerable, they would cease to be moved by "agitators"; India needs not parliamentary democracy, for which she is unfit, but a benevolent, paternal Government. Lord Wavell is visiting the slums and gruel kitchens in Bengal and Orissa and making kind enquiries. At Berhampur the Governor of Bengal drew Lady Wavell's attention to a rickety child with a bloated stomach, whom he described as "my pet boy." Meanwhile, a Press report emanating from Delhi says that Government's reconstruction plan consists of letting industry fend for itself and concentrating on improving conditions in agriculture. Indian apprehension is well expressed in a letter published in another page. If the reactionary elements in Great Britain gain the upper hand and the worst apprehensions turn out correct, it would be a disastrous policy for the empire. Good government is no substitute for self-government; it is a bit late in the twentieth century for the naive belief that a more or less benevolent economic policy towards the colonies can replace the "explosive chaos by a rational discussion of the world's economic problems." In any case, with powerful and industrialized Russia and China astride the Old World, de-industrialization of India and the African colonies would be not an asset but a tremendous liability for Great Britain.

MR. DESHMUKH ON INFLATION

Speaking at a Cawnpore meeting last week, Mr. Deshmukh, Governor of the Reserve Bank of India, said that the anti-inflation measures already taken would soon result in a fall in general prices and they could hope for the desired improvement in the commodity position. What do the monetary and non-monetary indices say? It will be recalled that in July last in the flush of the initial (albeit uncertain) success which attended their anti-inflation measures, the Government of India came out with a Press *communiqué* in which they underlined the fall in the Economic Adviser's and Calcutta indices of prices in June-

July as an indication of trends to come. Ever since they have perhaps thought it unnecessary to review periodically the progress of their price-stop measures. The latest available figures of the Economic Adviser's Index of Prices are those for March, 1943, three months' older than those given in the pretentious Press-Note five months back. But there are other indices as well. The Calcutta index of commodity prices fell from 325 in May last to 319 in June, and was seen to rise in the next three months until it reached 349 in September. In October a fall of 15 points is recorded. Seeing, however, that a good part of this is accounted for by the fall in the eight cereal items by 106 points and the figures of cereal prices are approximate, not much value can be attached to the decline recorded in October. The Bombay index till August shows a steadier tendency. The food articles are round about 234 since June, while the non-food articles have declined from 284 in June to 271 in August. But the various working-class cost of living indices, if anything, do not reflect any general decline, but a tendency to go up, while without doubt all the monetary indices show an upward trend. The note issue, the time and demand deposits of banks, etc., continue to rise. Having regard to the absence of a definite downward or stationary trend in recent price statistics and also to their notorious remoteness from the prices prevailing in the black market which are the only real prices under present conditions for many commodities, the efforts of Government to arrest the upward movement of prices can hardly be regarded even as a moderate success. On the contrary if the far eastern offensive gets going, and with it starts the old vicious circle of increasing note issue and decreasing supply of goods, the strongest impetus to price-rocketing will have been given. It would thus seem futile, to hope for any reliable and permanent improvement in the price of commodity position without taking measures to increase the stock of goods on a scale commensurate with our war needs and war potential.

EXERCISE IN ANTI-INFLATIONEERING

The Government of India which did not admit the existence of inflation in India even as late as the last budget, has now fallen for it and with the inordinate zeal of a new convert, is all out for curbing inflation. We all know how the Government found out that extra-ordinary prosperity has befallen the cultivating classes on account of the war and the Government made elaborate plans to capture the excess purchasing power of these long-suffering classes. Then there are the recent ordinances against hoarding and profiteering. The Government is planning to hit the lower middle classes harder by limiting bonuses and dearness allowances. In fact the Finance Department has of late been bursting with bright ideas to curb inflation. The latest is the idea of lotteries to mop up purchasing power from the small men. The Government will issue 5-year interest-free, bearer Prize Bonds of denominations of Rs. 100 and Rs. 10. There will be half-yearly draws by lot of such completed series of one lakh bonds of Rs. 100 and Rs. 10 respectively. Ten per cent. will be reserved for prizes which will be paid in cash in respect of Rs. 10 bonds and half in cash and half in current Defence Bonds or National Savings Certificates. The calculation is that this will appeal to a wider public with a speculative bent of mind who will agree to buy these interest-free bonds because of the counter-attraction of making a lucky draw with a 1 in 100,000 chance of winning one lakh or 15 to one lakh chance. The loan, though interest-free will not be totally without cost to the

Government for 10% of the sum will have to be given (though partly in new Bonds or Savings Certificates) as prizes. But the Government is flushed with enthusiasm and other considerations matter little: the Government has even set about agents on a commission basis to push sales of Defence Bonds. Where patriotism fails to secure sufficient investment in Government issues, naturally appeal has to be made to other instincts of man. But though the Government may start lotteries or horse races, they will never, it seems, dream of adopting the surest remedy for inflation, viz., putting a limit to our financial commitments to suit our capacity and also of stopping this process of dumping sterling securities on the Reserve Bank and increasing our capacity to bear the burden by a production drive.

LABOUR MEMBER IN COALFIELDS

The Labour Member has visited the coalfields and discussed the problems of production and labour welfare with the representatives of the Provincial Governments of Bihar and Bengal, the three mining associations and those of labour. Such investigations no doubt, should have taken place logically, before Government decided to annul a measure of such social importance as the prevention of underground work for women. One is led to believe under the circumstances that nothing more substantial would come out of this belated inquiry than cheap palliatives to soothe the feelings exacerbated by the unfair deal which has robbed the labour of their opportunity to press for better wages—which would no doubt have reduced the high E.P.T. returns. Nevertheless, the visit has not failed to raise certain hopes of betterment of labour conditions in the coal mines, for Dr. Ambedkar who is so far known for his fearless views may not shrink from courageous action. During his visit he did not appear to be quite taken in by the show of labour welfare presented to him and was not missing the ugly features usually lost sight of by official visitors. He went to visit with a scheme of welfare which cannot be regarded lightly and some of the points upon which agreements were reached at the tripartite conference are of substantial importance. Supply of rice at six seers a rupee and proportionate quantity of pulses together with salt, mustard oil, standard cloth and other consumers' goods at concession rates through the mining associations, and the raising of wages temporarily to fifty per cent. above the pre-war level will certainly improve the present conditions of the mining population materially. But it would be unfortunate if with these measures the Government think that they have done for the miners all that could be expected of them and get at ease with their conscience.

COAL PROBLEM

The present shortage of labour has only laid bare the inherent weakness of the coal industry in our country. The wages have been so inadequate and the conditions so very unwholesome that over half a century of mining has failed to build up a settled mining population on our coalfields, and the industry has been exploiting the cheap labour of the temporarily unemployed in the villages and those on the margin of subsistence in the jungles, all these years. The character of labour supply has remained seasonal and the present labour shortage is due to a drift to the village for the rice harvest. That the removal of a statutory ban alone is enough to drag down into the pits the miners' wives and daughters despite the well-known degrading conditions is an eloquent testimony to the fact that the miners are not receiving for their labour sufficient to maintain a family even at their low conventional standards of living; and indeed the lot of our miners compares most unfavourably with those in any other country. Our railways

and industries have received their coal supplies at prices which represent neither the scarcity of India's coal resources for all her needs, nor the toil and tears of our miners in bringing them to the surface. It is only now during the unprecedented war-time demand that anything like reasonable prices are being paid by the consumers of India's coal. But the benefits of these war-time prices have been mostly appropriated by the E.P.T. and have failed to reach the labourer. The Government therefore owes particularly to provide for far-reaching measures for labour welfare in the coalfields.

The war-time coal production also presents problems which the Government must help to solve. The expansion in production called forth can be accomplished without additional mechanical equipment only at a loss to the permanent interests of the mine-owners as well as the country and it is necessary for the Government to give adequate consideration to the voice of those who point towards the wasting of our national assets in this way and ask for priorities for the import of machinery. Further legal difficulties are known to be standing in the way of rational and extensive utilization of the occurrences of coal, which also have to be overcome to meet the acute war-time shortage.

PLANNED HOUSING

The spread of industrial centres all over India with the concentration of large populations in urban areas has at present far outstripped the provision of suitable living space to these populations. Even the few social surveys conducted in this country reveal the appalling over-crowding and squalor prevalent in cities like Bombay and the injury to the physical, mental and moral hygiene that they have wrought in industrial communities. The planning of the worker's habitation is a part of planned industrial expansion and it has already been made so in Soviet Russia and some other European countries like Sweden, Austria and Germany. Apart from this, every class of urban and non-urban populations is entitled to living space according to civilized standards. A standard laid down in England in 1935 specified a minimum floor space of 55 Sq. ft. per person and segregation of the sexes—two persons of more than 10 years of age, of opposite sexes, other than married couples, if occupying the same room, would be over-crowding—and according to this only 3.8 per cent. was the proportion of over-crowding in England. But in Delhi, sometime ago, a standard of 36 sq. ft. of floor space per person was laid down with no segregation of the sexes and the proportion of over-crowding was more than 50 per cent. Planned housing should take into consideration not merely the provision of minimum floor space, ventilation and lighting, sanitation and privacy but also the zoning of construction into industrial, residential and business areas so as to achieve inter-movement between the three at the least effort and expense. The finance of housing schemes will present many difficult problems. The work of building societies will have to be enlarged in scope and resources. In a recent speech Prof. Radhakamal Mukerjee has suggested subsidies from local governments, increased municipal taxation and contribution from employers for raising the necessary funds. Outside the towns and cities he would have the employers statutorily obliged to house their workers. A major problem in both urban and rural centres will be acquisition of land, and land values have gone up enormously in cities. It may be interesting to note in this connexion that in replanning blitzed cities in England public owners of high land is being advocated by men like Lord Astor, and the Uthwatt Committee which recently reported on the subject has suggested that the State should acquire the development rights in non-urban areas.

PRACTICAL AMERICAN PLANNING

After much jockeying for position in currency planning for the world, opinion in both Great Britain and the United States has now veered round to explore the possibilities of more practical agreements between the two countries. Mr. Leon Fraser, President of the First National Bank of New York, has now come forward with a plan of his own. Neither the White Plan nor the Keynes Plan nor any other plan from economic laboratories had ever any great charm for hard-headed American business men and financial interests and Mr. Fraser gave expression to their sentiments thus: "International Bank we should have; but it should develop from the facts of the present state of world finance and trade, instead of from blue-prints drawn in accordance with abstract principles." Mr. Fraser who has been President of the Bank for International Settlement and whose banking group holds a large number of shares in the B.I.S., is quite agreeable to the reconstruction of the B.I.S. instead of setting up new international financial institutions. As for monetary organization of the world, Mr. Fraser proposes a dollar standard. In order to buy out Britain's allegiance to this dollar regime, Great Britain is promised a gold credit of five billion dollars on the express condition that Britain will not have the right to depreciate the sterling or cut loose from the dollar. As for the "facts of the present state of world finance and trade," Britain is sharply reminded that her position has greatly deteriorated, especially in view of "the large volume of external financial obligations created by our ally in this joint war." Consequently, Britain should be prepared to abdicate her nineteenth century position as the financial capital of the world. The United States will step into Britain's shoes and assume the rights and obligations of a good creditor country.

NO DOLES FOR BRITAIN

Although thus Great Britain is gently pushed from her pedestal and marked to play the role of a junior partner, the Fraser plan is not quite without attractions for Great Britain. For with the transformation of Great Britain from her international creditor position to that of a debtor, her main pre-occupation in the post-war years would be an expansion of her export trade. For without at least a 50 per cent. increase in her pre-war export trade, she would be hard put to maintain her pre-war standard of living. At the same time, due to the industrialization of Canada, Australia and other countries and the great increase in the productive capacity of the United States, it is apprehended there would be a great scramble for foreign markets and in this scramble Great Britain with her deteriorated international position may not be able to have the best of it all. Many in Great Britain, therefore, are very anxious to have some sort of cartellization in international trade or clear division of foreign markets. This the "practical" Fraser plan might permit. There is already much pressure brought to bear for the allocation of the world's markets, especially between Great Britain and the United States. Although Mr. Fraser expresses the pietistic hope that the United States and Britain should eschew economic domination of the world, commercial interests in both the countries would welcome such "planning" of international trade. Nevertheless the linking of the sterling and dollar can only weaken Britain's international competitive position. The London *Financial News* pitifully pleaded that the sound and permanent way of correcting Britain's balance of trade is not by loans but by improving her competitive position in foreign markets: "We want jobs, not doles; adequate export markets, not loans to cover our deficit."

PRICE CONTROL IN THE PUNJAB

At long last after several months of open resistance the Punjab Government have fallen in line with the rest of India by agreeing to introduce price control and rationing of foodgrains. What the urgent needs of the country as a whole did not persuade and the thousands of starvation deaths in Bengal could not convince, for months, pressure from the Viceroy has achieved almost overnight; for, the Punjab Government still hold on to their views though they propose to give the Central Government's scheme a fair trial, and if this decision of theirs does not meet with the wishes of the electorates, to whom they submit it, "we shall be ready to carry out whatever mandate they may give us." The Punjab's case is quite simple to state, and quite as simple to answer. Control of food prices without control over the prices of commodities which one agriculturist buys will do him injustice. Rationing in a surplus area is unnecessary, and is full of administrative difficulties. The difficulties in regard to fair prices for the grower are not peculiar to the Punjab peasant alone; they are there throughout India. Other provinces have not for that reason refused to control food prices. Again the scarcity and high price of consumer goods has been as much a hardship to a manufacturing province like Bombay as with an agricultural province like the Punjab. Now that the Government of India have seriously taken on hand the control of the prices of civilian goods from cloth onwards, the Punjab can have very little objection to the control of food prices. Even in the Punjab, high prices of foodgrains have benefited only the small class of big landlords, and not the mass of small peasantry and labourers and other poor classes. To these latter high food prices have been a hardship. Evidence in support of this conclusion has been increasingly available in recent weeks. Thus the policy of the Punjab hitherto would seem to have been out of accord not merely with the benefit of the rest of the country, but its own interest as well. The present decision is thus a welcome correction long overdue. It is hardly necessary to mention in passing that this 'gesture' on the part of the Punjab deserves no special and favoured treatment in return in the allocation of civilian goods, as intended by the Punjab Premier in saying that it is time now for the Government of India to make good their assurances in regard to the civilian goods. The whole country is parched up for want of goods and the Punjab may get no more than its share.

MONOPOLY IN MEDICINE

U. S. Vice-President Wallace is reported to have declared that monopolies in medicine which have power to condemn millions of people to suffering because they cannot buy health at monopoly prices, must be eliminated. "We must not allow special privileges here or abroad to stand in the way of the struggle against disease." Yet, how few of us know how far special privileges, particularly of British origin have thwarted, in the past and more particularly since the outbreak of the war, our efforts to manufacture a drug urgently needed to check an epidemic campaign, even when all the chances of importing it have been exhausted. Patent rights in medicine have most often put the medicines beyond the reach of nation, and of large masses of population within them. Russia is the only country which does not register patent rights in medicine. She can benefit by drawing on the stall of all the world, and her contribution to medicine being simply amazing, all the world can in turn draw on her too. The question of a proper patents right policy for this country, not only in medicine but also in industry, is of the utmost importance to us and this has to be viewed especially in the context of our general backwardness with regard to industrial development and public health. We shall take it up on a future occasion.

SPECIAL ARTICLES

The Beveridge Plan

(Contributed)

I

WE have had a spate of political, economic and social blue prints for the post-war world since the outbreak of the present war, but it is certain that only a few of them will survive the changed conditions of peace. The Report by Sir William Beveridge on *Social Insurance and Allied Services* promises to be one of these few, judging from its intensely human interest and the reception it had had at the hands of the ruling classes and the common people alike in Great Britain. The former appear to be impressed by the moderation and immediate practicability of the Beveridge Plan and the latter by the definite advance it marks in the scientific co-ordination and extension of their existing social services. Though Beveridge wrote in his Report that "a revolutionary moment in the world's history is a time for revolutions, not patching," his Plan heralds no millennium nor seeks to build an Utopia. However, its importance and utility are not the less for it, because, most of the conditions that it attacks are really independent of the system under which production and distribution are organized. In other words, even if socialist planning were substituted for capitalism, child-birth, industrial accidents, illness, old age, widowhood and death will continue to occur. Probably, only on the assumption of full employment (Assumption C of the Report) can any say that the Plan is irrelevant to the future, if they hold that capitalism cannot achieve full employment and that the problem is not one of alleviating unemployment but of abolishing it. But even for them it might be too early to assert that socialist planning will achieve this, as, in Pigou's words, we are comparing a veiled ideal with an actuality of which all the blemishes are apparent to the eye. Thus, in its broad objective of attacking "want" in its many facets, the Beveridge Plan appears to be as valid for the future as for the present.

In June 1941, the then Minister without Portfolio, Mr. Arthur Greenwood, invited Sir William Beveridge to undertake "a survey of the existing national schemes of social insurance and allied services, and to make recommendations." To assist him in his endeavours an Inter-Departmental Committee was set up, the members of which were to act as his "advisers and assessors." It had on it representatives of eleven departments, important among which were the Home Office, the Treasury, the Reconstruction Secretariat, the Assistance Board and the Ministries of Health, Pensions, and Labour and National Service. The recommendations, however, are made by Sir William Beveridge alone on the basis of the survey and the evidence recorded from more than 120 individuals and organizations. The Report was presented to Parliament in December 1942.

To use Sir William's own words, "the Plan for social security set out in the Report is a plan to win freedom from want by maintaining incomes." It is chiefly about the provisions to be made, both in terms of cash payment and services, for old age, unemployment, widowhood, illness or accident and for certain other contingencies. Schemes do exist for most of these at present, but they are defective in important respects: A considerable proportion of the needy are left uncovered by them; there is no uniformity in the standards prescribed for the tests—called the means

tests—held to determine the eligibility for benefit; and rates of benefit vary in many cases without justification in principle. The Beveridge Plan seeks to make up these deficiencies and co-ordinate all the schemes. The Plan makes three Assumptions which are strictly not part of it, but on which depends its full success. Assumption A: Children's Allowances; Assumption B: Comprehensive Health and Rehabilitation Service; and Assumption C: Maintenance of Employment. We might take up these for consideration first.

Children's Allowances

Social surveys of conditions in the principal towns of Britain, undertaken before the present war, reveal that one-quarter to one-sixth of existing poverty is due to the size of the family. In some towns child poverty is very acute. In a survey of Bristol in 1937, it was found that, of the families below the poverty standard laid down for the enquiry, 76 per cent. contained three or more dependent children, while of the families entirely above the poverty standard, only 5.5 per cent. contained three or more children. In wage-fixing under the present industrial system the number of children a wage-earner has is of no consequence to an employer. Nor can it be so in principle, under any system, if a rational cost calculation is to be possible. This lack of correlation between industrial wages and the workers' varying family obligations can be made good only by making the upbringing of the worker's children independent of his wage. Assumption A does this and further makes it independent of his employment too. The latter is a corollary of the right of the worker to change his job or go on strike, issues on which he should be able to decide without being handicapped by his children suffering as a consequence. Further, as the Report points out, preventing the benefit during loss or interruption of work to equal or exceed earnings during work, and securing fluidity of labour by keeping the gap in incomes between the two as large as possible for every man are not possible without giving children's allowances whether the parents are in work or not. Thus Beveridge proposes a cash allowance of 8 shillings per week for every child after the first in the family, and for the first child also if the parent is on unemployment benefit or pension. All children under the age of 15 will be eligible so long as they are in approved full-time education. Beveridge has arrived at this figure on the basis of the average amount required for the subsistence of one child at 1938 prices as follows: Food 5s. 11d.; Clothing 10d.; Fuel and Light 3d.; Total 7s. (rent is excluded). This total has been raised to 9s. to allow for the expected rise in prices after the war, from which 1s. is deducted for the school meals and free or cheap milk now being provided. Though this 8 shillings is a flat rate for second and subsequent children, the Report suggests that, in practice, the allowances should not be uniform but graded with age—less than 8s. to the younger children and more to the older ones, and may also vary as provision in kind multiplies. The grant of these allowances is not subject to any conditions as to the use they are actually put to by the parents, nor to any means tests, but are received by children by right of childhood. But administratively it might be possible to prosecute fraudulent parents, and in any case, it will be more

difficult for them to advance family poverty as an excuse in other matters.

Children's allowances are to be non-contributory, the finances for them to be met wholly out of taxation or by a direct charge on the budget. The Government while accepting Assumption A of the Plan propose to reduce the amount of the allowance from 8 shillings to 5 shillings, but extend the value of services like free school meals to 2s. 6d. Thus a total benefit of 7s. 6d. accrues to every child which is 1s. 6d. less than the scientific minimum of 9s. that Beveridge has arrived at. There is also no indication on the part of the Government as to when services in kind will be expanded so as to reach the 2s. 6d. value, and the allowances themselves are not to be introduced before the whole Plan is implemented. But even this modified acceptance should be deemed to be a major reform, now backed up by the Labour Party, the Trades Union Congress and the Co-operative Union as these bodies have nothing against a State allowance in which the employers have no share and so which will not effect wage rates. The last but not the least aspect of children's allowances is that they might tend to act as a corrective on the present falling birth-rate in Britain by encouraging parents desiring more children to have them in the assurance that their incomes will expand in proportion to their families.

Comprehensive Health Service

Under the existing dispensation the health services in England are carried on in a confused and incomplete manner by the Central Government, by the local authorities, by private medical practitioners and by charitable bodies. The compulsory National Health Insurance Scheme, inaugurated in 1912, covered about 23 million people, or just half of Britain's total estimated population of 46.5 millions, in 1941. In the case of maternity and child welfare services, the existing law, enacted in 1918, is only permissive to local authorities and wide differences exist in the quality of service rendered by something like 363 different welfare authorities in the country. Some parts of the service are covered only by the provisions of the Elizabethan Poor Law and it is said that many women are reluctant to avail themselves of these owing to the traditional stigma attached to the Poor Law. The school medical service leaves much to be desired on the side of treatment as the parents have to take their children to private medical practitioners for treatment of many common ailments, and most parents cannot afford to do this. The hospital service is equally unco-ordinated and unsatisfactory with its two competing systems, the municipal (public) and the voluntary (private). Though the voluntary hospitals raise more than 6.5 million pounds a year through contributory schemes covering over 10 million wage earners, they are, on the whole, poor in funds and poorer in equipment and staff. Their administration is in most cases dominated by self-seekers and their conditions for admitting a patient or even treating him as an out-patient are tyrannical. The municipal hospitals are again handicapped in having to work under the shadow of the Poor Law from which they have not been dissociated. Their service is inefficient and antiquated except in urban areas like London, and in rural areas they are not at all popular with the public. As regards the payment for treatment, domiciliary treatment (being visited by a doctor at home) is now covered for persons subject to health insurance by the compulsory contributions

they make. For their dependents it can be had by payment of a charge for treatment when it is given. Institutional treatment (going to a hospital either as in-patient or as out-patient) is not included in the present health insurance contribution except to a small extent as an additional benefit. Any citizen can obtain it in a public hospital by paying for it according to his means or free if he has no means. In a private hospital, it is obtained as a rule in virtue of the voluntary contribution standing to the person's credit under the hospital contributory scheme or otherwise on payment according to means as agreed with the hospital authorities. In London and some other parts of the country, contribution to a Hospital Saving Association (about 3d. per week, per person) qualifies the contributor for free treatment either in a voluntary or a public hospital.

In Assumption B, Beveridge posits a comprehensive medical service—for disease and disability, preventive and curative, specialist and hospital—for every citizen, as well as rehabilitation for employment by post-medical treatment, and all these irrespective of his or her ability to pay. No detailed proposals are made in the Report in this matter as they are outside its scope, and Beveridge leaves them to be drawn up by Parliament and the medical profession and administered by the Ministries of Health, Social Security, and Labour and National Service in mutual collaboration. The main point emphasized by the Report in regard to a comprehensive medical service is that when the State undertakes to pay high benefits in disease and disability, it is a logical corollary that it should do all that it can to prevent conditions that necessitate or prolong such benefits. Further, it might be a false economy to the community to make medical treatment dependent on a person's ability to pay: "Disease and accidents must be paid for in any case," says Beveridge, "in lessened power of production and in idleness, if not directly in insurance benefits." In the Report he touches only the financial side of his Assumption. After examining the alternatives, with regard to the cost of treatment to a person, between a previous contribution and a payment at the time of treatment, he chooses the former as being the ideal, because he thinks "people will take what they have already paid for without delay when they need it, and they pay for it more directly as contributors than as tax payers." It is, therefore, proposed that among the contributions that will form part of the Social Security Plan shall be included a compulsory payment to cover every description of medical and post-medical treatment to every citizen without any further treatment charge. The sums derived on this account are to be made over to the departments in charge of the health services to meet part of their total cost.

The Government have accepted Assumption B of the Plan, the proposal for a comprehensive medical service, but private arrangements for medical and hospital treatment are still to be allowed and the voluntary hospitals will remain. However the real hurdle that this proposal will have to cross is that of the medical profession, as a State medical service based on any compulsory drafting of the general practitioner affects his present practice and independence. In fact Beveridge envisages in Assumption B that "the possible scope of private general practice will be so restricted that it may not appear worthwhile to preserve it." At present, in the profession, the Medical Practitioners' Union (affiliated to the T.U.C.) and the Socialist Medical Association are officially in favour of a public service. But the British Medical Association is still individualist and at its

recent annual meeting opposed a whole-time salaried State service, strongly favouring private practice. However, the Medical Planning Commission set up by the B.M.A. favoured and the annual meeting accepted group practice on the clinic principle.

Full Employment

Nobody knows as yet what changes, either in the economic system itself or in economic policies within the framework of the existing system, Britain will introduce to keep all her work-people in jobs after this war. But Britain knows, however, that full employment is no longer the rule but the exception. She has not been able to achieve full employment in this century at any price less than a year, and only the near-war rearmament economy has effected any swift improvement in employment. Possibly after this war Britain will plan her saving and investment to keep employment as nearly full as possible. But Beveridge anyway appears to assume that the private enterprise system will continue in Britain, and refers to such things as "fluctuations in the fortunes of individual employers" and the trade cycle. So naturally the maintenance of as many people as possible in work for as continuous a period as possible is of fundamental importance to the Plan. Indeed, it is not with the complete abolition of unemployment but with the prevention of mass unemployment that Beveridge is concerned in this last Assumption, as there will always be an optimum to the size of unemployment that any social security scheme, based on wide benefits in cash and kind, can bear relatively to its own resources as well as absolutely, in so far as it cannot just exist if the whole economy itself got bankrupt. This double correlation is to a certain extent exemplified in what happened in Britain during the depression in 1931. When the percentage of workers unemployed rose from 17 to 22 and the national budget recorded a deficit of 120 million pounds, the Government reduced the unemployment allowances. Discussing the bearing of social security on employment Beveridge has listed five admirable reasons for making full employment one of his Assumptions. Firstly (not in the order of the Report), though social insurance provides income security, by itself it is quite inadequate as a measure of reconstruction to ensure human happiness, and should be accompanied by State action "to whatever extent may prove necessary" to ensure for all a reasonable chance of productive work. Secondly, a repetition of many existing discredited contribution conditions would be unavoidable if mass unemployment prevailed. Thirdly, mass unemployment would make the whole Plan of social security financially insupportable in as much as reduced incomes resulting from waste of productive resources cannot bear the costs of the Plan. Fourthly, unless reasonably full demand is kept up in the labour market those on rehabilitation benefits will have no urge to get well only to face the alternative of idleness. Fifthly, as unconditional unemployment benefit in cash is practicable only for short periods of loss of work, and after that is conditional, according to the Plan, upon work at training centres, the organization of the latter will naturally break down if mass unemployment were to prevail.

On the advice of the Government Actuary, Beveridge allows for 8.5 per cent. of the working population in Great Britain being unemployed in future, i.e., 1.5 million persons, and says it would not be "prudent" to assume any lower rate of unemployment in preparing the security budget. This is a fairly wide margin, even with the possible contingency of recurrent slumps after this war too, in view of the fact that this unemployment figure is more than half of that reached at the height of the depression in 1932,

viz., 2.75 millions. Remembering further that unemployment benefit will account for less than one-sixth of the total cost of the scheme if there are 1.5 million unemployed, the Plan in fact need have no fear of being wrecked by unemployment even if it were as high as it has ever been.

As in the case of Assumption B, so in the case of Assumption C, the ways and means by which it can be satisfied are outside the scope of the Report. But the important point is that the Plan may itself promote the realization of this Assumption. By maintaining the level of incomes, and with it the purchasing power, of a large proportion of the population through a generous scale of benefits the Plan would tend to have a stabilizing effect on domestic consumption and will thus make booms and slumps less extreme. According to the Plan, unemployment benefits are to be paid out of a self-contained social insurance fund, built up largely by weekly contributions from employers and employees, and this fund again may be so operated as to have an effect in stabilizing the general demand for labour. Beveridge points out that the maximum effect of a social insurance scheme in stabilizing employment would be obtained by increasing contributions and making surpluses to the fund in good times and lowering the contributions and spending out the fund, and even running into debt on the unemployment account, in bad times. But he hastens to make it clear that the effects of the Plan on stabilizing employment are only among its subsidiary advantages and do not touch the main problem of maintaining employment at all, for which "other" measures are needed.

(To be continued)

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Agricultural Prices and Unemployment After the War

By Lala Ram Ratan Gupta

PEACE has its problems more difficult than war. Victory is now well within our sight and it is time that we turn our mind to the serious problems of peace after the war. In one respect the problems of war are easier to solve than the problems of post-war peace; for, while in a state of belligerency we are free to act for the prosecution of the war, regardless of all other consequences and under a state of complete regimentation of all economic forces, it is scarcely allowable to maintain that tension in handling the problems of reconstruction after the peace. As we envisage today the situation likely to emerge after the war in this country, two things loom large in our view. In the first place, we are almost certain that left to the ordinary working of economic forces, the present spectacular rise in the prices of agricultural produce will undergo a serious setback and secondly, it is probably equally certain that the vast army of men who have now found employment during the war, as combatants in the Defence Services or as non-combatants in Auxiliary Defence Forces or in war-time organizations, will be thrown out of employment within a few months of the cessation of hostilities. Economically war did prove a boon to many families, both in the lower and middle economic ranks of society and probably peace would mean a complete reversal of their short-lived economic spacious times. In other words, as victory is knocking at our door, we seem to force the ghost of agricultural depression and serious unemployment stalking over the land.

With wheat price soaring from Rs. 5 per maund to Rs. 20 or with the price of rice soaring from Rs. 6 to Rs. 40, the food situation in this country is already regarded by all as appalling; yet it was not less appalling when the food prices before the war remained in their low ebb at Rs. 3 to Rs. 4 per maund of wheat or Rs. 4 to Rs. 5 per maund of rice. The agricultural producers in India have for years and years pursued a vocation which has left them little of produce's surplus and while the food supplies have somehow been maintained for the vast population of this country the teeming men behind the plough have contented themselves with barely half a stomachful of two meals per day. In the present state of high agricultural prices, we are apt to forget these much familiar facts of Indian agricultural life. While men in thousands are dying in Eastern India for the want of a morsel of food, it is a fact not sufficiently recognized but all the same worth particularly noting, that Indian agricultural producer has never been so well off, has never fed and clothed himself so well, both relatively and absolutely, as he has been able to do during the last twenty months of rising agricultural prices. Therefore while this situation has been created under a very fortuitous coincidence in demand and supply factors, we should really plan for the future in a way so that a reasonable state of agricultural prosperity may be maintained even in the post-war years. While it is atrocious that rice should be sold at Rs. 40 per maund it should be undoubtedly the policy of the State that rice should sell at a marginal price of at least Rs. 10 per maund even after the war.

Unfortunately we cannot achieve this end by mere pious wishes. Before the war, to stimulate the agricultural prices was an exceedingly difficult policy to pursue, it is not that before the war we have not talk-

ed about higher prices of agricultural crops; that we have not cut the t's of tenancy legislation and dotted the i's of agricultural marketing to cover our best bonafide in the agricultural interest of India, but these efforts, puny and piecemeal as they were, have not been of any avail. The situation today is very different. The prices have gone up, have gone up tremendously, but unless definite steps are taken to screw up the price level at some reasonable sticking point, the agricultural prices will again climb back most disastrously. The opportunity is golden at the moment to my mind, to rehabilitate our agricultural economy. We should not be satisfied by only this, fatuously debating and missing the bus at the present opportune moment.

I know the present high prices of agricultural crops are partly due to a large increase in demand and it is arguable that with diminished demand it would be impossible to maintain prices at higher than the pre-war level. Personally I accept this factual analysis but venture to demur to the conclusion. I perfectly accept the contention that the demand will fall off but if we can at the same time ensure a better quantitative standard of food in this country and we can organize a dependable export market for India's surplus food crops, I do not think it will be impossible to maintain a higher level of agricultural prices than what ruled before the war. The present famine conditions in India have brought out the weakest spot in our agricultural economy, namely, the landless labourers. It is this section of the agricultural community which normally working on his normal wages is worst in a period of economic dislocation. Higher agricultural prices would not only mean better food to the agricultural farmers themselves, would not only mean a better return on their labour and capital but would also ensure a higher scale of agricultural wages throughout the agricultural industry in this country. Without trying to take the people into a lengthy reasoning out of my thesis I would content myself with merely formulating the following propositions with a view to post-war rehabilitation of our agricultural economy:—

- (1) Intensive cropping assisted by cheap supply of synthetic manures.
- (2) A rationalized scheme of organizations to handle on a more or less monopolistic basis, export of India's agricultural crops other than Jute and Cotton, assisted, if necessary, by a Government Subsidy.
- (3) The pursuit of a currency policy in the post-war years which will studiously avoid a deflationary tendency and lastly,
- (4) A stimulus to private enterprise for industrial production, particularly large-sized industrial production by a system of low-profit tax rebate.

The last mentioned proposal in regard to industrial production is directly associated with the problem of post-war employment in this country. I do not think, we will be far out if we count upon that during the war ten lakhs of Indians have found employment in the combatant services and about one lakh have found employment in war auxiliary services and war-

time organizations. It would be impossible to find employment for these well over a million able bodied workers, unless a large field is thrown open in the sphere of industrial production. Agricultural rehabilitation ought to absorb a fraction of these workers and, accordingly I venture to think that the problem of agricultural rehabilitation and the problem of employment are much too closely knit together to admit of solution without reference to a single, unified and comprehensive scheme of post-war reconstruction. To my mind, the policy underlying the post-war currency administration is of paramount importance; for, here the chances are that we may seriously bungle; we may be carried away by theoretical notions and bias against inflation; if purely theoretical considerations without reference to our own needs would weigh in the administration of our post-war currency policy, I, for one, see disaster ahead. Similarly, I am most apprehensive of the reaction which has been created on our industrialists and leading financier groups as a result of the present high taxation. The Indian capitalist today has shaken off his shyness to grip the most ambitious scheme of industrial development but he at the same time has acquired new shyness to go ahead with a new scheme or venture with the prospect of high taxation, hanging like a Democle's sword over his head. One can find fault, with such an attitude. The Treasury members of Government will probably deliver many a harangue as to the new phase into which capitalism is landed in every progressive country but no harangue will warn the chicken heart of Indian capitalist today and one thing is certain that if India must advance economically,

that advance for many years yet to come will not lie along the road of any kind of state socialism. Government might have run a dozen Ordnance factories during the war, but they will bungle as surely as anything during peace. India's industrial progress must be registered by private enterprise alone but not until the Government have relaxed the all gripping taxation over every productive enterprise. My proposition is that the institution of Excess Profits Tax should be followed by the institution of what I might call a low profit tax rebate, particularly in the case of large sized industry for national self-sufficiency and vital services.

I have given my personal ideas with regard to the two important problems which are knocking harder and harder at our door as the peace is nearing more and more to us. They are baffling and require to be thought out carefully by mature and expert thinking. Accordingly my suggestion is the appointment of a committee of Indian public men and non-official experts. I am aware that there is at work at the centre one or two reconstruction committees and probably there are such a kind of shadow committees also working in one or two provinces to deal with the problem of unemployment after the war but these are apologies of attempts which will not do. If Government mean business, they must tackle the problems in a bold and straightforward way and the Government of India must be willing to throw the entire issue into the crucible of expert decision at the hands of a competent and non-official group of public men and experts.

Mosley and India

By A Correspondent

NINE years ago, outside a London Underground station, a militant-looking black shirted English girl insisted that it would be good for me, as an Indian, to study Oswald Mosley's plan for India and the British Empire. Mosley I had met in India in 1924 and again, some years later, on the terrace of the House of Commons. He was the only British M.P., he had told me, to visit India without writing a book on the subject. I decided to invest half-a-crown in the volume flaunted in my face, curious to know to what destiny this ex-socialist leader of the British Fascists Union had committed my country. I read it with some amusement and put it aside as a pathetically out-of-date diagnosis of the Indian situation. That was in the summer of 1934.

Recent developments have revived my interest in Mosley's plan for the Empire and India. The Prime Minister's reiteration of the slogan that he was not the King's first Minister to preside over the liquidation of the British Empire; the powerful support accorded to that declaration by Mr Herbert Morrison; the sustained propaganda against the introduction of democracy in India (because, forsooth, of the fear of the minorities of Hindu domination) and the subtle transformation of post-war reconstruction plans for India into a scheme for raising the standards of our people, everything else receding into the background—all these, surely, could not be an accidental, unco-ordinated series of events.

Mosley had not only a plan for the Empire evolved ten years ago, (when his countrymen ridiculed him for his views), but was not afraid to put it forward. Britain, he claimed, was "the natural custodian of western civilisation and progress," deriving her title and authority from ancient Rome.

He spoke with contempt of "the timidity of British statesmanship" which had failed to build up "an effec-

tive and comprehensive Imperial policy." Britain being "primarily a producer of manufactured products" and "the remaining countries of the Empire producers of foodstuffs and raw materials," it struck Mosley that there was a "natural balance of exchange which could and should be exploited."

Mosley realized that "the Dominions would not close down their industries for Britain's benefit." Nevertheless, by "inter-Imperial planning, production in the various parts of the Empire could be arranged according to suitability for production." He laid down: "No effort should be spared to weld together by consent into a great economic entity the largest and most economically self-contained area in the world, bound together as it is by a common loyalty to the Crown," and further "in weaving the fabric of Imperial unity, we must be prepared to employ an infinite variety and flexibility of method and approach."

Mosley was thrilled by the conception of "an Empire economic unity based on the existence of a Corporate State in Britain." Its success would induce the Dominions to reproduce that system; and "in an Empire of Corporate organizations dealing direct with each other, no limits could be set on the extent or the rapidity of future development."

India fitted in naturally into such a scheme. "Law and order must be maintained, and India must remain within the Empire." "Peace, conciliation and the development of self-government by the Indian people," he did not oppose. "Let India by all means grow to her full stature within the Empire," he graciously conceded, "in a legitimate urge towards self-expression and self-Government." But he would not "abdicate the beneficent power of British Government in favour of one small class of Indians whose treatment

of the Indian masses, socially and economically, in private life and in the factory, compares most unfavourably with British treatment."

The real trouble in India, according to Mosley, is (and has always been) far more economic than political. "Political stability is impossible without economic progress." In the face of political agitation and of racial and religious problems, Britain failed to pursue "a strong economic policy" in India. "Steam ploughs are needed to cut through the Indian plain and produce fertility," but they would also cut through "a tangle of hereditary land-owning interests;" "co-operative marketing, agricultural banking to replace the money-lender who grips the Indian peasant, extended irrigation, and a score of modern economic developments, all await the action of strong government."

In short, declared Mosley, "it is time that the economic technician replaced the lawyer. Let us appeal to the Indian masses over the heads of the talkative politicians by the practical appeal of an economic policy designed to improve their conditions. Let the strong hand be, not negative, but positive."

In the same strain Mosley outlined his plan for the Colonies. He pleaded for "a deliberate and systematic plan for the development of the backward areas of the Empire." He did not indeed favour "the exploitation of the native populations of the Colonies." But he did not want "the chaos of unregulated exploitation of cheap labour to invade the Empire." Therefore, "in the interests of the native population, as well as in the interests of the white standard of life, it is essential that the Colonies should be developed on an Imperial plan."

Mosleys' conception of the British Empire was "a powerfully organized economic entity striving for world peace and stability," replacing "explosive chaos by a rational discussion of the world's economic problems." Nations, "largely self-contained in their internal organization, would find it a comparatively smaller problem to settle the allocation of the relatively small remaining area of raw materials which were subject to international competition, and the comparatively small remaining area of international markets which were subject to the intensive competitive struggle for those markets."

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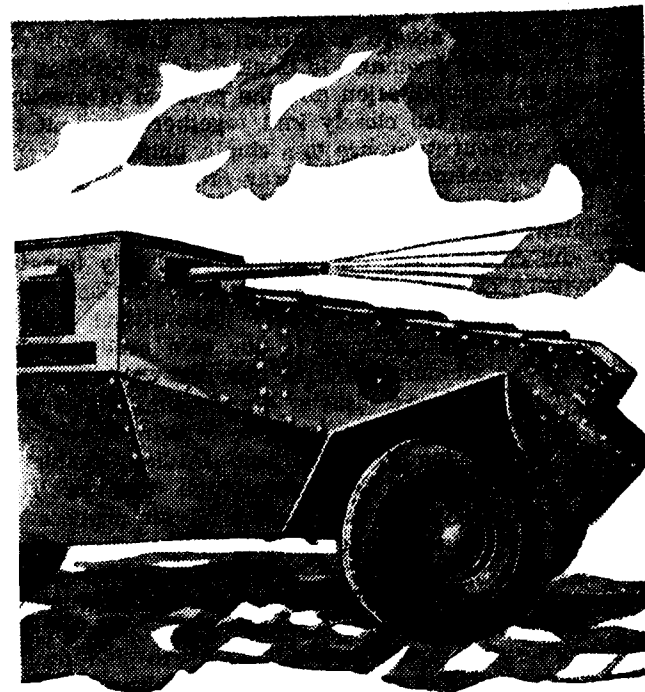
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THE WORLD ABROAD

State and Business (From Our Washington Correspondent)

WASHINGTON (By Cable), Dec. 13.

ONE of the most hopeful of the recent developments toward the formulation of sound post-war U.S. economy was the last week's evidence, both here and at New York of increasing collaboration between the Government and business, which have been intermittently feuding during the New Deal decade. Competent local observers noted further indications of the Roosevelt administration cautiously "turning rightward," while the annual meeting of the National Association of Manufacturers in New York City featured warnings through leading industrialists that the American business after the war must operate with growing concern for public welfare.

The international significance of this trend is the assurance, if the United States achieves internal unity which it is now seeking, it will then be much better prepared to assume its pre-destined post-war role in international trade and political movements.

The speaker, Mr. Sam Rayburn was the Government spokesman in the unity drive when in a rare address before the House of Representatives, he appealed for co-operation instead of complaints. Mr. Rayburn said bluntly that there were some groups in the United States "who are thinking more of their position after the war than they are of winning the war." Similarly the war mobilization director, Mr. James Byrnes in a nation-wide radio broadcast, warning against inflation said that the unity exhibited by the four great Allies in Cairo and Teheran conferences should inspire unity at home.

Mr Byrnes added "I know the power of leaders of labour, agriculture and industry, and also know their patriotism. I appeal to them to exercise their great influence in support of the wise restraints we have imposed upon ourselves. I appeal to them to help the Government to hold the line, so that we would not lose peace while our boys win the war."

Meanwhile at the manufacturers meeting at New York the constant burden of the speakers was that the industrialists after the war must place obligations to public above profit motive. Mr. Charles Wilson, the Executive Vice-President of War Production Board and former Chairman of the General Electric Company admitted that opposition against so-called New Deal regimentation is marked. He warned however that it could take the form of "rightwing reaction which might draw some sections of capital so far away from our traditions as to imperil the entire structure of American life as we know it"

Another industrial titan, Mr. Alfred Sloan, the Chairman, General Motors Corporation said that the in-

dividual American business men face challenge which they must accept. He said that this challenge, is the fact "when war is finally over the cry from many millions of the most aggressive productive elements of our people will be for opportunity of accomplishment—chance to live, progress and above all avoid becoming object of charity." Mr. Sloan said that to meet that challenge the General Motors plans to spend half-million dollars for converting its plants to peacetime activities "to help, preserving free competitive system as keynote of the American economy."

Mr. Wilson Sloan typified the progressive and enlightened attitude of most speakers at the meeting of the National Association of Manufacturers who have often been regarded as the bulwark of ultra-conservatism in the United States. The Association's Vice-President Mr. Walter Weisenburger summarized, the findings of the convention when he said, "America after war is not going to be run for the benefit of business. We would better run business for the benefit of America."

The United States business men thus apparently realize that their first post-war duty is to provide employment. Unless they do so there is no doubt that the Government will itself assume obligation, with the consequent further steps in the direction of State socialism. New York *Herald Tribune* commented in that connection "leaders of American industry are conscious, probably to the greater extent than ever before that time of testing is almost at hand," while a *World Telegram* wrote "the free private competitive enterprise system for which the Association speaks is likely after this war to have one more good chance to show that it can be really enterprising and competitive as well as private and free and it may well be the last chance."

While business leaders are displaying awareness of their responsibility in moulding the post-war economic policies and while the Government spokesmen continue to extend figurative olive branch to industry there are still some skeptics, who fear that all might not be ideal harmony between industry and the Government in next few years.

Expressing this view point the *Wall Street Journal* wrote: "Uncertainty hangs upon the question whereby country is to chart post-war course between a centrally planned and directed economy on one hand and completely free enterprise economy on the other. At their risk the business men will have to do individual planning amidst and despite the uncertainty about the future governmental attitude. They can look only to the State of the public mind as it develops and expresses itself during coming months for a convincing answer."

Prospects of Shipping Companies (From Our London Correspondent)

LONDON (By Cable), Dec. 14.

THE annual report of the Peninsular and Orient Steam Navigation Company again complains that the Government's scale of compensation for vessels lost is altogether insufficient to provide replacement and therefore the situation is "causing considerable apprehension." The balance-sheet shows the tonnage replacement fund now at £7,790,000 sterling compared

to only £3,631,000 in the preceding year while among the assets the value of existing fleet is now written down to £3,009,000 compared to £4,825,000 previously. The Company's earnings from the fleet stand at £1,759,000. Total earnings amount to £2,698,000, but Press commentators have been urging the Company to produce a consolidated balance-sheet which alone will show the real position. For example,

the report of the Company's lucrative subsidiary British India Steam Navigation—shows that earnings equal 142 per cent. on capital. The undistributed profits of this subsidiary equal another 28 per cent. on deferred shares of the Peninsular Orient. Thus some commentators refuse to accept over-seriously the slight melancholy air which is found in the Company's annual report. Regarding possible participation in post-war aviation the annual report says that the directors are watching the situation "with vigilance" but no decision will be reached until the Government announce their policy. This is doubtless true but most people believe that the Company is making the most detailed plans and probably is using its considerable influence to persuade Government to give British shipping lines a chance to participate in post-war aviation. Deferred shares ranged last year between 30 shillings 3 pence and 34 shillings 6 pence, yielding slightly over five per cent at these levels.

The city is surprised at the will of late Reginald McKenna, for 20 years Chairman of the Midland Bank, who has left only £89,000 sterling. It is considered remarkably small considering the salary which he has been receiving for years long and which is believed to be £15,000 per annum *plus* free residence in one of the Bank's buildings in Piccadilly. In addition, the Somerset House records show that as Chairman of the Tobacco Securities Trust, he cleaned up about £90,000 between 1928 and 1934, bought 100,000 five-shilling shares at par, sold 80,000 at 92 shillings for each twenty shillings worth and the remainder for over one hundred shillings.

Industrial and financial circles follow closely the

Trend of Stock Prices

LONDON, Nov. 20 (By Airgraph).

"THE stock markets continue in the condition when any kind of movement whatever is explainable. On the whole, however, their appearance is reassuringly convalescent," writes the *Financial News* and admirably sums up the situation. Share prices had continued to advance up to early August when hesitation became observable. From then up to early October prices were, what the urchin would describe as "wobbling." But in the early part of October they experienced a decisive set back. In many sections there has been recovery but still there is a great amount of indecision on the part of the investor.

No doubt the main influence for the trend of stock prices has to be looked for in the varied estimation of the duration of the war on the part of investors. But an even more important element was the entire absence of any indication of post-war policy on the part of the Government. When, by early October, the war situation became clearer and every one could see that the end of the war was in sight, and what is equally important, was encouraged in that view by several statements made by the Prime Minister, the situation in the Investment Market became more obscure than ever. On the one hand, the holders of war production shares clearly reckoned with a decline of value in their stock as the war neared its end; on the other, very few investors are fully, or even partially aware, to what extent the enterprises in which they held shares were dependent on Government war orders. Since perhaps 70 per cent. of industries undertaking are to a larger or smaller degree harnessed to war production the investor is indeed in a position of uncertainty. Nor was the position at that time, or even now, clear as concerns such firms as are engaged in the production of goods which will be wanted in

United States Government's vigorous prosecutions of the alleged cartels. The latest instance concerns the alleged titanium cartel whose American members according to the Assistant Attorney-General have furnished Japan with 700 tons of titanium after the British Government had banned shipments of that valuable metal from Travancore in autumn and winter of 1940-41. British action is based on the claim that the exporting Company included Germans.

These Washington investigations—which have no parallel this side of the Atlantic—cause considerable uneasiness in some circles since the United States Government shows no hesitancy in making public any data it secures revealing the activities of British members in the various international cartels. The British Government has thus far shielded the cartels on grounds that they have all discontinued their activities with the outbreak of war and regards that in peace-time the activities were not illegal under the British law.

The resounding *communiqués* from Cairo, and Teheran, together with a long list of good dividend announcements have failed to stimulate markets which promise to end the year only with some 4½ to 5 per cent above the low levels at the beginning of the year. A few months ago prices were about 11 per cent. above January 1 levels but quiet, persistent selling lowered virtually all sections. On the whole the sentiment of the stock-exchange is decidedly cheerful regarding war against Hitler but rather bothered firstly over the extension of war in the Pacific and secondly over the post-war problems of Europe and thirdly over the strong pressure from British industrial financial groups for prompt relaxation of the present irksome controls.

peace-time. Thus stock prices were based on very vague ideal of what might happen on the one hand, and on what the Government would do after the war, on the other.

As is usual at such time confusion is increased by excessive optimism by some, and excessive pessimism by other operators and investors. The last few weeks have brought some little light on the situation. The appointment of a Minister for Reconstruction and, as I pointed out in my last letter, a Minister who promises well for the success of his Ministry, indicates clearly that the Government is at least intent upon some sort of plan for the immediate post-war period. It declared, too, the acceptance of the main principle of the Uthwatt Report, a decision which is helping those who are planning for the future of housing and the reconstruction of towns. Mr. Bevin, the Minister of Labour, has announced that he is preparing legislation for the post-war employment of disabled service men.

At the National Savings Assembly Sir John Anderson, the Chancellor of the Exchequer, threw out another pointer. In his speech he mentioned two questions which the people who saved were asking. The first was: "Shall I be able to get my money back when I want it?" and the second: "Can I be sure that the money will not lose its value if I leave it in savings instead of spending it now?" To which Sir John had the answer that (a) as Sir Kingsley Wood had said himself: Loans to the State will be honoured without exception or qualifications; (b) In the words of the Prime Minister (in his broadcast on March 21) "These savings of the nation are sacred. The State is built around them and it is the duty of the State to redeem its faith in an equal degree of value."

That, Sir John said, was a pledge and that, as the Government had successfully stabilized prices during the war, they intended to continue this policy after the war to the utmost of their ability. This, at least, is a definite indicator of policy. It is useful to remember that twenty-five years ago no statesman would have uttered any such words. Then anyone who demanded that price stability should be the policy was decried as a crank. And though there are very great difficulties, in view of the mass of currency and liquid bank balances in existence, to be overcome, the fact that Government and its advisers are fully aware of it and are setting their course accordingly is encouraging. It will help the investor who will take the trouble to study the trend of home demand in consumers goods in assessing the chances of reasonable prosperity of the enterprise in which he has holdings. It will in no less degree encourage the small saver, who has contributed in Great Britain about one-third of the amounts lent to the State during the war to continue his prudence.

Some American bankers seem to know better than their colleagues. Mr. Leon Fraser, President of the First National Bank of New York, is reported to have advanced a five-point plan for post-war international monetary policy. Their direct implication is Anglo-American co-operation, but if it became the policy of the two governments it would have favourable repercussions throughout the world. He wants the U.S.A. to cancel the British war debt balance from World War No. 1; a 5,000 million dollars credit to Britain in the form of a call on gold, on the understanding that neither country would engage in competitive currency depreciation; provisions for a five-year moratorium on any post-war lease-lend payments involving any British transfers; an understanding that both countries should avoid economic domination and pursue international economic policies designed to promote stability of currencies in other nations; reorganization of the Bank for International settlements.

This appears to be a rather more realistic attack of the problem than is attempted in the other proposals, including the Keynes and the White Plans. These proposals are, however, not so much opposed to either or both of the other plans than that they would provide the foundations to a more ambitious international currency plan to come later. Mr. Fraser seems to realize that as between debtor and creditor there has to be sharing of the burden. Unless the debtor is enabled to earn the wherewithal to pay his debt charges and amortizations the creditor is not likely to profit either. Secondly, a merely bilateral agreement on monetary policy—even though in devising it the needs of other countries are fully taken into account—is much easier to achieve than a more ambitious, world-including, affair.

Hard on the heels of the report of Mr. Fraser's speech came *Reuter's* news of a report appearing in the *U.S. Journal of Commerce*, according to which important suggestions by leading American bankers have been incorporated in a compromise agreement concerning post-war currency stabilization which Lord Keynes recently brought back to London from Washington. No official confirmation of this has come forward so far and the report has therefore to be considered with caution. But "it is understood" that the proposals are similar in outline to those made by Mr. Fraser, with the addition that (a) greater flexibility will be allow-

ed than originally provided for in adjusting exchange rates, and (b) less emphasis will be placed on the position of gold. In the absence of official confirmation it is naturally difficult to assess the value of the report. But perhaps, we may for once accept the proverb; there is no smoke without fire.

Great interest has been aroused by the announcement made by Mr. Oliver Littleton, Minister of Production, that the Government had decided to permit bulk manufacture of synthetic rubber. This means a change of mind on the part of the Government. Only a year ago they declared that the establishment of plant for the bulk manufacture of synthetic rubber was not warranted. It has been known for sometime that British Celanese has been interested in synthetic rubber through its large plastic interests. A director of the company published a letter in *The Times* in July last year in which he stated that synthetic rubber production in this country was not dependent on the import of oil since the oil needed could be extracted from coal. He also estimated that a plant costing about £4,000,000 and taking about a year to get into production, would be capable of producing approximately 36,000 tons of rubber a year. Most likely some further advance in the process has been made since then. Besides British Celanese, Imperial Chemical Industries are interested in the development.

To what extent synthetic rubber will replace crude rubber in the post-war period it is impossible to calculate. As far as tyres are concerned, we have the statement of Mr. P. S. King, Deputy Director of Tyres, Ministry of Supply, that "synthetic rubber will be incapable of replacing crude rubber to a greater extent than 70 per cent." In small tyres good results were obtained by raising the percentage of synthetic to 95 per cent., but the larger tyres, such as used on buses and lorries, required a larger percentage of crude rubber; the larger the tyre, the larger the percentage.

The new situation created by the increased synthetic production, necessitated by the war, in relation to production of crude rubber was admirably summed up by Mr. H. Eric Miller, at the shareholders' meeting of Harrisons and Crossfield a week ago. He said: "Either we have to fight for our existence in open competition with the newly established synthetic industry or the two industries together with the manufacturers will work out some mutual accommodation to enable the world to have the best that our different raw materials are capable of giving." His view was that while the rubber industry had to adjust itself to the new situation, there was no need for them to despair. He quoted the experience of the natural nitrate industry as an example when the latter had to cope with the competition of synthetically manufactured nitrate. In fact, the position with natural rubber is rather different because, though there was an increase in the use of nitrate, it was not accompanied by demand for it in new fields. For rubber, both natural and synthetic, there is yet a wide field of unexplored potential demand. It may well be that new uses for natural rubber will be found with the development in modernizing housing, both for residential and factory purposes. That is only one field. One could think of many more.

EMINENT ECONOMISTS

VI

G. V. Joshi

By D. G. Karve

"THE state which alone can help him and help effectually, and which ought to help him with its vast credit and great resources, rules him in the interests of foreign trade and industry, and not only withholds its help from him but, under the influence of economic theories which, whatever their theoretic soundness, have no application to the circumstances of the country, thinks it its duty to help his rival, already so strong with the strength which a superior civilization gives him, by every means in its power—by its fiscal measures, by its forced forward P. W. policy, and by its pioneering enterprise."

The generation of Ranade, Dutt, Dadabhoi, Watcha and Wedderburn looked upon G. V. Joshi as a valued colleague and a very reliable guide. Gokhale, of course, publicly acknowledged that a large part of the exactness of detail and accuracy of reasoning that characterized his utterances was derived from the help that he received from Joshi. Considering his intimate relations with these distinguished men it is at first sight surprising that Joshi did not attract anything like the fame that contemporaries and successors bestowed on any of the abovenamed associates. In a large measure this comparative obscurity was due to the modest official position that Joshi occupied, first as an Assistant Master and later as Head-Master in the Government High schools of the province. As almost all questions of public policy developed sooner or later into a controversy with the state Joshi had to do a good deal of his writing either anonymously or under a pseudonym.

But to the front-rankers among India's public men Joshi was well-known, and a collection of his papers that has been posthumously published in 1912 (Writings and Speeches of Hon. G. V. Joshi—Aryabhushan Press, Poona) is a most weighty and fascinating volume. It covers over 1,250 pages and contains essays on Finance, Agriculture, Trade and Industry, some of which may be regarded as independent volumes by themselves. The wealth of statistical material used and the analytical manner of the treatment of each subject are in the highest class of nineteenth century scholarship. The style, though unavoidably heavy at some points, is most appropriate to the subject. Light than heat is the natural preference of the author and even to this day the contents of the volume have lost none of their freshness and practical value. It is very much to be desired that the work of this eminent, yet neglected, economist attracts at least as much notice as the work of his better-known contemporaries receive.

Born in 1851 Joshi was nearer to Ranade who was his senior by nine years than to Gokhale who came fifteen years after him. It is, however, a curious fact that all the three in the generation of their parents, if not also of grand-parents, belonged to the same part of the country and had the same family tradition of active co-operation in the administration of an Indian State. Ranade's father held a responsible post in the Kolhapur State. Joshi's father was the Treasury officer of Miraj State, and Gokhale's father held a post in Kagal which is a feudatory of Kolhapur. The practical urge of all the three and the constructive

and positive outlook as to the responsibilities of the state that they exhibited in a marked degree was at least in part an inherited trait. Joshi who perhaps was the best theorist of the three has argued the whole subject of the responsibility of the state in economic matters in a manner that is at once thorough and convincing.

Joshi summed up our economic problem in these terms: "Less and less work for the growing hands and less and less food for the growing mouths—this sums up our general industrial position, and defines the problem we have to solve." Though the problem of finding an expanding occupation for an expanding population is by no means a rare phenomenon either in India or elsewhere according to Joshi the specially acute condition of this problem which several generations of Indians had to face was the direct result of the misguided economic policy of the Government of India. Joshi illustrates this view by a comparison which is telling in its effect.

"We still think that, whatever the faults and shortcomings of the people, in this matter the state in India has much to answer for. When it became apparent towards the close of the first half of the present century, after the abolition of the E.I. Company's trading privileges, that at industrial revolution was imminent and unavoidable, consequent on the country's being drawn into the broad world's arena of international commerce, in a state of complete unpreparedness, the British Indian Government, we think, guided by the economic experience of the West, was bound to intervene to balance the force of the impact and equalize the conditions of the new competition, and, in the circumstances of the time, might have intervened with most extensive success. And it is our decided conviction that if the British Government in India had done in time, for our industries and our industrial classes, half of what the national Government of Germany did under parallel circumstances, to safeguard the growth of German industries after the close of the War of Liberation, when Germany stood to England and other stronger countries in much the same economic relation as India does now to the competing world, the economic problem with us, in its present alarming features and dimensions, would in all probability never have arisen."

Joshi was at heart an individualist but he was not prepared to set any absolute limits to the responsibilities of the state other than the injunction not to try and do what individuals can do at least as well. Joshi's charge against the Government was that they not only followed a wrong economic policy, but also that they did not follow the wrong policy rightly, i.e. they abandoned it when such a course was helpful to foreign commerce and industry. This constituted a double wrong. Even when a policy of active economic development was undertaken, e.g. railway and canal extensions, the policy was neither correlated to other aspects of national economy nor was the opportunity utilized to improve the national resources of capital and talent. When Joshi wrote, mostly towards the end of the last and the commencement of this century, Indian matters were very much to the forefront of public discussion in England. In fact there is a curi-

ous resemblance in the then situation with the one now obtaining in the country. In the face of thousands dying by starvation the economic problem was realistically approached. And journals like the *Times* and official bodies like the Famine Commission, almost in a repentant mood, laid the blame at the door of neglected agriculture and stunted industry. An exhortation to diversify industry and rationalize agriculture is by no means a new thing in Indian economic literature, though the *London Times* and the *Economist* have just come out with these in the face of the current food debacle.

Joshi had a full perception of the inevitable deadlock that must periodically arise in the economy of a country where diminishing returns are operating concurrently with an increase in population. To survey the field with a view to maximising economic production, to plan, in consultation with experts and experienced representatives, a course of industrial development, to spread technical education and scientific knowledge—all these are obvious steps on the path of progress which no individual can by himself attempt. Here the state must come in and clear the road for individual action. To the extent to which owing to the backwardness of the people themselves or owing to the gravity of the situation far-reaching state action would be called for to bring an industry into existence, state direction and control would naturally follow.

With its thoughts turned away from active economic policy in the interests of the people, and with its vision clouded by thoughts of the immediate reaction of each of its acts on the interests of British people the Government of the country conveniently took shelter behind the magical *Mantra* of *Laissez Faire*. Joshi felt the error and the injustice most keenly as he was convinced that there was nothing either in science or in experience to justify the policy of the State. "Government," he said, "would have to turn over a new leaf in its economic policy, and base its actions more on national lines than those of airy, abstract radicalism." A controversy that has latterly become topical was anticipated by Joshi in his declaration: "The experience and wisdom of United India alone can deal effectively with the situation." The economic unity of the country and the urgent need for the State to tackle its problems in a systematic, scientific and constructive manner were equally emphasized in Joshi's works.

Joshi, like Ranade and Gokhale, would have instinctively shrunk from recommending only the convenient, when it was not also the right course of action. All the three, therefore, took special pains to meet their opponents on their own ground. The peculiarity of Joshi's thought is the constructive counter-theorizing that he successfully attempted in several departments. Thus the whole case for and against the doctrine of Liberalism has been so fully stated by him that it deserves a permanent place in the annals of Indian economic literature. He admits the broad proposition in favour of non-interference in the following terms:

"We admit freely that Government is not simply the constituted agency of public protection, but is also the constituted representative of the collective strength of the community and may undertake within certain limitations other duties which can be better performed by the collective guarantee of the nation than is possible to private enterprise, independently of such help:—

This limitation on state action, however, operates differently in different communities. "In advanced

countries where the people have the means, the energy, and the knowledge to push on in their career of economic progress without extraneous help, the scope of the action of the Government is necessarily circumscribed within narrow limits, and it may content itself with watching public safety, and safeguarding the internal activities and facilitating them by the removal of artificial hindrances and obstacles." In such developed lands the state "might, for instance, accept free trade as the guiding principle of its commercial policy, and as was done in England forty years ago, secure the greatest freedom of international exchange."

Under altered circumstances the limits may have to be more widely sketched. "It might also, as has been done on the continent of Europe, and in America, and in the British colonies, resort temporarily to the cordon of protection to guard the growth of its infant industries from the blight of foreign competition." In certain less favourable conditions even a more constructive action may be called for." In countries not so happily situated where the people are economically in a backward condition, and, as in Japan, China and India, cannot command sufficient private enterprise to work their way to a higher order of life, Government has a task of greater responsibility, for it has to help the nation to help itself, by undertaking the entire organization and direction of national energies in a way to fit them to stand on their own independent footing."

Such a policy might naturally entail a number of varied economic functions, as the whole life of the community has to be renovated. "This it can only do by fostering every variety of occupation which the physical conditions of the country and a parallel co-ordination of industries may render possible and profitable in the present and in the immediate future with a view to complete and perfect the system of national production, create the growth of capital and enterprise and train the nation by practical and scientific education for a higher type of social and industrial life." Where political subjection is added to economic backwardness the responsibilities of the state are even more onerous. "This responsibility in the case of backward nations is made more burdensome when a foreign civilizing power has the control of the nation's destinies. The ruling authorities in this case have to keep jealous watch that their policy is regulated, not by the interests of the foreign race that is permitted to rule over backward countries, but by a due and scrupulous consideration of the interests of the people committed to their charge."

Joshi thus proves abundantly that liberalism and regulation, freedom and control, free trade and protection are not mutually opposed absolute categories. These are only categories of time, place and circumstance. In backward and dependent countries the state which fails to give a helping hand to the people, or worse still helps those who even unaided are strong enough to exploit the weaker people, is neglecting a sacred trust, and partaking in an unholy act. Though not a politician—it is interesting to note that later in his life Joshi was for a time an elected member of the Bombay Legislative Council—Joshi was a very keen student of political structure. He knew that the obvious hesitation and inconsistency in the policy of Government were the result of their non-popular and non-national constitution. While none, least of all sober students of economics, could then do anything to remedy the political situation the abnormal consequences that political subjection produced in the nation's economy could not escape notice.

The case for Indian protectionism appeared to

Joshi to be obvious. Joshi did not believe that protection was a panacea. Beyond creating a favourable opportunity for national talent to develop to its utmost capacity of variegated progress he did not credit protection with any lasting virtues. Temporary protection granted to promising industries would have met with Joshi's views about a just economic policy, and he had not the slightest doubt that any national government in India would have forthwith proceeded to adopt the same:

"An independent local legislature here would have at once adopted protection pure and simple to guard the national interests, in this respect following the successful example of Canada and Australia. But this dependency, only in name the brightest jewel in England's crown, unfortunately does not enjoy even that measure of legislative independence which is generally allowed to other and less important British colonies and dependencies. The ruling principles of our internal policy and domestic legislation are laid down for us unalterably by the Imperial Parliament, where however, we have no voice: and Free Trade, therefore, which is the declared policy of England, is also perforce the inevitable policy of India!

In sheer despair of winning even a partial support to the policy of protection—in his own opinion so urgently needed and so fully justified—Joshi went on

to suggest measures of a more indirect aid to enable the nation to get over its educative state before being completely swamped by the more fortunate foreign competitor. An elaborate plan of industrial survey, state-aided credit, facilities for technical education, and bounties to deserving pioneers was in Joshi's opinion compatible with a policy of scientific Free Trade. In fact such a positive assistance to its own people to overcome the avoidable disadvantages placed on them by purely temporary causes was a necessary corrective to the dangers of indiscriminate Free Trade. Especially in a country which was passing through a period of transition from one position of equilibrium to another such a positive policy was necessary if the new position was to be on a higher and not on a lower level.

Poona

(To Be Continued.)

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FROM THE PROVINCIAL ANGLE

Madras Letter

ROAD TRANSPORT—GOVT.'S POST-WAR PROGRAMME—M A N A G E M E N T AND CONTROL OF CIVIL AVIATION— SUPPLY MEMBER'S ASSURANCE—

(From Our Correspondent)

MADRAS, Dec. 10.

"WE need more roads and better roads. We want to bring roads to every village and make them fit for modern traffic." This is in short the post-war programme of the Madras Government in regard to road communications. This was explained by Mr. T. Austin, I.C.S., Adviser to the Governor at the annual conference of the Madras Local and Municipal Engineers' Association. In the past, roads had not received that amount of support they deserved either from the Government or the local authorities. The bogey of road-rail competition had been deliberately brought in often times with the result that road development had suffered. And today, the price, a heavy price at that, is being paid for the past mistakes. When the railways are sorely overburdened and the country is faced to depend on every available means of transport, the roads are not able to take the burden and the heavy traffic on them only speeds their disintegration. It is true that in the matter of road development, Madras Province has been accepted as the foremost having 36,677 miles of roads, of which about 21,677 miles are modern surfaced. But thousands of villages are still unconnected to any roads at all, with the result that the country's resources remain undeveloped. Only by a comprehensive system of long-term planning with adequate funds being earmarked for road development could a satisfactory road system be possible of achievement. Any such scheme would have to take into consideration the laying of roads in a scientific manner and in this connection, one would have to emphasize the motto of dustless roads. Judged from this aspect, the question of imparting education in road engineering in the professional colleges like electrical and mechanical engineering as suggested at the conference should be seriously considered not only by the Government but also by the educational authorities.

Control of Civil Aviation

"The management and control of civil aviation in India in the post-war period will be in the hands of Indians and that so far as the transcontinental routes are concerned there will be reciprocal arrangements." This was in essence the assurance given by Sir A. Ramaswamy Mudaliar, Supply Member with the Government of India during the discussions he had with the members of the S.I. Chamber of Commerce last week-end. In regard to post-war reconstruction, the Chamber pleaded that in the event of India joining any international scheme for new financial structure or industrial rehabilitation or British Empire economic policy, such arrangements should be concluded only after consultations with the Central and Provincial Legislatures and the public bodies. Any post-war Imperial preference scheme is looked upon with suspicion in India because it is only to be remembered that returning home from the sittings of the Roger Mission, Mr. Guy Locock assured the British public that he saw to it "that no steps had been taken to expand production as a result of the Mission's visit which are not essential for war purposes and that on the whole, post-war interests of British industries were not likely to suffer so greatly as was at one

time expected." The Federation of British Industries also make no secret of the ultimate object of all international schemes when they say in their recent memorandum to the Board of Trade that "the world economic systems must be of such a nature as to facilitate the economic prosperity of the United Kingdom." In the view of the Chamber, it looked as though that the financial alliance contemplated under the auspices of the Bancor and the Unitas was a magnanimous move to immobilize Indian sterling balances which may amount to Rs. 1,000 crores or more at the end of the war. The Chamber also urged that in the post-war period, there should be no continuance of Government controls or rationing as it would only help to keep down the prices of Indian groundnut, cotton, hides and skins, rubber, mica and other export goods to the advantage of the importing countries. The Supply Member in promising to consider the many points urged by the Chamber, seems to have asked the Chamber and other sister bodies to plan out post-war plans instead of confining to criticisms of such plans. This would be of immense use to the Indian delegate attending the rehabilitation conference of the United Nations which was bound to be held sooner or later.

National Defence Savings

The nation-wide drive of the Government to effect national defence savings as an anti-inflationary measure has gone to unexpected limits mainly due to the indiscreet enthusiasm of the officials charged with the task of roping the additional currency in circulation. Reports are being received that not only the tax gathering departments but the police and other departments have taken up this work with the result that great hardship is being caused to the general public particularly in the rural parts. It seems that the revenue officials have fixed that *pattadars* paying a *kist* of Rs. 10 and above should pay an equivalent amount to be invested in war bonds. With periodical whips from the higher authorities, one can imagine the rigours in the collection of money by the subordinate officials. Even the teachers employed by the District Boards have been summoned to assist in the campaign. An extract from a circular issued by the Special Officer of the Kistna District Board published in a local daily (for the information of the Editor only *Hindu*) would show the extent to which the enthusiasm of the officials would go. "The teachers are ordered under pain of being penalized to raise a contribution of a lakh of rupees allotted to the Secondary schools under the Board. Any laxity in the work will result in serious consequences." The attention of the authorities has been drawn to these steps taken by the District officials and it is not possible to say now what action will be taken. But the fear expressed by the *Eastern Economist* when the provincial drive was launched has already come to be seen.

Tobacco Research

Researches are being conducted on various crops but tobacco does not seem to have received much attention either at the hands of the Provincial Government or the Imperial Council of Agricultural Research. Thus, it is gratifying to note that the

I.C.A.R. has sanctioned a scheme for tobacco research at a cost of Rs. 1 lakh. Madras will be particularly happy since no less than 80,000 acres are under Virginia cultivation, a tobacco very largely used in the manufacture of high class cigarettes. In connection with this scheme, Mr. L. F. Cocks, Tobacco Adviser to the I.C.A.R. was in Madras and is touring the

Presidency. He would visit some of the important tobacco growing districts like Guntur, Trichy, Madura, Malabar and Coimbatore. It is stated that a proposal is under consideration to establish research centres both in the northern and southern area of the Presidency.

Bombay Letter

RATIONING IN INDIA AND BRITAIN—SHARP DROP IN SILVER PRICES—DEPRECIATION ALLOWANCE FOR TEXTILE MILLS—INDUSTRY'S CLAIMS.

(From Our Correspondent)

BOMBAY, Dec. 11.

It has been the habit with some people including Government officials to point to the example of Britain's war-time austerity especially regarding diet. What have been the effects of the rationing and the rigidity in the diet introduced in England, have not so far been known in India, and still less they are enquired by the very people who point to Britain's example. It is, therefore, very interesting to note the effects of food rationing in England. It would be a surprise to most people to know that according to Prof. J. R. Marrack, Professor of Chemical Pathology at London University, the lessons of dietetics gained in Britain might prove to be one of the greatest contributions of the War. The Professor speaking at a meeting of the Food Education Society in London, described the highly beneficial results of the people being fed in a scientific manner. He said that the average London boy of twelve today was 2.4 inches taller than his father at the same age, and the average girl was 2.1 inches taller and 13.4 lbs. heavier than her mother. Despite the strain of war difficulties of supply, infant mortality had dropped to the lowest on record, namely 49 per thousand. While the death-rate had gone down from 12.1 to 11.6, the birth-rate had risen from 14.9 to 15.8 per thousand.

Rationing at Work in Britain and India

It will thus be seen that Britain, far from treating the food problem lightly, has availed herself of the situation to improve the health of the populace at large and put the nation on a scientific diet. The officials of the Government of India, who in their anxiety to transfer the blame on others, shout slogans such as 'hoarding' and 'profiteering,' might well ponder over their sins of omission in this connection. The Government of India cannot boast of having any scientific outlook in regard to the diet of the people, nor have they spent a single farthing for the purpose. In fact, the producers of food have suffered worse at the hands of the Government of India by having the prices of their produce fixed at very low levels and by the high-handed manner in which Provincial Governments have taken over their produce etc.

Bullion Prices

The sensation of the week is the sharp drop in the price of silver at the close of Friday when a leading bull who commanded the bulk of the stocks unloaded substantially. This brought down the price of silver from Rs. 121-6-0 to Rs. 114-8-0, but finished at Rs. 116. It is surmised that this nervous unloading by a prominent bull was the result of some information received by him, about supplies of

silver being made available in India. It is rumoured that Government may not buy any further silver which is produced by Indian mines, and which would be available for civilian consumption. Gold, however, has not followed the decline in silver and as the Reserve Bank does not sell gold below Rs. 76, the rates are maintained at that level. It would now appear that as a result of the persistent sales of gold by the Reserve Bank, and since the Reserve Bank is the only available source of gold in the market, the price of gold is being maintained and dictated by the Reserve Bank's decision as to the price at which they would sell gold. The latest quotations are: Gold Rs. 73-14-0; Silver Rs. 116-12-0.

Depreciation Allowance

The Committee appointed by the Government of India to go into the question of depreciation allowance for textile mills, has begun to take evidence, this week, in Bombay. It has been pointed out by millowners that under the present system the additional depreciation allowance for extra shift working is deducted from the written-down values, so that the depreciation allowance for subsequent years is a gradually diminishing figure. But the industry now wants some concession in order to enable it to establish an effective rehabilitation fund. In this connection it is pointed out that the industry has no reserve supply of machinery, and all machinery being in constant use, there is no opportunity for regular overhaul or maintenance, apart from the essential repairs which have to be made for keeping the machinery running. The Millowners' Association, Bombay, has agreed, as a starting point, to accept that the rates of depreciation laid down by the Central Board of Revenue are a fair reflection of the proper allowance for single shift working; but it is not prepared to agree that the existing allowances for extra shift working restricted as they are to a maximum of 50 per cent. of the normal allowance, are adequate to cover the abnormal depreciation occasioned by continuous working. In the opinion of the Association, therefore, the following rates are considered fair for abnormal depreciation allowances: (a) existing rates for single shift of nine hours; (b) double the existing rates for double shift working not exceeding 18 hours in all; and (c) two and a half times the existing single shift rates for treble shift working exceeding 18 hours. It would appear that the claims of the industry for a higher depreciation allowance is fully justified. In fact, owing to the technical advances that have been reported in other countries, the industries in India may find, after the War, that their plants are obsolete, and one would not be surprised if in the post-war period, mills who wish to compete may have to completely discard their present machinery for the latest equipment. Especially will this be necessary in view of the increased wages to which labour has become accustomed.

Bengal Letter

FOOD PLAN FOR 1944 — DR FOX ON COAL CONSERVATION—JUTE INDUSTRY PROBLEMS —THE AIR RAID AND CALCUTTA'S ECONOMIC LIFE

(From Our Correspondent)

CALCUTTA, Dec. 12.

The Press Notes issued a few days back both by the Central Government and the Bengal Government have brought into clearer perspective the policy of the Governments concerned in regard to the procurement of foodgrains. As is only to be expected, the Bengal Government's procurement plan has been suitably adjusted within the framework of the central scheme. The Bengal Government's scheme has been welcomed in that it has achieved a compromise between uncontrolled trade activity and rigorous Government monopoly in the purchase and distribution of foodstuffs. The chief object of the scheme is pointed out to be to secure the maximum control of supplies with the minimum actual purchase by the Government. The Bengal Government's procurement operations will be confined within certain well-defined limits—those limits being determined by the requirements of the essential services, of the rationed areas outside Calcutta, and of a provincial reserve to be built up against emergencies. The feeding of Greater Calcutta, as is well-known now, will be a responsibility of the Government of India. For the rest the private traders will be permitted to play their part in buying and selling activities. Needless to say, the traders will be subject to various measures of control in their operations. In the first place, control would be secured by a strict enforcement of the Foodgrains Control Order. Secondly, there would be rigorous enforcement of price control. Thirdly, while local traders may operate in the districts to supply local needs, the movement of foodgrains from surplus to deficit districts will not come within the purview of the trading activity of any and every trader. The exports from the surplus districts will be allowed only through a limited number of selected wholesale dealers belonging to specified deficit districts linked to each surplus district. As regards the Government's buying operations, these will be entrusted to a Purchasing Board consisting of 5 firms of high standing, one representative of the railways and two representatives of the Chambers of Commerce. This is a brief outline of the Bengal Government's food plan for 1944. The practical success of the scheme would depend on various factors. One of these is that the harvesting of the new crop should proceed smoothly. Labour shortage has proved a hindrance to this in various localities as even the Government have felt constrained to admit.

Coal Conservation

While delivering the Fifth Sir J. C. Bose Memorial Lecture at the Bose Institute, Calcutta, Dr Sir Cyril S. Fox, late Director, Geological Survey of India, dealt, among other things, with the urgent issue of coal conservation. The present yield of coal, said Dr Fox, was very small in quantity for the size and population of India. And yet, he went on to say, coal must be regarded as the key with which to open the industrial possibilities of the future. Having regard to the fact that India's coal reserves are rather limited in comparison with the potential industrial requirements, it has more than once been authoritatively pointed out that the course of wisdom for India lies in the conservation and scientific utilization of coal. Dr Fox also made an emphatic and pointed reference to this. If industrial development was to be successful in India, he added, coal must be regarded as a national asset and the most serious attention must be given to its utilization and conservation. Unfortunately the Government have so far failed to adopt this view and

attitude in regard to coal. They have recognized the importance of sand-stowing for the purposes of safety, but have neglected its usefulness as a means of coal conservation. The many important recommendations of the Coal Committee in this connection have simply been put into cold storage. Dr Fox's pointers should serve as a reminder to the Government of the urgency of the question of coal conservation.

Jute Industry

The shipment of jute manufactures was very satisfactory for the month of November. This implies a considerable reduction in the stocks of mills. Good demand for jute manufactures from abroad is also reported. But the mills are already behind their production schedule and are scarcely in a position to handle new orders. The jute markets are consequently characterized by a dull tone. The coal trouble from which the jute industry has been suffering for some time past continues unabated. Recently the raw jute position has revealed some disquieting features which are producing their repercussions on different sections of the jute trade and industry. The movement of raw jute to the consuming centres has been much hindered by the shortage of labour in the mofussil. The shortage of labour is the resultant of a number of causes. In the first place, many labourers have gone off to the villages to harvest the paddy crop. Secondly, many labourers have been absorbed in military workshops. Thirdly, epidemics of diseases now raging in the different parts of the province have claimed many victims that there is in consequence a shortage of persons who have usually manned the boats and carts used for the transport of jute in the mofussil. The marketing of the jute crop has thus been seriously obstructed. Reluctant as the jute mills have been to buy jute due to their slow rate of production, it is doubtful if they would be able to purchase much jute now, even if they want to, having regard to the above factors. It is noteworthy in this connection that the jute industry itself is faced with a labour problem due to the closing down of some mills. Labourers who have been thrown out of work as a result of this have been offered employment in other mills, but they are disinclined to accept such employment and are asking for compensation instead. Referring to this matter in the course of a Press communiqué, the Bengal Government point out that the mills in question have been closed down for reasons beyond the control of the employers, and they advise the workers to accept employment in other mills. The Government have given certain assurances to the labourers with a view to safeguard their interests, but they have categorically turned down the demand of the labourers for compensation.

Reaction to Air-Raid

The air-raid on Calcutta on Sunday last caused no mentionable disturbance to the city's economic life. This was the first daylight raid on the city and casualties were over 500, but the people of Calcutta have once again shown themselves to be capable of "taking it." Even the exodus of labourers and menials belonging to other provinces which had been witnessed during the previous winter's raids has not been perceptibly evident so far. On the whole, it may be said that the smooth tenor of the city's economic life has not been disturbed by the bombing incident. The

Stock Exchange is peculiarly subjected to fluctuating sentiments caused by events of this nature, but the trends in Calcutta Stock Exchange reveal no violent reactions. There is no doubt a cautious mood in the Stock Exchange which will probably continue for sometime yet, but there is no indication of the pre-

valence of acute panic. There is no excessive selling pressure, nor any significant drop in the prices of shares. Transactions have however been of a limited and restricted character which reflects the cautious mood of the operators.

U.P. Letter

PROVINCIAL DISPARITIES IN CANE PRICES— PROBLEM FACING CENTRAL SUGAR CONTROL —WOOLLEN GOODS—CHEAP MONEY POLICY

(From Our Correspondent)

CAWNPORE, Dec. 13.

IN these columns a reference was made sometime ago to the inability of the factories outside the Indian Sugar Syndicate's area of operations, and particularly in the Punjab and Bengal, to get their cane requirements at the prices fixed as the minimum rates for the U.P. and Bihar. This had led to the Punjab Government fixing a minimum cane price of 14½ annas per maund as against 13 annas, inclusive of one anna cess, fixed for the U.P. and Bihar. As was anticipated, in Bengal, where the cane scarcity was even more pronounced, Government have stepped in to help the Province's industry by announcing a minimum cane price of Re. 1 per maund, and Rs. 1-2-0 per maund for gate deliveries. This has raised the obvious question: how are the factories in Bengal going to dispose of their produce at the price of Rs. 14-13-0 per maund, which bears a reasonable parity for 13 annas maund cane? According to the industry a rise of 3 annas per maund in cane price leads to a rise in costs which can be set off only by an increase of Rs. 1-14-0 per maund in the price of the manufactured product. As it does not appear that the Bengal Government intend subsidizing the sugar industry from the exchequer, the selling price of sugar in that Province will have to bear relation to the cane prices in that Province instead of those ruling in U.P. and Bihar. The factories in the two provinces, however, supply about 16 per cent. of the total production to Bengal, and it is not as yet known whether these factories, or their Provincial Governments will allow the difference between the Rs. 14-13-0 per maund allowed to them and the higher price that may be fixed in Bengal to be pocketed by the Government of Bengal or the distributors in that Province, or will try to pocket it themselves. The only way to prevent the Bengal Government or distributors there from the acquiring the difference would be for the Governments of the exporting provinces to levy an equalizing duty on sugar exports to Bengal. These independent and irreconcilable actions of the Provincial Governments raise a first class problem for "all-India sugar control."

So far as the United Provinces is concerned reports go to show that growers have already diverted a fair amount of cane for *gur* manufacture despite the unattractive price of Rs. 8 per maund fixed for the commodity.

Supplie of Woollen Goods

The Industries and Civil Supplies Department of the Government of India has announced that woollen goods for civilian consumption will begin arriving in the market with effect from January. The time set appears to be based on rather hasty calculation. It is reliably understood that the production, for the civilian market, of woollen goods by the industry, which had been hitherto exclusively engaged in the manufacture of goods for the defence services, has not commenced as yet, and it is extremely unlikely if the goods would be coming to the market as indicated in the Government's Press Note in January.

The Reserve Bank

The Directors of the Reserve Bank held their meeting this week in Cawnpore. Speaking at a social function held in his honour, Mr C. D. Deshmukh, the Governor, expressed the Central Government's determination to break the vicious spiral of soaring price levels, scarcity and inflation, and pointed out how the measures already taken had to a large extent curbed the inflationary tendencies present in the country for sometime past. He was sure that price levels would go down further. Mr Deshmukh expressed himself in favour of cheap money policy for all time. It was only on the continuance of low interest rates that it would be possible to build up a sound and strong Indian economy.

Cost of Living

The Government Labour Office of the United Provinces has issued a note giving 334 as the cost of living index number for the working-class in the month of November. The group indices were: Food—367; Fuel and Light—372; Clothing—408.3; House Rent—100; Miscellaneous—237.5; (Base: August, 1939—100).

A subsidiary index number has also been issued. It is applicable only to workers employed in the factories where foodgrains and other articles are sold to workmen at controlled rates. The subsidiary cost of living index number for the month of November was 287. The group indices were: Food—324.5; Fuel and Light—224.2; Clothing—408.3; House Rent—100; Miscellaneous—237.5.

Sind Letter

ANTI-PROFITEERING ORDINANCE — CONTROLLER GENERAL MEETS TRADERS—GOVT'S PRICE CONTROL POLICY—HIS EXCELLENCY'S EXPLANATION

(From Our Correspondent)

KARACHI, Dec. 12.

DURING his three days' stay in Karachi, Mr. C. C. Desai, I.C.S., Controller-General of Civil Supplies to the Government of India, met representatives of various trading interests in the city and addressed a Press conference, with a view to popularize the latest Anti-profiteering Ordinance. He exhorted the consumers to co-operate with the Government and bring to book the violators of the Order. Consumers should under all cases insist and obtain a cash memo from the sellers, and whenever the prices were shown to be in excess of 20 per cent., or even if the dealer refused to sell at the stipulated price, a complaint should forthwith be lodged with the Police or the Inspector of Civil Supplies, who would prosecute the offenders. It was, however, pointed to him that too much premium had thus been placed on the vigilance of the consumer, who was, after all, at the mercy of the dealer, and that mere insistence by the Government that all shopkeepers should display at a prominent place in their shops the prices of all articles, was not in itself a guarantee against profiteering. It was also represented that it was too much to depend solely on the initiative of the consumer alone to punish the offender, who, considering the hardships of litigation, would not ordinarily like to file cases of profiteering against dealers. It was desirable and necessary in the circumstances for the Government to have their enforcement staff more vigilant and take cognizance of offences of infringement of the Order directly and independently without waiting for a complaint being lodged by the consumer. It was also pointed out to him that a mere prosecution or two would not secure the desired end, namely relief for the consumer. The attitude and demands of the dealers in regard to the Anti-profiteering Ordinance were revealed to Mr. Desai by representatives of the local Chambers of Commerce. They desired, in the first instance, to limit the application of the Ordinance to articles of daily use. Although the Ordinance aimed at protecting the consumer, it tended to victimize the producer and the dealer by the imposition of a sweeping and *ad hoc* control, particularly as the landing and production costs had not been defined. Sufficient time was also asked for in order that the dealers could clear away their present stocks. Mr. Desai is reported to have stated in reply to the representations that the Ordinance, in order to be effective, could not allow any exceptions and had to be all-embracing in its scope. He further warned merchants that the Government were determined to enforce the Ordinance.

Governor and Price Control

An explanation of the price control policy of the Government of Sind was part of the address which his Excellency the Governor delivered on the occasion of the Durbar at Hyderabad. Sir Hugh Dow was particularly anxious to dispel the impression going round that the Government had profiteered at the expense of other distress areas in the country, by controlling prices within the province, and selling the foodgrains outside at higher rate. He said: "The Government of Sind do not want to make money out of the misery of other people. And when other neighbouring provinces bring down their prices to the Sind

level, the Province will very gladly sell for export at those rates. Meanwhile, the profits that the Sind Government are making are being used for the benefit of those people out of whose pockets the profits are taken; that is certainly better than putting into the pockets of profiteers in other provinces." His Excellency also referred to the demand that has been made by zamindars for an increase in the control price of foodgrains within the Province, and hoped that they would not wish the poor to starve "in order that you, who are rich already, may be richer still." He further advised them that growing more food was the real way of making more profit from land. He thought that by more careful use of water the zamindars would be able to cultivate larger areas of land than at present, and by paying more attention to getting better seeds and adopting better tillage methods get larger yield from their lands.

OFFICE OF THE CHIEF CONTROLLER OF IMPORTS

The quotas for goods included in part IV of the I.T.C. schedule for grant of licences for shipment from the United Kingdom during the shipping period January-June, 1944, have been fixed, and licensing instructions have been issued to the Import Trade Controllers. Quotas for certain classes of consumer goods have been substantially increased as compared with those fixed for July-December, 1943. Importers should now approach the Import Trade Controllers at the ports concerned for their quota licences.

2. Importers are further informed that only a limited quantity of the following articles is to be licensed for shipment from the U.K. during the shipping period January-June, 1944:

- (a) Stationery falling under Serial No. 168 in part IV of the Import Trade Control Schedule.
- (b) Photographic goods falling under Serial Nos. 303 and 305 in part IV of the Import Trade Control Schedule.
- (c) Musical instruments falling under Serial No. 310 in part IV of the Import Trade Control Schedule.

3. Applications for goods mentioned in para 2 above in the form prescribed for applications to the Chief Controller of Imports should be submitted so as to reach the Import Trade Controllers at the ports concerned for later than the 10th January, 1944. Information about the applicant's imports during the years 1940-41 and 1941-42, supported by the necessary documents, should be furnished to the Import Trade Controllers along with the application. The Import Trade Controllers after verifying the figures of past imports will forward the applications to the Chief Controller of Imports for consideration on merits and issue of licences. Applications received by the Import Trade Controllers after the 10th January, 1944, will not be considered.

A DELHI DIARY

NEW DELHI, Dec. 16.

There is still a good deal of speculation regarding the forthcoming speech of the Viceroy at Calcutta. So far as I am able to gather it is not likely to have any great political significance, for apparently no new political policy is contemplated at present. Its value will mainly consist in the appreciation which it gives of the economic situation. The firmness shown by the Viceroy is responsible for the Punjab Government's decision to agree at last to rationing and price control. As these are the cardinal principles of the new Food policy of the Government of India, the fact that all the provinces have now publicly accepted them removes one difficulty, but it is not yet clear yet how the policy is going to be enforced in provinces like the Punjab. There is already some criticism of the Government of India's concession to the Punjab in the matter of price control—the decision to defer price control to the next harvest. *The Civil and Military Gazette* comments: "It looks suspiciously like a Central bribe in return for the abandonment by the Provincial Government of a position in which it was rapidly becoming entrenched.... The only benefit of this deferment of price control will accrue to those in whose hands what is left of the last harvest now remains; and the general impression is that those are not the small grower but the holder, whether he be the landed proprietor or the merchant." Only the future will show how far the Punjab falls in line in actual practice with the other provinces, but there is little doubt that the fundamental basis upon which Lord Wavell is now working is to discourage parochialism in the policies of Provincial Governments and to secure a unified economic policy for the whole country. This is expected to be made clear in the Viceroy's speech on Monday next.

In the meantime there is also the report that the Premiers of the Muslim League Provinces, as they have been called, will again meet in Karachi to continue the discussions which they had in New Delhi. There is a powerful group which appears to think that the time has come for the five Muslim League Ministries to evolve a common economic policy of their own. In fact they go so far as to say that they should distribute their surpluses among themselves first and give only the remaining, if any, to the other provinces. This goes against the economic policy of the Government of India which treats India as one economic unit and makes no distinction between one province and another on any communal or political basis. It is understood that the present Punjab Ministry is not also agreeable to any such policy. For this reason the coming meeting of Muslim League Ministers in Karachi is of considerable importance. It remains also to be seen whether the Viceroy will agree to modify his policy to suit these new economic theories. It may be mentioned here that the Punjab is already selling wheat at a price of about Rs. 10 per maund.

A decision of some importance which has now been taken by the Government relates to the proposed setting-up of committees to deal with tobacco, coconut, rice and sugar on the lines of the jute and cotton committees now working, the usefulness of these two latter committees in the matter of research and development cannot be questioned. It is proposed that the rice and coconut committees should be financed by the levy of a small cess on the commodities, while

the other two—sugar and tobacco—will get its funds through contributions from the sugar and tobacco excise duties. Necessary legislation will be introduced during the coming Budget session of the Central Legislature. So far as tobacco is concerned there will be a central station at Guntur with separate experimental stations at Puri, Anand (Gujarat) and Trichinopoly. Twenty sub-stations are expected to be set up in the various tobacco-producing provinces such as Madras, Bengal, U.P., the Punjab and Bombay. Two other proposals of the Government of India which will also be taken up in the New Year are the appointment of a committee to examine the present organization of scientific and industrial research and suggest measures for greater co-ordination and the other to expedite the work of research utilization. I understand that Sir S. S. Bhatnagar is engaged already in preparing a scheme for a National Laboratory for research work, both scientific and industrial.

One of the important resolutions passed by the Committee of the Federation of Indian Chambers of Commerce and Industry refers to the question of India's contribution to the United Nations Relief and Rehabilitation organization and expresses the definite view that there should be no contribution from India to the organization. This question is expected to lead to a stormy debate in the coming session of the Central Legislature, for the Government of India have already committed themselves in a way by asking their Agent-General to sign the agreement. In the meantime, the news has arrived that the U.N.R.R.A. has accepted the recommendation of the Government of India that the rehabilitation of Indian evacuees in Burma and Malaya should be part of the U.N.R.R.A. activities. This will entail some additional work for the Indians Overseas Department, for it will be necessary to prepare all the data required for the relief work. It is not unlikely that the Far East Headquarters of the U.N.R.R.A. will be located in India for the present.

The return of the Labour Member after his tour of the coalmining areas has brought up again the question of coal shortage and the measures taken for dealing with it. As already announced the Government of India propose to levy a cess on coal production in order to raise a fund for welfare work in collieries. It is understood that coal mineowners' associations have agreed to raise the wages bringing the total war increase to 50 per cent. They have, however, requested the Government of India to make proper arrangements for the supply of consumer goods in order that this money may be properly utilized. A scheme for miners supplies is also under consideration. It is hoped that as a result of the new measures taken for improving labour conditions in the mining areas, more workers would become available during the coming year.

Reference has already been made in these columns to the progress of the investigations into the possibilities of the synthetic rubber industry in India. According to Sir S. S. Bhatnagar, an economic plant should have a minimum annual production capacity of 25,000 tons and the cost of such a plant will be about £2,000,000. He suggests that the technical skill required for this specialized industry is not available in India and in the initial stages it will be advantageous to obtain the necessary plant and technical plant from America.

ARGUS.

NEWS PAGE

The Indian Red Cross Society has been advised by the South African Red Cross of a donation of £7,000 sent for famine relief work in Bengal and other distressed areas. Contributions received by the Society for this humanitarian work now total Rs. 19,23,967.

Shortly the mints in India will be producing approximately 170 million pieces of small coin a month. This output is a record unequalled in the history of the Indian mints.

In respect of the time extended up to December 31, 1943, for the disposal by dealers of unstamped cloth manufactured before August 1, 1943, it is understood that the Industries and Civil Supplies Department have further extended the time-limit till June 30, 1944, for the disposal of certain classes of summer goods which comprise fine mulls, summer-text, dorias, mosquito netting and umbrella cloth.

Britain and the United States have come to an agreement that the Anglo-American supply of hides, importable and domestic, shall be divided between themselves in the proportion of 1:3.5. The United States will begin to share in rough-tanned Indian skins imported from India after the United Kingdom receives the agreed total.

Extending the concessions in the supply of seed already offered to farmers under their "Grow More Food" drive, the Bombay Government have decided to bear all the incidental charges involved in transport, storage and administration.

Eighteen thousand Lancashire cotton workers are to receive extra pay. The adults will have a 4s. weekly increase and juveniles 2s.

The Government of Bombay have issued an order banning the export of ghee by rail, road or sea from Bombay Province to any place in India outside the province except under a licence.

With a view to conserving the cattle wealth of the State, the Government of Mysore have prohibited the slaughter, and the purchase, sale or transport for purposes of slaughter, of healthy bullocks under ten years of age, heifers, cows in milk, pregnant cows and cows of calf-bearing age.

The United States Senate has voted approval of eight cents hourly wage increase for 1,100,000 railway workers. But it is feared in some quarters that this increase might crack Government's anti-inflation line.

To make woollen cloth available for civilian consumption, the Government of India will place orders with mills on their own account and make arrangements for the distribution of the cloth through licensed dealers. The maximum wholesale and retail prices will be fixed on a cost plus percentage basis (to cover profit, transport and other incidental charges) similar to the procedure adopted in the case of Standard Cloth.

A 27½ per cent. rise in the dearness allowance of coal miners and also cheaper and larger food rations for them are understood to be among the measures contemplated to overcome labour shortage in coal mines.

Germany's national debt increased by 63,000 million marks during the fourth year of the war. The increase is also due to the cost of maintaining bombed-out and evacuees and to raid-compensation—expenses of which have greatly increased recently.

During the last two years, with the aid of a liberal Central subsidy, some 800,000 acres of cotton cultivation has been diverted towards food crops in the Central Provinces. Cultivation is being expanded by no less than 700,000 acres by the breaking up of waste lands and bringing fallow areas under the plough.

Producer gas plants may now be tested for Efficiency Certificates at the Madras Engineering College, Guindy, or at the Laboratories of the Board of Scientific and Industrial Research, University Buildings, Delhi, where research work is also in progress. Arrangements are being made for similar testing stations at Calcutta and Bombay.

The fourth annual session of the Indian Society of Agricultural Economics will be held at Walchandnagar between the 25th and 28th of this month. Sir Manilal Nanavati will preside. Agricultural Tenancy, Long-term Agricultural Finance and Marketing Legislation will be the subjects to be discussed.

Soviet Survey

There is nothing surprising about the views that the Soviet economist Professor Varga is reported to have stated that he prefers the old-fashioned gold standard to the proposals for a clearing union or an international exchange fund, writes Donald Tyerman of the *London Economist*. Russia is the second largest gold producer in the world. No figures about current output are definitely known, but it may be that a quarter of the world production is Russian. Before the war Russian economy was not interwoven with world trade or world finance. In relation to the great size of the Russian production, Russian foreign trade was very small indeed. It consisted of specific deals to obtain specific quantities of specific goods. It was essentially bilateral in character and short-term in its credit aspects, and the role of gold was simply to balance the gap in each deal between high-priced imports of industrial goods and low-priced exports of food and raw materials. Gold in fact was Russia's war chest. Russian production, trade, investment and consumption before the war were geared to rearmament and readiness for war after the first period of industrialization by forced savings was over. Gold represented a ready means of payment; Lend-Lease has left the Russian stocks and resources of gold unexhausted.

Interests In Gold

Thus the three great gold powers have different gold interests. Russia is a big producer and has big stocks. The U.S. has very big stocks. Britain on the other hand is in effect the intermediary in the matter—between South African producers and the U.S. Interest in gold, therefore, is the biggest, for different reasons, in Russia and the U.S.

There is no disposition in Britain to rule out the obvious usefulness of gold as a suitable means of international settlements. Almost all the plans for world currency and exchange arrangements voiced in Britain make a provision to fit the use of gold in this way into the more general framework of stabilization by adjustment and agreement. But there is general determination not to go back to the old gold standard. The view that it is the right and duty of every nation to pursue policies calculated to produce full domestic employment without being inhibited by shifts and changes in external costs and prices is practically unanimous. So long as there is a fundamental lack of balance in world payments and world flow of goods and capital, no international system will work. This is as true of clearing unions, stabilization funds and world investment banks as it was of the gold standard when the attempt of every nation to obtain and maintain a surplus on foreign account meant that national policies in the sum sought an aim that was physically and arithmetically impossible. The view in Britain, then, is that the greatest need is to tackle the causes of this fundamental lack of balance, and the task is to combine full domestic employment with freer external trade.

The Russian approach so far is very different. It is realistic in quite another sense. It is not the approach of a great trading nation but of a vast self-sufficient community which wishes from time to time to go out to obtain certain specific requirements for cash—i.e., gold—or by barter in definite parcels and in separate deals. This old Soviet policy may alter after this war; as reported, however, Professor Varga's article indicates no change one way or the other.

Soviet Power Resources

"The war has once more proved that the development of electric system is the most powerful means of economizing all State resources under all the circumstances," writes Gleb Krzhizhanovsky of the Soviet Academy of Sciences. "From the military point of view the main power source of the country in the future will still be its electric power network. In the scientific approach to the construction of electric power systems, important parts are played by a study of power 'balance sheet' of the country. In working out items of this balance we first of all considered the progress that ensures the necessary connections between power stations and industrial environment wherein they are located. Our conclusion was that the modern electric power system should not only make the widest possible use of local power resources, with reference given to those sources which are renewable, but should also ensure the development of gasification of cheap sorts of local fuel which have poor heating coefficients and also the construction of steam-driven stations. It is well-known that the U.S.S.R. is progressive in respect of methods of combined utilization of heat, energy and electric energy, and in practical use of steam-driven power stations.

"The needs of wartime have shown very clearly that gasification is a decisive factor in the utilization of many kinds of local fuel. Since the war began we have made considerable progress in the matter of assisting our practical workers in the installation of necessary gas generators to supply many different kinds of internal combustion engines. In addition to this, the first steps which we have taken towards the solution of the problem of underground gasification of coal prove that the final solution is not far distant. From the very outset we have seen the tremendous significance which underground gasification will have in combining the work of chemical plants and electric power stations."

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GLEANINGS

THE NEW YORK STOCK EXCHANGE

According to the *Wall Street Journal*, Emil Schram, President of the New York Stock Exchange has enunciated a plan which proposes to make American facilities more widely available for the listing and trading of foreign securities. Such an extension of exchange listing would widely increase the number of foreign companies whose securities are at present available through the New York Stock Exchange. There are only 23 such foreign companies today. Fifteen of these are Canadian, three British, and three Cuban while Sweden and Argentina are represented with one each. The proposal is still in the study and preparation stage; the final form of the plan will be set only after leading authorities in banking, industry, foreign commerce and government have studied it carefully and made recommendations. Perhaps the most significant thing about the proposal is that it is the first large-scale attempt on the part of private finance in the United States to develop a method of channeling private American funds to those foreign centres which will require rehabilitation and reconstruction capital.—U.S.O.W.I.

FOOD AND HEALTH IN ENGLAND

Sir John Boyd Orr has recently given an encouraging picture of the nutritional state of the people in England, writes the *London Economist* in its issue of September 25. In his survey of Food, Health and Income, published in 1936 but relating to 1934, he estimated that no less than half the population was not getting a standard of nutrition necessary for health. Considerable improvements took place during the late 'thirties, with increased public health measures, child welfare services and advances in the knowledge of dietetics; and the results of a comprehensive survey in 1939, covering 1,500 families from the north of Scotland to south of the Thames, showed that the undernourished proportion had fallen from a half to a third, and that the worst third was better fed than the worst third in the former survey. The position has been further improved since the war. Sir John Orr attributes this to the scientific feeding policy adopted by the Ministry of Food, based on the nutritional needs of the people; to the equitable distribution of essential foodstuffs, the adoption of more balanced diets, the use of wholemeal bread instead of white bread, the extension of the milk schemes, the development of communal feeding and works canteens; and, above all, to the increased purchasing power in the hands of the working population. Boys of 13 in Glasgow are on the average 0.88 inches taller than before the war, and boys of 5 are 0.44 inches taller; and in spite of congested housing conditions the Scottish infant mortality rate is lower than at any time before. The really important thing is that the lessons of wartime should be carried over into the peace. In wartime, it pays to keep fighting men and working people fit and healthy. In peacetime, there may not be the same incentives. It would be disastrous if the appalling spectre of poverty and malnutrition that has so long haunted Britain's industrial centres were to reappear. Sir John Orr is outspoken on this point. The recommendations of the Hot Springs Conference that every one of the United Nations should undertake to bring within the reach of every family sufficient food for their subsistence, are, in his view, the most important and revolutionary advance yet made. "If they are not accepted I shall despair of post-war reconstruction, and I shall have no faith in promises of any kind."

RELIEF TO CHINA

An idea of the actual nature and extent of the relief and rehabilitation services that the U.N.R.R.A. will be called upon to render can be had from a report (appearing in the *China Information Bulletin No. 77*) of an interview given to the Press last month by Dr. T. F. Tsiang, Chinese delegate to the U.N.R.R.A. Conference. Dr. Tsiang estimated that 84,000,000 people in China would need relief when the Japanese have been conquered. He explained that Free China has a population of 220,000,000, that Chinese in occupied areas total 200,000,000 and that about 40,000,000 are refugees. About 30 per cent. of those in the Japanese-held territory and about 60 per cent. of the refugees will need relief. Transport in the form of ships, trucks, locomotives and cars would be the first on the list of needs while health and medical supplies would come next. The third on the list will be food supplies of which 8,700,000 tons would be needed to take care of the population needing relief for a period of six months. Of this the Chinese Government will undertake to procure within China or from neighbouring lands 5,500,000 tons and the U.N.R.R.A. will be requested to supply 3,200,000 tons, mostly rice and the rest wheat, wheat flour and protective foods such as dried milk-powder. The fourth on the list will be agricultural rehabilitation, to make further food relief unnecessary. China will need fertilizers or fertilizer manufacturing plants, tools, seeds and breeding animals. Fifthly, power plants and waterworks in principal cities must be restored as soon as possible, and sixthly, temporary shelters have to be constructed. The materials needed must be found and procured in China with the exception of nail hinges and carpenter tools. In many lines of activity China intends to invite the services of a number of foreign experts to be supplied by the U.N.R.R.A. It is estimated that the total tonnage required for relief and rehabilitation in China will be approximately 40,000,000 tons of which 12,000,000 will be shipped from abroad, and the total cost of these shipments from abroad will be between \$400,000,000 and \$500,000,000.

Dr. T. F. Tsiang, replying to questions, said that relief measures for China would be in three stages. The first stage will be air transport during which needed medical supplies and personnel and other experts could be sent by plane. Second comes the Burma Road stage during which more medical supplies and certain transport facilities could be shipped. Third will be the open port stage during which movement of supplies would be in full swing. Food shipments would only start in the third stage. Asked if goods could be shipped overland via Russia, he said some could but 95 per cent. of such goods would be military supplies.

INDUSTRIAL RECONSTRUCTION

In a memorandum on post-war industrial reconstruction, the Internal Combustion Engine Manufacturers Association of Great Britain express confidence that the British industry's war-time achievements demonstrate its ability to meet world competition in the transition from war to peace production, unless it is impeded by bureaucratic restrictions or political interventions. Special problems include firstly, a greatly intensified export competition from the U.S.A. aggravated by replacement of British by U.S. manufactures in many overseas markets during the war; secondly, war-time development of secondary industries in the Dominions, etc. The ICEMA advocates a co-operative

policy between British engineers who have technical knowledge and experience and Dominion interests who are anxious to see all possible domestic production. Most Dominions have established local internal combustion engine industries during the war to assist the war effort generally at the request or, indeed, pressure of the British Government. British makers are often assisted by supplying working drawings and know how the Dominions seem genuinely determined not merely to maintain but expand these new industries to the fullest possible extent after the war.

Significantly, Government departments in the Dominions and India or their London High Commissioners or industrial concerns at their Government's instigation are now making applications to members of the ICEMA requesting complete information for the manufacture of particular engines which are normally in greatest commercial demand in a particular Dominion. This will substantially transfer production and the employment of some of the most skilled men from Britain to the Dominions. The general long-term economic argument that this tends eventually to increase the Dominions' buying power, is small comfort to any industry which is specially prejudiced. It seems there is little doubt, however, that British engine-makers must make some arrangement with the Dominions, probably by joint companies for local manufacture, since the Dominions are likely to insist on the satisfaction of their very clearly expressed aspirations.

The ICEMA emphasizes the necessity for post-war Anglo-U.S. co-operation and favours the method of practical negotiation between individual British and the corresponding U.S. industry. U.S. industries want immediate post-war extinction of all Governmental controls, but British industries are convinced that this would reproduce many a disaster which followed the termination of the last war.

WAX FROM CANE MUD

Twenty thousand hundred-weights of carnauba

and other waxes used to be imported into India annually before the war, but now the supply is restricted, writes our Cawnpore correspondent. The need for waxes, especially in the manufacture of polishes, is keenly felt in the country. Cane wax can solve the supply problem to some extent. Experiments carried out at the Imperial Sugar Institute show that cane wax can be extracted from press mud of sulphitation factories and by using the following as solvents: benzene, carbon-tetrachloride, carbon di-sulphide and petroleum ethers of different boiling points, etc. The samples of both crude and refined waxes thus obtained were sent to industrial concerns for examination of their suitability for the manufacture of leather polishes. The Tata Oil Mills' laboratories at Tata-puram report thus: The results of trial use indicate that the refined wax can probably be used to replace carnauba wax to some extent. It has rather poorer binding and polishing properties as compared with carnauba wax. But a point in its favour is that it gives a softer product, although its melting point is only slightly lower than that of carnauba wax. Hence if it is used to replace carnauba wax partly in our boot polish formula, the tendencies of cracking and hardness might be rectified.

None of the solvents mentioned above can at present be obtained in the country and hence a search was made to obtain some suitable solvent which might be produced in large quantities here. Methyl alcohol and rectified spirit were used for extraction. The percentage quantities of wax obtained from these solvents were 8.1 and 10.2 respectively. The cost of production of wax has been calculated to be approximately four annas per pound on the assumption that press mud is obtained free of cost at the factory. The specifications for a plant producing one hundred-weight of wax per day have been drawn up and can be had from the Director of the Imperial Institute of Sugar Technology, Cawnpore.

LETTER TO THE EDITOR

FROM BAD TO WORSE

Sir,—When the Japanese war started the Government found India very much backward in industrialization specially because it was impossible to bring things from Europe to fight the Japs in the East, the most of the products were needed for the European war. The shipping position was very serious, there being an acute shortage of steamers. All these facts combined with the blows which the Allied suffered in the East created a demand for industrialization of India. Specially the American Government felt that to fight the Japanese war, it was essential to increase the industrial production in India. Consequently, the Grady's Mission visited India and they made recommendation with this end in view. The British vested interests were too much occupied with their own troubles, Hitler was established at El-Alamin, Singapur and Burma were just lost, and without American supply it was impossible even to fight the European war, let alone the conflagration in the East. In India also the disturbances created more anxiety for the British Government. But with the slow improvement in the situation both in the European theatre of war as well as in India a distinct change is noticeable. British interests have started taking stock of the position. The Mediterranean is free and there is more shipping space available for shipment of consumer goods as well as essential war goods from U.K. as well as America. The British vested interests have also realized the necessity of establishing their trade, and over and above the accumulating sterling balances have created a very great problem for the United Kingdom. Of course, much of it will be squandered and appropriated for one thing or another before the war ends, but still it will be impossible to repay the balance unless U.K. exports large quantity of goods to India. This could only be done by exporting consumer goods, and not capital goods as desired by India. Secondly, politically also the British Government seem to view the Indian situation in somewhat the following light. They feel, perhaps, that it has been mostly industrialists who have been financing national movements and as long as they exist, such movements are bound to crop up. General Smuts inadvertently made a statement at the meeting of the Parliamentary Association and the portion specially relating to the Black People in the British Empire was not allowed in the first

instance to be transmitted to India. He is reported to have said that there was no hope for the solution of the trouble of the Black People in the British Empire for another 20 years to come. General Smuts is the next man in the War Cabinet after Churchill and in the latter's absence he also presides at the meetings. As such, it appears that this is the main policy of the British Government. In order to strengthen their hold, therefore, they have revised the whole economic policy of India. They want to create slightly better circumstances for the agriculturists but kill the industrialists altogether. In short, their idea appears to be to develop in India a good market to feed the British industries.

We have to look at the various commodity controls against this background. Apparently introduced for our benefit, they are likely to operate in a way to further the above policies and objectives. The way in which the capital issues are controlled is not likely to further even essential industrial expansion of the country. The British Government, it appears, is specially against industries which may become a nucleus for production of goods required for the defence of the country. For instance, they are very much against, it would appear, to any kind of engineering workshop or a factory. Even the small factories which were established in India for the manufacture of bobbins are closing their doors because recently loads of Wilson Bros.' bobbins have been imported. Bicycles are another example of this policy. Another example is manufacture of tools for which once even the Government planned to establish a factory in Bombay. It is believed that this project is dropped. No further comment is required to expose the hollowness of their claim to promote industrialization.

Though they want the farmers to be slightly better off, they do not desire even the essential requirements of the farmer to be produced in this country. The Gregory Committee recommended very strongly the establishment of Fertilizer industry in India, and even many industrialists have come forward with proposals to start this industry; the files are, however, lying with the departmental heads of the Government and no action is being taken. Unless the country wakes up to the seriousness of the change in the economic policy of the Government and can compel them to alter it immediately, I see grave dangers ahead.—Yours, etc.,

A READER.

COMPANY NOTES

THE BELAPUR CO. LTD.

The year ended September 30, 1943, has witnessed increased prosperity for the company, as compared with the previous two years, in spite of several handicaps like shortage of labour and cane supplies. Actual trading profit after provision for taxation has however increased to Rs. 12.44 lakhs as against Rs. 8.40 and 6.10 lakhs respectively in the last two years. Naturally, the company has wisely set apart substantial portion of its profits towards depreciation and reserves, which amounted to Rs. 2.27 and Rs. 1.25 lakhs respectively as compared with Rs. 1.96 and Rs. 1.00 lakhs of last year. Besides, excise duty, insurance and repairs charges were higher during the year, still there was an appreciable increase in equity earnings by about 10 per cent to 27 per cent., consequently, higher dividends were declared. The trend of profits over the last three years is analysed in the following table:—

	Years ended 30th September		
	1941	1942	1943
Gross profit	8,70,863	9,15,784	14,94,471
Taxation	2,60,000	75,000	2,50,000
Depreciation	42,224	1,96,217	2,27,071
Earned after taxation and depreciation	5,68,639	6,44,567	10,17,400

Earned capital	percent	to			
..	15.1	17.1	27.0		
Paid (net)	5,26,372	4,51,176	6,76,764		
Paid per cent.	14.0	12.0	18.0		
Reserves	..	1,00,000	1,25,000		
Other funds	15,000	1,15,000	1,94,000		
Carry forward	27,267	5,659	27,295		

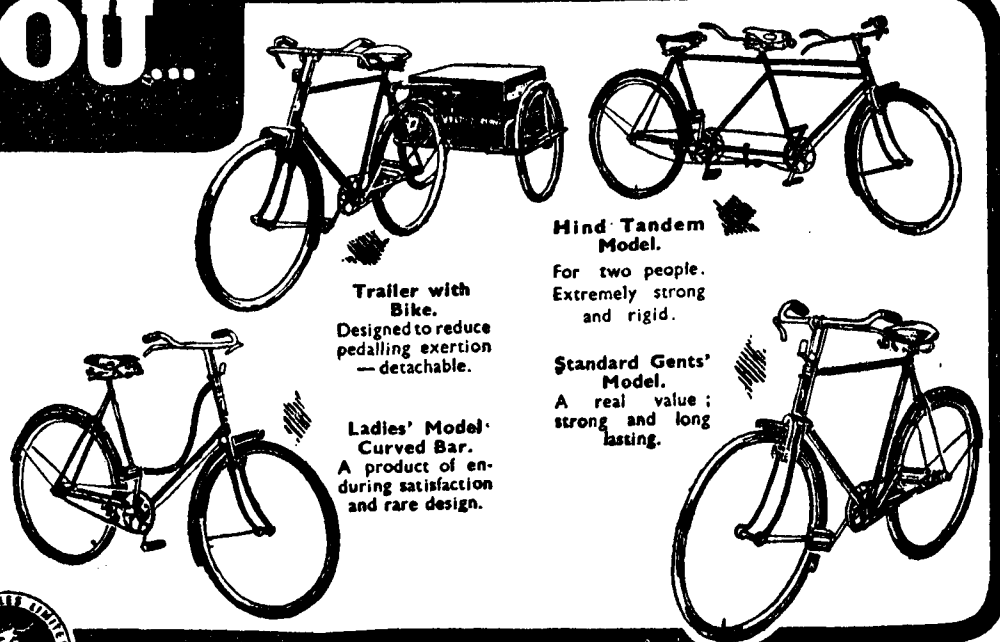
During the year under review total sales of sugar amounted to Rs. 41.53 lakhs, against Rs. 30.66 lakhs of last year, but closing stock was slightly higher. It is reported that scarcity of labour and transport difficulties retarded further progress, though the working of the factory was satisfactory. "There is still an acute shortage of labour all over the Deccan area and prospects in this regard are not very good for the 1943-44 harvesting season." The area under cane on the 30th September, 1943, was 4,560 acres 30 gunthas.

Against gross block valued at Rs. 52.57 lakhs, depreciation provided for amounted to Rs. 18.61 lakhs, leaving a net block of Rs. 33.96 lakhs. Liquid assets stand at Rs. 37.16 lakhs against current liabilities amounting to Rs. 18.37 lakhs. The capital of the company is Rs. 37.60 lakhs in shares of Rs. 50 each. Reserves form Rs. 8.68 lakhs or about 23.1 per cent. of capital. The shares of the company are now-a-days quoted in the market at about Rs. 253-cum-dividend which gives an yield of 3.6 per cent.

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BOOK REVIEW

LAND AND ITS PROBLEMS, VOLUME I: By Sudhir Sen, Visva-Bharati Economic Research Publication No. 3, Visva-Bharati, Santiniketan, Bengal. Price Rs. 5.

The present food crisis has only too clearly demonstrated the inadequacy and unreliability of agricultural statistics in India, which have long been subject to criticism. Particularly now when plans of reconstruction are in the anvil or at least being worked out on paper, there is urgent need for a factual survey and collection of primary data to explore the possibilities of raising the standard of living of the rural masses, which form the majority of the population in the country. In the absence of a comprehensive all-India survey, regional economic surveys, in spite of their limitations, when conducted under non-official auspices by trained persons who have the academic integrity, zeal and aptitude necessary for such work, are invaluable in revealing the real nature of the problems to be tackled and also as a basis for working out suitable developmental schemes for particular areas. With a view to meet this long felt need for accurate factual material, a small scale research experiment known as the 'Visva-Bharati Economic Research' was organized in January 1941, in the hope that some day by the unstinted efforts of the workers, it might develop into a full fledged research institute functioning on the model of Prof. Lauer's Agricultural Institute at Brugg (Switzerland), which is an outstanding example of private initiative directed to rural research and which has done a considerable amount of pioneer work in this line. The publication under review, Volume I of *Land and Its Problems*, embodies the result of the investigation conducted in the villages in the neighbourhood of the Sriniketan Institute of Rural Reconstruction. Dr Sudhir Sen, who was entrusted to carry out this difficult task has made a thorough and intensive study of the economic problems, with an eye to minute details. His judgments and conclusions reveal his clear grasp of rural conditions, not only in India, but elsewhere in Europe, and China and Japan. The references which he has made to these countries at the proper places are quite enlightening.

The villages chosen for investigation are typical of a much larger area of West Bengal, and lie in the districts of Birbhum and Bankura, being the poorest in the Province. The first part of the book covering 39 pages gives the general background to the study, emphasizing the importance of and need for regional surveys, explaining the defective nature of our agricultural statistics, and describing the physical characteristics of the two districts chosen for survey, the occupational distribution and pressure of the population on land in the area under investigation. From the evidence collected it is clear that denudation of forests has been mainly responsible for the deterioration of the soil at an accelerated pace and any economic rehabilitation of the area must, in his opinion, begin with the reafforestation of its waste lands. It is significant that most of the village industries have showed a sharp decline, due, no doubt, to the impact of machine goods and the consequent change in the habits of the rural population. The figures on holdings throw light on the overwhelming preponderance of small holdings about three-fifths of the families holding 3 acres and less. The author could have devoted greater attention to the study of this problem, on which only meagre data is available. Part II is entirely devoted to the economic of paddy cultivation which forms the most important and chief occupation of the agriculturists in the area. The varieties of paddy cultivated, their yield, the systems

of land tenure under which land is cultivated, costs of cultivation, and wages and conditions of agricultural labour, all these questions have been examined in detail. The progress of agricultural research in India and the extent to which it has actually benefited the agriculturists form the main theme of the third and the concluding part. The publication is a useful and welcome addition to the very few regional surveys that we have.

BOOKS RECEIVED

ANNUAL REPORT OF THE INDIAN MERCHANTS' CHAMBER, 1942: Published by J. K. Mehta, Indian Merchants' Chamber, Bombay. Price Rs. 5.
THE WAY OUT: By C. Rajagopalachari, Oxford University Press, Bombay. Price As. 8.

PRINCIPLES OF INDUSTRIAL ORGANIZATION: By R. C. Chowdhury, 4, Beli Avenue, Allahabad.

OXFORD PAMPHLETS ON INDIAN AFFAIRS NOS. 17 AND 18:

1. War-Time Prices. By P. J. Thomas. Price As. 6.
2. Burma. By Ma Mya Sein. Price As. 6.

OXFORD PAMPHLETS ON HOME AFFAIRS: Price 6d. each.

1. Britain's Future Population. By R. F. Harrod.
2. Will the War Make Us Poorer. By M. Young and Sir Henry Bunbury.
3. English Law. By J. L. Brierly.



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MONEY MARKET

(From Our Correspondent)

NEW DELHI, Dec. 9.

In spite of active borrowing by the Provincial Governments in the short-term money market, which should have possibly offset the excess of maturities over amounts tendered for during the recent weeks of the Government of India three months' treasury bills, the rates for those bills have failed to maintain themselves and have followed a downward trend. The total foreign assets of the Reserve Bank continue to increase and corresponding expansion of credit and currency of the country is unchecked. Even though the advances and deposits of the Scheduled Banks have increased and stand at very high figures comparatively, the prevailing busy season has failed to impress the money market, the balances of the Scheduled Banks with the Reserve Bank have been increasing and the markets continue to have plethora of funds. The demand from the Bullion market weakened during the week under review while those from the Stock Exchanges were fairly steady despite enemy air activity over Eastern India, which seem to have had little repercussion beyond the Calcutta and Madras markets and Steel shares. The call money rates continue to be 1/4 per cent. at Bombay and 1/2 per cent. at Calcutta.

Treasury Bills

Tenders for six crores of three months' Government of India Treasury Bills were opened on Tuesday the 7th December. The total amount offered was Rs. 13,7375 crores compared to about Rs. 11 crores previous week and was thus considerably higher. Tenders at Rs. 99/13 were accepted in full and those at Rs. 99/12/9 allotted approximately 15 per cent. The average rate for accepted tenders was Rs. 0/12/3 per cent. per annum compared to Rs. 0/12/11 of the previous week. The amount tendered for the next week was again Rs. 6 crores. Treasury Bills for Rs. 1,4050 crores were sold in favour of the Issue Department.

INVESTMENTS

(From Our Correspondents)

BOMBAY, Dec. 15.

Last week the Bombay Municipal Corporation decided to exercise its right to purchase the Bombay Electric Supply and Tramways Co., Ltd., in 1947 as provided for in the deed of concession between the Company and the Municipality. The decision was taken against the advice of the Municipal Commissioner who was asked to report on the matter. According to the Commissioner the Company's properties as at the end of 1942 was worth Rs. 549 lakhs excluding the cost of omnibuses which is privately estimated at about Rs. 75 lakhs. Moreover Rs. 40 lakhs will have to be paid to the Company if it is taken over in 1947 as goodwill. The Corporation would thus have to raise about Rs. 675 lakhs in addition to further sums which may be needed for replacement of the rolling stock etc. The Corporation would have to raise large sums in the near future for augmentation of water supply and improvement of drainage in the Bombay City and therefore it would be inadvisable to have such vast commitments. The effect of this decision was a sharp fall in the prices of these shares from Rs. 158 to Rs. 140 for the Ordinary Shares and the Preference Shares have dropped from around Rs. 80 to Rs. 68-8. According to the agreement the valuation of the Company's properties are to be arrived at on the basis of *bona fide* value of the property in 1947 plus Rs. 40 lakhs. What this valuation will

Reserve Bank

A conspicuous rise of Rs. 7.1739 crores in the total note issue is a notable feature of the accounts of the Reserve Bank for the week ended December 3. But the effective expansion of currency has been even greater, for the notes held in the Banking Department have gone down by no less than Rs. 2,8821 crores and the increase of notes in actual circulation is consequently over Rs. 10 crores. The sterling assets have increased correspondingly by 10 crores and stand at Rs. 6,92,8396 crores, and the silver coins held in the issue department have declined over a crore. The percentage of Reserves to liabilities is 90.811 per cent. compared to 90.627 per cent. last week.

The liabilities as well as assets of the Banking department show a conspicuous decrease compared to last week standing at Rs. 179,7066 crores in place of Rs. 185,5931. This difference of over 5 crores is explained on the assets side by the decline of over 2 crores in cash and over 3 crores in the balances held abroad. This reflects a transfer of a portion of sterling accumulation in the Banking department to the Issue department. On the side of the liabilities, as could be expected under the circumstances the Government deposits which had been increasing rapidly with increasing balances held abroad for the last two weeks have fallen greatly with the reduction of these assets with the Banking department. They have declined to Rs. 57,3494 crores from Rs. 73,0772 crores previous weeks. On the other hand balances of other banks with the Reserve Bank have mounted up by over 10 crores and are now as high as Rs. 94,4063 crore compared to Rs. 84,0837 crores previous week.

Scheduled Banks

The deposits of the Scheduled Banks which rose sharply last week advanced further during the week ended December 3. The demand liabilities increased by about Rs. 46 crores and the time liabilities by Rs. 2.8 crores. The advances have also increased over a crore. The balances with Reserve Bank have increased over Rs. 10 crores. The cash held and bill discounted also show slight increases in amounts.

be in 1947 is more than one can say at present, it will depend upon the general state of economic conditions at that time. Today's inflated prices are hardly likely to continue. The Commissioner's valuation has apparently taken no consideration of the depreciation already provided by the Company. But on that estimate the break-up value of the share is anywhere between Rs. 115 and Rs. 125. The dividend on Ordinary Shares has been long maintained at Rs. 6 per share and its recent high prices of Rs. 158 was mainly due to good yield which the share was giving in comparison with other industrial shares. All-round quiet conditions are ruling on the Stock Exchange. The sharp drop in gold and silver prices has had sympathetic effect in the share market. Holiday feeling is growing, Associated Cements, however, are ruling remarkably steady despite lowering of the dividend from Rs. 8 to Rs. 7. The share has improved to Rs. 227 mainly because the share has a good post-war future even though at present shortage of coal is hampering production in several factories. Bombay Steams which at one time touched Rs. 720 have declined to Rs. 665. Interest in Premier Construction which is essentially a holding Company has once again declined after touching Rs. 251. At one time its present quotation is around Rs. 231. Even though the market value of various shares held by the Company has recorded sharp rise it cannot be forgotten that the prosperity of these companies is linked up with the war. One estimate puts the current value of in-

vestments of Premier Construction at anywhere between Rs. 2½ and Rs. 3 crores. The share at its present market value (face value Rs. 30) however can only be good as a war-time investment.

MADRAS, Dec. 10.

The bullish tendency following the Teheran Conference decisions planning a global victory over the enemies of aggression and thus the prolongation of the war was counter-acted by the bearish sentiment caused by the enemy raid on Calcutta. Thus markets were more or less steady at the levels of the last week-end but towards the close of the period under review, a firmer tendency prevailed. On the Stock Exchange, bank shares were again in the limelight and sensational rises have been noticed in the popular counters. Indian banks all the three shares were bid up to Rs. 290, Rs. 152 and Rs. 88-8-0. Reserves were done at Rs. 126. Bank of Hindustans received good support and the quotation improved to Rs. 39-8-0. Indian Overseas rose to a premium of Rs. 3. Indo-Commercial attracted good buyers. Imperial partly paid after the sharp rise last week reacted to Rs. 504. In the textile section, quotations were steady but the volume of business was less than in the past week. There was selective buying in the Coimbatore group and at the lower levels, touched last week-end, there were buyers. In the Planting section, turnover was

of a small nature. Cochin Malabars were steady around Rs. 17-10-0. Coorg Rubbers were done at Rs. 80 and Tropicals at Rs. 45-4-0. Pullangodes lost further ground touching Rs. 2-11-0. In spite of the statement made by the Controller of Rubber that unless the cost of production of raw rubber was shown to have increased so as to cause considerable reduction in the profit earned by the estates, no increase in the price of rubber would be sanctioned, rumour still persisted that the announcement by the Government of India increasing the price of rubber from 77 cents to Re. 1 was imminent. This is probably due to the belief that rubber is still the cheapest of the war commodities. There was not much doing in Public Utilities and Fixed Interest Securities. In the Miscellaneous section, sugars, chemicals and breweries were firm. Travancore Sugars have declared a dividend of 9 per cent. and the shares were quoted Rs. 17-2-0 c.d. There was good activity in the Mysore group of shares. Mysore Chemicals and Fertilizers after touching Rs. 34-4-0 c.d. declined to Rs. 32-12-0 c.d. There was continued absorption of Mettur Chemical shares. The gilt-edged market was slightly easier with three and a half per cent. paper declining from Rs. 97-11-0 to Rs. 97-4-6. Three per cent. Loans 1963-65 and five per cent. Loans 1945-55 were also fractionally lower. There was fair interest in State Loans and Madras Provincial Loans.

COMMODITY MARKETS

BOMBAY, Dec. 11.

(From Our Correspondents)

Cotton

The cotton market was steady throughout the week, and the rates show an advance of Rs. 6 to 7 over last week. However, the debacle in the silver market adversely affected cotton inasmuch as the bulls in the former also unloaded cotton, and there has been a sympathetic decline in cotton prices over the fag-end of the week. However, the undertone of the cotton market is steady, especially on account of decreasing estimates of the Indian cotton crop which is now placed at 45 to 50 lakhs of bales only. In the spot market, cotton has ruled very firm and the latest quotation for N.T. is Rs. 625, and Punjab 289F Rs. 635. I.C.C. Jan. is quoted at Rs. 566.

There was a marked appreciation in the prices of certain of the foreign cotton. For example, AR Mwanza shot up to Rs. 865 and Kampala BP 52 new crop has been quoted at Rs. 1,050. Sudans are not available. Prices of Egyptian cotton have been firm following the advance in the Alexandria spot market quotations.

Piecegoods

There has been declining activity in the cloth market during the last two weeks. This week, the general tone is very much depressed, and there has been an all-round reduction in the rates. For example, Leopard cloth in 35" and 37" is quoted at Rs. 2-1-6 and 41" and 43" at Rs. 2-2-6 or even a little less. The fall has affected almost all the lines. The main cause of the fall was the Press Note in connection with unstamped goods, which prescribes no latitude in the time limit which is up to the end of December, and which for certain classes of goods only is extended up to 30th June, 1944. There is a consensus of opinion among traders that unmarked goods could be successfully dealt with in one of the following ways: (a) Government should take up un-

marked goods at reasonable rates and make them available to the public along with standard cloth; (b) the unstamped goods should be stamped at the 'ceiling' rates or even five per cent. lower if necessary; (c) these unmarked goods may be allowed to be purchased by the B.N.P. Merchants' Association and sold to the public at fixed rates. The Government being determined to have the goods distributed to the public, have stated that they would confiscate all unsold stocks which have been unstamped after the expiry of the dates mentioned above.

Groundnuts

The Ministry of Food is reported to have bought large quantities of groundnuts at £34-2-6, the shipment period being within 120/180 days. The Ministry is not going to pay premium for earlier shipments. Reports from London state that West African groundnuts are or will be available under £20 per ton, the quotation for groundnut from India being £34-2-6. In the local market, bold groundnuts were sold for January/February delivery at Rs. 15-8-0 and for Dec./Jan. at Rs. 15-7-0. Some business in Khadesh quality was done for Dec./Jan. at Rs. 16-5-6 and for Jan./Feb. at Rs. 16-2-6. Business in Madras-Marmagao was done for Dec./Jan. at Rs. 16-12-0 and for Jan./Feb. at Rs. 15-5-6.

Castor Seeds

Some business was reported for Jan./15th/Feb. delivery at Rs. 16-12-0. Madras castorseeds were sold for Bombay delivery at Rs. 17-8-0 and for Marmagao delivery at Rs. 16-12-0.

Linseed

A few transactions took place at Rs. 13-14-0 on Bazar terms.

Oil Quotations

Ground Oil: Ready Rs. 10-12-0 per qr.; Dec. Rs. 10 per qr.; Jan. Rs. 9-12 per qr.; Feb. Rs. 9-10 per qr.; Coconut Oil: Rs. 10-1-0 per qr. Linseed Oil: Rs. 11-0-0 per qr. Castor Oil: Rs. 12-0-0 per qr.

MADRAS, Dec. 10.

With a reduction in the price offered by the British Ministry of Food by 10sh to £34-2-6, the local groundnuts market eased substantially at the close of the week. Firms' limits opened at Rs. 75-8-0 and declined to Rs. 74-2-0. Exporters were buying in fair volume during the week. Arrivals of purchases made in the past few weeks were very heavy and in the words of a prominent exporter, "the market has been choked up and the difficulty of godown accommodation has become a pressing problem. The position is bound to worsen if the Ministry do not lift the cargo awaiting shipment immediately. There were free sales during the early part of the week but at the close, sellers were few as the market had not adjusted itself to the reduction in the price announced by the Ministry. There were again large sales to the Ministry this week to the extent of about 20,000 tons at £34-2-6. In all, it is stated, that the Ministry have bought 2 lakhs of tons thus far in this season. It is stated that the Madras Government have restricted exports of groundnuts outside the Presidency whether for shipments to the United Kingdom or to other destinations and/or diversions to other provinces to a maximum of 400,000 tons during the year November 1, 1943 to October 31, 1944. The oil market was steady with good internal demand. There were fair enquiries from outside the province. Cake continued to be firm.

Piecegoods

Conditions in the piecegoods market were stagnant during the period under report. There were some enquiries for texmark goods and business was done. Arrivals from producing centres were meagre. It is understood that ceiling prices for all the varieties manufactured in this province have been fixed and that these have been communicated to the respective mills. The comprehensive all-India price list of the revised ceiling rates is expected to be published before the end of the month. Prices of unstamped goods have declined up to a maximum of 15 per cent. during the period and some distress sales have been made. The immediate outlook of the market is easy. A conference of official representatives of the Provinces and States has been convened by the Central Government and it is to be held in Bombay on December 18. The conference is to discuss and concert measures for the strict enforcement of the Cotton Cloth and Yarn (Control) Order. What is of immediate importance to the market is that the conference would consider measures to be taken after December 31, for the seizure of unstamped cloth and yarn lying with the merchants and for the subsequent disposal of the confiscated goods. The market is keenly awaiting the outcome of this conference. In the meantime, it has been suggested to the authorities by the Merchants' Association that they might consider the question of stamping these goods too with the prices in relation to the new ceiling prices and allow the merchants to effect the sale.

Yarns

The announcement of ceiling prices for yarn has not affected the yarn market either way. There has been no change in the quotations which have been ruling below the ceiling rates. In certain lines where stocks are scarce, it is stated that the mills are not inclined to sell at the ceiling prices. Arrivals from producing centres and demand from the weavers were fair.

HAPUR, Dec. 13.

The market was marked by wide and colourful fluctuations in the *Urad* with active turnover. Beginning with an easier feeling it soon turned actively firm on account of alround buying purchases influenced by the reports of commencement of forward transactions in Delhi and Ghaziabad, as a result of which the traders of those *mandis* made straddle purchases here. The Punjab and Delhi traders figured as principal buyers while the eastern markets showed reluctance at higher levels. On the closing day of the week, the manipulators of eastern markets came in as staunch sellers and they absolutely bombarded with selling orders "at best" in view of lower spot values and excellent crop conditions. The spot demand on military account has subsided and all the fresh arrivals from nearby villages and mofussil centres are being stocked locally for delivery purposes. The pressures of arrivals from villages have now reduced, the daily average being 800 maunds. *Urad Magh* opened at Rs. 10/12/10½ and closed at Rs. 11/0/6, touching the highest and the lowest peaks at Rs. 11/6 and Rs. 10/12/10½ respectively.

Juwar

There has been in evidence a two-sided sentiment in the local *juwar* market during the week under review; the former part of the period being steady while the latter quiet and easy. Due to no arrivals of *juwar*, the traders are buying *Poos* delivery and selling *Fagun*. The straddle between *Poos* and *Fagun* deliveries has further widened to Re. 9/10/6. *Juwar Poos* touched the highest level at Rs. 7/0/3 and the lowest at Rs. 6/13/0. The opening and closing rates were quoted at Rs. 6/14/.

The commodity markets during the week reviewed remained quiet with fluctuations confined to narrow ranges. The conditions were generally the same as were noticed in the preceding week. The standing *Rabi* crops are progressing under ideal weather conditions. *Moong*, *Gur* and *Bardana* markets also ruled easy. *Gur* prices are expected to decline further. The daily arrivals of *Gur* averaged 3,500 maunds.

Today's quotations are:

Wheat: Ready Rs. 11/4, Stock 187 *khattis*; Gram Rs. 9/10, Stock 4 *Khattis*; Barley Rs. 7/4/6, Stock 9 *Khattis*. Peas Rs. 7/12, Stock 100 *Khattis*. *Arahar* Rs. 7/10, Stock 261 *Khattis*; *Gur* Rs. 7; Raw Sugar Rs. 8.

OFFICE OF THE CHIEF CONTROLLER OF IMPORTS, NEW DELHI.

Import Trade Control—Public Notice.

Holders of import licences for goods falling under Part I of the Schedule annexed to the Govt. of India, Commerce Department, Notification No. 23-ITC/43, dated 1st July, 1943, and for goods covered by the Machine Tool Control Order, are informed that such licences valid for shipment in July-December 1943 do not stand automatically revalidated for shipments to be made in January-June 1944. If, however, the goods are not shipped within the period of validity of the licence, importers may apply to the respective licensing authorities for extension of such licences. Each case will then be considered on merits. (35)

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)

	Dec. 3, 1943	Dec. 1, 1943	Dec. 9, 1942	Aug. 30, 1939
Total Bullion ..	1,667	1,827	901	263,700
Public Deposits ..	6,300	12,900	5,400	31,100
Other Deposits ..	207,230	225,600	192,200	129,100
Of which Discounts Deposits ..	154,600	168,000	146,600	90,100
Govt. Securities ..	150,600	204,300	131,000	113,100
Other Securities ..	16,100	24,900	19,700	31,000
Of which Discounts and Advances ..	8,200	6,100	3,300	6,400
Notes and Coins ..	56,400	21,000	61,400	34,200
Notes in Circulation ..	1,045,300	1,030,800	889,500	529,500
Ratio of Reserve to Liabilities ..	26.40%	8.81%	31.06%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Dec. 3, 1943	Dec. 2, 1943	Dec. 10, 1942	Aug. 31, 1939
Total Reserves ..	20,168,000	20,203,000	20,811,000	14,680,610
Total Bills Discounted ..	108,000	53,000	9,000	6,190
Bills bought in open market ..	...	...	...	550
Total U.S. Government Securities ..	11,031,000	10,447,000	5,546,000	2,426,190
Federal Reserve Notes in actual Circulation ..	16,528,000	16,343,000	11,902,000	4,609,280
Deposits — Member Bank Reserve Account ..	12,569,000	12,562,000	13,267,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note-Liabilities combined ..	64.1%	65.6%	78.8%	85.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON DECEMBER 3, 1943.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.
Notes held in the Banking Department ..	7,42,81,000	
Notes in circulation ..	804,42,56,000	
Total Notes Issued ..		811,85,37,000
Total Liabilities ..		811,85,37,000
Assets	Rs.	Rs.
A. Gold Coin and Bullion:—		
(a) Held in India ..	44,41,43,000	
(b) Held outside India ..		692,83,96,000
Sterling Securities ..		737,25,39,000
Total of A. ..		16,27,39,000
B. Rupee Coin ..		58,32,59,000
Government of India Rupee Securities ..		811,85,37,000
Internal Bills of Exchange and other commercial Paper ..		
Total ..		811,85,37,000
Ratio of Total of A to Liabilities: 0.811 per cent.		

BANKING DEPARTMENT

Liabilities	Rs.
Capital paid ..	5,00,00,000
Reserve Fund ..	5,00,00,000
Deposits:—	
(a) Government	
(1) Central Government of India ..	47,72,81,000
(2) Government of Burma ..	80,19,000
(3) Other Government Accounts ..	8,81,94,000
(b) Banks ..	94,40,00,000
(c) Others ..	9,36,00,000
Bills Payable ..	2,87,53,000
Other Liabilities ..	5,70,90,000
Total ..	179,70,66,000

Assets

Rs.

Notes ..	7,42,81,000
Rupee Coin ..	9,95,000
Subsidiary Coin ..	1,55,000
Bills Purchased and Discounted:—	
(a) Internal ..	
(b) External ..	
(c) Government Treasury Bills ..	
Balances held abroad* ..	160,65,50,000
Loans and Advances to Governments ..	65,00,000
Other Loans and Advances ..	7,59,12,000
Investments ..	3,26,50,000
Other Assets ..	179,70,66,000
Total ..	179,70,66,000

*Includes Cash and Short term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Dec. 3, 1943	Nov. 26, 1943	Dec. 4, 1942	Sept. 1, 1939
Held in the Banking Department ..	7,42,81	10,31,02	11,68,35	35,04,49
In Circulation ..	8,04,42,56	7,94,36,95	5,50,48,19	1,82,13,17
Total Notes ..	8,11,85,37	8,04,67,98	5,62,16,54	2,17,17,66
A. Gold Coin and bullion ..	44,41,43	44,41,43	44,41,43	44,41,46
Sterling securities ..	6,92,83,96	6,64,83,96	3,72,83,39	59,50,11
Total of A. ..	7,37,25,39	7,29,25,39	4,17,24,82	1,03,91,57
B. Silver coin ..	16,27,39	47,10,00	12,54,27	75,87,11
Rupee securities ..	58,32,59	58,32,59	1,32,37,45	37,38,93
Silver bullion under Coinage ..	...	...	...	...
Percentage of Reserve to Liabilities ..	90.811	90.627	74.222	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)

	Dec. 3, 1943	Nov. 26, 1943	Dec. 4, 1942	Sept. 1, 1939
Cash ..	7,54,29	10,47,81	11,78,17	35,15,27
Balances held abroad ..	160,65,50	164,02,68	80,57,16	10,08,33
Investments ..	7,59,12	7,58,98	6,70,61	6,81,34
Bills discounted:—				
(a) Internal ..	...	...	...	...
(b) External ..	...	...	...	...
(c) Government of India Treasury Bills ..	25	25	1,06,39	1,15,67
Loans and Advances to the Government ..	65,00	30,00	16,00	31,00
Deposits:—				
(a) Government ..	57,34,94	73,07,72	19,95,02	14,89,43
(b) Banks ..	94,40,63	84,08,37	60,69,52	26,91,43
(c) Others ..	9,36,66	8,09,86	4,07,25	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.
August ..	8,546	1sh. 6d.
September ..	8,371	1sh. 6d.
October ..	8,947	1sh. 6d.

IMPERIAL BANK

(In 000's of Rupees)

	Dec. 3, 1943	Nov. 26, 1943	Dec. 4, 1942
Subscribed Capital ..	11,25,00	11,25,00	11,25,00
Capital paid-up ..	5,62,50	5,62,50	5,62,50
Reserve Fund ..	5,75,00	5,75,00	5,70,00
Fixed Deposits, Savings Bank, Current and other Accounts ..	208,91,34	206,83,60	158,68,62
Loans against securities per contra ..	...	...	...
Acceptances for Constituents ..	1,73,59	1,65,80	1,32,91
Bundries ..	...	...	...
Total ..	222,02,43	219,87,90	171,34,08
ASSETS—			
Government Securities ..	119,81,70	127,95,19	107,21,88
Other authorized investments ..	2,63,75	2,63,75	1,37,39
Loans ..	13,18,98	13,20,84	8,41,88
Cash Credits ..	20,10,08	20,51,27	14,59,16
Bills Discounted and Purchased ..	5,02,83	4,68,01	2,07,56
Liabilities of Constituents for Acceptances per contra ..	...	...	...
Dead Stock ..	1,67,90	1,72,36	1,73,13
Bundries ..	1,34,45	1,24,05	1,17,78
Bullion ..	...	...	...
Balances with other Banks ..	1,86,81	2,26,39	5,53,48
Cash in hand and with the Reserve Bank of India ..	56,35,93	45,65,04	31,21,77
Total ..	222,02,43	219,87,90	171,34,08

SCHEDULED BANKS

(In thousand Rupees).

	3-12-43	26-11-43	4-12-42	1-9-39
1. Demand Liabilities in India ..	497,00,72	492,41,25	340,28,35	134,36,49
2. Time Liabilities in India ..	147,85,16	145,00,92	107,96,01	102,24,34
3. Cash in India ..	22,08,47	21,78,02	14,05,89	6,69,92
4. Balances with Reserve Bank ..	93,15,01	82,64,11	60,56,50	25,17,19
5. Advances in India ..	153,68,92	152,42,70	88,74,14	101,52,16
6. Bills discounted in India ..	5,72,79	5,65,85	2,59,40	3,57,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue Dept.
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
" 21	15,84,25	8,00,00	0 13 5	..	3,48,00
" 28	20,10,75	8,00,00	0 13 6	..	4,79,50
Oct. 4	15,88,50	8,00,00	0 12 0	..	2,08,50
" 12	12,28,00	8,00,00	0 12 0	..	5,22,00
" 19	14,57,00	8,00,00	0 12 1	..	5,40,75
" 25	12,89,00	8,00,00	0 12 9	..	3,18,00
Nov. 2	10,70,50	8,00,00	0 13 8	..	3,19,00
" 9	91,450	60,000	0 13 8	..	16,800
" 16	13,20,50	6,00,00	0 13 8	..	18,100
" 23	10,71,25	6,00,00	0 13 0	..	34,725
" 30	11,13,50	60,000	0 12 11	..	1,45,00
Dec. 7	13,73,75	6,00,000	0 12 3	..	1,40,50

MATURITY OF OUTSTANDING TREASURY BILLS

As on the 31st October, 1943.

Date of Maturity	Amount (000's of rupees)
5th November 1943 ..	1,275
6th " ..	7,63,75
7th " ..	29,73
12th " ..	5,00
13th " ..	7,51,25
14th " ..	43,75
19th " ..	16,00
20th " ..	7,84,00
26th " ..	3,50
27th " ..	7,92,00
28th " ..	4,50
2nd December ..	7,80,25
3rd " ..	15,25
4th " ..	4,50
9th " ..	6,47,50
10th " ..	1,07,75
11th " ..	44,75
16th " ..	12,50
17th " ..	7,73,75
18th " ..	13,75
24th " ..	7,67,50
25th " ..	32,50
30th " ..	7,96,50
1st January 1944 ..	3,00
2nd " ..	50
7th " ..	8,00,00
15th " ..	7,59,00
16th " ..	41,00
22nd " ..	7,38,50
23rd " ..	61,50
27th " ..	7,92,00
30th " ..	8,00
Total ..	1,04,12,75

SUGAR POSITION FOR SEASON 1942-43

(Figures in Tons.)

Producing Areas.	Production up to 22-11-43.	Despatches during the period 16-11-43 to 22-11-43.	Progressive total of despatches from 1-12-42 to 22-11-43.	Percentage of non-recessive despatches to production.	Physical stock as on 22-11-43.
U.P. ..	6,13,243	7,910	5,65,838	92.3	47,405
Bihar ..	2,37,671	4,622	2,11,856	89.1	25,813
Bombay ..	77,221	714	71,338	92.4	5,883
Madras ..	34,902	540	30,746	88.1	4,156
Punjab ..	6,579	57	6,429	97.7	150
Bengal ..	16,537	211	15,145	91.6	1,392
N.-W.F.P. ..	3,167	59	2,794	88.2	373
Orissa ..	2,092	2	1,905	90.1	187
Sind ..	2,008	..	2,008	100.0	..
Indian States ..	81,604	604	77,194	94.6	4,410
Total ..	10,75,024	14,719	9,85,253	91.6	89,771

N.B.—Balance physical stock of 1941-42 sugar as on 22-11-43 was 250 tons.

INDUSTRIAL DISPUTES IN INDIA

Period	Number of strikes.	Strikes in which wages were cause.	Workers involved.	Days lost.	Successful.	Partially successful.	Unsuccessful.	Indefinite.	In progress.
Total for 1942	654	381	8,20,495	52,93,027	84	164	303	5	98
January 1943	103	51	1,00,271	4,41,813	14	45	37	..	7
February 1943	60	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	97,953	3	7	18	6	50
June 1943	46	22	32,238	1,12,531	7	13	19	2	5
July 1943	40	26	19,103	73,068	6	14	9	3	8
August 1943	29	13	11,886	36,426	5	4	5	12	3
September 1943*	25	12	6,754	15,621	5	8	6	3	31

*Provisional

STOCKS AND SHARES

		This week.	Previous week.			This week.	Previous week.
		Rs. a. p.	Rs. a. p.			Rs. a. p.	Rs. a. p.
BOMBAY (Dec. 15)				CALCUTTA (Dec. 15).			
GOVT. SECURITIES—				JUTES—			
2¾ 1948-52	..	99 12 0	99 12 0	Champdany	..	221 0 0	220 0 0
3% 1949-52	..	100 11 0	102 5 0	Presidency	..	6 13 0	6 10 0
3% 1951-54	..	100 2 0	100 10 0	Anglo-India	..	386 8 0	389 0 0
3% 1963-65	..	98 4 0	100 2 0	Nuddea	..	105 8 0	106 0 0
3½% G.P. Notes	..	97 7 6	97 6 0	Howrah	..	64 2 0	64 2 0
3½% 1947-50	..	103 4 0	103 6 0	Kamarhatti	..	548 0 0	554 0 0
4% 1960-70	..	111 14 0	111 15 0	Gourepore	..	784 0 0	..
4½% 1955-60	..	115 8 0	115 8 0	Barnagore	..	167 8 0	168 0 0
TEXTILES—				Budge Budge	..	..	428 0 0
Ahmedabad	..	507 8 0	507 8 0	STEELS—			
Bombay Dyeing	..	1,925 4 0	1,928 12 0	Kumardhubi	..	9 8 0	9 1 0
Central India	..	452 8 0	455 0 0	Steel Corporation	..	27 7 0	27 1 0
India Bleaching	..	228 0 0	236 0 0	Steel Corporation Pref.	..	..	130 8 0
Kohinoor	..	715 0 0	620 0 0	Jessop (Ordinary)	..	20 10 0	20 8 0
Century	..	963 0 0	961 0 0	Bhartia Electrical Steel	..	16 8 0	16 14 0
Colaba Land	..	241 0 0	245 0 0	Indian Iron	..	35 1 0	34 9 0
Gokak	..	343 0 0	344 0 0	Marshall's	..	4 6 0	4 6 0
Phoenix	..	700 0 0	719 0 0	Burn	..	382 0 0	..
Simplex	..	278 0 0	280 0 0	TEXTILES—			
Swadeshi	..	587 0 0	568 0 0	Elgin	..	95 0 0	95 8 0
Vishnu	..	2,650 0 0	2,630 0 0	Elgin Pref.	..	..	210 0 0
Finlay	..	329 8 0	360 0 0	Cawnpore Textile	..	13 14 0	13 15 0
Morarji	..	757 8 0	755 0 0	New Victoria	..	11 1 0	10 12 0
New Great	..	428 8 0	431 8 0	Muir	..	445 0 0	..
Swan	..	306 0 0	308 0 0	Dunbar	..	..	263 0 0
Apollo	..	5 6 6	5 6 6	Benares	..	14 0 0	14 0 0
Sasoon	..	20 6 0	20 12 0	Kesoram	..	14 12 0	..
Sasoon Defd.	..	4 6 0	4 7 0	MINES—			
Model	..	330 0 0	342 8 0	Burma Corporation	..	3 13 0	3 13 0
MISCELLANEOUS—				Consolidated Tin	..	..	..
Alcock	..	580 0 0	590 0 0	Indian Copper	..	2 12 0	2 9 0
Bombay Burma	..	430 0 0	435 0 0	Bisra Stone	..	..	119 0 0
Belapur Sugar	..	256 8 0	257 0 0	SUGAR—			
Bombay Tramway	..	140 8 0	148 8 0	Belsund	..	..	11 12 0
Bombay Steam	..	656 4 0	676 0 0	Samastipur	..	..	20 0 0
British Burma Petrol	..	3 5 6	3 6 0	Carew	..	26 12 0	26 13 0
Scindia Steam	..	37 2 0	37 4 0	Balrampur	..	..	16 8 0
Andhra Valley	..	1,885 0 0	1,900 0 0	Champmaran	..	48 12 0	43 8 0
Shivrajpur	..	79 0 0	78 8 0	MISCELLANEOUS—			
B.I.C.	..	6 7 0	6 6 0	Indian General Nagn.	..	..	132 0 0
Tata Chemical	..	32 4 0	30 14 0	Dalmia	..	18 4 0	18 0 0
Tata Oil	..	85 0 0	85 8 0	Rahtas	..	..	32 0 0
Tata Power	..	1,910 0 0	1,915 0 0	Titagarh	..	26 5 0	26 8 0
Tata Hydro	..	200 0 0	203 0 0	Aluminium Corpn. Ordy.	..	19 10 0	20 0 0
Tata Steel Ordy.	..	391 8 0	390 0 0	Orient	..	29 4 0	..
Tata Steel Defd.	..	1,925 0 0	1,907 8 0	COALS—			
Premier Construction	..	231 8 0	234 0 0	Baraboni	..	3 8 0	3 5 0
Associated Cement	..	227 8 0	224 8 0	Bengal	..	545 0 0	544 0 0
Indian Iron	..	34 14 0	34 12 0	Bhalgora	..	12 7 0	12 5 0
Burma Corporation	..	3 11 0	3 12 0	Barrakar	..	24 12 0	24 12 0
Indian Copper	..	2 12 0	2 12 0	Equitable	..	48 0 0	48 6 0
Tata Steel 1st Pref.	..	223 12 0	223 0 0	S. Karanpura	..	..	8 8 0
Tata Steel 2nd Pref.	..	157 0 0	156 0 0	East Indian	..	27 12 0	27 10 0
BANKS—				West Jamuria	..	39 0 0	38 10 0
Central	..	88 4 0	89 0 0	TEAS—			
Imperial (Fully Paid)	..	1,975 0 0	1,980 0 0	Bishnauth	..	..	38 0 0
Imperial (Partly Paid)	..	505 0 0	498 12 0	Loobah	..	15 0 0	..
Reserve	..	129 0 0	129 8 0	New Tarai	..	28 9 0	28 8 0
India	..	224 8 0	222 0 0				

THE EASTERN ECONOMIST

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Averting the Slump

IV

IS a post-war slump really inevitable? The answer will depend upon the relative strength of the inflationary and deflationary factors at home and abroad, and upon whether on balance it is the former or the latter which will gain the upper hand.

The monetary situation differs widely from country to country during the war and will naturally continue to differ when the war ends. In some countries, of which Britain is a good example, the inflationary tendencies have been held effectively in check by rigorous control of incomes, prices and consumption, with the result that though there has inevitably been a striking expansion in the volume of money, its immobilization has prevented the price-level from getting out of hand. In America the fight against inflation is carried on incessantly but with slightly less success, the food prices constantly pushing up the cost of living. On the continent of Europe Germany has succeeded in keeping price rises within drastic limits in face of expanding money income, while in the occupied countries the German costs of

occupations and the spending by the German armies are proving to be a persistent cause of inflation. Still in most of those countries, the rise in prices is not at all commensurate with the expansion of the volume of money, currency hoarding or other forms of Government's sterilizing of cash accounting for the gap. In China, we see uncontrolled inflation in all its rigours, while in our own country and others like Egypt and Iran, with a similar dependent political status like ours, inflation has been transmitted by the external war finance of the leader country, viz Britain.

Despite these wide variations in the degree of inflation prevalent, we may say broadly that most of the advanced countries have succeeded in a much greater measure in the present than during the last war in arresting a steep rise in prices and in immobilizing a good part of the new purchasing power the issue of which has in any case proved inescapable. The result is that after the war all this pent-up purchasing power will be released and go at once into the commodity market. War Bonds will be cashed in

Britain and hoarded currency will come out in the continental countries, thus furnishing the inflationary impulse. If, to this is added the expansionist effect of the immensely increased demand for all sorts of consumption and capital goods and raw materials likely to arise after the war for rebuilding worn-out plants and stocks, for satisfying wants stunted during war and for feeding the starving millions of the occupied countries on their liberation, it is easy to understand why the late British Chancellor of the Exchequer, Sir Kingsley Wood, warned his country not against a post-war slump, but a runaway boom.

It is however, certain that just precisely for these reasons, most of the countries including Britain will retain the war-time control of prices, exports, imports, and capital issues, together with the system of priorities for some years in peace so that they might not permit an inflationary up-swing leading to the inevitable collapse. Whatever measures they might take for the attainment of full employment, or the orderly demobilization of the armed forces, or the reconversion of the war plants to the needs of peace, they will not permit them to produce a steep rise in prices, especially of the common articles of consumption and to that end will control food and raw material prices, including imported items.

How far they will succeed in putting through measures for the expansion of world trade (on which there has lately been much practical discussion) without leading to a rise in general prices is a difficult question to answer. In any case we may assume that those measures will involve some rise in prices, but not a steep one. Summing up we may say that the net impact of *external* factors on India in the transitional period will be generally expansionist in character, but not such as to lead to a very great rise in prices.

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How about the *internal* factors? A little analysis will reveal that each one of the inflationary factors likely to operate abroad will either not operate at all or operate with greatly diminished vigour. The increased money income during the war has through the expenditure circuit of the workers reached the pockets of such classes as the industrialists, the larger landlords and other war contractors, who are unlikely to spend a good part of it in the consumption market or in investment without proper assurances. The campaign of small savings, which in England is said to account for a third of the Government borrowings, has for various reasons very little scope in this country. The mass of small peasantry and labourers have lost heavily by the inflation and have very little surplus to set aside. To what extent the savings of the small agriculturist, if any have been effected now, will be available for expenditure after the war will depend upon how far they have cleared their debts and whether the prices of their produce can be sustained after the war. The savings of the larger landlords will not all go into the consumer market, nor, having regard to past experience, will they be utilized for productive improvements on the land.

A good part of the wartime increase of money is reflected in the enormous rise in the deposits of the joint-stock banks. But it would be wrong to expect that they would be put into circulation after the war. That will depend on the state of trade and the demand for money. The owners of these deposits are not likely to spend them on consumption goods, nor, in view of the short-term nature of these deposits, will they be available for industrial investment for long term. To what they will be employed as working capital will be determined by the state of trade

which itself will be the result of broader considerations and policies. There is one kind of demand which may be counted on the side of expansion, *viz.*, the demand on the part of the richer classes both urban and rural for durable consumer goods which war-time scarcity has held in check. If motor cars, radios, telephones, other luxury goods, electrical and others, were available now in huge quantities, the rich classes would have bought them. Again if the building materials were not so scarce and costly, many more new houses would have been built. Much of this demand will clamour for satisfaction after the war. The money will be there. But expansionist though its effect might be, involving as it does the use of foreign exchange for import, great scrutiny will have to be exercised in permitting it. If we use the foreign exchange to build up the heavy industries, we must be able to produce those goods ourselves subsequently. A building boom, if it is likely to develop, will be quite welcome, since it would create some amount of employment.

Is there likely to be a great demand for plants and machinery? As in every other country, so in this, the difficulty of importing plant has held up a number of desirable projects from being started; and many of the plants in the existing industries are suffering a high rate of wear and tear with insufficient depreciation and obsolescence charges. Thus there will be a replacement demand for machines in the many consumer goods industries. Whether there will be an extension demand for plants in these consumer goods industries will depend on the volume of the demand for their products to be faced at the war. Equally, the growth of capital goods industries will depend on the demand for machinery of all kinds from the consumer goods industries. Thus the principle of acceleration or derived demand will apply with its full force. Only an initial expansion in consumption can lead to a cycle of expansion in industries of all kinds; and yet that can come about not by petty measures of agricultural improvement such as were attempted in the past, but by a gigantic industrial drive calculated to draw off surplus labour from land and raise per capita income. Thus in the absence of a development plan by Government, the internal situation does not point to the existence of any expansionist factor to come to the fore after the war.

On the contrary there are reasons for the certain onset of deflation and collapse of prices. The dominant fact of India's war economy is the enormous volume of expenditure incurred by Allied Governments and the impulse to the growth of note issue via the accumulation of sterling. India's own war expenditure has been met largely by non-inflationary methods. But the expenditure of Allied Governments explains the rise of note circulation from Rs. 170 crores to over Rs. 800 crores within four years. An average annual expansion of Rs. 150 crores of the note issue is not a phenomenon which can be sustained or continued in peacetime, nor is it one whose sudden and inevitable cessation with the end of the war can fail vitally and drastically to affect our economic life. All the Allied war demands on India will stop after the war and their huge armies, which now spend so much here will be withdrawn, and with them will go the basic cause of monetary expansion. Again, even the expenditure of the Government of India on Defence and Administrative Services cannot continue on the present scale. The demobilization of the 2 million soldiers and thousands of war workers in Government service and other industries may not be done all too suddenly. But their present scales of remuneration cannot continue while they are rendering no ser-

vice, and even if other avenues of settling them are chosen, expenditure in terms of *money* is likely to be smaller than in war. A large number of labourers are now being employed in construction works, roads, aerodromes, barracks etc., and they too will cease to be employed after the war. It is difficult to over-emphasize the effect of the drying up of all these sources of money income in terms of deflation. The expenditures by the foreign armies add nothing to the net output of goods but trench on a dwindling supply. Likewise the armed and administrative services and war technicians render essential services, but do not add to the volume of goods. All the means of producing the present volume of goods will therefore be there in the country even after the war, even if these men are unemployed. But the monetary demand for goods will have then dried up. Just as the bulk of them now spend their incomes on the necessities of life and help the inflationary rise in prices, so will the drying up of their money incomes knock the bottom out of the present high level of prices in this country after the war.

By no means does it follow from the above that the war-time inflation should be continued in peace or that the present abnormal level of prices should be kept or pushed up still further. But a cataclysmic collapse as in 1929-33 must be averted at any cost.

One important fact about the war-time price level in India is that with the exception of China it has recorded probably the highest increase when compared to the prices of Britain, Australia, U.S.A., Canada, etc. No doubt in the highly abnormal conditions of today it is not possible to make any satisfactory comparisons of the relative movements of price levels in different countries. The economic unity of the world in the matter of prices, if it existed before September 1939, has been still further disrupted, by exchange and other controls, and in India itself, thanks to the inter-provincial barriers on the movement of goods, no unified price structure remains. The price of rice in Calcutta differs from the Madras price by very much more than the cost of transport. Nevertheless that prices in India have risen more than, say, in U.K., or U.S.A. is an indisputable fact.

Such wide disparities in national price levels do not perhaps matter much in war when price is no consideration for purchase and control is rigidly exercised. But in peace national price levels will have to keep parity with world prices, even though national economies may not be completely uncontrolled or thrown open, unless indeed we are going to adopt discriminating rates of exchange according to the prices prevailing in each particular market, and to the nature of our exports to each country.

Ruling out that contingency, parity with world prices can be achieved either (a) by a deflationist policy on our part or (b) by an expansionist policy adopted abroad or (c) by a combination of both. As stated earlier, if expansionist policies abroad raise prices abroad sufficiently high to obviate deflation on our part, the problem is solved for us. But if expansion abroad raises prices there, but not to the height of prices in this country, is deflation desirable to bring about the desired reduction in prices?

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It will be useful here to recall what happened after the last war. During the last Great War, prices in India had risen less than in other countries, partly because the degree of inflation here was smaller than abroad and partly because the raising of the

rate of exchange stemmed the rise in domestic prices. Immediately after the war, prices in India rose for a year under the stimulus of the boom outside, but when the break came, the effort of deflation in the matter of prices was rendered easier for us (it was even then intolerable enough) by the smaller rise of prices during the war. In a foolish effort to maintain the unconscionable high exchange rate of 2sh. for the rupee which had been quite as foolishly recommended by the Babington Smith Committee, the Government of India wasted a good part of our precious sterling assets and set in motion the grinding process of deflation by contracting currency.

This time we must gain by past experience. The external expansionist influence will not do to keep up our prices. Domestic deflation is not quite desirable. Wage reductions will be resisted by workers, and the prices of machinery may not go down, and if anything may rise. Having allowed prices to rise thus far, it would be better to keep them rather than painfully struggle to readjust our entire economy to a low level. The internal purchasing power of the rupee has declined in any case. The proper remedy is to recognize it and give the rupee its true external value. Thus devaluation may be called for under certain conditions, and we must not, scared by notions of war-time inflation, fight shy of it. Otherwise, despite the expansionist forces abroad, our exports might decline due to our higher prices and an adverse balance might result.

In any case control of foreign exchange, exports and imports with a view to subserving a national industrial plan will be essential. Preference to the import of machinery as against luxury, an export policy to acquire the necessary foreign exchange and the most economical use of the foreign exchange assets must clearly protect us against an adverse balance. Our accumulated foreign credits, our strong and diversified export trade and suitable control measures must keep our external front in a position of impregnable strength.

In the domestic front, there will be no need for drastic deflation on our part (since this is ruled out by the above measures) but an attempt to keep prices from immediate collapse, which will overtake them if the flow of money stops. It is not practicable to lay down precisely the level of prices we desire. That must depend on the general economic situation, investment etc. But it will be possible to avert a sudden slump in prices without further issue of currency by (a) Government launching a suitable public works policy (on the lines laid out in a previous article) by means of loans and (b) launching an industrial drive by using the sterling assets. The two sets of measures, entailing a large amount of capital formation as well as a good volume of employment of labour, will bring about a growth of capital and consumer goods industries and prevent prices from falling. These plans must be got ready now and put into effect just as the war contracts are tapered off, soldiers are demobilized and other workers discharged.

Even if this should necessitate some monetary expansion, that should be resorted to. The besetting sin of our currency policy has always been that contraction or expansion is forced on us from external forces, without any measures of insulation on our part. We experienced inflation in the last Great War and the total note issue rose from Rs. 61.17 crores in the average for five years ending 1913-14 to Rs. 153.4 crores in 1918-19. For two decades, we had stagnation, depression and deflation. The note issue stood

at Rs. 207.23 crores in 1938-39. Four years of war have raised it above Rs. 800 crores. In normal times, the country is parched up for want of purchasing power and in war it is flooded with notes. This is just the sort of experience we must avoid. Currency expansion or contraction should be dictated by domestic requirements and not by the balance of payments. We must use monetary measures to attain the level of prices we desire rather than permit external monetary impulses to determine our price-level. This is the lesson to be learnt from the slump in 1929-36 and the present inflation. For other countries, the fear is that of soaring prices and the instrument is price control. But for us, the fear is a slump and so price control to keep prices down will hardly be necessary as a general rule. But to keep the movements of different groups of prices in some equitable relationship, control will be necessary. The high food prices of today, or the prices of raw cotton, raw jute, oil-seeds and other agricultural commodities should not be allowed to fall unduly in relation to the prices of manufactures. That has been the defect with our price movements hitherto. We must seek to correct it by (a) Government undertaking to buy the produce whenever the market price falls below what is regarded as a reasonable price, as is done now in regard to raw cotton and is promised in regard to food-

grains and (b) bringing within limits the prices of manufactured goods whenever they exceed healthy levels, as is done at present in regard to cotton manufactures, drugs, etc. It is not possible to lay down in this article the criteria to be applied in practical price control. But costs of production should in the main govern these measures.

The war has taught us that the true backing of a country's currency is not foreign assets, but the fullest use of its own productive resources. We have at present 90 per cent. sterling cover and with it, inflation. After the war, we will have to face deflation, if we allow similar notions of backing for currency to determine the rate of our development. As we have explained in our article on 'The Transfer Process of Sterling Resources' last week, we must free the sterling assets which are now cover for our note issue, for an industrial drive, and replace them by *ad hoc* Rupees Securities. A capital programme of Rs. 600 crores and a public works programme of manageable dimensions, with suitable increase in the stock of consumption goods, properly spread over a period of time, must save us from unemployment and slump in prices alike in the transition period and thereafter.

Wanted an *Ad Hoc* Tariff Policy

WITH the removal of doubts regarding the way in which our sterling assets could be disentangled from the currency system and made available as general international purchasing power, attention naturally migrates to an appraisal of the most proper utilization of our hard-earned foreign assets. Recognizing the vital part which our sterling assets must play, especially in the initial period of any ambitious economic plan, the principle governing their disposal must be their utmost conservation in the interest of their maximum utilization to accelerate capital formation in our country. Consequently the formulation of a sensible order of priorities in the utilization of our sterling assets becomes a matter of utmost moment. But the formulation of such an order of priorities will be possible only in the measure that we have a well-conceived plan of economic development and are, therefore, in a position to visualize the complete picture of our requirements of industrial products, equipments and raw materials which we shall have to import from abroad. Otherwise, especially with the strains on our foreign exchange market eased on account of our transformation into a creditor country, the utilization of the sterling balances will be largely governed by the incidence of transient pressures and urgencies. In such circumstances there is great danger of our assets being dissipated in meeting demands which are not of primary importance in terms of the development of the total economy.

These considerations become relevant in connection with the Government's new policy of importing certain categories of consumers' goods in its fight against inflation. It will be recalled that the Gregory Committee took the view that there was great danger in trying to coerce the small cultivators into releasing their innumerable tiny hoards of foodgrains and the only practicable method was to attempt to wheedle out these hoards by making available to these cultivators articles of consumption or precious metals to store their surplus purchasing power. The Government which has so long pursued a disastrous financial

policy and purchase policy, totally heedless of the minimum consumption requirements of the people, has now taken upon itself the task of increasing the supply of consumers' goods as an anti-inflation measure. But the types of consumption goods which it has selected for this purpose are not goods of mass consumption, as was contemplated by the Gregory Committee, but rather certain comparatively high grade consumption goods, which are not of primary essentiality. And secondly, as Lord Wavell recently said, every effort is being made to obtain an increasing supply of these commodities "by import or release from war purposes," but, apparently, not by increasing domestic production.

In these circumstances the Government's new import policy is capable of being misunderstood and has indeed caused apprehension in many quarters. Some of the selected consumption goods e.g., whisky, clearly are for the benefit of a narrow class; others are such as to raise the natural suspicion that they are meant to hit certain nascent Indian industries which have been established in very recent years, but have not had time yet to consolidate their competitive position. The total value of these consumption goods which the Government intends to import is not known and in the absence of such knowledge, an appraisal of the Government's policy becomes impossible. But the Government owes it to reassure the public that its apprehensions are not correct. This the Government can do by a categorical declaration of policy without further delay that in so far as any of the industries established during war can have any assignable place in a peace economy, the Government will afford it due measure of protection for a reasonable period of time, so that it may have a minimum period of nurture and growth before being exposed to the full rigours of competition from established industries in foreign countries. Unfortunately, the Government has not as yet come forward with an over-all and comprehensive assurance that the industries which have grown up during the war will have the Government's support during the immediate post-war period. The Com-

merce Member in his speech before the Legislative Assembly on 12th March, 1940, referring to the deplorable conditions in which the new industries found themselves after the last war for want of Government support, did indeed give "this assurance on behalf of the Government that we shall not put ourselves in a position to be liable to the same charge once more and that in case we in any form encouraged the development of industries for our war needs, we shall make it clear that at the end of the war those entrepreneurs, who had come to the assistance of the State and had developed such industries would not be left high and dry to take care of themselves..... I may state that so far as my Department is concerned our ideas are running on the line of making a little liberalization in the conditions of the Fiscal Commission so as to encourage the production of those commodities which we feel essential for war needs."

It will be noticed how disappointingly narrow has been the Commerce Member's assurance such as it has been. Only those industries which have been directly encouraged by the Government are covered by the terms while the innumerable industries which have grown up to meet the essential requirements of military and civil supply in the circumstances of restricted import, are not circumscribed by the Government's assurance. Yet it cannot be denied that most of these industries have not only a vital part to play during the war but have also a permanent assignable position in our post-war economy. The Government therefore must formulate an *ad hoc* tariff policy to ensure that these very desirable new industries are not allowed to be killed even before the end of the war.

It is, of course, understood that the new imports policy is part of the Government's drive for curbing the inflation. But the policy of allowing indiscriminate imports without reference to cost conditions and supply possibilities within the country is bound to raise more problems than it will solve. Further, the *ad hoc* tariff policy itself can be perfected as an anti-inflationary weapon. Taking advantage of the conditions of stringency in supply, many of the products in some of our new and old industries are sold considerably above their true costs. The Government may set up an independent fiscal authority to investigate the marginal cost conditions in our new industries and fix the rates of tariff on imported goods at such levels that the new industries may be assured of a reasonable profit. At the same time, the Government can always hold the threat in reserve that unless the inflated prices are brought down to levels indicated by their true costs, the Government will allow an increasing volume of imports to bring pressure to bear on the inflated prices. In this way the present inflated prices may be brought down from their unreasonable height to a more tenable and sustainable level at which the price level could be more or less stabilized.

At the same time, the Government should, even as part of its so-called anti-inflationary drive, explore more diligently the possibilities of increasing domestic production. Complaints have been coming from many quarters that production in many lines has been impeded for lack of certain small but vital components which could only be procured by import; but that the Government has in many cases refused to permit the import of the small components, although only too keen to permit the import of the whole finish-

ed product. Such a strange attitude only serves to confirm doubts in many quarters. The Government should immediately adopt an appropriate *ad hoc* tariff policy and give a general assurance to the industries which have been established during the war, not only in the interest of the fullest development of our industrial war effort but also in the interest of the stability of our economy. So far the Government has given assurance only to a few specific industries like aluminium, calcium chloride, bichromates, steel pipes and tubes and calcium carbide. But the Government has not greatly encouraged "the essential industries that are needed for the prosecution of the war and for making up the lacuna to key industries" such as the Commerce Member promised in March, 1940, nor has there been the "liberalization in the conditions of the Fiscal Commission" to encourage the production of commodities essential for war needs.

Lord Wavell in his recent speech could only speak of two types of measures to fight inflation, viz., increasing supply of consumers' goods, "by import or release from war purposes," and by taxation representing "compulsory absorption of financial adipose deposit." The possibilities of taxation in our country with its peculiar economic structure and habits may or may not be limited. We believe they are. But Lord Wavell did not mention the more potent methods of preventing the financial adipose deposit, by a change-over of the financial methods limiting the commitment to the capacity and improving the capacity itself by exploring the production possibilities to the fullest extent. In our circumstances, investment is twice blessed. Not only does it mop up nearly twice the amount of consumers' goods intended to be supplied within the year, but itself provides a welcome recurring flow of consumers' goods to relieve the scarcity. The importation of essential machinery, etc., instead of the finished product itself, further reduces the demand for shipping space. This is specially so when production here has been held up merely for inability to import small, but vital components. It is only when we have exhausted the production possibilities within the country that we are entitled to lean on import of consumers' goods from abroad. The Government's war fiscal policy should be calculated to enable our new industries to play their part now and assist them through the difficult immediate post-war period. At the same time, the Government may use this interim tariff policy to step down the prices systematically to a more reasonable level and use it as an anti-deflationary measure after the war.

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The Week's Notes

THE VICEROY SPEAKS

Lord Wavell has spoken. But his speech will have given no satisfaction to those who expected him to contribute to the ending of the political deadlock. There were, however, some important and mighty pronouncements in his speech bearing on our economic problems which deserve to be noticed and underlined. His utterances gain in value because of their directness and lack of circumlocution. He has expressed himself quite definitely that there will be an all-India food policy and that he is prepared, if necessary, to take the most drastic action in support of Government's policy the key points of which are full rationing in the larger towns and control of prices. In the present context of Sind's intransigence the words of the Viceroy have a significance which cannot be missed.

INDIAN INDUSTRIALISTS TO VISIT BRITAIN

On the question of post-war reconstruction, the Viceroy has done something to allay the fears of the public that the Government would leave industry to fend for itself. He has categorically stated that the development of industry and the improvement of agriculture must go hand in hand in order to provide for India's growing population and to raise the standard of living. This statement is most welcome since it should finally set at rest all the loose and interested talk of seeking to promote rural welfare by ignoring industry.

Indeed in one respect his remarks contain the most concrete and fruitful suggestion yet made by any member of Government. Although British industrialists look only primarily to their own advantage there is no reason why Indian industrialists should not take advantage of the definite offer made by the Viceroy to arrange for facilities to visit Britain (and may we add U.S.A.) with a view to arranging for the import of equipment needed by post-war India. To quote the Viceroy's words. "I am sure that a visit by some of the leading Indian industrialists to the United Kingdom in order to see the developments that have arisen during the war and to discuss India's problems with leading British representatives would be of the greatest possible advantage, and I hope that it may be arranged. The sooner, the better; because other nations are already beginning to think about their post-war needs and to place orders for machinery and material." We heartily agree. We have been urging in these pages precisely the same demand and are glad that the Viceroy has recognized the urgency of the matter. But the visiting facilities should be extended so as to cover United States and Canada.

ORDER OF PRIORITY

Lord Wavell is explicit in his idea of the order of developing different kinds of public utilities. One of the first necessities is, according to him, the development of power schemes throughout India so as to provide the driving force for industries. At first sight this preference for power development looks quite sound and sensible. But we cannot endorse this priority without a more careful examination of the subject not by experts on power development but by an industrial committee which will be able to give due weight to all the relevant factors. Power development means enormous capital outlay and it will take some years before the construction will begin to yield the services. While some amount of power development is urgent and in any case indispensable, how much should we spend on it will depend upon other urgencies. The choice should not be made by the Government of India off the bat of the representatives of industry and agriculture. Similarly in regard to

the improvement of social services, the Viceroy was inclined to place communications first, health next, and education last. Here again there is room for disagreement. But we should make one point clear. It is not a question of taking up one service only after full provision is made for another. It is all a question of how much for this, how much for that and how much for a third. Judged from the above point of view of equal marginal utilities, the relative amounts to be invested in each should depend again upon the free choice of the representatives of the people. The Government of India cannot do this until they can truly express the popular will. Post-war economic problems which according to the Viceroy himself are so urgent cannot be solved except by a Government which can translate into action the preferences of the people. Their solution demands the formation of a National Government. Administration, however efficient, can only execute the decisions and policies of the State once they are decided upon. But the actual framing of those decisions and the inevitable choices between different kinds of public expenditure must be done by the people of the country whose wishes should be expressed through their own accredited representatives in the Legislature and Government. From the mere economic point of view the case for a National Government is irresistible.

RECENT TRENDS IN BANKING

In their report to the shareholders of the Reserve Bank for the year ended June 30, 1943, the Central Board of Directors drew attention to the increase in the amount of advances and bills discounted of scheduled banks since the beginning of January, 1943. The Reserve Bank, it was also understood, warned the banks against making advances for speculative purposes although it disowned any intention to interfere with the financing of trade through loans and overdrafts for legitimate trade purposes. The trend of increasing advances which became evident first since November, 1942, has been continuously kept up and today the advances and discounts stand at 159 crores as against 80 crores in September, 1942 thus registering an increase of nearly 100 per cent. The question is often asked whether this increase in advances represents any feature which requires to be controlled. It is true that practically in every part of the world there has been continuous decline in advances and bills with perhaps the exception of the U.S.A. but relatively to deposits the decline has been universal on account of the rapid growth in deposits. In India the proportion of advances and bills to deposits declined from 60 per cent. in December, 1939 to 19.1 per cent. in October, 1942. Since then both the volume of advances and the percentage have gone up. The causes for the decline in the first 3 years of the war and the increase in recent months deserve to be examined. We have not all the data before us. The earlier decline in advance is due to the methods of financing adopted by the Government for the war, the restrictions of civilian industries, the system of progress payments by Government and generally speaking, the contraction of private business. The recent increase in advances may perhaps be explained by the steep rise in the general price level and also the rise in the price of government securities. Advances against speculative transactions might also partly explain the rising trend, but without further data it would be risky to generalize. There is, however, no room for thinking that the increase in advance and discounts which has been in evidence in recent months is any indication that banking is running on unsound lines. But there is need for watchfulness and action. It would be undesirable for banks to adopt a policy which after the war would land them in distress.

LIMIT ON BONUS AND DEARNESS ALLOWANCE

It will be recalled that some time ago the Government of India appointed a committee to investigate into the question of payments of bonus and dearness allowance with a view to placing a limit on them and stemming the rise in prices and cost of living. In a recent issue of the *Gazette of India*, draft rules for the above purpose are published to elicit public opinion. The draft will be taken into consideration after January 10, 1944. The immediate reaction to this proposal is the suspension of the payment of dearness allowance to the textile workers in Ahmedabad and a serious situation is likely to develop unless the conflict is reasonably resolved. Fortunately, the cotton mills in Bombay and Surat are not likely to take similar action as those in Ahmedabad, because they claim to have always regulated their dearness allowance and bonus payments more or less on the lines now laid down by Government, as compared to the rather generous scales in Ahmedabad. Nevertheless Government should be aware that in trying to curb what they regard as inflationary trends and setting severe limits on workers' earnings, they might imperil industrial peace and impede the flow of production, just at a time when the commodity crisis shows some signs of abating and when the textile position indicates some improvement. It is altogether too naive to suggest that the rise in prices and cost of living has been caused by the payment of dearness allowances and that a reduction in them will bring about a fall of prices. It is common knowledge that with all these payments, the workers in the lower scales of wages do not earn a living wage. The Government have proposed that the dearness allowance for salaries of Rs. 25 and below shall not exceed the rise in the cost of living with the year ended December 1939 as the base and for salaries ranging from Rs. 25 to Rs. 60 it shall not exceed 175 per cent. of the sum allowable for the salaries of Rs. 25 and below, while in respect of salaries above Rs. 60, it shall not in all exceed Rs. 300. While the principle of linking dearness allowance to the cost of living is all right, the limits err on the low side and deal harshly with those on the verge of subsistence, still rendering essential services. Likewise the limiting of bonus also is too rigorous. The employers are likely to keep these allowances adequate only so long as these are left out of excess profits. If the rigid limits are enforced in the computation of profits for tax, the workers will come to harm. Clearly there is need for revision.

INDIA'S SEA-BORNE TRADE

Figures are now available of India's foreign trade for the five months ending August 1943. Imports amount to Rs. 43.21 crores as against Rs. 46.30 crores in the corresponding period of the last year and exports Rs. 79.37 crores as against Rs. 73.93 crores. There is thus a decline of Rs. 309 lakhs in imports and an increase of Rs. 543 lakhs in exports. On the side of imports, the main features are the increase in raw materials and unmanufactured goods by Rs. 715 lakhs and the decline in the import of manufactured goods by Rs. 989 lakhs. Among raw materials, import of raw cotton has gone up by Rs. 286 lakhs to Rs. 828 lakhs and oils by Rs. 252 lakhs to Rs. 11.63 crores. All items of manufacture have declined, chemicals and drugs by Rs. 114 lakhs, metals by Rs. 155 lakhs and vehicles by Rs. 367 lakhs. Dyes and colours rose by nearly Rs. one crore. Among exports, tea rose by Rs. 549 lakhs, but other food items fell. Among raw material exports, seeds fell by Rs. 189 lakhs and oils by Rs. 55 lakhs. Exports of manufactured goods have risen by Rs. 6.4 crores to Rs. 44.25 crores. Prominent among them is an increase of jute exports by Rs. 6.97 crores. Cotton

textiles have declined by Rs. 114 lakhs and other items like hides and skins have gone up. As regards trade with individual countries, imports from the British Empire countries fell from Rs. 27.81 crores to Rs. 20.09 crores. Imports from Australia rose to Rs. 222 lakhs. Imports from Iran have gone up from Rs. 5.38 crores to 9.25 crores and those from Egypt from Rs. 109 lakhs to Rs. 6.31 crores. Imports from the U.S.A. have declined from Rs. 10 crores to Rs. 6.5 crores. The distribution of exports between the countries shows that the Empire countries have taken over Rs. 51 crores and that the U.S.A. took Rs. 14.7 crores, compared to Rs. 10.4 crores in the same period for the last year. Exports to Iran, Iraq and Egypt have substantially declined. Even these figures of private trade (from which are excluded the substantial transactions on Government account) do not indicate that in the five months from April to August when the so-called anti-inflationary measures were coming in close succession, any serious attempt was made to import essential industrial goods to relieve domestic scarcity and increase production.

PENICILLIN

The discovery of the raw drug Penicillin by Dr. Alexander Fleming of London, studies of the drug as a therapeutic agent by Dr. Howard Florey of Oxford and recent efforts being made in Britain, U.S.A. and China to produce the drug for wider use, may well jointly prove to be an event of epoch-making significance in the history of man's crusade against disease and death. In the present state of medical knowledge, the drugs of the sulphonamide group, and particularly the famous May and Baker 693, hold the field for fighting and breaking bacterial resistance in specific infections such as pneumonia as well as in various types of non-specific septic infections. The sulpha drugs are themselves described as a very big advance in medical treatment and we can well imagine the powers of Penicillin when we are told that it will be several hundred times more effective than the former. Penicillin is a minute, concentrated extract from moulds (like fungus growths on foodstuffs) cultivated on different media. Though it may be some years before the new drug can be manufactured synthetically and on a commercial scale, its large-scale possibilities in the mould stage are already being explored. In fact, as the sulpha drugs need a coal tar industry, the Chinese Industrial Co-operatives are preferring Penicillin by moulds which, it would appear from a recent report, can be "easily cultivated" in China. This, and the possibility that the new wonder drug can successfully attack 'incurable' diseases like tuberculosis and leprosy which take a heavy toll of life in this country are of great interest to us in India. Our pharmaceutical industrialists and public health authorities might well apply for and get a copy of the microfilm "Full Directions for the Manufacture of Penicillin" recently airmailed to China from New York and explore possibilities of Penicillin production in India in the near future.

COAL IN BRITAIN

Britain, like India, is faced this year with a coal shortage, and "as the tide of victory rises," says a Ministry of Fuel advertisement, "the British face a problem at home that can prolong the war." During the last coal year (May to May) Britain's output was just able to meet her consumption, but a substantial fall in production occurred during summer this year, the most serious aspect of which is the drop in the output of certain special varieties of coal such as used for gas and in the manufacturing processes. Several measures are under way to overcome this shortage by May, 1944. The main cause is labour shortage, to make up which the present labour force (about 700,000) has to be raised by a gross intake, after allowing for labour wastage, of about 30,000. The

easons for this are to be found mainly in military conscription and mobilization of labour for war industries. "From the outbreak of the war, pit-men were called to colours in ever great numbers. In the hand-to-mouth days after Dunkirk, coal was forgotten and more men slipped away." In spite of a general advance in wages, the setting up of national wages machinery, the institution of a bonus on output and assumption by Government Controllers of powers to restore and increase output eighteen months ago, the

industry, and the Government over it, are still in difficulties which are demanding very careful handling. While the inability of miners' leaders to exercise their authority has led in many parts of the country to absenteeism and strikes, the Government have done little in matters of pay, food rations and the new workmen's compensation to induce a return to the pits. The award, in September, of the National Tribunal on the wages of boys and youths which was substantially less than what the employers had originally offered has shaken the confidence of the miners in justice. While Mr Bevin freely appeals for volunteers painting great pictures of mining as a career, he had not a word to say about the coal situation at the last session of the Trades Union Congress.

Various economies in fuel consumption have been adopted to conserve coal stocks. 60 per cent. of all coal is being cut and conveyed by mechanical means and the age-limit for the option to enter the mines which is given to men, between the ages of 18 and 25, called up for the forces has been removed. But still Mr. Bevin has to talk of 'directing' men to the pits, and the outlook for British coal continues to be dark. The world has not yet forgotten the great coal strike of 1925. But then it was peace and Baldwin while now it is war and Bevin; and more sympathetic and tactful efforts are called for if the situation is not to lead to disaster.

FILM INDUSTRY

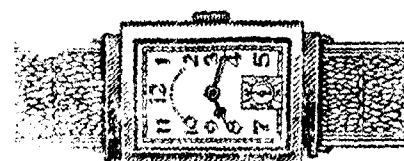
The war-time economic forces have brought about certain disquieting developments in the Indian Film Industry. The control of capital issues and other impediments restricting industrial development have left a plethora of funds at the disposal of some industrialists and many of them are now taking to the financing of film production. The result has been the floatation of a very large number of separate enterprises and industry is enjoying boom conditions. The difficulties of imported supplies of raw materials for films together with the recent governmental control over them have limited the number of pictures that can be produced in a year, leaving greater funds to be expended over the perfection of one picture. Considerable progress in the artistic standards might have been expected under the circumstances. But the limitation of the available quantity of raw materials together with the redistribution of national income owing to the inflationary war finance which has impoverished the cultured classes, has resulted in an almost universal policy among Indian producers to produce films

likely to be popular among the less educated classes enjoying the war-time opulence, at the cost of venturing along new lines of artistic creation. The funds now flowing into the industry have so far been mostly employed in bidding higher and higher for the services of the popular artists. It is known that the remuneration of some of these artistes which was no more than Rs. 2,000 per month before the war is now as much as Rs. 15,000. Another expenditure which has been growing conspicuously is the costume equipment and it is

TIMES HAVE CHANGED!

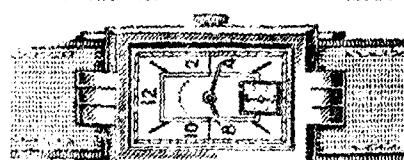


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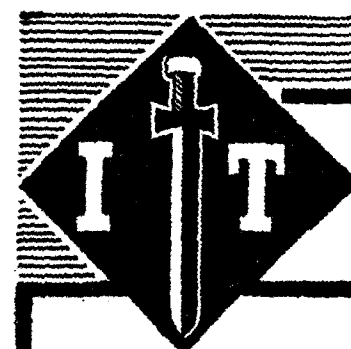
partly due to the fact that social pictures with their common-place settings and complex themes are not relished by the *neorich*. Ordinary pictures now cost as much as over Rs. 5 lakhs which may be enough to build another industry of greater national importance. The hectic boom through which the industry is passing needs careful examination even in its own interests. The termination of war is bound to bring about a slump as well as a decreased flow of fund to the industry simultaneously. It is necessary to build now a reserve fund to provide against such contingency but the industry does not appear to be quite capable of accomplishing it unassisted.

THE 'ECONOMIST' ON POST-WAR PLANNING

India's strong and consistent plea for a really effective reconstruction plan is gaining the ear of the British public. In one of its latest articles the British *Economist* takes notes of our demands and makes some valuable observations with all of which few in India would agree. It argues that "the first need is development of agriculture which contributes four-fifths of the total national income." This reiteration of the first place to be assigned to rural economic development coming as it does at this moment from all British interests in India and Britain has a significance which will not be missed by the Indian public. Indians need not be reminded of the importance of agriculture in their national economy. Their plan of rapid industrialization will not seriously diminish the share of agricultural contribution to national income; but they are fully conscious that considerations of national security no less than those of national welfare demand the strengthening beyond all doubt the industrial base of their economy. Again the warning which the *Economist* has chosen to give the Indian planners that there is no guarantee that productivity will outstrip population even under the boldest reconstruction policy, unless the increase in population can be slowed down" is superfluous and irrelevant because in the first place the economists are fully alive of the fact and secondly, they feel that the solution of the

problem of population lies in industrialization. A created standard of living. The *Economist* at least should be aware of the fact, that a high level of prosperity and well-being is, in the words of Mr. Harrod, one of the two causes of the decline in productivity. Surely India cannot direct a frontal attack on the population question. Nor should we allow ourselves to be reduced to a third and fourth rate country by a reduced population. Rather we should so plan that the numbers which today unfortunately seem to be a liability, should be converted into an asset, so that India may occupy a place in the world to which she is entitled by virtue of the size of her population.

The final warning administered to India is "against the strong protectionist and isolationist tone among Indian planners." This does not come with good grace from British public opinion for Britain knows that India has never sought after isolationism at any time nor at this moment of time and has paid the full price of her internationalist outlook in the past. Her only anxiety has been (and this is wholly understandable) that in the name of internationalism her economy should not be subject to the violence of oscillations and fluctuations to which her agricultural character exposes and renders her specially liable. As regards protectionism, its place in a planned economy is mighty little. Tariffs are only small ammunition in planned economy.



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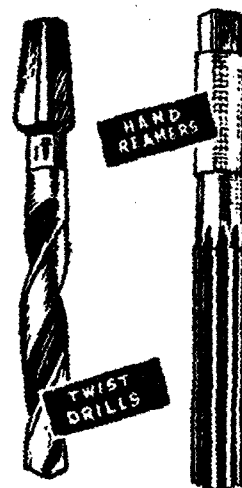
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The Beveridge Plan

(Contributed)
II

THE great point about the Beveridge Plan is that it is an all-in scheme, covering everyone in the land—rich man, poor man, beggar-man and thief, in Shavian phraseology, and all the primary causes of need. Neither on account of the quality of work engaged in nor on account of the quantity of economic wealth possessed will a person be denied benefit or exempted from contribution. While the Plan makes three Assumptions which we discussed in the last article, it combines three Methods for the dispensation of social security: social insurance for basic needs; national assistance for special cases; voluntary insurance for addition to the basic provisions. But in the fifth of the six fundamental principles of the scheme (the other five are mentioned in the course of the article) enumerated by Beveridge, viz. *comprehensiveness* in respect of covering people's needs, he stresses that no risk so general and so uniform, like funeral expenses for example, as to justify social insurance should be left either to national assistance or to voluntary insurance, and the Plan outlined by him concerns itself mostly with the first. National Assistance will be given where for some special reason the standard benefits are not enough or where a person—like an immigrant or a prisoner's wife—fails to qualify for a needed benefit by some combination of circumstances. It is subject to a means test and is paid out of the national exchequer. And as standards of expenditure of different classes of people vary considerably, there should always be scope for individuals, who desire it and can afford it, to make extra provision for their higher standards of need through voluntary insurance. The principle of comprehensive insurance has been accepted by the Government.

Population Classes

Within the general mobilization for social security as it were, the Plan embodies a *classification* of the beneficiaries based on their different ways of livelihood which is the sixth fundamental principle of the scheme. But these classes are "security" classes and may cut across the prevailing economic stratification. Because, for example, unemployment benefit cannot be given to those under working age or to those of working age but not gainfully occupied, and employers who are also not eligible for it can qualify for training benefit all the same. In other words, classification is necessary to put the right benefits in the right hands. For purposes of the Plan, the population of Great Britain has been divided into the following six classes. The approximate numbers (in millions) in each class as in July, 1939, are given against them in brackets: Class I, Employees whatever their income, including civil servants (18.4); Class II, Employers and others working for gain (2.5); Class III, Housewives (9.3); Class IV, Other persons of working age, but not gainfully occupied (2.4); Class V, Below working age, i.e., children under 16 (9.6); Class VI, Above working age, i.e., retired persons (4.3). Everyone belongs to one or the other of these classes, and is entitled to some benefit or the other, if nothing else, to medical treatment and the funeral grant. But it is of course open to employers and wealthy people living on unearned incomes not to invoke the benefits though they would not probably escape prosecution if they failed to pay their contributions. Contributions will be charged only to those in Classes I, II and IV, and entries made each week on the 'Employment Book,' the 'Occupation Card' and the 'Security Card' given respectively

to members of these three classes. In Class III, a housewife who goes out to work may choose to pay contributions (either as an employee or as an employer) if she pleases, in which case she will be entitled to all the benefits accruing to members of Class I or II as the case may be in addition to the benefits she will continue to receive in her capacity as a housewife, though at a lesser rate than for an unmarried woman in these classes. Children and retired people—Classes V and VI—will, of course, pay no contributions, the former receiving allowances gratis so to say and the latter receiving pensions by virtue of their contributions made during working age.

Contribution

That all insured persons shall pay the same contribution irrespective of their means—a *flat rate of contribution*—is the second fundamental principle of the scheme. In this respect the Beveridge Plan differs from the New Zealand social security scheme in which there are no contributions but a social security tax of 5 per cent. of all incomes. In Britain too people with larger incomes will contribute more, indirectly, in so far as the heavier taxes they pay also go to the State's quota in the Social Insurance Fund. The only scaling of the rate is according to age groups in the contributing classes as can be seen in the following table:

Class	Age	Male		Female	
		Insured		Insured	
		s.	d.	s.	d.
I	21 and above	4	3	3	6
	18-20	3	6	3	0
	16-17	2	6	2	0
II	21 and above	4	3	3	9
	18-20	3	6	3	0
	16-17	2	0	2	0
IV	21 and above	3	9	3	0
	18-20	3	0	2	6
	16-17	1	6	1	6

The proposed standard rates of 4s. 3d. and 3s. 6d. for male and female employees respectively are more than double the present rates which are 1s. 10d. and 1s. 7d., respectively. But this comparison is misleading as these latter figures do not include voluntary insurance contributions. In 1937-38, the average industrial worker's household paid as much as 4s. 8d. per week per adult man on State social insurance, burial insurance, sick clubs, medical treatment, etc., together. At the assumed post-war price level this figure would be 5s. 6d., and as there will be little need in an all-in scheme for voluntary insurance, there is reason to expect that the average worker can afford to pay as much as 4s. 3d. a week. But it has been estimated that nearly one-tenth of all wage-earners are earning less now at work than what they would get if they were on benefits under the Plan. So Beveridge assumes that Britain will set up the National Minimum Wage with his Plan. Those in Classes II and IV whose income is less than £75 a year may be exempted from payment of contributions if they so wish.

Benefits

The variety, amount and duration of benefits are the most important aspects of the Plan, constituting as they do its net outcome in terms of purchasing power. The benefits adumbrated by Beveridge are

governed by the first and fourth fundamental principles he has laid down. As in the case of contributions, there is to be a *flat rate of subsistence payment* and it is to be made *adequate in amount and in time*. Whatever the cause of loss of earnings—unemployment, disability, widowhood or retirement—and whatever the amount of money involved, in such loss, the amount of benefit is to be the same. Because, as this amount provides for the essentials of health and efficiency, relating benefits to income can only introduce inequality into the operation of the Social Insurance Fund, which is intended to be a great leveller. The amounts are adequate to maintain persons without their having to find extra resources for subsistence. Further, so long as the need for them lasts, their grant is unlimited in time. They are carefully computed on the basis of nutrition studies made by the League of Nations and the British Medical Association, and of surveys of actual household expenditure on food, clothing, fuel, etc., conducted by the Ministry of Labour. As it stands, the average family man's weekly wage in Britain is not more than 50 per cent. above the standard of payment proposed in the Plan. The inclusion of a rate for rent was the most difficult problem Beveridge had to deal as it varies from about 16s. a week in London for an average industrial worker's dwelling to 7s. 6d. in Scotland; while an average agricultural household does not pay more than 5s. a week. Therefore, though he has included an average rent in the benefit amounts, he has put out a feeler that a supplement may be paid on claims subject to a maximum fixed regionally and according to the size of the family. The benefit rates assume a price level of 25 per cent. above 1935 and Beveridge suggests that they should vary with the cost of living so as to be adequate always. They are to be given without any means test.

1. Of the benefits proposed, easily the most outstanding is the Housewife's Policy. It is almost a charter of womanhood. Actually the housewife as such pays no contributions whatever for the benefits under the Policy but enjoys them on account of her husband's contributions. She receives the Policy by virtue of, and on the occasion of, her marriage. It entitles her to six benefits: Firstly, she receives a marriage grant up to £10. Secondly, she receives a maternity grant of £4 whenever children are born. This grant is at present only £2. If she is also gainfully occupied she will receive in addition a maternity benefit of 36s. a week for 13 weeks whether paying contributions or exempt from them. Thirdly, if she becomes a widow Beveridge proposes a widowhood benefit at the rate of 36s. a week for the first 13 weeks of widowhood. The present rate is 18s. a week. Fourthly, after 13 weeks and for as long as she has dependent children she will receive a guardian's benefit at the rate of 24s. a week in addition to the children's allowances which will also be paid. However, if a widow has no dependent children, or when the children cease to be dependent, she will not get a pension for life but will have to qualify for work under the training benefit. This will of course work rather harshly on older widows, but as the Government, in accepting this proposal, intend making even better provisions for widows, it is hoped that some modification will be effected on the basis of a widow's age. Fifthly, if a wife is divorced legally or deserted by her husband, through no fault of her own, she will be given the same benefits as for a widow. Sixthly, if she falls ill and is thus incapacitated for household duties, home help will be provided as part of treatment until she gets fit again.

2. In a highly industrialized country like England Unemployment and Sickness benefits constitute the

core of any social insurance scheme. According to the Plan, the flat rate of benefit in case of unemployment or disability due either to sickness or accident is 24s. a week for a single person and 40s. a week for a married couple. Thus an unemployed man with wife and two children (with allowances for them at 5s. each) should receive 50s. a week while the present rate for a couple is 38s. whatever the number of children. When the man and wife are both gainfully occupied, if the man only loses his job he will get 24s. a week and if the wife only loses her job she will get 16s. a week. For a single man or woman between the ages of 18-20, the allowance is 20s., and for boys or girls of 16-17, 15s. For the great complexity of the household pattern Beveridge makes another provision in the form of dependents' allowance which will be 16s. a week for every dependent above age for children's allowances of an unemployed or sick man.

The only qualification for these benefits is, according to the Plan, the Training Scheme. All those who have been unemployed for full six months must move on at the end of the period to an occupational training centre conducted under Government auspices. The training scheme is even more comprehensive in as much as formerly self-employed persons who have lost their means of livelihood, widows, and persons not earning their own living but faced with a sudden failure of subsistence are also covered by it. Such institutions as polytechnics, secretarial colleges, day nurseries, and even universities will probably be utilized for the scheme. The trainees may be fitted in these centres for new types of work and if employment cannot be found for them in their own district they might have to migrate for work. "They cannot be allowed," says Beveridge, "to hold out indefinitely for work of the type they are used to or in their present places of residence." They will receive a training benefit during their course at these centres at the same rate as unemployment or sickness benefit and a lodging or removal grant should they be asked to take training away from their homes.

While the Government have accepted the principle of equal benefits for sickness and insurance—a reform long overdue—they have rejected the principle of a subsistence basis for benefits that are variable with cost of living. This is a deplorable decision as it undermines the adequacy of the benefit based on a scientific measurement of human living needs. Further, even with the safeguard of a training scheme at the end of six months, the Government have rejected the principle of unemployment benefit of unlimited duration. Instead, they propose 'the intervention of some suitable tribunal after a limited benefit period' and the same applies also to sickness benefit. Thus in its most vital aspect the Government have chosen to whittle down Beveridge's proposals.

3. Next come Workmen's Compensation and Industrial Assurance. The Plan proposes the incorporation of workmen's compensation in the social security scheme under the new name of Industrial Disability payments. The main defects of the present Workmen's Compensation scheme are that each claim for compensation has to be separately decided by agreement or by a court decision, and that lump-sum settlements are disallowed. Under the Plan, for the first 13 weeks of incapacity for work due to an industrial accident the workman will be treated as being sick and will receive the same standard benefits as for sickness. Such a fixed rate for this period will mean an enormous administrative convenience as nearly nine out of ten cases of incapacity last for less than 13 weeks. If the disability lasts for longer than that the weekly payment will be increased to two-thirds of

the former earnings, but will not be less than the standard rate, though here it may not be fair to pay the bare minimum to meet the needs of a prolonged illness. If the accident proves fatal, a lump-sum industrial grant—an average of about £300 for a total dependent is indicated in the Report—will be paid to the dependents. The Industrial Levy will depend upon the risks involved to the life and limb of workmen in different industries and will be sufficient to meet about two-thirds of the extra cost above the average. The Government, however, have reserved the inclusion of workmen's compensation in the scheme 'for further consideration.'

As regards industrial assurance, Beveridge has made two proposals. The first is a minor reform, namely, a funeral grant of £20 paid on the death of an adult (lesser rates between ages of 3 and 20), to whoever incurs the funeral expenses, and has been accepted by the Government. The second and more important proposal is the nationalization of the industrial assurance business through a statutory board operating as a public service. This proposal has naturally evoked heavy attacks from private insurance interests and they have won also. The Government have rejected the proposal. The business is to continue in the hands of private companies and friendly societies. But these two will cease participation in the administration of national health insurance.

4. Lastly comes Old-age Pensions. The Plan proposes pensions to be paid as a right on retirement at the age of 65 for men and 60 for women. The initial weekly pension, at the time of the introduction of the scheme, will be 14s. for a single man or woman and 25s. for a married couple. These rates are stepped-up for a transition period of twenty years at the rate of a rise of 1s. single and 1s. 6d. joint every two years so that they will eventually conform to the standard benefits of 24s. single and 40s. joint. All insured persons, and all non-insured who will be under 55 if they are men and 50 if they are women at the commencement of the scheme will become eligible for the new pensions. Stepping-up the rates during a transition period of twenty years is to make the very heavy pensions' burden keep pace with a gradually expanding national income and not strain it suddenly. Under the Plan, people are also encouraged to continue in work even after retirement age, because, as the Report points out, the proportion of people between 15 and pensionable age will gradually decrease and the number of people above pensionable age will greatly increase. Hence Beveridge proposes that for every year after retiring age that a person works, he or she will be entitled to an increase of 1s. a week single and 2s. joint. But if pensioners take up part-time work the pension will be reduced by about half the earnings.

In regard to the pensions proposals under the scheme, the Government have rejected the stepping-up principle and prefer a fixed pension with increase of contributions if pensions are later raised. But this may eventually prove out to be an insurance fallacy.

Administration

In the third of his fundamental principles Beveridge pleads for the *unification of administrative responsibility*. A single Ministry of Social Security is to administer the scheme with a single Social Insurance Fund. Though several Government departments have already started work on the plan the Government have refused to commit themselves to a separate Ministry of Social Security. They have only gone to the extent of accepting that 'the insurance side ought to be con-

solidated into one organization.' When, as has been assumed, the plan is inaugurated in 1945, its estimated cost will be £697 millions, rising to £858 millions in 1965, to be shared by employees, employers and the State. In 1945 approximately 28 per cent. of the cost will come from direct contributions, 20 per cent. from employers' contributions, and 52 per cent. from general taxation (i.e., 351 millions). In 1938-39 Britain paid £236 millions in cash benefits and assistance and the existing services will cost the State £625 millions in 1945. Thus the change-over to the scheme will cost the exchequer £86 millions extra which is not by any means a prohibitive figure. In 1938 the total social security cost was 7.1 per cent. of the national income, while in 1945, under the plan, it will be 10.7 per cent. and in 1965, if the national income should increase according to estimates the proportion of cost will be only 10 per cent. As to how the cost will affect taxation it is too early to say. But as the social security contribution is itself a tax it might affect the volume of indirect taxation. Local finances would have to undergo readjustments, gaining on the cessation of responsibility for relief in some cases, but also losing in grants-in-aid. There will be no actuarial reserves in the Social Insurance Fund as in professional insurance. The State will simply pay the excess cost of the benefits over the contribution income. So in the last resort the financial soundness of the scheme will depend upon the capacity of the State to collect the needed taxes.

Beveridge estimates that the charges for the unified administration of the scheme will be only 4.5 per cent. of the total benefits paid out and in 1965, only 3.5 per cent. To appreciate what a unified scheme means by way of economy in administrative costs we have only to look at the present cost ratios of industrial assurance, unemployment assistance and health insurance. They are respectively, 35 per cent. of premiums paid, 12.8 per cent. of allowances paid and 17.4 per cent. of benefits paid.

These are matters of detail. Ultimately the Beveridge Plan depends not on details but on the will to win freedom from want. "The Plan for Social Security in this Report," writes Sir William Beveridge before affixing his signature to that great work, "is submitted by one who believes that in this supreme crisis the British people will not be found wanting, of courage and faith and national unity....."

OFFICE OF THE CHIEF CONTROLLER OF IMPORTS, NEW DELHI.

Import Trade Control—Public Notice.

Holders of import licences for goods falling under Part I of the Schedule annexed to the Govt. of India, Commerce Department, Notification No. 23-ITC/43, dated 1st July, 1493, and for goods covered by the Machine Tool Control Order, are informed that such licences valid for shipment in July-December 1943 do not stand automatically revalidated for shipments to be made in January-June 1944. If, however, the goods are not shipped within the period of validity of the licence, importers may apply to the respective licensing authorities for extension of such licences. Each case will then be considered on merits. (35)

Survey of Land Utilization

By P. M. Trivedi

THE appraisal of the types of Land Utilization in a country is of major importance. We very often come across lands which give a moderate yield while others give a bountiful yield. If we view such a phenomenon from the absolute standpoint of fertility, we are then confronted with the problem of a variety of soils in a country. The surface soil of many countries looks like a crazy quilt composed of many coloured patches, each one distinct from the other in the physical and the chemical make-up of its constituent materials. Soil always constitutes a very vital factor of land utilization. All agricultural operations have to be founded upon its nature and structure and eventually they have to be adjusted to soil conditions. The variety of soils is another important factor in agricultural land-utilization because it finally determines the suitability of different types of crops. Soil maintenance is still another significant aspect in the discussion of the question of Land Utilization. It has three broad features viz., soil desiccation, soil erosion, and soil depletion. In a country like India each one of these aspects exercises a great influence on the type of Land Utilization and still it is strange that Indian soils are not yet scientifically surveyed and to say the least, their biological aspect is not known. Soil biology is an essential adjunct to progressive agronomy and hence its knowledge is very useful to the different schemes of Land Utilization. It is worth remembering that the U.S.A. and U.S.S.R. have completed their extensive soil surveys so that all types of soil profiles are mapped out for the complete success of the schemes of Land Utilization.

There is another important aspect of this problem with regard to the tropical countries. In tropical countries surface-soil is considerably eroded by fluvial agents. These fluvial agents considerably deplete the soil in the submontane tracts. Very often the erosive activity is slow but all the same it is so continuous that the flood plains are ultimately disfigured and robbed by the formation of ravines. Under a small gradient of contour, soil erosion is a slow process, nonetheless it has a great bearing on the fertility of the land. The Chinese farmers have successfully combated this problem by terracing, embanking and afforesting their farm-lands. The Land-Utilization in China is fairly well adjusted to the nature of the soil and the configuration of land. The profile of erosion has to be properly studied in each locality so as to be able to devise a suitable technique for arresting erosive activity and maximising Land-Utilization. Dr. Pearson discusses the possibilities of transferring the fertility of soils from one part of the country to another. Such possibilities, if there happen to be any, require to be investigated more minutely in India.

We have already seen that Land-Utilization embraces all problems of exploiting the available resources of the country. Probably no country in the world needs a complete Land-Utilization survey more than our own country. In India we have lands fast deteriorating, soils rapidly losing their fertility, rivers failing to perform their task of land-building, marshes, salt-lands, arid lands and lakes increasing in area at the cost of good lands, and a bulk of the population subsisting on a semi-starvation diet in an environment of abject poverty. For a proper solution of all these problems, a scientific appraisal of resources on a regional basis is needed to begin with, i.e., a full-fledged

ed Land-Utilization Survey needs to be conducted with a view to investigating the economic and agricultural possibilities of each region. Such surveys would furnish dependable data on which plans for the future could be built up. China has already completed her Land-Utilization Survey. In a country like England where the peasantry as a class does not exist and where agriculture does not play any essential part in the economy of the country, the Land-Utilization Survey has been functioning for the last ten years and the use made of every acre of land has been minutely recorded. In the U.S.A. a large number of State Planning Boards are functioning with the aid of Land-Utilization Surveys. These Surveys are ultimately directed to solving the problems of Land and its People. Such a survey, if conducted in our country, will have to take into account the major problems affecting one-fifth of the population of the world. Beyond our borders we have no territorial possessions, and within our country we have the complex problems of the Indian States, but at any time it has to be remembered that our increasing population has to depend entirely on the available resources of our country.

In a country like India the Land-Utilization Survey involves a close understanding of the aggregate amount of land available for agricultural purposes, the pattern of its distribution, the intensity of its use for continuing different varieties of crops and the extent of its modifications at the hands of man for the purposes of augmenting agricultural production. The statistics of Land-Utilization in India are usually available from the agricultural statistics of British India and Indian States. In the official compilation there are two dubious items, "cultivable waste" and "not available for cultivation." Statistics of these items have to be taken with caution in so far as the line of demarcation between them is more imaginary than real. Only a few years back, Messrs. Robertson & Bowley strongly pleaded for the abandonment of such an imaginary distinction in the statistical books on India.

To begin with, however, it could be readily realized that British India is about one and half times larger than the area comprising Indian States. In spite of this the net area sown in proportion to the total area, is far greater in Indian States than in British India. The conclusion is, therefore, obvious that the area returned as cultivable waste is less in the Indian States than in British India. This phenomenon is not only strange but unintelligible as well when it is remembered that physical factors such as configuration, soil, temperature and rainfall are on the whole unfavourable in the Indian States put together. Among the Indian States, only Travancore receives the annual rainfall of over 50 inches while the rainfall in the other States averages between 20 and 30 inches; the States in the Rajputana are almost arid. Good many of them have nothing to boast of favourable climate; broadly speaking it is of a continental variety with extremes of temperature. So far as the soils are concerned, no detailed data are available but it is widely known that the residual type of soil predominates in a large number of States and obviously, therefore, it could not be as hospitable and as fruitful as the alluvial soil largely predominating in British India. Such unfavourable factors of climate and topography in the Indian States are also borne out by the nature of the major

crops grown in those parts. It may be realized that the principal single crop predominating in British India is rice while in the States millets constitute the staple food-crop. This aspect of a major food-crop both in the Indian States and in British India in relation to a staple diet of population needs a very careful investigation in the best interests of the nation, if we once set ourselves to the task of planning a Land-Utilization Survey. A more precise and scientific survey of the entire area drained by surface waters and covered by buildings, and mantles of unfertile soil is very necessary before we could conclusively say whether the Native States better utilize their land in comparison to British India.

There is another important feature in the present pattern of the utilization of land. In northern India the ratio of cultivated area to the total area is about the same in the Gangetic valley and in the Upper Indus valley but it is definitely low in the two Frontier Provinces—Assam in the east and N.W.F. in the west. Sind has only the minimum area under the plough; in the peninsula of Deccan, Bombay and the two adjoining States—Hyderabad in the east and Baroda in the north—there is a maximum area under cultivation in the whole of the country. This zone of maximum cultivation is surrounded by still another zone whereabout three-eighths of an aggregate area is being actually cultivated. This zone comprises Rajputana States, Gwalior, C.P., Mysore and Madras. Travancore in the south and Orissa in the north-east fall outside this zone.

There is also another well-marked feature in the existing pattern of Land-Utilization in India. The proportion of irrigated land to the total area sown increases steadily as we move from Assam to the Punjab and it reaches its maximum in Sind. This is something that is remarkable because eventually irrigation bespeaks man's efforts to get more than what the land readily produces. The inhabitants of the Brahmaputra Valley and the lower Gangetic Valley do not appear to be making as great an effort in this direction as the inhabitants of the Indus Valley. It may be possibly argued that the agricultural population of these tracts does not very much need irrigation but it need not be forgotten that Bengal has to solve very urgently its drainage problem and Assam is required to bring more land under cultivation to maintain its population. All this involves a good deal of human energy and effort to obtain greater yields from the land. It may be also noted that the proportion of irrigated land increases as we proceed from Assam to Travancore. Travancore has normally a good amount of rainfall in India and still the area of irrigated land is about one half of the total area under plough. This should set any one thinking whether irrigation can be dispensed with in Bengal.

The lower Gangetic Valley has a much higher area of the fallow land as compared to the Upper Gangetic and the Upper Indus Valley. The lower Indus Valley and the lower Gangetic Valley both have almost the same proportion of fallow land to the total area sown. It is, however, doubtful whether it is necessary or desirable to leave more land fallow in the lower course than the upper course of the river. This aspect of the problem needs very close investigation in so far as large areas remain abandoned. In the hilly tracts of the north the proportion of the fallow land to the total area sown is fairly low which is shown by a casual survey of the upper Brahmaputra Valley and the undulating hilly land of Assam. In the next place it is all the more surprising that

in the regions of maximum cultivation Hyderabad and Bombay have a fairly large fallow area while Baroda has very little of it. That Rajputana and Sind may have a large proportion of fallow lands is rather undesirable. It is, therefore, very imperative to have a detailed scientific survey of lands kept fallow before we can pronounce our judgment for or against the practice of keeping a large proportion of valuable agricultural land fallow.

Returning to the distribution of lands shown as cultivable waste one can very easily find that Assam shows the maximum while the province of Bombay shows the minimum of this kind of land in proportion to the total area sown. In the Gangetic Valley the proportion is about one-eighth of the total area whereas Hyderabad has a very low percentage. It has been told that there is still a possibility of bringing under the plough about one quarter of the total area in the Punjab and a little less than a quarter in Sind. By promoting and developing schemes of irrigation on a wide scale we have successfully to tackle the major problem of cultivable waste before we can precisely find out the nature of land considered worthless today for agricultural purposes. In this connection the Russian achievement should merit our attention. In the wastes of Russian Turkistan and in the Karakum and Kizilkum nothing grew for centuries past but in our times thousands of acres of land have been brought under cultivation with the help of artificial irrigation practised by the nomad families which have been settled purposively on the land. With regard to the distribution of this kind of land we shall find the maximum proportion in Sind having a very scanty rainfall and in the mountainous districts of Kashmere and N.W.F. Provinces. In Southern India Mysore State shows a large proportion of area not available for cultivation.

Of late we are up against a great menace to our agriculture. In certain parts of our country the ravines and the salt lands are progressively stealing a march over our rich arable lands. The danger looms large in the flood plains of the Northern India, more particularly on the plains of the Ganges, the Jumna and other important rivers of the Punjab. In addition to this peril our agriculture is up against another enemy in the form of soil dessiccation. It may be also remembered that an imperceptible change in the climatic cycle of India, the shifting courses of our large Indian rivers and the ceaseless operation of many other terrestrial forces are bound to aggravate the incidence of waste of arable lands in the near future. The large areas of rich fertile lands are being increasingly and continuously sterilized from year to year by fermentation of salts and by water logging. For India, even the maintenance of the amount of total arable lands intact is a problem of no mean importance. India has a variety of land problems and all of them require to be comprehensively investigated and co-ordinated to the best interests of the country. Planning or reconstruction necessarily implies a conscious effort on the part of man to harness his environment as best suited to the interests of mankind and, therefore, it is necessary to be equipped with a thorough and precise knowledge of all the factors which constitute the cultural landscape of the country. A comprehensive Land-Utilization Survey on a regional basis would achieve this important task by giving us the unfailing basic data on which we could plan with advantage the reconstruction of the despaired and the frustrated economic life of our country.

Calcutta.

Regulation of Bonuses and Dearness Allowances

(Contributed)

IN pursuance to Rule 12 of the First Schedule of the E.P.T. Act 1940, the Central Government has made certain draft rules with regard to the Allowances to be made for bonuses and commissions.

Draft Rules 3 to 5 provide for deductions to be allowed in computing profits of the business during any chargeable accounting period in respect of bonus, commissions and dearness allowance.

Rule 6 provides procedure in regard to applying the provisions of Rule 3 in the 2nd Schedule of the Act in respect of trading stocks to the computation of the average Capital for any chargeable period.

The Draft Rules provide that for the purposes of dearness allowance the wages and salaries will be divided into three categories:—

- (1) Rs. 25 and below.
- (2) Rs. 25 to Rs. 60.
- (3) Over Rs. 60 but not exceeding Rs. 300.

The dearness allowance permissible in the first case will be in the same proportion as determined by the Cost of Living Index of 1939 as compared to the cost of Living Index of the chargeable accounting period. In the case of second category, i.e., Rs. 25 to Rs. 60, the dearness allowance permissible will be the same as allowable on Rs. 25 plus 3/4th of the amount permissible on Rs. 25. In the case, i.e., above Rs. 60 the same amount of dearness allowance is permissible as for the 2nd category but in no case the salary or wages plus dearness allowance will exceed Rs. 300.

At the outset it is not clear if the Index Number of December, 1939 will be taken into account or the average of 1939. (The average of 1939—Ed.) The same is the case in respect of chargeable accounting period and if it is meant that the monthly figures will be considered it will entail a lot of clerical work and will make work difficult and complicated. The Cost of Living Index means that published by the Government. The control price of each is taken into consideration in preparing the Cost of Living Index No., while in the market essential commodities are firstly not available and secondly if you can get them, you have to pay much above the controlled rates and hence to base the Dearness Allowance on the index number published by the Government will not be equitable.

To exclude employees getting salary and wages of Rs. 300 per month or more is very cruel in view of the fact that persons getting Rs. 300 or more have also to maintain their standard, that their expenses have increased with corresponding rise in prices. Their requirements generally are commodities uncontrolled by the Government and they have to pay fancy prices for the same.

It is not just to have a common basis all over India in view of the abnormal conditions prevailing in certain parts of the country. In Calcutta the employees have to live definitely under a certain amount of risk and to pay them the same dearness allowance as paid to one in U.P. will be unjust and unfair; and it is quite probable that it may result in shortage of labour and clerical staff and consequent hindrance to war production.

The basis for dearness allowance should depend upon the risk undertaken and the conditions under which the employees or the workers have to live.

The amount of bonuses excluding Dearness Allowance payable under the rules after the 30th November, 1943 to any manual wage earner, shall have to be limited to one fourth of the wages for the period in respect of which the bonus is paid. In regard to the payment of Bonus and Commission to persons other than manual wage earners the draft rules provide that the allowance for this purpose

shall not exceed twice the sum that bears to the amount of such payments in the Standard period or 1 per cent. on the amount of profits of the chargeable accounting period, whichever is greater in relation to the chargeable Accounting periods commencing after 31st December, 1942.

To provide for allowance of commission and bonus it should first be borne in mind that bonuses are always paid by the employers when the Company makes good profit and hence it is not fair to base the amount of Bonus on the amounts paid during the Standard Period. So far as 1 per cent. on C.A.P. profits is concerned, the percentage is too meagre. At least 20 per cent. of the profits should be allowable in this respect. The amounts so determined should not include:—

- (i) Conditional payments made by the company on completion of a certain number of years' service by the employees, and,
- (ii) payments made to them under a contract or agreement.

In all circumstances, it seems very unjust to make such rigid rules for the payment of bonuses and commissions.

The Draft rules for bonuses and commissions provide that they shall be applicable in relation to chargeable accounting period commencing after 31st December, 1942. It is very unjust to make rules after the employers have paid bonuses and commissions to their employees. The Rules should therefore be made applicable after relaxing the rigidity therein only for the periods commencing after 31st December, 1943.

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THE WORLD ABROAD

Conference For World Bank

(From Our Washington Correspondent)

WASHINGTON (By Cable), Dec. 20.

THE Congress plans to adjourn this week until January 10, with the multitude of domestic problems still in abeyance. Yet only one important international question awaits legislative discussion. That is the proposal for world bank and stabilization fund on which the next international conference tentatively scheduled to meet in the eastern United States some time in January will deliberate.

Four currency stabilization plans have so far been seriously considered here—Canadian, the United States and British formulas and an independent proposal by Mr. Leon Fraser, the president of the First National Bank, New York and the former president of the Bank of International Settlements. The Fraser Plan contemplates essentially the stabilization of the dollar-sterling rate as the nucleus around which other countries could work. A fifth suggestion was made here last week when the Republican representative from Illinois, Mr. Charles Dewey, introduced a joint Congressional resolution for the creation of a central reconstruction fund to control the nation's post-war relief and rehabilitation stabilization efforts and long-term credits for reconstruction.

Mr. Dewey who was the Assistant Secretary of the Treasury under President Calvin Coolidge said that the central fund should consist of half a milliard dollars to enter into a "joint account" with other nations—amount of participation being determinable by the interest of participating nations in being aided by this country. The United States participation should be limited by annual Congressional appropriations. The half milliard dollars under Dewey Plan would be a revolving fund employed exclusively for joint undertakings.

Countering Mr. Dewey's move which has so far found even little Republican support the Democratic representative, Mr. Wright Patman, from Texas introduced a Bill authorizing formal United States approval and participation in world bank with an authorized capital of ten milliard dollars for post-war reconstruction and development. The United States would appropriate "such amounts as may be necessary to enable it to subscribe for such number of shares as may be appropriate, taking account of the national income and the nation's international trade and other factors." Such a bank would reflect Secretary Morgenthau's proposals, which is likely to be the principal topic at the global finance meeting here in January.

The forty-four nations will send delegates to the conference next month, including not only monetary experts who have prepared the plans but also diplomats who it is hoped will be able to fuse the final suggestions into a unified politically practical scheme capable of meeting with approval in their homelands. Preliminary conversations have paved the road for

the forthcoming conference. The British group headed by Lord Keynes spent recently several weeks here and is reported to have reached substantial agreement with Treasury representatives. The Soviet Russian delegations are expected to conduct similar exploratory talks soon.

The Russian participation presents special problems since the administrators of both world bank and stabilization fund would probably require detailed reports on the internal finances of each member nation including its holdings of gold and foreign exchange. Russia has hitherto withheld such data but the recent spirit of co-operation of the Soviet in other matters has caused belief among officials that modification in policy might be made also in this respect. The world finance conference has two major items on agenda; firstly, a ten-milliard dollar world bank and secondly an international stabilization fund which under Morgenthau Plan would have at least five milliard dollars subscribed by member nations under quota system. In addition to these delegates will probably consider a third plan for inter-related private and public financing of post-war sales of industrial products of the United States to the United Nations with Government's share being repaid in critical raw materials.

This third proposal depends on the fact that certain nations will need many million dollars worth of materials for reconstruction. According to this plan if Russia for example contracted to purchase 300 million dollars worth of the United States machinery, 250 millions might be financed by manufacturers and private banks. The Government would underwrite the remaining 50 millions on long-term basis which Russia would repay in manganese or similar raw materials of which it has surplus. Russia, India and China have been particularly mentioned as fertile fields for such transactions.

It is generally believed here, however, that while China will probably receive most capital goods from the United States in the form of loans, huge sterling balances in India will be used to finance imports of British goods. Discussing the post-war trade of this character Mr. Dicksons Leavens, an expert on Far-Eastern currencies, said in a survey published last week by the *Monetary Standards Inquiry* that India and China may experience some nationalistic desire to break from all dependence on West and create currency systems that can be manipulated for their own benefit, but intelligent self-interest may prevent extreme measures. He said that India and China may be expected to continue or resume trade relations with America and Europe after the war and it would therefore seem to be their advantage to join any world monetary system that may generally be accepted by the West or at least maintain connection with the currency of a Western country with which they are politically connected.

Currency Plans Shelved

(From Our London Correspondent)

LONDON, Dec. 22. (By Cable).

The reports from New York that American bankers are convinced that they have torpedoed both the Keynes and the White plans for post-war currency are accepted here with one important qualification. Some financiers who have been following closely the discussions in New York and Washington believe that the Roosevelt administration—impressed with the strength of the opposition displayed by the American Bankers' Association and the ease with which the latter could make an unpleasant political issue of any formal international currency pact—will postpone decision at the most until the elections next November are past. But it is pointed out that this is not the same thing as abandoning the entire effort.

These people are greatly impressed by the scientific and disinterested study recently published by the United States Department of Commerce analyzing the world's efforts in recent years to acquire dollars and including a study of violent fluctuations in the availability of dollars. The report has made a deep impression here and is interpreted as evidence of the United States Government being fully alive to the fact that the world supply of dollars is one of the biggest problems confronting the post-war world. If this interpretation is correct then the supposed victory of the United States bankers might be shorter-lived than they imagine.

But for the present London is even more interested in Russian attitude than in the United States attitude. The fact that the Soviet Union is the second largest gold producer and is therefore interested in a steady international demand for gold is regarded as being responsible for another realistic somersault in Russian economy. For it is recalled that Lenin in his early writings had profound contempt for gold as a fetish of western capitalism. When Russian currency returned to gold parity, Lenin expressed his regret and said that he hoped to live to see a day "when we will place in the streets of some of the largest cities public

conveniences made of gold.....the most just and instructive use that metal bore."

The Cotton Board in its latest "Trade Letter" has given the Lancashire spinners and weavers some blunt truths about British *per capita* output of cotton goods compared to the United States *per capita* output.

So far as the spinning section is concerned comparison is not discouraging. According to figures collected by the Cotton Board, yarn output per wage-earner in the United States in 1937 was 7,150 pounds avoirdupois compared with 7,050 in the United Kingdom. The working week in the United States that year was 40 hours compared with 48 in the United Kingdom, but the latter spun higher counts—an average of 27's compared with 22's in the United States—which would affect *per capita* production some 12.5 per cent. After making for these factors the Cotton Board estimates that the *per capita* output in the United States will probably be higher than in the United Kingdom but not by more than 10 per cent.

But the output of finished cloth per worker in the United States is approximately three times as high as output per United Kingdom operative. "Trade Letter" points out that this is due to greater use of automatic looms in the U.S. where 95.95 per cent. of all looms are automatic, whereas only 3.5 per cent. in the United Kingdom are of that type. These show some of the problems confronting the post-war Lancashire cotton trade.

The City is buzzing on unconfirmed reports that the New Year will see the retirement of a big firm of merchant bankers. The rumours may be due to the general recognition that war-time conditions make it almost impossible for these great firms to utilize fully their capital and financial skill and world-wide connections, while the post-war outlook is also uncertain. It has been estimated that these private banks had in 1934 an aggregate capital and resources of sixty million sterling, but after writing off losses on loans to Germany their capital was forty million.

Britain's Post-War Economic Policy

LONDON, Dec. 17 (By Airgraph).

THE recent changes in the Government indicate that Mr. Churchill and his Cabinet are at last ready to consider post-war problems as matters of the moment. Not so long ago the public were told by the Prime Minister himself that the first thing was to bring this war to a finish. To demands for early consideration of post-war plans he offered evasive answers. Now he has made the appointment of a Minister for Reconstruction and has given the new charge into the hands of the former Food Minister, Lord Woolton. His choice has been welcomed all round. No Minister, other than Mr. Churchill himself, has been such a success as a war-time administrator as has Lord Woolton at the Ministry of Food. His choice for the new post was indeed a given one, though none of the prophets has tipped him for the position. The inauguration and administration of the rationing system was a ticklish task. The difficulties of supply, particularly of shipping could be surmounted only by a man of foresight and courage. Patience and tact were needed by the head of the Ministry of Food, both in order to get the required co-operation from

other Government departments, and that of the public who were required to make the best of what was available at any given time. Lord Woolton evidently is a grand organizer as well as an accomplished leader. It is remarkable how he succeeded in convincing the people of the necessity of what he was doing and asking them to do or not to do. It was a common experience to listen to groups of people, in the tavern and in the home, how they grumbled about their food, about ration-cards and points; and then, inevitably, someone would suggest that, after all, we were better off than most nations and surely the Food Minister had made a grand success of his task, and, as invariably, they all agreed.

Now, Lord Woolton has to organize first of all a new Ministry. He is left a free hand to devise and organize the new organization. His job will be a dual one. In the first instance he is to co-ordinate the planning functions of the different Ministries involved. The Ministry of Health, the Board of Trade, the Ministry of Supply, of Mining, of Transport, they all

have a finger or two in the pie of post-war planning, secondly, his new department has to provide plans itself for the consideration of the Cabinet. It is perhaps a good omen that of all the Ministers, Lord Woolton is almost the only one who so far has made no pronouncement on what is to be. He is one of the unpolitical members of the Government. He was chosen as Minister of Food, in spite of the fact that he had no parliamentary experience, because of his experience as a commercial man. His views are those neither of a Tory nor of a Socialist. Though he undoubtedly has his own convictions, they are not party coloured, and will therefore command objective consideration on the part of the different fractions both in the Government and in Parliament.

There are certain limitations to what the present Government will do. Mr. Churchill made it clear in the House of Commons a short while ago that he would be no party to allow the present Parliament to decide on the question of nationalization of the coal industry. His statement clearly implied that, except in matters of minor importance, a policy of nationalization would require the consent, by general election of the people. On the other hand, should such a policy be shown to be inevitable in certain departments, it may well be that Churchill himself might make its realization a point in his own election campaign when it comes. Again, the Prime Minister's aside in the House of Commons a week or two ago, that he was a life-long opponent of Socialism, does not preclude his agreeing to some actions of an apparently socialistic nature. Thus the new Minister for Reconstruction is hardly limited in his points of reference to "anything but socialistic measures." On the other hand, whatever the plans be that will be worked out by Lord Woolton and his collaborators, they certainly will not be socialism.

The call for a Government statement on post-war policy does not come from the socialist elements only, liberal and conservative circles are equally intent upon the necessity for early pronouncements. Industrial and commercial men of all shades and description are bemoaning the absence of any guidance as regards their own spheres of activity. If they are asked what their plans for the future are, the answer is mostly the very same: we do not know because we do not know what we are required or will be allowed to do. These people mostly wish that war-time controls will be relaxed, and in due course removed, though, a large number of them are agreed there must be and will be more State control after the war than there was before. But, they argue, whatever controls the State has to execute, it should be in the nature of guidance rather than in that of executive directions. Against this view is that of the Labour Party and the Trade Unions. Theirs is a demand for immediate and wide nationalization of industries, and where nationalization does not yet appear (in their view) to be ripe they want the State to have very wide directive control.

But the views of the Labour Party are not so coherent and uniform as would befit a party that is looking forward to form an alternative Government. Even on the question of nationalization there are differing voices amongst the ranks of their leaders. The fact is the Labour Party has no economic theory. They most vehemently deny that they are Marxists; yet their proposals and policies are nothing if not Marxist. They are in fact the proposals which would have to be considered inevitable if Marxist economics were considered to be correct. Yet Labour economists, in common with others, have long ago discarded Marxian economics as incomplete and, in part, entirely

wrong. But they stick to their Marxist proposals. I am, of course, not thinking of the more metaphysical aspects of Marxism. There are plenty of Marxists of that nature in the Labour Party though their influence is comparatively small. This uncertainty, i.e., an economic policy without a basic economic theory, makes itself felt particularly in the field of argument on post-war reconstruction.

This is not to say that the Labour Party may not be able to increase its votes in the country if and when there is a general election. In such questions as creation of full employment, children of family allowances, social services and insurance, such as proposed by Sir William Beveridge, the sentimental appeal will be great. But, to judge from the speeches made by the party leaders in and out of Parliament it may fairly be doubted whether, if they did gain a majority in an election, they would be able to produce the goods. On monetary policy the ideas of all but a few of the leading Labour politicians are, to say the least, very vague. On commercial and industrial questions their views are much sounder on the moral plan than on the economic one. Yet, as the Churches had to experience over centuries, it is impossible to improve the morals of commerce unless the economic basis is altered. Thus whilst the Labour Party is able to rouse the country on moral grounds it will be unable to convince on matters economic.

There is another point working against the Labour Party gaining the upper hand—unless the Conservatives indulge in mere 'restoration' policy—namely, the general trend observable all over the world towards Stateism and State Capitalism. How democracy, and particularly improved democratic government, can be squared with absolute State control of the nations' economy, is a question which is seldom asked and never answered, except by some obscure authors of letters to the press. But that is not the point. The point is that throughout the political body right deep into the Conservative Party, there is this trend for more concentrated control. The only difference is that whilst the Labour Party leans towards nationalization pure and simple, the spokesmen to the Right think more in terms of mighty corporations for which they name as example: the Port of London Authority, the Broadcasting Corporation, and similar bodies. That these corporations are responsible to nobody (or almost) not even to a body of shareholders, is generally overlooked. None the less, these views will influence the policies of the Right so that it can be expected that when the campaign opens, much of the thunder of the Labour Party will be stolen by Conservatives. It follows that nothing can be forecast as regards the outcome of the general election which surely will come soon after Germany is defeated, if not before then.

There had been, for some time, an idea about that the coalition might continue into peace-time and that a coalition government under Churchill would enter the fray with a coalition programme. Mr. Churchill threw out a feeler in this direction a good while ago. I believe he has dropped the idea entirely. But so far none of the Labour members of the Government has indicated plainly whether they will come out of the Government as soon as a general election is to take place. But there can be little doubt that they will do so. A transition coalition seems now almost impossible. The Labour Party cannot afford the party *truce* to continue if it is not to commit suicide. The Tories will have no coalition without the party *truce* in elections. Thus the present political state is one of uncertainty as to the future, and so remain all matters of economic policy for the time being, that is, until a new Parliament has been elected.

VI G. V. Joshi

II
By D. G. Karve

A GENERAL paralysis of industrial structure caused by economic disequilibrium has attracted much notice from economists and the causes and treatment of depressions are now attracting the major portion of the attention of economic experts. But a depression caused by a political malaise is beyond their ken, though it is one of the most devastating in its consequences. Joshi says about this phase of Indian economic life that it is at once the most important, and according to prevailing British notions of economics the most neglected part of our experience.

"This effect (perilous curtailment of the field of profitable national employment and the alarming expansion of foreign exploitation) may be briefly characterized as a general, severe, serious *industrial depression* all over the field. It is a depression which probably is, in its magnitude, without precedent or example in the economic annals of the world, and which is unknown to the Political Economy of the West. It is this depression which is, as we conceive it, at the root of our present industrial distress, the prime source of our economic difficulties,—and the almost sole cause of our poverty and misery."

That in the apparently normal payments made to the foreigners under various heads, salaries, interest, prices etc., there is a large measure of unmerited bonus rendered possible only because of the position of political domination enjoyed by Britain is a well-known fact of the distribution of India's national income, poor as it is. This depletion of the national income has been described by many Indian economists, and by Joshi among them, as a 'drain.' According to Joshi the real burdensomeness of this tribute is to be measured not by the proportion that it bears to the total income of the country, but to the net surplus, which is almost microscopic in its volume. A people who live near or below the margin of subsistence cannot be expected to have any considerable surplus out of which to build up capital necessary to launch an industrial revolution. When even the small surplus that there is is thus drained off to a foreign country the dependent country is perpetually placed in a state of depression.

Joshi insisted not only on the termination of the element of drain or tribute in our payments abroad but suggested that the Government should borrow in foreign countries for the financing of schemes of planned and controlled industrialization. Two motives prompted him to suggest this course. An accelerated transformation of our industrial life would entail the investment of such large amounts of capital that they would be beyond the capacity of private enterprise. And even if this purely quantitative aspect of the matter was ignored Joshi felt that the only way to have the help of foreign capital without the inconvenience of the foreign capitalist was to borrow abroad through State agency. If the British Government extended its guarantee to the loans of the India Government the cost of such borrowing would be very reasonable. As the British Government played a decisive part in controlling Indian policy, Joshi did not see any reason why they should not also guarantee

the Indian loans and thus help to lower the interest charges.

If the State helped to find the capital and to give assistance in other ways such as a bounty the State would have every right to guide and regulate the industry. Any burden placed on the exchequer by the scheme of active assistance to industries would be amply justified. "The maxim," says Joshi, "that what the people pay might be justly spent on their goods, is as self-evident a truth as any geometrical maxim." The obvious fairness of the procedure is further emphasized by the fact that in a scheme of national reconstruction not one class but all classes, not only the so-called producer but also the consumer is equally interested. The policy of Free Trade in the Indian context was only a policy of Exposure. A collapse of national industry, an overstocking of the agricultural industry conducted under conditions of diminishing returns, a substitution of skilled by unskilled occupation, a wiping off of a self-reliant middle-class of producers, and a growing disproportion between population and employment—all these were directly traceable to the much vaunted economic doctrine of Free Trade applied out of its proper context to Indian conditions.

A state of widespread inadequacy of resources has always drawn from the superficial observer the retort based on over-population. Such an argument has been seriously advanced on high authority to explain, if not to justify, even the present food crisis in the country. Joshi lived in the era of famines and hence he had to counter the crude Malthusian theory time and again. He recognized that over and under-population were relative terms. If you deliberately shut out all the normal methods of industrial progress and reorganization and call the resultant state of poverty a sequel to over-population you are guilty of a theoretical error and a practical injustice. The economic appraisal of the population situation must take place in a normal economic context. Where the economic output is abnormally low and where population is showing a normal rate of increase the disproportion between numbers and resources is a case of under-production and not of over-population. Joshi brings out the error involved in the popular view of the subject in the following remarks:

"Under these circumstances—undeveloped resources and unutilized science and technique—the Indian Political Economist cannot subscribe to the Malthusian doctrine and admit that increase in numbers must necessarily be the evil it is said to be. On the contrary he has reason to maintain that such increase of population ought to be a source of increase of wealth. The source of mischief lies not so much in the fact of an alleged over-population as in the admitted and patent evil of under-production"; and again,

"In India population is not increasing beyond its normal rate, and if the total production of the country does not come up to the level of its requirements, where there is such a wealth of material resources, we have clearly not what Political Economists call the evil of *over-population* to deal with, but the evil of *under-production*, which they do not recognize."

The political fact that British capitalists had easy—in fact by comparison with all others including even the nationals of the land—almost a preferential access to the Indian market created a situation of extraordinary disadvantage, which Joshi describes as 'adverse exploitation' or 'internal foreign exploitation.' How such a development falls out of all normal calculations both of Free Trade and Protection, and combines the disadvantages of both for the subject country is well-brought out by him in the following remark: "The foreign competitor, who remains in his own country, and taking all the advantages and disadvantages of his position, does his business, is not half as formidable as one, who while living in his own country, gets his business transacted out here and thereby combines the advantages of his own and of his rival's position minus their disadvantages." Any fair minded student of Joshi's writings on these subjects,—liberalism, state-action, free-trade and protection, population, industrial revolution, and just distribution of national wealth—is bound to be sufficiently struck by his penetrating analysis to remark to the pure or classical economist; "There are more things in heaven than are dreamt of in your philosophy."

The public finance of a country generally brings out the best and the worst elements of the nation's political and economic life. Indian finance has been no exception. A comparatively low figure of total revenue, the preponderance of indirect sources, a generally regressive tendency and a large proportion of preservative expenditure were inseparable from a backward economic status. But high rates of taxation, an avoidable recourse to burdensome taxes, a callous disregard for the inequity of the distribution of tax-burden and a complete indifference to the claims of social services were the direct results of the politically dependent position of the country, and even of its Government. This exploitative aspect of India's finance was well brought out when the then Secretary of State went so far as to promise to the representatives of Lancashire Trade an early revision of the 5 per cent. fully countervailed tariff on their goods levied as an emergency measure by the India Government to meet the deficits caused by the Burma War. This promise of the Secretary of State ran counter to an earlier official pronouncement regarding the revision of the Salt tax which also had been enhanced in a similar situation. Joshi's comments on the episode are indicative of his views on the general position of Indian finances.

The Secretary of State had stated in explanation of his attitude that he felt the discontent of the Lancashire industry to be a factor affecting adversely the unity of the empire. Adverting to this explanation Joshi observes: "It is a view which is most earnestly to be deprecated as seeking to subordinate the financial policy of a great Dependency to the convenience of British commerce and British industry. No one would, of course, ever desire that the interests of India should come into

such perilous conflict with those of British industry. But from an imperial point of view, it would certainly be intolerable, if India—with all her obligations to fulfil,—should not be allowed to raise her income in the ways and by the methods she deems best and should have her financial independence placed at the mercy of an English trade organization—no matter how powerful. The Lancashire vote may be vital to the position of Her Majesty's Government; but to comply with the selfish demands of a particular trade interest and to compel the Indian Government to abandon an important and unobjectionable source of income—and that too at a time when it can least afford the sacrifice—would be to sacrifice India to the exigencies of party politics in England, and from a constitutional point of view, would be grave injustice, if not a scandal."

Another feature of the Indian fiscal situation meriting an equally strong condemnation was the reckless manner in which military burdens were thrown on the Indian revenues and the constantly rising levels of taxation—in the face of a dwindling level of national income—by which they were met. Joshi's comments on this aspect are both pithy and penetrating: "To obey and to do as bidden—this accurately represents our position under the existing arrangements in respect of the charges we have to meet on account of the British troops serving in India. A fiscal system which keeps up an over-flowing exchequer and lets the people starve violates every principle of good finance."

Joshi's contributions to the Press, on the subject of Land Revenue mostly under the initial 'J' had attracted very wide notice in his days. In fact he was considered to be the best authority on the subject, especially of the Bombay system, and he was frequently consulted by Dutt and other well-known writers. While pleading for a modest and stable charge on the cultivator's earnings he maintained a proper sense of proportion as to the position of land revenue in the economy of the peasant. According to Joshi agricultural economy was suffering from the major evils of overstocking and backward technique. Judging from the prevailing distribution of cultivated land, four acres per family, and contrasting it with the approximate size of the optimum, five acres wet and ten acres dry land, he had come to the conclusion that there were about 92 million people on the farms who were not needed for full cultivation. Such a ruinous waste of resources could be remedied only by diversion to non-agricultural industry and by a re-

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placement of the exhaustive system of tillage by one of restorative agriculture.

A properly organized system of credit, wide diffusion of technical and scientific education, and demonstrations of superior methods based on research were all called for. But above all, conservation of water and moisture was a prime necessity. It was futile to expect in a continental country of small individual resources that the large irrigational works could alone suffice to render the cultivator in all parts free from the terrors of an uncertain rainfall. A reassurance on this score was a necessary preliminary to an intensive system of tillage. Joshi recognizes that 'there is no profession more based on science or more dependent on scientific knowledge than agriculture.' But knowing the dependence of intensive tillage on an assured water-supply he goes on to say: "Well irrigation constitutes in fact the solution of the agricultural problem."

Joshi condemned state-landlordism because it had, in his opinion 'no logical foothold in the Aryan law and usage either of the West or of the East.' This remark is significant of his views not only on the sub-

ject of land but also on the whole relationship between the individual and the community. People in India were not settlers coming out of no-where, without any culture, traditions or institutions of their own. They were as respectable a branch of the great Aryan family as any other and they had in their day achieved master-pieces of worldly success as also of philosophy and learnings. But for the extraneous factor of modern science and foreign autocratic rule the normal progress of India from a disjointed to a united, and from a backward to a modernized nation would not be difficult. The role of the thinker was to reason out the causes of what is wrong and to suggest the methods by which these can be removed. It was Ranade who once said in justification of his continuous flow of do's and don'ts for the Government and the people, that it was the hereditary duty of a Brahmin to analyse the causes of national ailments and to suggest the methods for their cure. Joshi shared this view of his elder colleague, and in the sphere of Indian economic welfare produced a volume of literature which can be justly styled, 'A treatise on the poverty and welfare of the Indian people.' Poona.

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Madras Letter**FROM THE PROVINCIAL ANGLE****RECLAMATION OF WASTE LANDS—RELIEF TO AGRICULTURISTS—INDIAN INTERESTS IN BURMA—S.I. CHAMBER'S PROTEST***(From Our Correspondent)*

A SCHEME for the reclamation of waste lands and bring them into cultivation as part of the "Grow More Food" campaign has just been sanctioned by the Government of Madras. Out of the total *ayacut* commanded by the Cauvery-Mettur Project, only 1,71,800 acres have been brought under cultivation so far and about 1,41,200 acres yet remain to be irrigated. The Government therefore set up a special engineering subdivision with a non-official committee to assist it to inquire into the causes of this slow development in irrigation. It has now been revealed as a result of such an inquiry that, apart from certain engineering difficulties which are not insurmountable, the ryots have been unable to invest money on reclamation of lands, the loans given by the Government being inadequate. To obviate this difficulty, the Government have now decided to give relief to the agriculturists by the grant of loans through the agricultural co-operative societies to the extent of Rs. 50 per acre under the Land Improvement Loans Act, to be recovered in fifteen annual instalments. The agriculturists are to be asked to take advantage of this facility and start the reclamation work in right earnest. If the ryots cultivate the land with paddy, the Government do not propose to levy any assessment for the first three consecutive *fashis* but in any case, no concession is to be granted in respect of water rate. The assistance of an agricultural demonstrator trained in "co-operation" is to be given to the agriculturists in the working of the scheme. In the first instance, the scheme is to be started on a compact block of land of 225 acres in a village and if it is successful it is to be extended.

Paddy Cultivation

While on this subject of agricultural production, it would be relevant to refer to one or two recommendations recently made by the Crops and Soils Wing of the Imperial Council of Agricultural Research having a bearing upon paddy cultivation in South India. It has been suggested that the feasibility of introducing power farming for the rice fields by the use of tractors, under ordinary village conditions in the more densely populated areas without disturbing the individual possession of the land should be explored. Anyone having a knowledge of paddy cultivation would readily realize that paddy fields require inundation and that bunds are required to retain the water. Under such conditions, tractor ploughing is definitely out of question. Dr. B. V. Nath, Director, Imperial Agricultural Institute is also of the same view and this is evident from his address to the Andhra Manufacturers' Association. Incidentally he indicated in his address the lines on which the State could give aid to the agriculturist. "While the Government should provide irrigation facilities, it must be left to the industrialists to manufacture the tools necessary for agriculture. In any programme of agricultural expansion water is very essential. And why should it not be possible to carry water every where in India when in America petrol pipe lines are running from New York to San Francisco?"

Indian Interests in Burma

The apprehensions of the Indian interests in a post-war reconstructed Burma in regard to their rights and aspirations in that country seem to have been borne out by recent events. The impression was created in this country both by the Government of Burma and the Government of India that no steps in regard to post-war reconstruction would be taken without consulting Indian interests, particularly mercantile inter-

ests. But recently several committees seem to have been constituted and as many as 27 reports on various subjects relating to the administration of Burma in the post-war period, some of them vitally affecting Indian interests in that country, seem to have been prepared. It is reported that discussions have taken place between the Secretary of State on one side and the Governor of Burma assisted by two European merchants on the other side. Thus the Indian mercantile community has been greatly disappointed since European interests, very small in trade, industry and agriculture compared to Indians, have been taken into consultation throughout the proceedings. It is stated that the above mentioned reports are the products of joint deliberations so conducted. Naturally the Southern India Chamber of Commerce has protested to the Government of Burma against this discrimination and has asked whether there was any proposal to consult Indian mercantile interests in regard to these deliberations. But the above reports have increased the suspicion and have only whetted the appetite for more information.

Promotion of Sericulture

In order to promote the sericulture industry, the Madras Government have assigned certain compact blocks of assessed and unassessed waste lands in Kollegal Taluk in the Coimbatore District to ryots and have permitted them to grow mulberry on these lands. The policy of the Government is to reserve all compact blocks suitable for colonization schemes for the benefit of ex-soldiers of the present war. But in view of the importance of the sericulture industry, the Government have decided that 10,000 acres out of the 30,000 acres in the area should be permanently assigned for the cultivation of mulberry. The remaining 20,000 acres is to be reserved for the benefit of ex-soldiers but, if found necessary, they are to be temporarily assigned for cultivation of either food crops or mulberry. The cultivation of mulberry is to be free of land revenue assessment for five years whether on lands temporarily or permanently assigned.

Ban on Tea Planting

The lifting of the ban on the new planting of tea in India is demanded by the Indian planters of South India. It seems a similar ban has been lifted in Ceylon and there is no reason why such a course of action should not be adopted in this country too. The Secretary of the Rubber Growers' Association in South India in a communication has stated that many of the Europeans disposing of their tea estates in India at fabulous prices are planting tea in Africa. Therefore it has been suggested that the ban should be lifted immediately so that when the African estates come to yielding stage, India may not suffer a handicap in the competition that would face her. It seems that the United Planters' Association of Southern India, an organization of European planters, is against the lifting of the ban but nevertheless the Indian view point deserves careful consideration at the hands of the authorities.

Vegetable Dyes

A tinctorial chemist for research on vegetable dyes, on contract for a period of one year in the first instance, has been appointed by the Government of Madras. Imports of foreign dyes have stopped consequent on the war and the textile industry, particularly the handloom industry in this province has been suffering due to inadequate stocks of dyes. Therefore the present research has been undertaken to see whether the internal resources of the country could be usefully employed to the advantage of the industry.

Bombay Letter**SUSPENSION OF DEARNESS ALLOWANCE TO TEXTILE OPERATIVES—LABOUR ASSOCIATION'S PROTEST—GOLD SALE IN UP-COUNTRY MARKETS?***(From Our Correspondent)*

BOMBAY, Dec. 18.

THE reaction of Bombay and Ahmedabad, the two major textile cities of the Province, to the proposals of the Government for fixing certain standards of dearness allowance for manual wage-earners, payment above which will not be allowed in the E.P.T. assessment, is interesting. So far as Bombay is concerned, cotton mill workers will not be affected by these proposals as the system of paying dearness allowance in Bombay conforms in most cases to the principles proposed to be laid down by the Government. In the case of Ahmedabad, however, the first action of the mill-owners has been to suspend dearness allowance for the current month. The Textile Labour Association of Ahmedabad has issued a statement urging both the employers and the Government to desist from the contemplated action in regard to the regulation of dearness allowance. The Ahmedabad cost of living index, it is pointed out, is higher by about 228 per cent. over the pre-war level as against the Bombay index number which is higher by 140 per cent. It is also pointed out that the Textile Labour Industry Committee in its final report has stated that most of the workers engaged in the industry are not getting a living wage. In view of this statement, the Secretary of the Textile Labour Association urged that "it is unjust to make an attempt to cut down the dearness allowance in an industry which has made such huge and unprecedented profits during this unfortunate war." In Surat, the local mills have not taken any action in this connection. The mills will continue to pay the usual dearness allowance (75 per cent. of the amount declared by the Bombay mills). They have also put up a notice declaring two months earning as bonus for the workers.

Rationing in Suburban Districts

The decision of the Government of Bombay to extend rationing to the remaining part of the Bombay suburban district marks a bold step in bringing large semi-rural areas under rationing. The extension scheme will cover 65 villages and will bring about one lakh of persons under rationing. As this is the first time that rationing is being introduced in semi-rural areas, the Government has to face many serious difficulties. For instance, all the

villages are not compact and some of them lie in jungles about two to three miles away from the main road, and, in some cases, huts are situated in very scattered areas. This makes the work of numbering the houses and enumerating the people very arduous. The question of opening of ward offices which will be accessible to the people also presents difficulties. It is proposed to open sub-offices attached to branch offices to tide over these difficulties. Regarding the location of ration shops, each village or a group of one or two villages will have a ration shop and a few shops will be opened near the jungles to meet the requirements of the residents of the jungle villages.

Rice Forecast

Figures of the rice crop of Bombay for 1943-44 are now available. The rice crop of Bombay in 1943-44 is estimated to be 21,752,716 cwts. covering an area of 2,612,563 acres, compared with 22,882,124 cwts. grown on 2,679,527 acres in the preceding year, according to the Second Memorandum on the rice crop of the Province issued by the Director of Agriculture.

Stock Market

Price movements on the Stock Exchange were comparatively narrow and the volume of trading was restricted owing to the pre-holiday feeling. The air-raid alert in Calcutta on Thursday caused a set-back in steel section, though prices in the textile and other sections were well maintained. In the gilt-edged market, on the whole, there was fair investment demand in all scrips. Three and a half per cent. Rupee Paper after last week's set-back gradually improved and business was done at about Rs. 97-10-0, but the price declined at the close to Rs. 97-8-0. It is reported that the Government have raised the minimum price to Rs. 94 as against Rs. 90. Regarding the recent issue of the Government lottery loan in the form of interest-free Prize Bonds, it is felt by some that "it is not in keeping with the best traditions of both England and India." It is not an economically sound move and the lukewarm welcome accorded to it by London commentators merits attention. The scheme is ethically unsound. It is indeed reprehensible that the Government of India should stimulate rather than discourage the propensity to gamble which this type of loan is bound to excite.

Bengal Letter**ECONOMIC CONSEQUENCES OF EPIDEMICS—DELAY IN INTRODUCING RATIONING—RETAIL DEALERS' COMPLAINTS—JUTE INDUSTRY***(From Our Correspondent)*

CALCUTTA, Dec. 18.

EPIDEMICS of diseases now raging in different parts of Bengal give rise to economic problems of grave and urgent import from the point of view of agricultural economy of this province. The epidemics are the aftermath of famine, and if famine caused for sometime a serious dislocation in rural life in Bengal, the diseases are likely to inflict a permanent injury upon the rural economy of Bengal.

The rural population is being decimated or disabled at such a fast rate by diseases that already harvesting work is being hampered by shortage of agricultural workers. The worst effects of the epidemics now raging in the province would, however, be felt most acutely in the next ploughing season. Indeed it would scarcely be an exaggeration to say that the entire Grow-More-Food campaign will collapse and food production would be greatly retarded if imme-

diate steps are not taken in adequate measure to arrest the spread of diseases. Altogether, unless more comprehensive and far-reaching measures are adopted to deal with diseases than are being done now serious troubles will be piled up for the future which might well prepare the way for a more devastating man-made famine than has hitherto been witnessed.

Rationing Is Deferred

Much to the disappointment and dissatisfaction of the public in Calcutta, the much-talked-of rationing scheme for the city continues to be deferred till an uncertain future date. It was more or less definitely asserted by official circles that rationing will come into operation in the city by December 15. The latest report available in respect of the matter indicates that rationing will not be introduced in the present month at all; nor is any hint given as to the approximate date for the introduction of rationing. The public demand for the speedy enforcement of the rationing scheme is however being emphatically and strongly expressed in the local Press. The presence of Sir J. P. Srivastava, the Food Member of the Government of India, in the province has provided a suitable occasion for the pressing of the public demand in this respect. It is felt that in view of the responsibility assumed by the Government of India for the feeding of the people of Calcutta, and the neighbouring industrial areas, the Food Member cannot but be vitally interested in the introduction of rationing in Calcutta. It is hoped that the Food Member will appreciate the intensity of feeling that lies at the back of the demand for rationing. The people have been fed too long on the hopes of the introduction of rationing; they will not any longer be satisfied with anything less than a real taste of rationing in practice.

Grievances of Retail Dealers

Apropos of the rationing scheme which is proposed to be introduced in Calcutta, the retail dealers in Calcutta have been giving expression to their grievances which arise out of the distributive arrangement envisaged in the scheme. It appears that the

U.P. Letter

QUOTAS FOR SUGAR CONSUMPTION—SHORT SUPPLY OF HIDES TO LEATHER INDUSTRY—STOCKS OF UNSTAMPED CLOTH

(From Our Correspondent)

CAWNPORE, Dec. 20.

THE Sugar Controller of the United Provinces has recently issued an order fixing monthly sugar consumption quotas for every district to cover the six monthly period ending June, 1944. The Sugar Controller has also requested the District Magistrates, who are responsible for dealing with their district's sugar quotas, to make arrangements for reserving and keeping stocks of sugar for two to three months advance consumption and for meeting the temporary increased demands of their districts as there was every possibility of restrictions being placed on railway transport.

This has led the Cawnpore Sugar Merchants' Association to make a representation to the Sugar Controller of the Government of India urging the inadequacy of the six annas per maund allowable under the Sugar Control Order, 1943, for incidental charges, which has also to cover the expenses borne in connec-

Government have decided that under the rationing scheme food will be distributed to the public by Government stores and employers' shops, and there will be no need to license the retail dealers. If this is done the Government would be saddled with a lot of additional expenditure and would also have to bear a considerable extra responsibility in the distribution of ration. With the lack of experience in trade they might not be able to make a very successful job of it, especially in such a big city as Calcutta. In any case the principle of utilization of normal trade channels under the supervision and control of the Government which has been considered to be a very sound one by persons who are qualified to form the right judgment on the issue has been grossly violated by the Bengal Government's proposal. We may recall that in Bombay rationing did not involve the elbowing out of the retail dealers.

Jute Industry

The jute industry of Bengal is soon to be confronted with a rather perplexing problem. An agreement of the Indian Jute Mills Association which has governed in recent months the operations of the electrically-operated and steam-driven mills is due to expire at the end of the year. By virtue of this agreement a fair measure of uniformity has been secured in the operations of both the types of mills. As is well-known now, the steam-driven mills have been at a serious disadvantage due to the shortage in the supply of coal relatively to the electrically operated mills. The agreement was helpful in offsetting the disadvantage in some measure. If the steam-driven mills were compulsorily closed in a week the other set of mills also stopped work. This was, however, adjusted on the basis of probable supplies of coal, so that if the probable supplies did not materialize in an unexpected fashion in any week this did not involve the closure of the electrically-operated mills. The agreement may be sought to be discarded at the end of the year on the ground that it has hampered production. On the other hand, having regard to the continuance of coal trouble the cancellation of the agreement would place the steam-driven mills in a disadvantageous position and upset the balance in production of the mills taken together.

tion with storage of sugar in godowns by merchants. In fact in some areas the District Magistrates were allowing even less than 6 annas per maund for example, in Cawnpore only 5 annas per maund was allowed. There was already the practice in Cawnpore, the Association point out, of the District Magistrate insisting on the merchants carrying 2,000 to 3,000 bags of sugar in reserve each month out of the 10,000 bags allotted for the district. This had resulted in accumulation of large stocks for which interest, godown rent and war risk insurance premium charges had to be borne. The Association have, therefore, requested the Controller to allow an incidental charge of 14 annas per maund to the dealers. He has also been requested to raise the profit margin for the wholesale dealer from 2 annas to 4 annas per maund.

Leather Industry's Difficulties

The Industries and Civil Supplies Department in

available on the market in large quantities has been pursuance of its policy of making consumers' goods examining the capacity of the large-scale leather industry of the country to produce civilian goods in addition to meeting the demands of defence services. The result appears to have been disappointing. A study of the production capacity of the Indian tanning industry shows that the biggest drawback is that though the output of all the tanneries in Cawnpore is controlled, there has not been enough supply of hides to keep the greatly expanded leather concerns engaged. The Cooper Allens, said to be the biggest boot manufacturing concern in the British Empire, and who sometime ago were working to their maximum production capacity, now work only three days in the week. One view is that the shortage in the number of hides forthcoming for tanning and sale to the Government has been due to a brisk black market in the hides trade. In November the black market rate was stated to be Rs. 2/10 per lb. as against the control rate of Rs. 1/3 per lb. In view of this shortage of hides for the bigger leather and leather goods' manufacturing units in the country it would be premature to hope that leather goods for civilians might commence arriving in the market in the near future.

Oil Trade

A meeting of the U.P. Oilmillers' Association was held in Cawnpore this week when the proposals for the organization of this body on the lines of the Indian Sugar Syndicate for undertaking the distribution of production quotas among the members of the industry, arranging of regions of supply for raw materials to these members, and the marketing and export of the product, were considered. The U.P. Government's Civil Supplies Department which has been exacting a margin on the exports of oilseeds and oils from the Province is reported to be sympathetic to the industry's demands, and there is a likelihood of the negotiations that have been going on leading to some successful arrangement between the industry and the Government.

Unstamped Cloth

The value of unstamped cloth in Cawnpore this week (that is, of cloth manufactured before the 1st August) was estimated at about Rs. 15,00,000. The Central and the Provincial Governments, as well as the local authorities, have all threatened that unsold stocks after the 1st January might be seized and their holders prosecuted for hoarding. To prove their *bona fides* the holders of these stocks have now come forward to reduce their stocks by means of price reductions. No one, however, expects that all these unstamped cloth stocks would be cleared by the 1st January. Even less hope have the holders of unstamped yarn, for buyers cannot be induced to buy more than the yarns they will need for next summer only.

Two leading textile manufacturers from Cawnpore also participated in the consultations which the officials of the Government of India's Civil Supplies and Industries Department held in Delhi last week. The President of the Cloth Merchants' Association who was also in Delhi and is now in Bombay, it is believed, has informed his committee that the Government might agree to re-stamping of cloths provided lower ceiling prices were fixed for these. It is very difficult to give credence to this, but though all the dealers are anxious to dispose of unstamped goods as early as possible no one thinks that the Government

would seize the quantity left-over on January 1 without any compensation. It would be a pity if the Government of India cannot see their way to purchase the stocks of unstamped cloth and use them for arresting rising prices as well as for exports if needed.

Dearness Allowance

There has been a steady fall during the last two months of the war dearness allowance given to workers employed in factories that are members of the Employers' Association of Northern India. This is the result of the fall in the cost of living to which the dearness allowance is related. The cost of living index number has shown signs of fall due to fall in prices of food grains, and the mill shops making available to the workers a number of other necessities of life at regulated prices. The highest rate of dearness allowance was applied in October when the textile mill workers got Rs. 32/9 in addition to their monthly wages.

OFFICE OF THE CHIEF CONTROLLER OF IMPORTS

The quotas for goods included in part IV of the I.T.C. schedule for grant of licences for shipment from the United Kingdom during the shipping period January-June, 1944, have been fixed, and licensing instructions have been issued to the Import Trade Controllers. Quotas for certain classes of consumer goods have been substantially increased as compared with those fixed for July-December, 1943. Importers should now approach the Import Trade Controllers at the ports concerned for their quota licences.

2. Importers are further informed that only a limited quantity of the following articles is to be licensed for shipment from the U.K. during the shipping period January-June, 1944:

- (a) Stationery falling under Serial No. 168 in part IV of the Import Trade Control Schedule.
- (b) Photographic goods falling under Serial Nos. 303 and 305 in part IV of the Import Trade Control Schedule.
- (c) Musical instruments falling under Serial No. 310 in part IV of the Import Trade Control Schedule.

3. Applications for goods mentioned in para 2 above in the form prescribed for applications to the Chief Controller of Imports should be submitted so as to reach the Import Trade Controllers at the ports concerned for later than the 10th January, 1944. Information about the applicant's imports during the years 1940-41 and 1941-42, supported by the necessary documents, should be furnished to the Import Trade Controllers along with the application. The Import Trade Controllers after verifying the figures of past imports will forward the applications to the Chief Controller of Imports for consideration on merits and issue of licences. Applications received by the Import Trade Controllers after the 10th January, 1944, will not be considered.

A DELHI DIARY

NEW DELHI, Dec. 23.

SOMETHING of the Wavell mind, though not everything, was revealed in the Viceroy's speech at Calcutta. As indicated in these columns the new Viceroy is deliberately keeping political questions aside for the present. At the moment his ambition appears to be twofold—firstly, to solve the food question in as efficient and comprehensive a manner as possible, and, secondly, to prepare the ground for post-war reconstruction. Evidently he does not share the belief that without a satisfactory solution of the political question, no economic policy can possibly succeed. It was a former member of the Viceroy's Council who had warned the Government of India that they did not enjoy the confidence and support of the people at large necessary for the success of official economic measures. But the trouble is that even if Lord Wavell happens to share this belief, it is not easy for him to do anything without the necessary instructions from White Hall. So far as the constitutional question is concerned, the Amery policy still rules—whoever may be the Viceroy. And unfortunately even the Indian Members of the Viceroy's Council do not appear to have so far taken any initiative to reopen such questions as the detention of Congress leaders, though, with the coming of a new Viceroy, they have an exceptional opportunity to review their policy and come to new decisions. The Viceroy, however, has made up his mind to do whatever is administratively possible for settling the problem of food shortages and high prices.

One sentence in the Viceroy's speech which has attracted particular attention is his statement that he is prepared, if necessary, to take the most drastic action in support of the Government's food policy, which he described as a "food policy for India as a whole." This means at any rate that so far as enforcement of the Government's measures and co-ordination of policies are concerned, the Viceroy will try to avoid the weakness and vacillation of his predecessor. In Lord Linlithgow's time there was a double difficulty. Neither had the Government of India during his time any settled policy of its own on an all-India basis nor had it the strength to use its powers and make the provinces follow the lead from the Centre. It was sickening to find high-placed spokesmen of the Government of India pleading that the autonomous provinces were not co-operating with the Centre. Political reasons appeared to be partly responsible for not dealing firmly with the recalcitrant provinces—the provinces of Bengal, the Punjab and Sind—which were creating difficulties in the way of co-ordinated working of an all-India policy. The Viceroy paid a personal visit to the Punjab to reason with the Punjab Ministry and make them agree to the common policy agreed upon. Though the Punjab Premier in his subsequent statement did not appear as whole-hearted as one should expect, there is little doubt that the Viceroy will not allow the Punjab to be a defaulter in any way. The only concession made is the postponement of price control to April, but this is not considered a serious handicap. Sind is at the moment threatening a constitutional crisis, but in New Delhi the general view is that a settlement will be reached at the emergent conference meeting early in January. The very fact that the Government of India has issued a definite directive to the Sind Ministers and does not propose to modify it shows the Viceroy's determination to maintain prices at the present level. Reports from Bengal also show that the Nazimuddin Ministry is seeking to adopt measures in certain matters which are not quite in consonance with the principles laid down by the Government of India. During his recent visit to Calcutta the Viceroy had an opportunity to discuss these questions with the local Government. The Central Govern-

ment is said to be determined that there should be no delay or deviation in the working of rationing policies and control of prices.

It should be said to the credit of Lord Wavell that so far as his administrative policy is concerned, he has not so far shown any tendency to be influenced by extraneous political considerations. He is determined—so at least one hears—that if any Ministry is not prepared to accept rationing and price control as the major items in their food policy, the Central Government will use its special powers to compel them. And if any Ministry chooses to resign the Viceroy will be quite prepared to accept the challenge and suspend the constitution under Section 93. In spite of the threats of certain Ministries—threats ranging from non-co-operation to resignation—it is generally assumed that the Ministries are in no mood to resign or create a constitutional crisis. To this extent the Viceroy's firmness is bound to succeed, but as there is a good deal of justification in the complaint that the Government of India has not been following a uniform policy, the coming conference will have to take up the question and ensure complete uniformity and co-ordination in order to prevent these misunderstandings.

I understand that the Viceroy is paying a good deal of attention to the question of post-war reconstruction. The suggestion made by Prof. Hill at a recent public meeting that there should be a separate Development Ministry is not without significance. The different Departments of the Government of India are now engaged in collecting data and formulating plans. But as these Departments have their own daily work to do, there is inevitable delay. Questionnaires have been prepared, but it is doubtful whether they will succeed in bringing the required information. For these and many other reasons the present procedure for dealing with the question of post-war reconstruction has not commended itself to many. It is evidently being realized that not only is a separate Department necessary but a separate Member for Development—someone drawn from the business community who can organize the work of the Department on proper lines. There is also the suggestion that the time has come for the appointment at once of a full-fledged Industrial Commission which will examine the question of industrial development in detail from now on and see that the country is not caught unawares when the war ends. The task of reconstruction depends upon the finances available, but what will really make the country economically strong is rapid industrialization which can increase the national income and make the country independent of foreign imports. Side by side with the question of industrial development is the question of transport. It is a pity that no Transport Reconstruction Committee has yet met, for it is one of the most important problems requiring immediate attention—the future of our Railways, development of roads, waterways, etc., the building up of an automobile industry to feed the roads and proper co-ordination between these various forms of transport. In addition to an Industrial Commission there should be a Commission to examine the whole question of post-war transport development.

Three names are being mentioned for the Development portfolio—if one is finally created. They are Mr. Mahindra who is now the Government of India's Lease-Lend representative in America, Mr. N. R. Sarker, the former Commerce Member of the Government of India, and Sir Ardeshr Dalal. It depends upon Whitehall whether a Development portfolio will be created at all in the near future. So far, however, there is nothing to show that Whitehall has paid much attention to the question of India's industrial development after the war.

ARGUS

NEWS PAGE

The Government of India have summoned a conference of representatives of provincial and State Governments on January 6, 1944, to decide the levels at which price of rice should be stabilized for the current crop, and of other *kharij* grains in relation to rice.

Dr. J. C. Fidler and Mr T. G. Grahall of the British Ministry of Food and members of the Dehydration Mission, have arrived in India. Their main task will be to advise the Food Department on all problems connected with dehydration of foodstuffs in India, which has made rapid strides during the last three years.

Mr. John L. Lewis, leader of the United Mine Workers, has signed a two-year no-strike agreement with more than two-thirds of the United States soft coal industry. The agreement has now been submitted to the War-Labour Board for approval.

An amendment to the Defence of India Rule 81-A now empowers the Government to enforce all or any of the decisions of the adjudicator in a trade dispute. There was previously no provision for the partial enforcement of the decision. The clause empowering the Government to prescribe, under certain circumstances, the terms and conditions of employment has also been amended so as to make it binding equally on workers as well as employers.

At a meeting they had with the War Transport Member, the Indian Chamber of Commerce, Calcutta, suggested electrification of the B. N. & E. I. Railways up to a point about 100 or 150 miles from Calcutta in order to relieve traffic congestion; and urged the need to expedite measures for the manufacture of locomotives in India. They also stressed higher transport priority for drugs and medicines and referred to the increase in pilferage in consignments.

A chain of magnetic stations and meteorological observatories throughout the Colonies as aids to air and sea navigation, wireless transmission, agriculture and mining are envisaged in the first progress report of the Colonial Research Committee published recently in London as a White Paper.

A *Central Provinces Gazette* notification states that no permits will be issued direct from C.P. to local merchants for the export of cottonseed, unless those merchants are also the agents of the Governments of receiving areas. The price at which other Governments will buy cottonseed from C.P. is strictly controlled and there is no room for any increase or buying in anticipation of the rise.

The total quantity of foodgrains including imports from abroad, that has been sent to Bengal during the 4½ months ending November 30 is over 420,000 tons.

This quantity includes 120,000 tons of rice and 240,000 tons of wheat.

Producers of tooth paste in British India have been called upon to furnish information to the Controller General of Civil Supplies, New Delhi, regarding monthly capacity (in tubes) at present, and if all raw materials can be made available, cost of production, retail selling prices etc.

Dr. Wang Shih-chieh, leader of the Chinese Goodwill Mission to Britain, recently made the statement that the Chinese Government, after the abolition of extra-territoriality, had decided to remove all restrictions on foreign investments in China and had thus cleared the way for full and equal partnership between China and her allies in the economic field.

It is understood that the Government of India have asked the Bengal Government to consider the application of a minimum as well as a maximum price for paddy and rice, or alternatively grant a subsidy to cultivators, in order to ensure that the increased acreage under rice in Bengal this season does not decline.

The U.S. Army has announced that the longest air freight line in the world is now operating regularly between Ohio, in the interior of the United States, and India. It is a 28,000-mile round trip done in 12 days, including loading and unloading time. The freight load carried is about 8,500 pounds.

It has been notified by the Government of India that the retail selling price of watches shall not exceed the landed cost plus the permitted increase of 115 per cent. in Roskopf watches and 100 per cent. in all other watches.

Since the war began the ordinary people of Britain, the "little men" like clerks, factory hands, school-children, and elderly retired folk, have saved the gigantic sum of over £2,200,000,000 and lent it to the war effort.

A month's extension of time, till January, 1944, has been given to certain minor classes of textile manufacturers to price-stamp their goods. These classes are: manufacturer who only carries out processes subsequent to weaving, a hand dyer, a hand printer and a power unit consisting of not more than 25 power looms.

It is necessary to relax old rules if land mortgage banks are not to die of the momentary prosperity of some well-to-do landlords and others who are not loyal to the institutes. For most of them would have to pay in days of distress to come in a period of slump much heavier rates of interest to private lenders, which were in vogue before land mortgage banks were organized.—Yours, etc.,
10th Dec. 43.

K. C. R.

Coimbatore.

MIICA INDUSTRY

Sir,—The leading article printed in your issue of December 3rd, on the problems of mica industry is a welcome sign of the awakening of public interest in the problems of this important, but hitherto little known, Indian industry. Whilst agreeing with your main conclusion viz. that "it is high time that a comprehensive enquiry is made regarding the problems facing the industry," I should like to point out one or two mistakes and discrepancies which have found a place in an editorial which, in other respects, is most stimulating.

Whether or not the Bihar Mica Act of 1930 was a good piece of legislation, and whether its subsequent repeal by the Congress Ministry was justified, or whether the Mica Control Order of 1940 resurrects the evils said to be associated with that Act, it is common ground that mica is an important national asset which, in your own words, requires "careful husbanding." The interest of non-Indian concerns in the Indian mica industry also needs rather more elucidation than is given in the article in question. As there is only a very limited domestic demand for mica the bulk of the commodity is exported, and to this extent the foreign consumer is of very considerable importance to the Indian mica producer—and will continue to be of great importance until India has established an electrical industry of her own, and can thus find use for a significant quantity of her own mica. At the mining end of the industry, non-Indian firms have steadily dropped out of production during the last twenty years, until there is now only one left, and although it is of importance in the industry it accounts for no more of the total production than does its nearest Indian competitor, whose growth during the last decade and a half has been quite remarkable. Nor, having regard to prevailing circumstances, is fresh European or American capital likely to be forthcoming for investment in the Indian mica industry. In the context of foreign interests this leaves for consideration only that section of the trade which you describe as "a close ring of Anglo-American brokers," and in the interests of accuracy a word should be said to correct some of the statements you have made and figures you have quoted.

Although I have been in the Indian mica business for many years I have never heard of such a thing as "a close ring of mica brokers in the international market with working agreements amongst themselves." But even if there were such a ring, the fact remains that the bulk of the mica produced in Bihar, where the industry is struggling for its existence against mica piracy, is normally marketed by or through the principal producers acting through their own representatives, or else sold direct to competitive distributors, in the principal consuming countries, viz., U.S.A., U.K., Germany, France, Italy and Japan. Such trade as is left entirely to the brokers (located solely in London) represents a relatively insignificant portion of the total Bihar production, and there is no evidence that they pocket the best part of the price paid by the consumer. The examples cited by you substantiate nothing as regards the American market because no allowance has been made for customs duty as high as 40 per cent. in some categories. In any case, the foreign prices mentioned are specifically for a special class of mica and one is led to believe that they represent those obtain-

ed by the foreign retailer who sells in small lots. If so there is certainly nothing wrong with them in relation to the prices received by the Indian exporter. There is every reason to believe that such marked differences as may exist between Indian and foreign prices represent in large part a buying profit for the Indian exporter who acquires his supplies in the bazaar in small lots.

It is also incorrect to say, as an examination of reliable figures will prove, that the price for mica has declined in Bihar while it has risen abroad. I hardly need point out that this is practically an economic impossibility, since there is no such thing as a monopoly in mica and therefore the price of mica in Bihar rises and falls, subject to the law of supply and demand, according to the state of a highly competitive world consumer market which is always wide open to all sources of supply, not excluding Bihar. Moreover, statistics, both official and unofficial, prove that during the period of Depression lasting from 1929 to 1933 or thereabouts, prices declined, and from 1934 to the present time have steadily risen, both in Bihar and abroad. If therefore the brokers had the power to regulate prices as you intimate, it is hardly conceivable that prices in Bihar and abroad for Bihar mica of many categories should today be from 50 per cent. to 200 per cent. higher than they were in 1934.

Your article is also less than fair to the Joint Mica Mission, which was primarily responsible for the licensing of a large additional number of miners and dealers. Far from showing undue favour to the foreign capitalist, or the large Indian producer, the Joint Mica Mission, in an endeavour to increase production and to bring the benefits of the war demand to the small man has multiplied the number of licensees very considerably, and the manner in which the Mission has been requitted could be better stated by the Mission itself than by me. I will content myself by saying that far from depressing prices, the presence of the Mission in the country has led to a substantial increase in the rates paid for Bihar mica. Perhaps I should also point out that if Allied Governments had not sent a Joint Mica Mission to India, but had simply decided to refuse entry into the U.K. and U.S.A. to any mica not of the particular grade and quantity required by them the Indian mica industry would not have enjoyed the extraordinary prosperity of the past year and a half due not only to the appreciably higher prices they have paid, but also to the fact they have generously accepted large quantities of mica for which the Allied Governments have no immediate need. In fact their generosity may perhaps prove to be a misfortune to the Indian mica industry in that these large accumulations of excess stocks may be dumped on the post-war market much to the embarrassment of the producers. There are many who believe that a less generous attitude would be far kinder to the Indian mica industry, in the long run.

So far as I am aware there is no "move to knock out the small man." But there is a move to eliminate illicit trading in mica, which is a very different thing from the sinister intention attributed to the responsible miners by the writer of your article. In a highly competitive world the small man had found it increasingly difficult to maintain himself in the mica mining industry by entirely honest means, though we gladly recognize that there are still such small miners in our midst. The bulk of the small men however encourages and largely subsists on illicit trading. That is the gravamen of our case against them. It is not a question of efficiency or inefficiency, but of respect for the rudimentary laws of property, which are the very basis of all trade and commerce.—Yours, etc.,

E. WATSON.

Domchanch (Hazariabagh).

Book Reviews

RABINDRANATH TAGORE ON RURAL RECONSTRUCTION. By Sudhir Sen, (Price Re. 1-8. Pp. 128. Visvabharati, 1943.)

This little book falls into two parts. In Part I, an attempt is made to reproduce the central thoughts of Tagore on rural reconstruction. Reliance is placed exclusively on the poet's writings and utterances. Part II is a brief account of his activities in the field of rural reconstruction.

Few people, even in his own province, are fully aware of Tagore's contribution in the field of rural uplift. It is true his achievements as a poet and man of letters eclipsed his other activities. But he was not a poet who was content to live in the cloud and gape at the rainbow. He was a tender lover of humanity, and when in attending to the task of managing the family estate which fell to his lot in the nineties he saw for himself the poverty and squalor of the village population, it seemed to him "a shameful thing that I should spend my days as a zamindar, concerned only with money-making and engrossed in my own profit and loss account." It was then that the urge to do something for the village took deep root in his mind. It is worth stressing that Tagore began his rural welfare experiments at least twenty-five years before the politicians gave any thought to the village. Politics then was an arena for flowery speeches, pious resolutions and piteous supplications, having very little to do with the illiterate masses in the villages.

Tagore's ideas on the subject of rural uplift are well set out in his famous essay *Suadeshi Samaj*. In his view, social welfare in India was achieved not by state action as in Europe, but by a system of social duties laid on the rich by unwritten law. This system was breaking down, the rich drew their income from the village, but migrated to the cities. The result was a widening gulf between the town and village. The village was neglected, the tanks and canals got into disrepair, temples and other buildings fell into decay and the social benefits and amusements provided by the rich were all withdrawn. There was disease, poverty and abject helplessness which encouraged dependence on state action. Tagore felt that the remedy for this state of affairs lay in the revival of the ancient system of social duties and obligations on the part of the rich. Latterly, however, Tagore held much less faith in this view of his earlier years. The indifference of the well-to-do classes to his appeals, the apathy of the masses and last of all, the amazing example in Russia of what State action can achieve shook his belief in the doctrine of 'property as trust' and 'enlightened authoritarianism' on the part of the rich. But equally his hope for vigorous state action in India was destined to cruel disappointment because of the dependent political status of this country.

Tagore's experiments in rural reconstruction are still full of interest and instruction to the worker and the co-operator. At Silaidaha in Nadia district and Patisar in Kaligram Pargana were started welfare centres which covered every aspect of village life. Schools, hospitals, cooperative banks for controlled credit, settlement of local quarrels by arbitration without resort to courts, public works like reclamation of tanks and canals and repair of roads by voluntary effort—all these brought prosperity to the villages. The origin and development of Sriniketan also tells a similar story. But Tagore himself was aware of the limitations of such individual efforts in a vast country like ours, though he stressed the quality of the work.

Dr. Sudhir Sen deserves our thanks for bringing out this brief account of Tagore's ideas and activities in this important field of national life.

RECENT OXFORD PAMPHLETS.

BRITAIN'S FUTURE POPULATION by R. F. Harvard, Price 6d.

"The British, Scandinavian and French nations are in immediate jeopardy....unless there is a great revival in reproduction in the next few years, we shall experience heavy losses before the end of the century." In these words Mr. Harrod brings home the problem of falling population in Britain which the fall in reproductivity has brought about. Mr. Harrod frankly admits our ignorance of the causes of the decline in reproduction rate but believes that the high level of prosperity and well-being combined with efficient contraception has much to do with it. He effectively counters the views of those who hold that a small population is not bad and outlines in a few paragraphs the disadvantages of a shrinking population. As regards remedies, he is definitely in favour of offering material incentives to parenthood and ably argues for a liberal system of family allowances. The Beveridge Plan of paying a flat rate of 8 shillings a week in respect of each child after the first is according to him inadequate. He therefore proposes a scheme of compulsory insurance, for all covering incomes of over £250 which would provide for benefits of a substantial kind. The pamphlet covers only a very limited ground but that it does remarkably well.

GOVERNMENT OF INDIA FIVE YEAR

Interest-Free Prize Bonds, 1949, to be issued at par and repayable at par on or after the 15th January, 1949.

Available for sale in denominations of Rs. 10 and Rs. 100 from January 15, 1944 until further notice.

The Prize Bonds (which will be in the form of bearer bonds) will be on sale at the Indian offices of the Reserve Bank of India, all branches of the Imperial Bank of India and all Government Treasuries and Sub-treasuries in British India or a State in India conducting Government of India treasury business. Subscriptions will be received in the form of cash only and no written application will be necessary.

The bonds will not bear interest but half-yearly on January 15, and July 15 each year, commencing from July 15, 1944 up to and including January 15, 1949, a draw by lot will take place for prizes under the supervision of the Government of India in respect of each series of bonds sold completely.

Each series of the Rs. 100 and Rs. 10 denominations will consist of one lakh pieces. The half-yearly prizes in each completed series will be:—

Series of Rs. 100 denomination

1 Prize of Rs. 50,000	Rs. 50,000
2 Prizes of Rs. 20,000	Rs. 40,000
2 Prizes of Rs. 5,000	Rs. 10,000
Total amount of prize money half-yearly in each completed series of one lakh pieces	
	Rs. 1,00,000

Series of Rs. 10 denomination

1. Prize of Rs. 2,500	Rs. 2,500
2 Prizes of Rs. 1,250	Rs. 2,500
5 Prizes of Rs. 500	Rs. 2,500
10 Prizes of Rs. 250	Rs. 2,500

Total amount of prize money half-yearly in each completed series of one lakh pieces	
	Rs. 10,000

Full particulars can be obtained at any of the offices authorized to receive subscriptions.

THE TRANSITION FROM WAR TO PEACE. By A. C. Pigou. Pp. 32. Price 6d.

Prof. Pigou examines in this little book with characteristic lucidity and analytical power the difficulties and problems which Britain will have to face immediately after the war and draws freely from the experience of the armistice period after the last war. His conclusion recorded at the end of a long series of arguments must be gratifying to all Britons. "There will, no doubt, as after 1918, be serious dislocation and great difficulties. But unless we suffer invasion and defeat, the foundation of our economic strength should not be greatly impaired." But this conclusion does nothing to dispel the widely felt fears of a possible reduction in the standard of living in post-war Britain unless she is ready to readjust her economy in the light of the industrialization of the advanced countries. The biggest problem of the transition period for Britain is of course the absorption into industry of the vast numbers now engaged directly and indirectly in war work. Although immediately after the war there will be a large amount of reconstruction work awaiting to be done, once the repairs and restockings have been accomplished, contraction of demand would be inevitable. To prevent this from landing the country into a deep trough of depression would require the marrying together of a sound monetary policy and a sound wage policy. Prof. Pigou advocates retention of controls, priorities, price maxima and rationing until shortages have been made good. This pamphlet is of exceptional interest to us in India who are now engaged equally in the examination of the problems of the transition economy.

ENGLISH LAW. By J. L. Brierly. Pp. 40. Price 6d.

This book outlines the course traversed in the development of the body of laws and legal institutions in an individualistic society like England since the middle ages. Like the English Constitution, Common Law and Equity have grown up from custom and precedent and are administered under a unitary system. In deviating from Roman Law on the ground that it exalted the State over the individual, Common Law in England has erred too much on the side of the individual; and Prof. Brierly is alive to the "dead wood" and "noxious growth" that have been introduced into the system, and kept going by an apathy towards legal reform, as, for example, in Case Law. He also draws pointed attention to the prohibitive cost, to the public, of obtaining justice in courts—a situation that has produced the well known statement: "The courts are open to all—like the Ritz Hotel."

A further discussion of Administrative Law (on page 38), which has assumed huge proportions in recent years, would have added to the comprehensiveness of the outline.

BOOKS RECEIVED

OXFORD PAMPHLETS ON HOME AFFAIRS. Price 6d. each.

THE NEWSPAPER. By Ivor Thomas.

HOW BRITAIN IS GOVERNED. By R. B. Macallum.

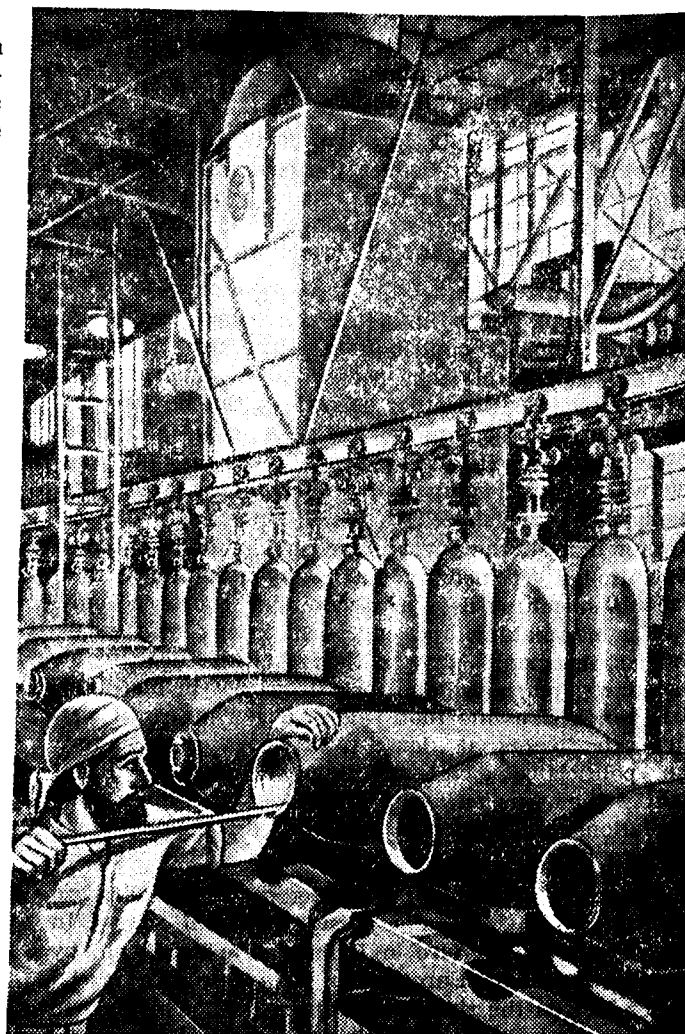
TRANSITION FROM WAR TO PEACE. By A. C. Pigou.

WAR RISKS (Goods) INSURANCE ORDINANCE, 1940. By C. K. Ray. New Book Company, Bombay. Price Rs. 5.

PERVENSITIES. By G. L. M., 100, Clive Street, Calcutta. Price Rs. 2.

SWORDS AND PLOUGH SHARES, United Publication, Delhi.

HOW TO TACKLE BEGGARY. By John P. Valavi. The Social League, Ernakulam.



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MONEY MARKET

(From Our Correspondent.)

NEW DELHI, Dec. 23.

The money market conditions during the week under review show an accentuation of features noticed last week. The increase in total notes issued by the Reserve Bank against sterling assets transferred from the Banking department, contraction of Government deposits with the Banking department and easy market conditions have continued this week. There has occurred an expansion of over Rs. 18 crores in currency during the last two weeks. The Sterling assets in the Issue department have also increased by Rs. 21 crores during the period, but they represent merely a transfer from the Banking department. This adjustment in the accounts of the Reserve Bank may be explained by the cash needs of the Government at the beginning of the month and those of speculators before the December holidays of the stock exchanges. The most remarkable feature of the week under review has been a net decrease in the combined total of foreign assets (Sterling) of the Issue and Banking departments. A decrease amounting to over Rs. 18 crores has appeared in these assets which have been accumulating steadily during the war. It might be only a temporary and accidental feature in the balancing of accounts and possibly reflects merely that the expenditure for our allies is at present more than offset by the sales of bullion on their behalf. It may as well be symptomatic of a flow of consumers' goods into India now and in near future. Plethora of funds continues in the market and the rates for treasury bills have touched unusually low levels, the average being as low as Re. 0-11-11. The call money rates are unchanged.

Treasury Bills

Tenders for Rs. six crores of three months Government of India Treasury bills were opened on Tuesday the 14th December. The amount offered was Rs. 14.02 crores compared to Rs. 13.73 previous week and the bidding was keen. The average rate declined further to Rs. 0-11-11 from Rs. 0-12-3 last week. Tenders at Rs. 99-13-3 were accepted in full and those at Rs. 99-13-0 allotted approximately 85 per cent. The tender for the next week, that is Tuesday December 21, is again 6 crores only. Treasury Bills for Rs. 1.34 crores were sold in favour of the Issue department.

The Government of the U.P. has invited tender for three months' treasury bills worth a crore on Wednesday, December 22.

Reserve Bank

In the weekly statement of accounts for the week ended December 10, total notes issued stand at Rs. 823.50 in place of Rs. 811.85 previous week and show an increase of about Rs. 11.65 crores. The Sterling assets stand at Rs. 705.83 crores in place of Rs. 692.83 and show an increase of Rs. 13 crores. But the silver coins held in the Issue department have declined from Rs. 16.27 crores to Rs. 14.92 that about Rs. 1.35 crores. The percentage of Reserves to liabilities is 91.105 compared to 90.811 last week. The composition of the assets and liabilities of the Banking department showed more interesting changes. The totals of both have declined from Rs. 179.7066 crores to Rs. 150.6536 crores, that is by more than Rs. 29 crores. On the side of assets the fact is explained by the fall in the balances held abroad from Rs. 160.65 crores to Rs. 130.72 crores and on that of the liabilities by the fall in the Government deposits from Rs. 57.24 crores to Rs. 28.08 crores which is a decrease of more than Rs. 29 crores in

either case. The deposits of other banks have increased considerably and stand at Rs. 95.97 crores compared to Rs. 94.40 previous week. The holdings of Government of India Treasury bills have increased remarkably, that is from Rs. 25 lakhs to Rs. 349 lakhs and the loans and advances to Government have also increased considerably.

Scheduled Banks

The advances have advanced by a little less than 2 crores and stand at the unprecedented figure of over Rs. 157.63 crores. The demand liabilities have fallen by over Rs. 2.9 crores and stand at Rs. 495.91 crores, but the time liabilities have increased considerably. Balances with the Reserve Bank have increased by over Rs. 1.4 crores and stand at Rs. 94.61 crores. Cash has declined slightly while the bills discounted show an increase.

Prize Loan: 1949:—

The Government of India have announced the floating of an interest free prize bond to be issued at par and redeemable at par on or after the 15th January 1949. They will be available for sale in denominations of Rs. 10 and Rs. 100 from the 15th January, 1944. Subscriptions will be received in cash only and no written applications will be necessary. The bonds will not bear interest but half yearly on the 15th January and July, a draw by lot will take place for prizes in respect of each series of bonds sold completely, consisting of one lakh prizes. The total prize money half-yearly in each completed series of 1 lakh prizes of 100 denomination will be Rs. 100,000 and those for the series of Rs. 10 denomination will be Rs. 10,000. It is believed that this loan would be of particular interest to speculative elements among the small investors.

Bullion

In the Bombay Bullion Market, the downward movement of prices which started last week, continued this week also. On Monday, on reports that the Bank was offering to sell 50,000 tolas of gold at Rs. 73-8-0 in one lot, but that there was no buyer, there was a drop of about Rs. 1-8-0 in gold, due to the selling pressure induced by this news. As the Bank was not selling except in big lots and as there were no buyers of these, there were reports that the Bank may try to sell gold directly in the up-country markets. Though the immediate cause of this weakness in the market is the readiness of the Bank to revise downward its selling limits, the real long-term reason is the growing belief that these prices of gold and silver will not be maintained as the end of the war comes nearer. Regarding ready gold, owing to depletion of the stocks and a moderate offtake, the premium for ready (99 fine) rose from As. 12 to as high as Rs. 2-8.

In the silver section, the decline was even steeper than in gold owing to continuous selling both from the local and up-country market. It is reported that silver coins of Queen Victoria and Edward VII stamp are being de-hoarded from Kathiawar and other places, and there is a very steady inflow of these coins into Bombay, which is estimated to be at the rate of nearly 50 *lagadis* a day. These rupees are being melted and sold as bullion, and the flow of these silver coins suggests that there is no fresh demand for silver at the ruling prices. To a certain extent, the fall in the prices of silver in Bombay is explained by this development.

The latest quotations are:—

Ready Mint gold	Rs. 71 4 0
Ready silver	Rs. 130 10 0

INVESTMENTS

(From Our Correspondents)

BOMBAY, Dec. 22.

One unique characteristic which distinguishes the Bombay Stock Exchange from other stock exchanges in India is the existence of the clearing house for effecting deliveries of shares. The Bank of India manages the clearing house for which the stock exchange pays a fixed annual payment to the bank. This system ensures smooth and regular completion of huge deliveries of which the general public has very little idea.

Heavy Clearing in Shares

The normal turnover of the exchange is far greater than anywhere else and it would be almost impossible to handle the current volume of business without the clearing house. So long as the forward market operated, settlement took place once a month. The monthly settlement however ended in the middle of 1940. The next two years passed in gradually clearing up the outstanding deliveries which were left over by the crisis of 1940. In 1943 the authorities fixed a fortnightly period of settlement on the ground that the fortnightly settlement coupled with open *budla* transactions encouraged speculation. Government under the Defence of India Act decreed that deliveries must be completed in seven days. The volume of genuine investment business has so vastly increased that the clearing house was already feeling the strain in settling deliveries every fortnight. Its task became still more difficult when it had to handle clearing once a week. Nearly three months have passed since the weekly clearing is operating.

Going through the weekly list of cleared securities one gets a good idea of the large volume of business passing in one week; for example, the total number of shares which changed hands through the clearing house was over two lakhs shares. The lowest number of shares in one week was about 68,000, while frequently one lakh shares changed hands in a week. The 29th November settlement which was for the record of two lakhs shares included transfer of over one lakh E. D. deferred shares and over 30,000 E.D. ordinary shares. These are shares of small denomination usually with scrips of one-hundred shares each. They however involve considerable labour both for the brokers and for the clearing house, as a full record has to be kept of the relative numbers of the shares and names of the holders. The existence of other shares of small denomination such as Apollo Mill shares and British Burma Petroleum no doubt accounts for the huge figure of number of shares changing hands. The value of the above deferred and ordinary shares of E.D. Sassoon Mills was approximately ten lakhs out of Rs. 60 lakhs being the total value of the cleared securities. In the high priced shares over 11,100 Tata deferred and 2,200 Tata ordinary changed hands in the same weekly clearing, the total value being about ten lakhs among the leading textile shares in one week. One thousand two hundred Bombay Dyeings and 800

Centurys changed hands while in another week the figure went down to as low as 350 Bombay Dyeings and 116 Centurys. The aggregate value of cleared securities which is approximately sixty ranged within the last three months from the maximum of Rs. 67 lakhs and the minimum of Rs. 37 lakhs in one week. As a rough average it can be stated that fifty lakhs worth of shares are today changing hands every week in respect of shares officially quoted on the Bombay Stock Exchange and which are included in the list of cleared securities.

MADRAS, Dec. 17.

With conditions generally favouring the bears and the approach of the Christmas and New Year holidays, activity on the Stock Exchange was restricted. Fresh commitments have been avoided both by speculators and investors. At the close the "alert" in Calcutta imparted an easier feeling. The gilt-edged market was firm and three and a half per cent. Paper improved to Rs. 97-9-0, small lots being put through at up to Rs. 97-12-0. Three and a half per cent. Loans 1947-50 changed hands at Rs. 103-6-0. There was investment support in three and a half per cent. Counterparts 1954-59 at Rs. 104-9-0. There was a small volume of business in State Loans and Provincial Loans. Three per cent. Madras Loans 1952 and 1953 were quoted at a slight premium.

Stock Exchange

Bank shares were slightly easier with a few exceptions. Rumours that the Imperial Bank of India were going to make a further issue and were going to make a call on contributory shares are being discounted with the result these shares have declined to Rs. 495. Indians were well supported. The fully paid up shares were steady at Rs. 290. The two other partly paid shares have risen to Rs. 158 and Rs. 92 respectively. Indo-Commercials and Bank of Hindustans received fair support. There was very little scrip offering in the Fixed Interest Securities section and therefore the volume of business was poor. In public utilities, there was a small turnover in one or two local electric company shares. Textile shares were dull. Almost all the shares dealt with in this market have declined by five to ten points on the week's trading. Mysore Spun Silks remained firm and showed fractional improvement to Rs. 26-6-0. Stagnant conditions prevailed in the Planting section and business was much restricted. Cochin Malabars were quoted Rs. 17-12-0. Midland Rubbers were done at Rs. 16-4-0 c.d. and O. Valleys at Rs. 15-14-0. Fringfords and Vel'amalais were put through at Rs. 20-8-0 and Rs. 28 respectively. Pullangodes were steady at Rs. 2-11-0. In the Miscellaneous section, sugars had a better turnover. There was a fair volume of business in Mysore Chemicals and Fertilizers and Mettur Chemicals but the share values showed no material alterations over the week. There was continued support for Bruntons and transactions resulted at Rs. 17-4-0.

ing any previous notice and without assigning any reason suspend or cancel a licence granted under this Order. The holder of a licence will be entitled to no compensation for the cancellation or suspension of his licence, nor to a refund of any fee paid for the licence.

Conditions in the Bombay piecegoods market continued to be dull and there is still a nervous feeling. Consuming centres remain aloof and purchases in even needy requirements are restricted. Local trade has been uninteresting while purchases for export trade are moderate. The depression is attributed to fixation of new ceiling rates. But some merchants at-

tribute it to unexpected cheap sales, in a few cases cheaper than the ceiling prices, by some of the concerns.

Leopard cloths in 35 inches and 37 inches are lower by 2 annas a pound. The style in 41 inches and 43 inches is quoted at Rs. 2-2-6 a pound.

Except for a slight recession in the middle part of the week when I.C.C. January went down to Rs. 462-8-9, the local market has continued to be steady. In the spot market, there was a good all-round activity, the biggest turnover being in Berar Jarilla which sold from Par to Rs. 5 on I.C.C. Jan. The quotations for Sind N.T. and Punjab 289F are Rs. 625 and Rs. 635.

In the foreign section an interesting event during the week has been that Egyptian cotton purchases are now being permitted, and the mills are given allocations provisionally. Allocations have been made for Uppers, Maarads and medium and lower grades of Giza 7. Another feature is that 21,000 bales of Sudan cotton are reported to be afloat for India. Of these, as 16,000 bales are against allocations to mills on war orders, only 5,000 bales will be available for the market.

There has been a welcome revival of export inquiry from Liverpool and about 20,000 bales are reported to have been sold from Karachi.

The Ministry of Food bought this week up to Thursday about 37,000 tons of groundnuts from East and West Coasts at £33-17-6. On Friday the Ministry bought further 14,000 tons at 5 shillings less than their previous limit, i.e., at £33-12-6. The local market is very weak in view of the increased arrivals in the upcountry markets and the difficulty of obtaining fresh quota for export from the Madras Presidency. Business in Madras-Marmagao for December-January was done at Rs. 16-4-6 and for January-February at an early stage at Rs. 15-14-0 and later at Rs. 15-12-6. Business in Khandesh quality for Bombay January/February was done up to Rs. 15-6-0 and some business for February/March at Rs. 15-7-0 while for December/January was done at Rs. 15-8-0. Some business in Bold for January/February was done at Rs. 14-8. Business in Bold was done between Rs. 75 and Rs. 76, in Coromandel quality at Rs. 80 and in Khandesh quality at Rs. 81 on Bazar terms.

Some business in Madras castorseed for Marmagao January/February delivery was done at Rs. 15-8-0. Oil quotations are:

Groundnut oil ready Rs. 10-6 per quarter; Copra oil Rs. 10-6 per quarter; Linseed oil Rs. 11 per quarter; Castorseed oil Rs. 12 per quarter.

MADRAS, Dec. 17.

The groundnuts market ruled definitely easy during the period under review. The British Ministry of Food have further reduced the price by 5sh. to £33-17-6 and have bought fairly large quantities. There was some small buying on behalf of Calcutta. Exporters made fair purchases but their limits declined from Rs. 74-2-0 to Rs. 73, while the limits of the Calcutta buyers were round about Rs. 74. Judging from the recent heavy sales made to the Ministry and the exports on other accounts, it looks as though that the export maximum of 400,000 tons fixed for the year ending October 31, 1944, would be passed early in the New Year. The crop this year has been a very bumper one and if the export maximum is not altered suitably, prices of groundnuts will substantially ease. The oil market was slightly dull and the quotation was sticky round about Rs. 165. There was some demand from both Bombay and Calcutta and a fair turnover was done early in the week. Oil cake ruled very steady at Rs. 138 with good demand.

Skins and Hides

Since the last report, the Chief Assistant in Leather Control in Madras for the Ministry of Supply in London has circularized to all the traders a schedule of rupee prices based on the London schedule with suitable deductions to cover *pro forma* charges for shippers but it is too soon to say whether this schedule will have any effect on local market operations as the schedule cannot be enforced without the necessary sanction from the Government. Enquiries have been fair from London but there have been no important sales after the revision of the London price schedule as shippers have not yet had any indication of the local price level. Much also depends on the raw market conditions as also transport facilities. Rumours about the curtailment of railway facilities, consequent on coal shortage, for the transport of tanned goods to upcountry centres, which are the main source of business nowadays might also make the market easier as local operations are now at a premium over the schedule. Latest reports from London indicate that plans are afoot for revising the terms of tanned skins contract.

HAPUR, Dec. 20.

The *Urad* market has been easy during the week as a result of which prices gave way to an extent of about Re. 1/5/0 per maund on an average. The present position seems very pessimistic and the main elements are viewed as favouring further setback. Amongst the general factors, the most important were: (1) pressure of arrivals from the eastern markets. The local stock is computed over 20 thousand bags. (2) Unavailability of permits for the exports of *Arhar Khattis*. It is reported that there will be no exports of *Arhar* for further two months or so. *Arhar* stocks are put at 2,32,200 maunds. (3) Easiness in bullion values. (4) Around speculative sales and tired long liquidations. *Urad Magh* opened at Rs. 11/1/0 and closed at Rs. 9/12/3, touching the highest and the lowest at Rs. 9/12/0, respectively. Turnover was very active throughout.

Moong

There was a sympathetic fall in *Moong* prices but they did not decline like *Urad*. The straddle between *Urad* and *Moong* prices was of Re. 0/5/6 in the initial part of the week, but towards the close it narrowed down to one anna. It is expected that prices would turn steady as there have been small stocks of this commodity. *Moong Fagun* opened at Rs. 10/11/9 and closed at Rs. 9/11. The highest and the lowest rates touched during the week were Rs. 10/12/0 and Rs. 9/11/0, respectively.

Juwar

Juwar Poos prices maintained an upward sentiment while *Fagun* values continue declining. As there have been no stocks of *juwar* until now and the delivery time is approaching expiry, it is feared in certain quarters that cornering may occur in this commodity. Thus causes a great stir in trade circles. The straddle between *Poos* and *Fagun* position has increased to Re. 1/3/3 per maund, while in the early part of the week, it was Re. 0/2/6 only.

Grains

The commodity markets displayed a sagging tendency. The U.P. Government have further reduced the ceiling price of wheat to Rs. 10/12/0 for Meerut Region. Gur prices also continue to be easy.

Today's quotations are: Wheat—Ready Rs. 10/12, stock 187 *Khattis*. Barley—Rs. 7, stock 9 *Khattis*. Peas—Ready Rs. 7/6, stock 100 *Khattis*. *Arhar*—Ready Rs. 6/15, stock 258 *Khattis*. Gur—Rs. 6/4. Raw sugar—Rs. 7/4.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Dec. 18.

Of interest to the piecegoods market is an amendment of the Bombay Cotton Cloth Licensing Order by the Government of Bombay, which provides that the Government may order a dealer to supply to any person specified quantities of cloth at specified rates and may give such general or special directions to a dealer with regard to the storage, sale and transport of cloth as they may deem fit. Government may, without giv-

CURRENT STATISTICS

BANK OF ENGLAND

(000's omitted)				
	Dec. 16, 1943	Dec. 8, 1943	Dec. 16, 1942	Aug. 30, 1939
	£	£	£	£
Total Bullion ..	1,418	1,667	1,319	263,700
Public Deposits ..	9,000	6,300	7,000	31,100
Other Deposits ..	161,200	207,200	194,500	129,100
Of which Bankers' Deposits ..	216,800	154,600	146,900	90,100
Government Securities ..	191,100	150,600	152,300	113,100
Other Securities ..	16,000	16,100	20,000	31,000
Of which Discounts and Advances ..	2,000	8,200	4,000	6,400
Notes and coins ..	34,500	56,400	43,000	34,200
Notes in Circulation ..	1,067,000	1,045,300	998,300	529,500
Ratio of Reserve to Liabilities ..	15.26%	26.40%	21.34%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)				
	Dec. 16, 1943	Dec. 9, 1943	Dec. 17, 1942	Aug. 31, 1939
	\$	\$	\$	\$
Resources:				
Total Reserves ..	20,137,000	20,168,000	20,878,000	14,660,610
Total Bills Discounted ..	90,000	108,000	9,000	6,190
Bills bought in open market ..	.....	.....	.....	550
Total U.S. Government Securities ..	11,014,000	11,061,000	5,537,000	2,426,190
Federal Reserve Notes in actual Circulation ..	16,636,000	16,528,000	12,019,000	4,609,280
Deposits — Member Bank Reserve Account ..	12,932,000	12,569,000	13,517,000	10,951,000
% of total Reserve to Deposit and Federal Reserve Note — Liabilities combined ..	63.8%	64.1%	78.2%	86.9%

RESERVE BANK OF INDIA

WEEKLY STATEMENT OF ACCOUNT AS ON DEC. 10, 1943.

ISSUE DEPARTMENT		Rs.	Rs.
Liabilities			
Notes held in the Banking Department ..	7,87,68,000		
Notes in circulation ..	815,62,43,000		
Total Notes issued ..	823,50,11,000		
Total Liabilities ..	823,50,11,000		
Assets		Rs.	Rs.
A. Gold Coin and Bullion:—			
(a) Held in India ..	44,41,43,000		
(b) Held outside India ..	.....		
Sterling Securities ..	705,83,96,000		
Total of A ..	750,25,39,000		
B. Rupee Coin ..	14,92,13,000		
Government of India Rupee Securities ..	58,32,59,000		
Internal Bills of Exchange and other commercial Paper ..	.....		
Total Assets ..	823,50,11,000		
Ratio of Total of A to Liabilities 91.105 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 ..	20,01,60,000	
(2) Government of Burma ..	58,49,000	
(3) Other Government Accounts ..	7,48,59,000	
(b) Banks ..	95,97,00,000	
(c) Others ..	7,85,13,000	
Bills Payable ..	2,80,19,000	
Other Liabilities ..	5,94,36,000	
Rupees ..	150,65,36,000	

Assets

	Rs.
Notes	7,87,68,000
Rupee Coin ..	10,17,000
Subsidiary Coin ..	1,64,000
Bills Purchased and Discounted:—	
(a) Internal ..	.....
(b) External ..	.....
(c) Government Treasury Bills ..	3,49,000
Balances held abroad* ..	130,72,85,000
Loans and Advances to Governments ..	1,02,00,000
Other Loans and Advances ..	.....
Investments ..	7,64,43,000
Other Assets ..	3,23,10,000
Rupees ..	150,65,36,000

*Includes Cash & Short term Securities

ISSUE DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)				
	Dec. 10, 1943	Dec. 3, 1943	Dec. 11, 1942	Sept. 1, 1939
Held in the Banking Department ..	7,87,68	7,42,81	10,02,83	35,04,49
In circulation ..	8,15,62,43	8,04,42,56	5,58,27,23	1,82,13,17
Total Notes ..	8,23,50,11	8,11,85,37	5,68,30,06	2,17,17,66
A. Gold Coin and Bullion ..	44,41,43	44,41,43	44,41,43	44,41,46
Sterling securities ..	7,05,83,96	6,92,83,96	3,82,83,39	59,50,11
Total of A ..	7,50,25,39	7,37,25,39	4,27,24,82	1,03,91,57
B. Silver coin ..	14,92,13	16,27,39	13,67,09	75,87,11
Rupee securities ..	58,32,59	58,32,59	1,27,38,15	37,38,98
Silver bullion under Coinage ..	.....	.....	.....	.....
Percentage of Reserve to Liabilities ..	91.105	90.811	75.180	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT

(000's omitted)				
	Dec. 10, 1943	Dec. 3, 1943	Dec. 11, 1942	Sept. 1, 1939
Cash ..	7,99,49	7,54,29	10,13,97	35,15,27
Balances held abroad ..	130,72,85	160,65,50	79,16,89	10,08,33
Investments ..	7,64,43	7,59,12	6,53,78	6,81,34
Bills discounted:—				
(a) Internal ..	.....	.....	.....	.....
(b) External ..	.....	.....	.....	.....
(c) Government of India Treasury Bills ..	3,49	25	1,46,37	1,15,67
Loans and Advances to the Government ..	1,02,00	65,00	1,30,00	31,00
Deposits:—				
(a) Government ..	28,06,68	57,34,94	24,19,85	14,89,43
(b) Banks ..	95,97,00	94,40,63	54,32,63	26,91,43
(c) Others ..	7,85,13	9,36,66	4,58,59	1,24,37

STERLING PURCHASES

(000's of £)		Total Amount Purchased.	Average rate.
1943:—			
January ..	8,102	1sh. 6d.	
February ..	11,070	1sh. 6d.	
March ..	17,779	1sh. 6d.	
April ..	9,219	1sh. 6d.	
May ..	8,721	1sh. 6d.	
June ..	6,339	1sh. 6d.	
July ..	7,008	1sh. 6d.	
August ..	8,546	1sh. 6d.	
September ..	8,371	1sh. 6d.	
October ..	8,947	1sh. 6d.	

IMPERIAL BANK

(In 000's of Rupees)

	Dec. 10, 1943	Dec. 3, 1943	Dec. 11, 1943
Liabilities—			
Subscribed Capital ..	11,25,00	11,25,00	11,25,00
Capital paid-up ..	5,62,50	5,62,50	5,62,50
Reserve Fund ..	5,75,00	5,75,00	5,70,00
Fixed Deposits Savings Bank, Current and other Accounts ..	209,44,82	208,91,34	160,33,56
Loans against securities, per contra ..	.....	.....	.....
Acceptances for Constituents ..	1,83,60	1,73,59	1,42,06
Sundries ..	222,65,94	222,02,43	173,68,12
Assets—			
Government Securities ..	119,77,53	119,81,70	110,84,09
Other authorised Investments ..	2,62,75	2,63,75	1,36,94
Loans ..	15,71,31	13,18,98	8,70,40
Cash Credits ..	20,03,87	20,10,08	15,19,87
Bills Discounted and Purchased ..	4,05,47	5,02,83	5,09,40
Liabilities of Constituents for Acceptances per contra ..	.....	.....	.....
Dead Stock ..	1,69,27	1,67,90	1,73,14
Sundries ..	1,42,34	1,34,45	1,21,97
Bullion ..	.....	.....	.....
Balances with other Banks ..	1,66,28	1,86,81	2,69,20
Cash in hand and with the Reserve Bank of India ..	55,67,12	56,35,93	26,83,11
Total ..	222,65,94	222,02,43	173,68,12

SCHEDULED BANKS

(In thousand Rupees).

	10-12-43	3-12-43	11-12-42	1-9-39
Demand Liabilities in				
India ..	495,91,37	497,00,72	342,72,49	134,36,49
Time Liabilities in				
India ..	148,68,25	147,85,16	109,88,56	102,24,34
Cash in India ..	21,87,18	22,08,47	14,17,39	6,69,92
Balances with Reserve Bank ..	.....	.....	.....	.....
Bank ..	94,61,45	93,15,01	52,71,73	25,17,19
Advances in India ..	157,63,80	153,68,92	90,29,88	101,52,16
Bills Discounted in India ..	6,15,06	5,72,79	2,73,01	3,57,29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Inter-mediate	Sold in favour of Issue Dept.
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
" 21	15,84,25	8,00,00	0 13 5	..	3,48,00
" 28	20,10,75	8,00,00	0 13 6	..	4,79,50
Oct. 4	15,86,50	8,00,00	0 12 0	..	2,08,50
" 12	12,28,00	8,00,00	0 12 0	..	5,22,00
" 19	14,57,00	8,00,00	0 12 1	..	5,40,75
" 25	12,89,00	8,00,00	0 12 9	..	3,18,00
Nov. 2	10,70,50	8,00,00	0 13 8	..	3,19,00
" 9	91,450	60,000	0 13 8	..	16,800
" 16	13,20,50	6,00,00	0 13 8	..	18,100
" 23	10,71,25	6,00,00	0 13 0	..	34,725
" 30	11,13,50	60,000	0 12 11	..	1,45,00
Dec. 7	13,73,75	6,00,000	0 12 3	..	1,40,50
" 14	14,02,50	6,00,00	0 11 11	..	1,34,00

MATURITY OF OUTSTANDING TREASURY BILLS

As on the 31st October, 1943.

Amount (000's of rupees)

Date of Maturity	Amount (000's of rupees)
2nd Dec. 1943	7,80,25
3rd ..	15,25
4th ..	4,50
9th ..	6,47,50
10th ..	1,07,75
11th ..	44,75
16th ..	12,50
17th ..	7,73,75
18th ..	13,75
24th ..	7,67,50
25th ..	32,50
30th ..	7,96,50
1st Jan. 1944	3,00
2nd ..	50
7th ..	8,00,00
15th ..	7,39,00
16th ..	41,00
22nd ..	7,38,00
23rd ..	61,50
27th ..	7,92,00
30th ..	5,50
5th Feb. 1944	7,83,75
6th ..	16,25
12th ..	5,52,25
13th ..	47,75
19th ..	5,43,55
20th ..	56,75
26th ..	6,49,00
Total ..	98,00,00

SUGAR POSITION FOR SEASON 1942-43
(Figures in Tons.)

Producing area.	Production upto 30-11-43.	Despatches during the period 23-11-43 to 30-11-43.	Progressive total of despatches from 1-12-42 to 30-11-43.	Percentage of progressive despatches to production.	Physical stock as on 20-11-43.
U.P.	6,13,243	12,762	5,78,600	94.3	34,643
Bihar	2,37,671	5,205	2,17,061	91.3	20,610
Bombay	77,221	889	72,227	93.5	4,994
Madras	34,630	727	31,473	90.9	3,157
Punjab	6,579	5	6,434	97.8	145
Bengal	16,537	205	15,350	92.8	1,187
N.-W.F.P.	3,167	68	2,862	90.4	305
Orissa	2,092	..	1,905	91.1	187
Sind	2,008	..	2,008	100.0	187
Indian States	81,604	813	78,007	95.6	3,597
Total	10,74,752	20,674	10,05,927	93.6	68,825

N.B.—Balance physical stock of 1941-42 sugar as on 30-11-43 was 249 tons.

INDUSTRIAL DISPUTES IN INDIA †

Period	Number of strikes.	Strikes in which wages were raised.	Workers involved.	Days lost.	Successful.	Partially successful.	Unsuccessful.	Indefinite.	In progress.
Total for 1942	654	381	8,20,495	52,93,027	64	164	303	5	98
October 1942	58	34	44,779	20,40,16	8	13	27	6	4
January 1943	103	51	1,00,271	4,41,813	14	45	37	..	7
February 1943	60	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	97,953	3	7	18	6	50
June 1943	46	22	32,238	1,12,531	7	13	19	2	5
July 1943	40	26	19,103	73,048	6	14	9	3	8
August 1943	29	13	11,886	36,426	5	4	5	12	3
September 1943	25	12	6,754	15,621	5	8	6	3	31
October 1943	28	12	12,365	1,02,74	8	5	8	1	6

† Indian Labour Gazette.

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
Nov.	104 108 120 170	111 111 129 188	108 1 03 130 196	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	119 119 153 231	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 223x	110 107 149 268	106 113 138 291	110 124 155 279	110 120 148 267	108 111 121 176
May	106 116 135 214	105 112 141 271	103 107 142 234	109 108 155 299	111 113 145 317	112 122 158 309	101 113 155 278	109 110 123 177
June	106 116 145 224a	110 114 152 289	104 111 149 252	108 114 175 336	109 116 160 361	116 126 178 317	100 109 162 275	109 111 131 183
July	108 120 160 225	108 121 160 288	104 115 153 266	109 126 190 341	108 120 181 361	119 134 199 312	102 114 166 275	109 115 136 185
Aug.	109 125 160 227	107 126 168 293	104 118 158 266	112 130 203 339	111 125 183 354	117 131 202 319	102 120 177 286	110 117 140 185
Sept.	107 123 162 233	108 126 160 312	103 119 162 289	113 133 202 353	111 125 183 356	124 138 202 301	108 125 183 293	110 117 149 184
Oct.	108 119 164 236	108 126 166 303	103 123 177 288	112 134 206 349	117 125 184 273	124 138 202 301	111 133 186 211	117 155 188

Nagpur and Jubbulpore do not include housing.

(a) Figures from June onwards relate to the calendar month and not to the month ended 15th June as before.

(b) Fall in index is due to the taking into account controlled cereal prices instead of market prices.

(x) Revised figure.

[†] Indian Labour Gazette.

INDEX NUMBER OF WHOLESALE PRICES BY GROUPS OF ARTICLES

ALL-INDIA (Base: Week Ending 19th August, 1939=100)				CALCUTTA (Prices in July 1914=100)			
Groups	Average for March 1943.	Average for February 1943.	Average for March 1942.	Commodities.	Nov. '43.	Oct. '43.	Nov. '42.
Food and Tobacco ..	247.8	207.0	230.5	Cereals ..	317	424†	220
Other Agricultural Commodities ..	215.3	193.8	116.8	Pulses ..	433	434	226
Raw Materials ..	172.0	172.0	162.4	Tea ..	120	123	305
Manufactured Articles	227.0	225.5	162.5	Other Food Articles ..	588	583	371
Primary Commodities	210.0	190.5	139.4	Oilseeds ..	310	319	186
All Commodities ..	213.5	197.6	144.2	Mustard Oil ..	229	215	105
Chief Articles of Export	210.5	187.6	138.7	Jute, Raw ..	114	108	107
				Cotton, Raw ..	162	178	127
				Jute Manufactures ..	197	199	166
				Other Textiles (Wool and Silk) ..	202	202	194
				Hides and Skins ..	101	98	91
				Metals ..	303	293	296
				Other Raw and Manu- factured Articles ..	240	236	150
				All Commodities ..	314	334	227
							106
				† Officially controlled prices of rice taken into account.			
				BANGALORE July 1914=100			
				Particulars.	July 1943.	June 1943.	July 1942.
Commodities	Aug. '43	July '43	Aug. '42	Food Grains and pulses	28†	314	179
Cereals ..	7	200	186	Oils and Oil seeds ..	287	276	170
Pulses ..	2	281	286	Other food articles ..	303	297	181
Sugar ..	3	248	246	Textiles ..	296	356	165
Other Food ..	3	279	280	Others ..	349	339	200
All Food ..	235	234	181	General Index Numbers	306	213	189
Oilseeds ..	5	170	172				
Cotton, Raw ..	5	94	94				
Cotton, Manu- factures ..	6	282	297				
Cotton Textiles	2	83	83				
Hides & Skins	3	99	99				
Metals ..	9	735	740				
Other Raw & Manufactured Articles ..	4	228	232				
Non-food ..	271	275	254				
General Index	258	260	228				

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality	Market	Unit	Pre-war (1939)			
				This Week.	Last Week.	A Year ago.	(1939)
				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Rice (not in hulk)	Kalma	Calcutta.	per md.	..	..	13 0 0	4 14 0
Wheat	Basmati Sela	Amritsar.	..	19 8 9	19 0 0	..	..
	Average quality.	Karachi.	..	7 14 5	8 0 0	5 15 0	..
		Hapur.	..	10 13 6	11 8 0	..	5 15 0
		Lyallpur.	..	10 9 0	19 9 0	5 1 0	2 5 0
Sugar	Marhowrah Crystal No. 1.	Cawnpore.	..	15 5 6	15 5 6	12 3 6	9 15 0
Sugar-raw (Gur)	Chikna best quality.	..	..	8 8 0	8 8 0	..	..
Tea	For home market	Calcutta.	..	0 9 5	0 9 3	1 6 3	0 4 4
Potatoes	Pahari Haldwani	Cawnpore	per md.	16 0 0	18 5 4	..	..
Groundnuts	Bold.	Bombay.	per 500 lbs.	76 0 0	73 0 0	52 12 0	..
Groundnut Oil	Expeller	Madras.	per 500 lbs.	..	160 0 0	..	..
Castor Oil	Average	Madras.	per 500 lbs.	..	..	170 0 0	..
Castor seeds	Average	Bombay.	per candy	15 8 0	17 0 0	15 10 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	..	13 8 0	12 1 0	6 12 6
Mustard	Toria 9% admixture.	Karachi.	(656 lbs.)	100 8 0	99 8 0	64 10 0	38 12 0
Cotton (raw)	line M.G. 4-F (Punjab) R.G.	Karachi.	per 784 lbs.	505 0 0	500 0 0	..	..
	"Jarilla 3/4"	Bombay.	per candy	468 8 0	468 0 0	..	..
Cotton Piece- goods.	Grey Dhoti Markin 11 lbs.	..	44"x10 yds. 43"x38 yds.	7 12 0 26 6 2	7 12 0 26 6 2	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	..	..
	No. 20s.	..	..	17 8 7	17 8 7	15 5 0	..
Jute	Raw Firsts.	Calcutta.	per 400 lbs.	73 0 0	76 0 0	66 0 0	41 0 0
Jute Bags	B. Twills 2 1/4 lbs.	..	per 100 bags.	67 4 0	65 8 0	66 0 0	28 13 0
Wool (raw)	Kandhar (cleaned)	Karachi.	per md.	60 0 0	60 0 8	50 0 0	32 0 0
Cow hides	Best quality (Agras)	Calcutta.	per 20 lbs.	10 8 0	10 8 0	10 8 0	8 8 0
Goat skins	Best quality	..	per 100 pieces.	150 0 0	150 0 0	145 0 0	115 0 0
Tanned Hides	Best quality (cow)	Madras.	per lb.	1 6 3	1 4 1	1 4 6	0 12 0
Tanned Skin	Best quality (goat)	..	..	2 5 6	2 5 0	2 0 0	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 9	5 4 9	5 5 3	3 13 3
Coal	Selected Jharla (best).	..	per ton into wagon.	10 8 0	10 8 0	7 8 0	4 12 0
Pig Iron	Foundry No. 1.	..	per ton f.o.r.	104 0 0	104 0 0	94 0 0	89 0 0
Copra	Fair average quality.	Cochin.	per 500 lbs.	..	190 0 0	175 0 0	43 8 0

* January.

RURAL RETAIL PRICE INDEX NUMBERS

Base: January 1943=100

Name of Centre	Cereals		Pulse		Other articles of food		All articles of food		Fuel and Lighting		Clothing		Miscellaneous	
	Aug. '43.	Sept. '43.	Oct. '43.	Aug. '43.	Sept. '43.	Oct. '43.	Aug. '43.	Sept. '43.	Oct. '43.	Aug. '43.	Sept. '43.	Oct. '43.	Aug. '43.	Sept. '43.
Eastern Zone														
1. Bamra	217	157*	146	184	185	191	136	142	149	157	151	155	129	132
2. Maibang	235	232	235	140	163	164	142	163	164	149	168	169	105	105
3. Rajapur	327	360	434	172	169	228	162	166	173	182	190	195	118	128
4. Shankargarh	181	179	..	178	180	..	116	110	..	157	154	..	..	..
5. Sonali	318	314	283	163	185	182	158	193	207	186	212	216	105	105
Northern Zone														
1. Multapi	128	130	131	116	123	119	120	123	131	121	119	122	71	71
2. Nana	93	110	110	107	108	117	99	104	105	99	108	106	118	125
3. Siamatpur	150†	150†	150†	119	118	119	101	101	104	109	109	111	100	100
4. Shujabad	129	139	142	105	113	120	105	120	221	114	125	128	104	112
5. Gujar Khan	144	152	143	125	148	150	125	126	113	127	135	127	118	136
Southern Zone														
1. Krishna	147	152	163	163	103	103	123	122	120	126	126	127	90	90
2. Lakh	144†	138†	140†	124	127	153	103	101	117	111	109	127	a	a
3. Malur	118	144	144	130	137	144	122	123	126	123	130	133	88	88
4. Muniguda	129	138	143	120	126b	131	112	111	109	116	115	117	86	86
5. Kudchi	159	150	150	139	138	143	120	120	127	127	125	152	100	100

* The fall is due to price control by the State.

† Price quotations are not available.

|| On the basis of the controlled prices for Kerosene Oil.

a Figures for January 1943 are not available.

† On the basis of price quotations for "Rice" only.

§ Tobacco and Soap are the only items included in the group.

|| On the basis of price quotations for "Bajri" only.

b Prices for only one item out of the three included in the group are available.

STOCKS AND SHARES

		This week.	Previous week.			This week.	Previous week.
		Rs. a. p.	Rs. a. p.			Rs. a. p.	Rs. a. p.
BOMBAY (Dec. 22)				CALCUTTA (Dec. 15).			
GOVT. SECURITIES—				JUTES—			
2½% 1948-52	..	99 12 0	99 12 0	Champdany	..	221 0 0	..
3% 1949-52	..	100 11 0	100 11 0	Presidency	..	6 10 0	..
3% 1951-54	..	100 2 0	100 2 0	Anglo-India	..	384 0 0	386 8 0
3% 1963-65	6	99 13 0	98 4 0	Nuddea	..	105 0 0	105 8 0
3% G.P. Notes	..	97 7 0	97 7 6	Howrah	..	64 2 0	..
3½% 1947-50	..	103 6 0	103 4 0	Kamarhatty	..	549 0 0	..
4% 1960-70	..	112 0 0	111 14 0	Gourepore	..	784 0 0	..
4½% 1955-60	..	115 8 0	115 8 0	Barnagore	..	166 0 0	167 8 0
TEXTILES—				Budge Budge	..	..	..
Ahmedabad	..	496 4 0	507 8 0	STEELS—			
Bombay Dyeing	..	1930 0 0	1926 4 0	Kumardhubi	..	9 8 0	..
Central India	..	455 0 0	452 8 0	Steel Corporation	..	27 4 0	27 7 0
Indian Bleaching	..	227 0 0	228 0 0	Steel Corporation Pref.	..	130 8 0	..
Kohinoor	..	612 0 0	715 0 0	Jessop (Ordinary)	..	20 10 0	..
Century	..	961 0 0	963 0 0	Bhartia Electrical Steel	..	16 12 0	16 8 0
Colaba Land	..	240 0 0	241 0 0	Indian Iron	..	34 12 12	35 1 0
Gokak	..	340 0 0	343 0 0	Marshalls	..	382 0 0	..
Phoenix	..	700 0 0	700 0 0	Burn	..	382 0 0	..
Simplex	..	275 0 0	278 0 0	TEXTILES—			
Swadeshi	..	585 0 0	587 0 0	Elgin	..	95 8 0	95 0 0
Vishnu	..	2600 0 0	2650 0 0	Elgin Pref.	..	..	..
Finlay	..	330 0 0	329 8 0	Cawnpore Textile	..	13 15 0	13 14 0
Morari	..	725 0 0	757 8 0	New Victoria	..	11 1 0	11 1 0
New Great	..	427 0 0	428 8 0	Muir	..	445 0 0	..
Swan	..	310 0 0	306 0 0	Dunbar	..	..	..
Apollo	..	5 4 6	5 6 6	Benares	..	13 12 0	14 0 0
Sassoon	..	20 4 0	20 6 0	Kesoram	..	..	14 12 0
Sassoon Defd.	..	4 5 0	4 6 0	MINES—			
Model	..	330 0 0	330 0 0	Burma Corporation	..	3 12 0	3 12 0
Poddar	..	415 0 0	..	Consolidated Tin	..	..	..
MISCELLANEOUS—				Indian Copper	..	2 12 0	2 12 0
Alcock	..	573 12 0	580 0 0	Bisra Stone	..	..	..
Bombay Burma	..	420 0 0	430 0 0	Belsund	..	..	..
Belapur Sugar	..	254 8 0	256 8 0	Samastipur	..	..	..
Bombay Tramway	..	142 8 0	140 8 0	Carew	..	27 0 0	26 12 0
Bombay Steam	..	667 8 0	666 4 0	Balrampur	..	16 3 0	..
British Burma Petrol	..	3 3 3	3 5 6	Champmaran	..	..	48 12 0
Scindia Steam	..	37 4 0	37 2 0	MISCELLANEOUS—			
Andhra Valley	..	1875 0 0	1885 0 0	Indian General Agn.	..	130 0 0	..
Shivrajpur	..	77 0 0	79 0 0	Dalmia	..	18 4 0	18 4 0
B.I.C.	..	6 6 0	6 7 0	Rohtas	..	..	..
Tata Chemical	..	30 2 0	32 4 0	Titagarh	..	..	26 5 0
Tata Oil	..	88 8 0	85 0 0	Aluminium Corp'n. Ord.	..	..	29 4 0
Tata Power	..	1905 0 0	1910 0 0	Orient	..	..	29 4 0
Tata Hydro	..	201 0 0	200 0 0	COALS—			
Tata Steel Ord.	..	388 8 0	391 8 0	Baraboni	..	3 6 0	3 8 0
Tata Steel Defd.	..	1892 8 0	1925 0 0	Bengal	..	552 0 0	545 0 0
Premier Construction	..	..	231 8 0	Bhalgora	..	..	12 7 0
Associated Cement	..	223 0 0	227 8 0	Barrakar	..	25 4 0	24 12 0
Indian Iron	..	..	34 14 0	Equitable	..	49 6 0	48 0 0
Indian Copper	..	..	2 12 0	S. Karanpura	..	8 13 0	..
Tata Steel 1st. Pref.	..	221 4 0	223 12 0	East Indian	..	28 8 0	27 12 0
Tata Steel 2nd Pref.	..	155 0 0	157 0 0	West Jamuria	..	40 0 0	39 0 0
BANKS—				TEAS—			
Central	..	87 8 0	88 4 0	Bisnauth	..	..	..
Imperial (Fully Paid)	..	197 0 0	975 0 0	Loobah	..	..	15 0 0
Imperial (Partly Paid)	..	496 12 0	505 0 0	New Teal	..	28 8 0	28 9 0
Reserve	..	131 0 0	129 0 0				
India	..	223 8 0	224 8 0				

THE EASTERN ECONOMIST

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Transition Economy

Outline of Recommendations

V

WE have reached the end of our task. In four successive weeks we examined the problems of the transition economy in its varied aspects and made several suggestions in their appropriate context with a view to solving them on sound lines. It may perhaps be useful now to gather together the threads of our arguments and summarise the main conclusions we reached under different heads so as to focus attention on them. In the first place we have emphasized that while economic questions of the transition from war to peace may for purpose of convenience be treated separately, they are in reality closely bound up with the more permanent problems of economic policy, and without some picture of the sort of long-term post-war economy that we should aim at, it would be difficult and indeed dangerous to attempt a solution of the immediate post-war questions. This is because not only does one merge gradually into the other but also because success in solving the transition problems is conditioned by the planning of a definite long-term economic programme embracing all types of economic activity. To cite one

instance, the absorption in peace-time administration of the thousands of educated employees who will immediately be thrown out at the end of the war is possible only when Government has a plan of industrialization and social service capable of employing hundreds of thousands of educated youths. Or again our conclusion as to the retention or removal of economic controls will be greatly influenced by the answer we get as to whether we shall have a planned economy or not. If we are going to revert practically to *laissez faire* conditions, the only question is how soon we should remove controls. On the contrary if a planned economy of some kind is contemplated, the question takes an entirely different form. How should the controls of the war period be modified and adopted so as to subserve the ends of planning? In the second place we have, speaking for ourselves, made no secret of our demand for a well-planned scheme of reconstruction. Indeed as we pointed out, the main problem in India is one of construction from the bottom. We cannot afford to leave things adrift. This means that the plans for the transition period and those of

the comparatively long-term should be co-ordinated so as to fit the former with those of the latter.

We considered the question of transition economy under four heads. (1) Demobilization and re-employment; (2) Industrial reorganization; (3) Prices and monetary policy and (4) Economic controls. On each of them we shall record our recommendations.

Demobilization

This consists of three parts (a) armed forces; (b) administrative services and (c) industrial workers and other war technicians. On the first our recommendations are that (1) plans of resettlement must be planned and kept ready. Already a sum of Rs. 4 crores is available as Reconstruction Fund for financing or assisting projects which will help the returned soldiers. But this is only a minor aspect. Absorption of the demobilized soldier can be easy only if there is a large scheme of public works, including therein communications, afforestation, reclamation, anti-erosion work, irrigation etc. (2) The nature of public works programme should be clearly defined. It should in our view be largely labour-absorbing capable of giving employment to large numbers of people. In so far as it will employ capital it must as far as possible employ internal capital and not such as will fritter away our foreign exchange resources by importing avoidable equipment. It should not have as its primary object (which is likely to be the case if public opinion is not alert) the affording of a market for the surplus goods of Britain. A Public Works programme on the lines which we contemplate would itself give a great impetus to the growth of industries in India to produce the minimum equipment necessary for the purpose. The tools and other things necessary, for example, for road building should be produced in India. (3) Employment Exchanges which will deal both with the highest grade technical trades and the ordinary skilled trades which exist in the Army; (4) Orderly demobilization so as to dovetail the released men with the new employment plan, the speed of demobilization depending upon the speed with which the plans are framed and put into operation.

As regards administrative services, we must frankly admit that unless the Government is ready with effective long-term plans embracing every sphere of national activity in industry, health education and other social services—unemployment is inevitable. But the possibilities of employing not merely the present inflated numbers of administrative services but of making fresh demands are vast. In 1939 in Soviet Russia as many as 9.4 millions out of a total population of 170 millions were employed as administrative personnel. The continuous employment of the industrial workers now employed in war and peace factories is not a difficult task if either industry and Government have an elaborate scheme of industrialization. Apart from the narrow end of preventing the unemployment of the industrial workers, the building up of a basic industrial structure is of primary urgency in the post-war period. But it is here that the solution of the transition merges with the long-term objectives. The two cannot be separated.

Industrial Reorganization

In regard to demobilization of industries, the gap between what Government must do and what they are likely to do is very wide. Their present plan of importing all types of goods without reference to

their effect on home production deserves to be condemned. The reported import of enormous number of railway wagons, locomotives, etc., necessary to some extent on account of war-time needs is likely to retard the establishment of a home industry unless imports are limited to the absolute necessities of the war. At the end of the war some of the war production factories will have to be scrapped, some converted into those capable of producing for civilian consumption and others which had expanded during the war must be fitted to serve peace-time needs. (a) Each of these alternatives will require decisions regarding the nature of the financial and technical and other facilities that may have to be provided. Provision should be made for extensive financial and technical engineering assistance, and an assurance in advance that such assistance would be forthcoming is imperative. (b) An organization for rendering such assistance should also be set up. (c) In respect of the new industries which have grown up during the war Government must give an assurance here and now that sufficient protection would be given to enable them to consolidate their competitive position. An *ad hoc* enquiry should be immediately instituted and import tariff should be fixed in relation to present and anticipated costs of production. (d) The process of conversion and adaptation can be smoothened only if Government adopt a sound fiscal policy. It is time that a committee is appointed which will suggest ways of reforming the tax system in so far as it affects industry. Apart from the narrow question of allowances for depreciation and obsolescence the general reform of the taxation of business profits should be taken up. (e) A post-war "conversion reserve" should also be set up by Government which may be utilized for giving the necessary financial assistance to industries that will have to reconvert their equipment and reconstruct their lay-outs, etc. (f) Again the present uncertainty and ambiguity in regard to equipment acquired under lease-lend and the factories set up at the cost of the British Government should be resolved by defining the terms under which they could be bought by the industrialists. (g) War contracts and stocks of goods should be liquidated in an orderly manner giving time for our economy for readjustment. (h) The cottage and small-scale industries which have made substantial contribution to war effort should not be allowed to perish as happened after the last war, but they should be rationalized and financial and marketing organizations should be set up with a view to the continuous employment of the twelve to fifteen millions engaged in those occupations. (i) Financial and technical assistance to industries should be combined with assistance for securing better regional planning. It is true that concentration of factories has not taken place to anything like the same extent as in Britain. But there has been some process of concentration, and it is the duty of Government to assist in a planned scheme of de-concentration.

Averting the Slump

(a) All the factors that now are operating to lead to inflation will at the end of the war give way to those which would lead to a contrary result. (b) The duty of the Government to avert a post-war slump is urgent and should not be neglected. (c) Fortunately external factors may be expected to result in expansionist economy abroad, thus saving us from the necessity for a deflationary policy. There are also a few internal factors which are favourable to expansion, e.g., the postponed consumption. (d) But in general forces operating within, unless effectively countered, are sure to lead to a depression and slump. These

forces are (1) the drying up of the source of demand on the cessation of the war; (2) the drying up of purchasing power now injected into the economy; (3) the unemployment following demobilization; (4) industrial dislocation on account of the stoppage of war contracts; (5) existence of huge stocks; (6) the high price-level of India compared to the price levels of other countries. The prevention of depression will thus call for administrative and financial capacities of a high order on the part of Government. Our suggestions in this regard include (a) the continuance of price controls and guarantee of minimum prices for agricultural commodities; (b) control of exchange rates with a view to preventing an excessive trade deficit; (c) control of imports and exports so as to ensure sufficient foreign exchange; (d) the framing of a bold plan of reconstruction which would enable the large purchasing power now dammed to exert its full expansionist force; and (e) a monetary policy favourable to expansion, but not leading to a runaway boom.

Economic Controls

Whatever be the shape of things to come in the future there is no doubt that in the transition period controls should be continued. These controls are for various purposes. (a) We should prevent the dumping of unwanted goods into India and prevent the frittering away of our assets in the purchase of luxury goods and others not quite essential. (b) Import control is required so as to facilitate the import of capital goods and other equipments for the building up of the heavy engineering and other basic industries. (c) Export control is also essential to safeguard

the interests of the internal economic plan, to prevent the export of raw materials essential for industrial expansion within and to facilitate the export of those which may be necessary to provide us sufficient foreign exchange. (d) Exchange control must also be retained to ensure an effective utilization of foreign exchanges. (e) The present capital issue control which has been only a hindrance to economic development should be continued but so operated that it will secure the right kind of industrial development in the transition period as well as in the future.

The above are some of the concrete recommendations which we have made and repeated time and again. India's plight is unenviable. At a time when her economic problems require the conservation of the energies of all her citizens, she is denied the assistance of her foremost leaders. Her Government has not the confidence of the people. No plans can be framed with confidence because the present Government is obviously a temporary one and cannot be sure that its plans will be acceptable to the people. But despite all these limitations, even the present Government must discharge its function as best as it could. For economic problems wait for no man; and the problems of the transition period are not such as can be put off for solution to a more propitious moment. Hence the Government of India will not have any excuse for not giving their best to these momentous questions and implement all such recommendations as may be said to be beyond all dispute or argument. The country expects the Government to issue a full and frank statement of the manner in which they propose to deal with the problems of the transition stage.

The Anti-Profiteering Ordinances

MORE than two months have elapsed since the anti-hoarding and anti-profiteering ordinances were issued and although it is too early yet to pass any final judgment on their effectiveness, the experience so far gained justifies some tentative conclusions. At the outset a word of praise is due to the Controller-General and his officers for their commendable enthusiasm with which an obviously unworkable set of regulations has been sought to be enforced. With the spirit animating the ordinances and with the objectives sought to be realized by them few would quarrel. Indeed prices of all kinds of consumers' goods had been soaring to heights which could not be justified under any circumstances. An obviously difficult situation in which scarcity of goods was accompanied by a continuous stream of fresh money was exploited by importers and dealers with not an iota of consideration for the poor consumer. The public therefore had every reason to welcome any action of Government designed to afford some relief to the grossly exploited citizen who can have no sympathy for the trader and the profiteer.

But despite the favourable atmosphere in which the ordinances were promulgated they met with a mixed reception, mainly because it was felt that the system of blanket control which was ushered in could not be successfully worked out by the present administrative machinery of the Government. We had then pointed out that the better way would have been to secure control by the method of enumeration, bringing more and more articles of mass consumption under control with the help of an advisory board consisting of representatives of the trades concerned. The example of textile control was before the Government, and although it has not achieved the success claimed for it by Government and the industry, still

it marked a milestone in the method of control. But the anti-profiteering ordinances definitely constituted a break from this experiment. In between the two periods a marked change had come over Government's attitude due to two circumstances, one theoretical and the other practical. The view gained ground that partial and piecemeal control was no good and that success would be jeopardized by anything less than over-all control operating over the entire economy of the country and across the whole of it. This theory is based on a misapprehension. The idea that prices are uniform all over a vast country like ours or that price control of only some articles is bound to fail is erroneous. The Government and administrators are often a quarter of a century behind the advance in theoretical knowledge. It has been the commonplace of theoretical economics for the last twenty years that owing to imperfect and monopolistic competition and other factors, prices vary from region to region, and that the old notion of a single uniform price for a commodity exists only in imagination. The practical consideration that perhaps weighed with the Government was that because some apparent success attended their so-called anti-inflation measures Government could check inflation by ordinances. Indeed, did not the Finance Member say with gusto that he was convinced that increased note-issue could go on unchecked without necessarily bringing about increased prices and that he would see to that? The anti-profiteering ordinances have been his answer to those economists who, foolishly according to him, correlated inflation and high prices. The enthusiasm and obstinacy with which the ordinances are sought to be enforced in the face of their obvious blemishes and defects can be understood only in the light of the above background of historical events.

That the prices of some articles have come down and that on the whole the retail markets in some of the big cities and particularly in the capital town of the Government of India are in a somewhat disturbed and almost panicky state may be admitted. But that does not mean that success has been achieved. The honest dealer is hard hit by the ordinances. There are several difficulties with which he is faced. In the first place the landed cost plus 20 per cent. or the usual trade percentage allowed, whichever is smaller, takes no account of the differences between one article and another. Margins of profit taken by a dealer are never uniform. In standard lines the margins are very low; but in special lines they are undoubtedly high. To force the dealer to charge uniform rates on all lines of goods will not only hit him but will benefit only a narrow class of rich customers. Secondly, in many cases the dealer does not know what the landed cost is and is therefore at the mercy of any aggrieved customer who can haul him up for violation of the ordinances. It is no answer to this to say either that he should have known it or that the Controller-General would on a reference be able to assist him. Thirdly, the fact remains that in the case of several retailers the goods had been purchased in the black market at inflated prices. To compel them all to sell at the controlled price which permits only 20 per cent margin on landed cost would land them in great capital losses. We are aware of the answer of the Government and perhaps of the public too to this grievance. It is that the dealers did so at their peril, that they had no business to have gone on buying at black market prices and that in any case they had in the past made such enormous profits that they could well afford to lose now. Perhaps yes; but are the Government free from blame themselves? If retail dealers and merchants were culprits, so were the Government who by granting themselves bloated salaries and high prized posts directly fanned the flame of inflationary prices. The decline in morals in business was not confined to the commercial community. When the financial history of the war comes to be written, the manner in which public money was wasted in improvident ways by Government in their civil and military expenditure would constitute an unedifying chapter. It is therefore futile for the Government suddenly to find a scape-goat in the retailer and merchant. He is no better and no worse than a whole host of army and civil contractors, and has profited no more than his brethren in other trades. Government should therefore have given some notice to the traders to have sold off their stocks or at least to have avoided replenishing their stocks at inflated prices. If the ordinances are enforced to the letter, all the imported goods at any rate would soon be emptied involving tremendous losses to the retailers. Hence some compromise formula is being suggested by Government by which the difference between the trader's acquisition cost and the controlled price may be split; but this would still place the retailer under a heavy handicap. The whole position is in a state of extreme fluidity and uncertainty. The retailers do not frankly know their own precise position; the more energetic and sophisticated consumer and the official can hold them at bay. In this state of flux the dishonest retailer would still continue to make profit, while the honest man is either bound to suffer or soon become dishonest. The ordinances set a premium on dishonesty. No greater condemnation is possible than that uttered before the Viceroy himself by Mr. Burder, the President of the Associated Chambers of Commerce recently. To quote his words,

"The ordinances are so framed that there can be hardly an honest trader in the land who is not breaking the law; a truly anomalous state of affairs which

calls for an early amendment of the Ordinance. As things stand at present, despite Government's assurance, many are faced with one of two evils—either they must close their business and their factories or they must break the law, trusting that the courts will interpret it in accordance with the intention rather than the letter of what is laid down in the Ordinance."

The law will be and perhaps is being broken. The Controller-General and his subordinate officers may set the law in motion in Delhi and in a few big cities provided Provincial Governments co-operate with them. But over practically the whole of the country the ordinances will be a dead letter.

Is there no remedy then? Yes, it lies in Government's frankly abandoning the present methods of control and in following a system of regulation by which each article will be the subject of detailed control. The experience of Britain is surely relevant here. There the prices are fixed in respect of all the essential articles by enumeration, and by fixing the margin at every stage, from the manufacturer, to the different wholesalers and finally the retailer. There is no need for us to attempt to fix the prices of luxury articles for the benefit of the man of large means. The control of the prices of the essential articles of wide middle-class consumption which are sufficiently numerous and yet not too many can well be taken up by the Government. A ceiling price and margins fixed at each stage should be fixed in consultation with representatives of the trade for each set of articles. Being fixed in relation to trade practice these prices will be more acceptable and yet be reasonable to the consumer. Again under the present ordinances the wholesaler who is at least as guilty as the retailer has gone scot free. The public's ire and the Government's impact have been only on the retailer. But if the ordinances are not revised the whole structure of marketing will collapse; for if retailers incur the heavy losses which are inevitable, the wholesalers would not be able to find sales for their products. The credit which the retailers were enjoying would also be restricted and in the end a breakdown of the marketing machinery would result. It may be contended that we take an unduly alarming view of the matter and that no such consequences as those portrayed above would follow. Indeed, they may not follow; because it is quite probable that after all this temporary agitation and bubbling subside the ordinances would be forgotten and remain mere empty paper regulations. They would have done little beyond creating a ripple and causing some temporary annoyance to the dealer and affording some temporary relief to the consumer. Only in the intervening period even the honest dealer would have been exposed to the threat of prosecution by over zealous officials or tough consumer. On the other hand if the Government desire to effect a less transient remedy they should have no hesitation to revise their plan. They should give up their rigid formula of 20 per cent plus base but fix prices of specified commodities in conformity with normal trade practice and in full consultation with the trade. They should set about the task in a less heroic and more pedestrian way by bringing within the scope of their regulation an increasing number of articles of general consumption. Price fixation must also be more flexible and elastic and should take full account of the differences between one commodity and another, differences in transport cost and other elements of cost. No consideration of prestige should stand in the way of Government's reversing a law which every one knows is simply unworkable and is bound to be violated and likely to lead to unjust prosecution.

The Week's Notes

ECONOMIC PLANNING IN PAKISTAN

The Karachi session of the Muslim League resolved to appoint a committee for preparing a five-year programme for the economic and social uplift and industrialization in Pakistan zones. Mr. Jinnah insisted that the report should be submitted to the Working Committee within six months. He spoke of the "enormous economic potentialities of the Pakistan area" and pleaded for its development. It is well that the committee has been appointed to investigate into the economic possibilities of the would-be Pakistan area, for only such investigations can reveal the practicability of dividing India into a number of sovereign States. Only the countries which are richly endowed with the various natural resources required by a modern industrial society, can have economic development at a very rapid rate. As far as can be determined from known facts about the endowment in natural resources of our country, even if the economic unity of India can be preserved, we may not have just enough resources, for a very ambitious economic plan, without the co-operation of other areas. If India is divided into a number of States, the raw materials position of the individual States will deteriorate and render our economic task an uphill one. It is certain that the committee appointed by Mr. Jinnah will find that the Pakistan areas are much poorer than the Hindustan zones in respect of mineral resources which are the basis of industrialization and that the former have hardly the resources for any respectable heavy industry. Mr. Jinnah said: "We have not got the air force, we have not got tanks, army or navy, I know. We will get all that." But all this cannot be got without a gigantic heavy industry, for which, unfortunately, Pakistan is probably ill-endowed by nature. Today only Great Powers with highly industrialized economies have the potential for great mechanized armies and air fleet. Only countries which are more or less self-sufficient in natural resources have the basis for rapid industrialization; consequently, the pressure for industrialization inevitably transmits the pressure for economic unity. On the contrary, the political doctrine of self-determination exerts the pressure for political fragmentation. In an interesting article in the *Agenda*, May, 1943 (London School of Economics), Mr. Webster points out that before drawing political frontiers, we must take account of and weigh three separate principles, viz., the principle of balance of power, the principle of self-determination and the principle of economic unity. These principles are relevant in the case of India also. If in accordance with the principle of self-determination, we divide India into a number of small States, will this (a) counter the principle of balance of power, having regard to the fact that highly industrialized and powerful Russia and China will lie astride the Old World and (b) destroy the economic unity of India? These are fundamental questions which must be answered before arm-chair political cartographers can be allowed to be active.

IMPORT OF LOCOMOTIVES AND WAGONS

The Railway Standing Finance Committee met two weeks ago. An innocent-looking Press Note mentioned that the committee had sanctioned Rs. 32½ crores for rolling stock. Details are now available of how this amount is going to be spent. In the year 1944-45, 9,500 wagons costing Rs. 11.5 crores and 600 locomotives, costing Rs. 21 crores will be imported from U.S.A., partly on a lease-lend basis, and also from Canada. The Government of India have already on

hand a plan for the import of consumer goods, ostensibly to allay scarcity, but in reality as many apprehend, to scotch the nascent war industries even before the war is over. Now they are proceeding with a plan of largescale import of railway materials. This action of the Government cannot be too strongly condemned. When under the pressure of increased demands the country stood in need of improved transport facilities in the first three years of war not only did the Government dismantle railway lines and export them together with vast quantities of wagons and locomotives to the Middle East and other countries, but actually turned over the railway workshops to the manufacture of war materials. Last year the folly of this policy was admitted and the Member for War Transport said that some of these workshops would be turned over again to railway needs. What has happened to their manufacturing capacity? It was given out in the Railway Budget last year that orders had been placed for manufacture in India of 9708 broad gauge and 738 metre gauge wagons and that delivery was expected to be made by the end of 1943-44. If that were the case, a good part of the order must have been delivered by now. If not, what have the Government done to overcome the scarcity of steel and manufacturing capacity which they held out as the reason for the delay till the end of 1943-44? As regards engines, Government recognized the need for manufacturing engines in India as soon as possible and said that their consulting engineers were planning for the conversion for locomotive building of one of the repair shops put to war work and were basing their proposals on up-to-date practice in England and America. What has happened to these efforts? The Government are definitely committed to a policy of manufacturing engines and wagons in India itself, even before the end of the war if possible, and if their decision to import those goods to the value of Rs. 32½ crores were to prove true, the Government would be guilty of a breach of trust with the country. If shipping space could be found for this immense volume of engines and wagons, it should at least be ten times easier to find the space for the import of machinery to produce them within the country. The Government have consistently discouraged a production drive, whether of consumer or capital goods. They owe an explanation to the public for this latest act of bad faith.

AGRICULTURAL ECONOMIC CONFERENCE

The fourth session of the Indian Society of Agricultural Economics was held last Sunday appropriately enough in the sugar town of Walchandnagar throbbing with new life and spirit. Walchandnagar, about 80 miles from Poona, marks a new experiment in the marriage of agriculture with industry. Till recently a waste land, it has been converted into a flourishing agricultural colony of about 17,000 acres in which 2,000 acres are put under food crops and over 3,500 acres under sugarcane. These are cultivated under most modern conditions and manured by natural and synthetic manures. But the industrial activities are growing. Besides the sugar factory, a number of related industries have grown up, such as dairy, oil mill, soap factory, hydrogenation plant, paper and pencil factories. The distillery has given rise to a number of by-products—yeast food, fertilizers as well as fusel oil. Little wonder that Seth Walchand Hirachand in welcoming the delegates has invited them to examine the economics of this happy combination of agriculture and industry so as to increase both agricultural and industrial production. To quote his words: "To my

mind the present system of combining agriculture with industries adopted at Walchandnagar which means the co-operation of the industrialists and investing public is better than the old system of agriculture as pursued by the poor, ill-equipped and indebted farmers." There is no doubt that the possibilities of utilizing the still large tracts of uncultivated land must be soon explored. With large capital outlay there is no reason why similar colonies should not group up under private and State enterprise.

FUNDAMENTAL WEAKNESSES OF RURAL ECONOMY

Sir Manilal B. Nanavati to whose interest in rural problems the country owes a debt of gratitude devoted the major part of his interesting address to an examination of the causes and consequences of the fundamental weaknesses of our rural economy. The growing pressure on the soil, the neglect of agricultural improvement and the lack of industrial development, are some of the causes of the malnutrition and starvation of millions of people in India. There has been, according to him, a worsening of the food problem quantitatively as well as qualitatively, and rightly has he exposed the fallacy of the Food Grains Policy Committee in holding that the figures of available food supply must be an under-estimate because the actual growth of population would have been impossible if the picture of deficiency and food supply as revealed by the figures be true. His answer to this contention is conclusive. Such a view proceeds on the assumption that in ordinary times everybody got the minimum required for efficient maintenance of life. After referring to the inevitability of the economic unity of India Sir Manilal proceeds to what he considers to be the major reforms necessary to increase the productivity of the country. These consist in securing (a) land reform, (b) tax reform, (c) administrative reform. As regards (a) his views are entitled to great respect. The functionless landlord has become a parasite and agriculture is falling into the hands of the wrong type of people. The solution lies, in his view, in extending peasant proprietorship. But the trouble is in ensuring that the peasant proprietor cultivates his lands under modern scientific conditions. Unless, therefore, he is supplied with all necessary financial and other facilities, peasant proprietorship will not result in quick increases in production.

We are glad that the problem of tenancy has received the attention of the conference, for unless the actual cultivator is assured a reasonable return for his work and efforts, there is no hope of getting the best out of the lands. The conference has also discussed the question of long-term debt and the work of the land mortgage banks. But we must reserve it for examination in a later issue.

SPECIAL PLEADING

Sir Alfred Watson, former editor of the *Statesman*, writes in a current issue of the *Great Britain and the East*: "The widespread notion of its (India's) big industrialists that they will be able to take over British enterprises in the country is as a policy supremely foolish." The normal procedure of liquidating British investments against accumulating sterling assets which has been perused in most of the British dominions is a fact which has caused not a little uneasiness among British business interests in India. At the annual meeting of the Associated Chambers of Commerce at Calcutta Mr. Burder expressed his resentment at the suggestion of liquidating British interests in this country and pleaded that there was enough room in India for European as well as British businesses in the post-war years. While the

eagerness of British business people to stick to India is perfectly understandable and while a free India having its faith in "live and let live" may have every sympathy for such pleadings, the puerile sort of arguments, and special pleadings, advanced by Sir Alfred does little service to the cause of future co-operation between the two countries. Sir Alfred puts forward three specious pleas to prove that the British business man is indispensable for the well being of India and British control and direction cannot be efficiently replaced. Firstly, he thinks that Indians have greater confidence in British managed enterprises than in those managed by their own countrymen; secondly, that the conditions of wages and labour welfare are better in British concerns than those of Indians, and, thirdly, that "a third of the export trade of India is done with the U.K. That trade is almost entirely in the hands of British firms who have built it up to the great benefit of the country. The facile Indian mind may believe that it would be an easy matter for Indians to take over all the machinery of this trade and run it for the benefit of Indian firms. Nothing would more certainly lead to disappointment and failure." The purport of this is that Indians cannot manage their affairs as efficiently as the British do it for him and the psychology behind this way of thinking is parallel to what in the political sphere goes under the labels of the Whiteman's Burden, especially the Englishman's burden, and trusteeship. Whether Indians are inherently capable or incapable of managing the industrial life of their own country may be objectively indeterminable but the sinuous ways in which British business gradually entrenched its position in India ever since the days of the East India Company are not possibly quite unknown. Outstanding examples of British interests at the present day are perhaps tea and jute. The terms of employment and labour conditions in the tea gardens of Assam, wholly owned by British interests, are hardly such as will bear broadcasting. We are well aware of the magnitude as well as the nature of the trade which the Britishers have built up with their country. That our foreign trade is "almost entirely" in British hands is itself a damning admission. This trade has been built up to exploit India's raw material supplies and cheap labour for the provisioning of raw materials for Britain. Foreign trade has value only in so far as it contributes to the improvement of our standards of living, which—can it be denied?—are today nearly the lowest in the world. Most amusing part of Sir Alfred's argument is with regard to the confidence Indians have in the business of his countrymen in India. Sir Alfred is a bit out of date: we have long passed those days when capital was shy and industry unventuresome. Indian entrepreneurs are today full of confidence and daring and capital is clamouring for investment opportunities. British capital and British technical skill can certainly render great help to us in our task of rapid economic development, but arguments which bear the character of special pleadings, do not help the cause of co-operation between the two countries. India will choose her economic orbit without reference to such special pleadings.

FUTURE OF TEXTILE EXPORTS

The exigencies of the war have placed within India's grasp several overseas markets. Indian textile exports which rose from 177 mn. yards in 1938-39 to 772 mn. yards in 1941-42 have helped to alleviate the acute scarcity of clothing experienced in the Near and the Middle East, Egypt, East Africa and Australia. The inability of the U.K. to supply the needs and the elimination of Japan enabled us to capture these foreign markets. Can we retain them after the war?

We can and we must. There will be an immense demand for clothing immediately after the war. There are at present only three countries which will be able to meet it—viz., England, America and India. India's contribution to the U.N.R.R.A. fund is expected to be in the shape of textile goods. Indian textile products are acknowledged by all to be equal in quality to those of the best in the world and Indian textile labour is also highly competent. In the present wartime conditions of high costs and scarcity of stores, maximum production is the objective and even the least efficient firms can make a profit. But there is no reason why after the war cost reduction by rationalization and other methods should not be possible. Thus India's capacity to retain foreign markets may be reasonably assumed.

POST-WAR COMPETITION

But there are dangers to be guarded against. Powerful organizations are being planned, particularly in Britain, to operate as the spearhead of a post-war export offensive. The vital importance of exports to Britain hardly needs any stressing and India must be alert and not be driven out of these markets by such organized offensives. Already there are signs that the East African consumers are turning to other suppliers and Ceylon takes more of cloth from the U.S.A. A limitation on export with a view to retaining adequate qualities for domestic consumption is one of the principal aims of the cloth control scheme. But that is no reason why consistently with the above aim foreign markets should not be retained. The Exports Sub-Committee of the Textile Control Board is one among the many sub-committees about whose deliberations the public has been kept completely in the dark. Why should it not consider, for instance, the possibility of charging slightly higher prices for exports (which could be easily done now) with a view to building up a post-war reserve? Brazil has done that and made exports subsidize the home consumption of 'utility' cloth. Such a device, if found expedient and feasible, might give the industry a reserve to help it in facing the competition of organized pressure groups in the after-war years.

CHINA PLANS

Addressing the Publicity Club of London last week, the Director of the Chinese Ministry of Information said that one thing which the Chinese wished to avoid after the war was that their country should be the tilt-yard for investors and industrialists and for competition which led to war. Then he added: "Competition could be avoided only by planned and controlled industry. We are going to plan our industries just as Russia planned her's and no amount of argument will change this opinion." Unlike India with her political future still in a state of flux, China can look forward to her future with a sense of certainty and confidence. The sufferings and hopes shared in common in the course of a cruel and protracted war, have served to weld together the various warring groups in China into a united nation as never before. The devastations wrought by six years of war give a sense of urgency to the problem of reconstruction, while the extraordinary difficulties which she has experienced in waging the war on account of her industrial backwardness, must impel her to embark on an ambitious economic plan without any avoidable delay after the war. Her circumstances are also favourable. Being assured of her political sovereignty, unlike India, she can plan even from now. Her manpower and natural resources are as rarely inexhaustible as possible. After the war, in the United States, Great Britain and other

countries, there will be a great surplus of machine tools and other equipments on account of war-time expansions, and China will be just in time with her ready-made economic plans to take advantage of the situation. Consequently if China plans as heroically as Russia, as the Director of Chinese Ministry of Information said she would, there is no reason why China should not achieve results as spectacular as those of Russia. Indeed with her manpower nearly three times that of the Soviet Union and an equally compact landmass richly endowed with natural resources, she could within fifteen or twenty years acquire an economic power far surpassing that of any other country in the world, not excluding that of the United States itself. The emergence of the Chinese colossus would have far-reaching effects on the economics and politics of the world—even more far-reaching than the effects of the emergence of the Russian colossus today.

INDIAN OCEAN "SECURITY ZONE"

One obvious implication of such developments is the problem of organizing the Indian Ocean "Security Zone." This has been receiving considerable attention for some time and recently Sir George Schuster gave a lead in the matter. Unlike China, our political future is still in a state of flux. Our economic plans are perfunctory and rudimentary. There are persistent reports that high officialdom conceives our reconstruction programme in terms of letting industry fend for itself and tinkering with agricultural improvements. The Indian Ocean "Security Zone" can be organized only around a highly industrialized India. Lord Hailey frankly pointed out: "Our own interests would then be in seeing India acquire economic strength to enable her to sustain a leading part in the regional scheme." With the Russian colossus and the Chinese colossus astride the Old World, the Security Zone demands very rapid industrialization of India and other countries in southern Asia. The carrying through of such an "agricultural and industrial revolution in the fraction of a life time" as the London *Economist* puts it, would require a strong Government "based on the country's fundamental economic unity." Any fracture of the country's economic unity and the lack of a strong central executive with a well-conceived and ambitious economic plan would present difficult hurdles in the way of our rapid industrialization. But these hurdles are not exhausted by our indubitable internal difficulties in the shape of "political, racial and class divisions," alone. Powerful interests, blind as bats, who see in the rise of a highly industrialized India a threat to their comfortable commercial *status quo*, would like to hold up India's economic development. Under modern conditions only big and highly industrialized countries have the military potential to wage war and therefore to organize peace. Unless India becomes highly industrialized, the organization of the Indian Ocean "Security Zone" must inevitably gravitate to the nearest Great Powers, viz., Russia and China, for neither Great Britain nor the United States can be expected to be able to carry great responsibilities in this region, because of their geographical distance.

SILK CONTROL

The technique of air-borne landing of troops which has become a prominent feature in the campaigns of the present war has now given silk textiles a totally unexpected and substantial place in war supplies. Huge quantities of silk cloth are now being utilized for the manufacture of parachutes. India is one of the leading producers of natural silk in the world, and though American and British rayon has

competed in the past with Japanese, Chinese and Indian natural silks in the foreign markets the latter have always held the field for quality. Since the cessation of silk supplies from China and Japan during this war India is the main source of supply of silk textiles for the United Nations, and an interesting, though little noticed, control scheme for this commodity is in operation for sometime now. Early in 1942, the Government of India, in consultation with the silk interests, decided to control the price of cocoons so that raw silk may become available at reasonable prices. The Government of Mysore, in co-operation with the Government of Madras (Mysore and Madras being the chief centres of the sericultural industry in India), inaugurated a scheme in June this year under which the prices of cocoons are fixed from month to month with reference to the cost of living index, and the rearers have to sell all the cocoons only to the Government. A Filature Expansion Committee has been constituted and the filature companies have been provided with facilities to instal 1,460 basins to produce over 4 lakhs of pounds of high grade raw silk. Cocoons are being supplied to them by Government at controlled prices and all the yarn reeled by these filatures has to be made over to the Government at fixed rates. But as the charkha reeler were under no obligation to sell their yarn to Government at fixed rates, though they were being supplied with cocoons at controlled prices, traders in yarn began, making considerable profits in a scarcity market. While the controlled price was about Rs. 23 per pound, charkha yarn, though far inferior in quality to filature yarn, was fetching as much as Rs. 38 per pound in the open market. To remedy this situation the Government have now become the sole buyers of both types of yarn through licensed traders. The quantity left after reservation for the Supply Department, and sub-standard yarn are sold in open auction.

A noteworthy method has been introduced for the disposal of the profits accruing out of this sale by auction. The utility of these profits can be gauged by the fact, that since October the Government of Mysore have held 8 auctions and a sum of about Rs. 6 lakhs has been realized excluding Government's payment to reeler for the yarn. Under the control scheme these net profits are to be divided into three parts; two parts will be distributed equally between mulberry cultivators and the charkha reeler and the third part will be funded to be expended on the filature industry during and after the war. While the former ensures that the benefits of higher prices in a scarcity market are not appropriated by middlemen and speculators, but go to the primary producers, the latter should go a considerable way in the reorganization of the sericultural industry, which is its great need. Before the war the industry suffered acute competition from Japan, and India's reputation as one of the world's leading silk stores should be maintained by stabilizing the industry's competitive power in the world market.

MICA INDUSTRY

In an interesting letter appearing in the *Eastern Economist* last week one of our readers has taken exception to our views regarding the role of non-Indian interests in the exploitation of mica. But the letter only confirms some of the disquieting features noticeable in the industry from the national point of view. We need not dispute the fact that the industry depends today solely on non-Indian demand to claim that Indians should have a greater interest in the international distribution of this invaluable raw material. Whatever might be the explanations for it, the fact remains that there has always persisted greater disparity between the price

paid by the final consumer and the Indian producer than can be justified by distance and trading costs. This disparity in the price as well as the monopoly control of international distributors have been well known in all available literature on the subject and one has only to refer to Mr. V. G. Hobson's pamphlet on the "Utilization and Marketing of Mica" or Mr. Choudhuri's "Handbook on Mica". The fact that there are one or two producers having contacts with large consumers abroad and *vice versa* does not materially alter the fact that the bulk of small producers are at the mercy of non-Indian interests for the marketing of their produce. The Joint Mica Mission itself, in which the Indian producer is totally unrepresented, symbolizes the dependence of the Indian producers on non-Indians for the disposal of their product. We are aware that the Mission in order to procure sufficient supplies for the phenomenally expanded and expanding war-time needs, has had to raise prices considerably. But still without any plausible reason the Indian miner and splitters are far worse off than their Canadian counterparts. The rise in mica prices has hardly kept pace with the fall in the value of the rupee. What appears to be wrong from our national angle of vision with regard to mica is that we have exposed our resources to increasing foreign demand without a proper policy for conservation, and provision for marketing with a view to securing the maximum possible prices for the country. The controversy over the alleged mica piracy is itself only an aspect of the immediate need for setting up a proper organization for the marketing of mica. An organization consisting of the representatives of miners as well as the Government can be instituted with selling agents in international centres. This organization would purchase all mica from the miners direct and allot quotas of production. Such a solution would possibly end the problem of illicit dealers as well as profiteering brokers.

STOCK PRICES IN WAR

Though the verdict of a recent textbook-writer in economics that "we must resign ourselves to the fact that any measure of differences in the value of money between times or places will be more or less arbitrary and inaccurate" is discouraging, the index of stock and share prices is the only numerical guide to saving and investment in an economy. Anyway, inaccuracies in such indices never deterred policies from being based on them when Wall Street crashed in 1929. The Calcutta *Capital's* stocks and shares index for this country are now available for full four years since the outbreak of the war and throw interesting light, in the course taken by Government securities and variable-yield securities, on the investment preferences of the public and the state of general business activity. With August 1939 as the base Government securities went down to 92.9 in December that year while the combined weighted index of variable-yield securities (comprising all leading categories of industrial enterprises) stood at 149.5. The former rallied to 98.4 towards the end of 1940, but did not reach the base level till July 1941. It hovered about 99 for two years, till June this year, after a temporary relapse during the first half of 1942, and reached 101 for the first time in August this year. Though it looks as though it will take a more self-confident course (the November figure, which is the latest, is 102.2) in 1944, it is obvious that during four years of war Government securities have had comparatively little attractions to the investing public on account of their low yield, as well as for political reasons bound up with the course of the war.

On the other side of the picture, as India became the leading centre in the east for the United Nations' war supplies, industrials have steadily gone up, though not without setbacks. The combined weighted index of variable-yield securities, after the first spurt to 149.5 in December, 1939, declined to as low as 118 towards the second half of 1940, but was on a firm footing at 178 towards the close of 1941. Since then it may be said to have been going up from point to point, and in November this year reached 217 which is the peak recorded for the four war years. Among individual enterprises it is not in cotton textiles that the stock prices are inflated most as one might legitimately expect, but in paper; the ruling index number for the former being 265 while for the latter 400. On the whole the stock price indices seem to reflect stability and soundness in Indian industry, for, while stock prices are keeping pace with the increasing profits of industry, they have not reached the staggering heights at which industrial soundness can no longer support them at those levels.

CIVIL AVIATION

In an article which we wrote on this subject on October 29, we set out the conditions on which India might co-operate in any scheme of Empire civil aviation. They were (1) that India should have a nucleus of an aircraft industry within her own borders which will afford training to her youth and also may be capable of expansion to satisfy the growing internal demand for air service and (2) that in any common scheme her share in the location, ownership, control, and directive organization should be commensurate with her importance having regard to her area and population. We are glad that at least the more impartial section of the British public is in agreement with the point of view urged by us. Mr. F. G. Miles, Chairman of Miles Aircraft Ltd., in an article to the *Statist* has frankly conceded the claim of the Dominions and India for their own aircraft factories. In the name of the world's excess capacity India cannot be denied the right to develop her own aircraft factories. Australia has already made her intentions on the subject fairly clear. Mr. Mackenzie King, Prime Minister of Canada, has put the case for Canada in his statement before the House of Commons on April 2, 1943. He said: "The Canadian Government is aware of the importance of the developments of aviation now in progress and intends that the people of Canada shall benefit from them to the fullest possible extent.... the Government has undertaken the design of distinctive Canadian types of transport aircraft suitable for post-war industry in the hope that, when the war ends a part, at least, of the equipment of Canadian Air Transport will be furnished by Canadian factories.... The Canadian Government intends to press vigorously for a place in international air transportation consistent with

Canada's geographical position and progress in aviation." The constitution of an Empire Council on which India will be represented by her own nationals with equal powers and privileges as those of the Dominions may not be opposed by India. But her representation should be genuine. No Britisher shall be allowed to represent us on the false and spurious constitutional theory that it is Government that is represented at the Council and that therefore the Secretary of State or any one of his numerous minions can represent India.

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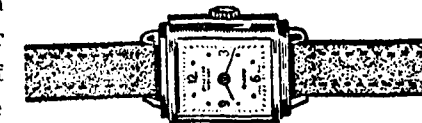
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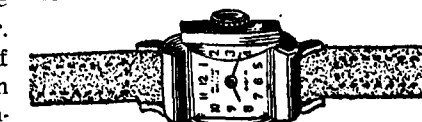
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SPECIAL ARTICLES

A Scheme of Post-War Compensation

By J. K. Mehta

THE real burden of a war, as distinguished from monetary burden, consists in the using up of real resources of men and material in all the activities directly or indirectly arising out of the war. Thus, it could be estimated in terms of all those things personal, impersonal, material and immaterial which are used up by war activities. But all this burden may not fall on the present generation. For instance, if natural resources are mercilessly used up by the expenditure on them of human resources, the burden objectively viewed, is borne by what we economists term "land." And this burden is felt eventually by generations of men that follow the present. As far as the present generation is concerned the burden of war can be calculated, in a rough manner, in terms of the extra work the people have to do during a war and the economy of consumption that they are called upon to effect through either direct measures or the working of the financial machinery of the State. The contraction of production and consequently of consumption of goods and services that are required for civilian use thus measures approximately the real burden of war in objective terms. And this measure approaches the exact figure more and more closely as the amount of work that the average man does during the war approximates more and more the level to which he is accustomed in peace times. This contraction of consumption is necessary in order to release factors for use in industries which are engaged in the production of war goods and services. Besides this there are other burdens the magnitude of which does not bear a high proportion to the burden already considered unless the country is open to direct attacks by the enemy or the economy of the country suffers from lack of wisdom or honesty on the part of the Government of the country.

While the burden a country as a whole has to bear can thus be estimated it is not possible to determine its incidence on the various sections of the people without taking into consideration the method by which the Government chooses to finance the war. In other words, while the burden on the country can be estimated without reference to the manner in which the Government obtains the necessary funds for the purchase of goods and services required for the conduct of the war, the distribution of this burden among the citizens depends entirely on the financial policy of the Government. The burden as a whole, estimated in objective terms, remains practically the same whether the war is financed by taxation, loans or inflation of currency. But this burden is thrown on the shoulders of different persons in the case of each of the three ways of financing a war.

In the case of taxation and loans the burden falls on the shoulders of those whom the science of public finance has always considered able enough to bear. No violation of the fundamental principles of public finance is involved in these cases. It is only when inflation of currency is adopted as the method of war finance that the maldistribution of the war burden takes place. In one of the articles in the *Eastern Economist* of 12th November, 1943, it was shown that the burden of war falls on fixed income receivers when the Government resorts to inflation of currency. It was there pointed out that if it is felt necessary to rectify this maldistribution of the burden of the war, it can be done through the device of compensation to such

fixed income earners. It is not possible, however, to compensate this class of people during the currency of the war; for any attempt so to do on the part of the Government would either cause further inflation of currency or involve her in precisely those difficulties which she tries to evade by adopting the very policy of currency inflation. It is necessary, therefore, to start with the assumption that any plan of compensation to the victims of currency inflation that may be adopted has to be postponed till the termination of hostilities. Since it is likely however, that some of these victims may not live long enough to be able to reap the full benefits of such a scheme of compensation, a method has to be devised of enabling the would-be beneficiary to discount or mortgage his future compensation in the present. A method that has such a feature would also help those who are likely to survive the end of the war but who are too heavily burdened in the present to view with equanimity the prospects of post-war compensation.

In formulating a scheme of compensation attention has of course to be fixed on the fact of rise of prices. For, it is in the rise of cost of living that the burden of war caused by inflated currency expresses itself. It may, however, be noted in passing that it is not meant to imply that the finance of war by taxation or borrowing does not cause any rise of prices. To take only one case, taxation has the effect of transferring purchasing power to some extent from the middle and upper classes of people to the labourers engaged in war industries. In so far as taxation does that, it increases the demand for and consequently the price of commodities of daily use. However, the rise of prices that is thus brought about is confined to a comparatively narrow range of commodities and its extent is very strictly limited. As has already been said compensation can justly be claimed by those whose incomes are fixed or have not risen in the proportion in which prices have risen. Those whose incomes have actually fallen may be classed along with those whose incomes are not fixed.

I propose then that the Government should set up a machinery for the purpose of determining from time to time the cost of living index numbers in the various districts and provinces for the various categories of people. It would be perhaps sufficient to prepare such index numbers quarterly, that is, every three months. Each province may be divided into a suitable number of districts for the purpose of determining the varying influence of currency on prices within the province. The people may be conveniently divided into four categories as follows: (1) Those with monthly incomes up to Rs. 20; (2) those whose incomes range from Rs. 20 to Rs. 100; (3) those whose incomes lie between Rs. 100 and Rs. 500 and lastly (4) those who have an income above Rs. 500.

Those whose incomes have risen in proportion to prices either due to war time boom or due to dearness allowance granted to them by their employers would naturally be outside the compass of this scheme. Likewise all those who have only recently been employed and have secured wages or salaries adequately adjusted to the new value of money would be outside the operation of the scheme.

The compensation to a fixed income receiver would be calculated as follows: Suppose a man with

Rs. 100 income belongs to a district where the cost of living has risen during the quarter under consideration by 25 per cent. The compensation then required to neutralize the adverse effect of rise of prices is Rs. 25 a month. He would, therefore, be given a certificate of compensation of the value of Rs. 25 per month. The nature and function of this certificate will be explained later. If during the next quarter the cost of living rises again by 25 per cent. or say by 50 per cent. as compared to the original index number, he would be granted a certificate of the value of Rs. 50 per month during this quarter. Every time such certificates are granted the previous certificates would have to be revalued. Thus in our example Rs. 25 of the first quarter are equal to Rs. 30 in the second quarter due to the fresh rise of prices. Thus, the previous certificate of the value of Rs. 75, for a period of three months should now be valued at Rs. 90 and this amount added to the new certificate of the value of Rs. 150. A compensation certificate of the total value of Rs. 240 would therefore be granted and the old certificate cancelled. In the case of those whose incomes have partly risen the compensation would naturally be reduced correspondingly.

The present income-tax machinery of the Government suitably expanded could be utilized for the purpose of calculating the incomes of the people. The work would not be an easy one. But the vast army of salaried workers would offer no difficulty. The real difficulty would be encountered in the case of business men and professional men. People belonging to the first category in our classification would also offer some difficulty due, perhaps, to their gigantic numbers. But the difficulty would not be insuperable and certainly the game would be worth the candle. I am not sure whether the existing land revenue machinery of the Government would be able to cope with the task in rural areas, but there is no reason why it should not be suitably altered to enable it to stand the strain of additional work.

It is not my object in this article to explain in what precise manner the existing or suitably expanded machinery of the Government should function in order to collect the necessary data or the measures that it should adopt to check the authenticity of the information supplied by the people. Suffice it to say that some of the existing departments of the Government enlarged for the purpose under consideration should be able to take up the work and discharge their new duties not less efficiently than the old. The magnitude of the task will certainly offer some difficulties; but where the welfare of the people is concerned no Government should fight shy of initial difficulties. We have confidence in the capacity of the present Government, strengthened as it is by a vast army of educated young men that are now on its rolls, to take up this work. And though it may fail in achieving the results in full measure, we have no doubt enough would still have been done for a just and worthy cause.

The compensation certificates would be of the nature of promissory notes and be available for use after the war. They should be either redeemable in ordinary currency notes by the Government or accepted by her in payment of taxes. The present holders of such certificates should be permitted to transfer them, with the sanction of the Government, to others. This right would be exercised by those who are not willing to wait for the certificates to mature after the war. It is natural of course that those who discount them shall receive only the present worth

of the principal of the certificates. Others will wait till after the war they are able to utilize them for the purpose of payment of taxes or what comes to the same thing get them redeemed in currency notes.

The finance for the redemption of the certificates would be obtained through the utilization of the sterling balances. These, we presume, would be converted through the simple mechanism of foreign exchange, into goods, either consumption goods or capital goods. A major bulk of the balances would of course be converted into, we naturally hope, capital goods, say, machine tools; and these would be sold to industries in India. The cash thus obtained would be utilized for the redemption of the certificates. To the extent to which industrialists will come to be in possession of these certificates the capital goods will be directly exchanged for the certificates. In the final analysis the process would resolve itself into the purchase of capital goods by industrialists and the payment of their price by them to the holders of compensation certificates. In yet other words it would amount to the transfer of sterling resources to fixed income receivers. However revolutionary such a mechanism might appear there is no doubt the theoretical implications of the present inflationary policy point only to such a scheme of redistribution of wealth as the only method of rectifying the war-time wrong done to earners of inelastic incomes.

The industrialists would not in any sense be the sufferers as they would be getting their money's worth in terms of productive instruments. The fixed income receivers would get the needed relief. During the war the U.K. is purchasing war supplies with money supplied to them by the fixed income earners; while after the war she will be paying these very persons in terms of capital goods which in their turn they would be selling to industrialists. If we suppose however that the sterling balances are lost to India, the compensation certificates would be redeemed by the Government with funds obtained from taxes. The burden of redeeming the certificates in that case would fall on the general body of tax payers. The tax payers would then constitute the people who finally take upon themselves the burden of paying for the war. This scheme of compensation would thus serve to transform the inflation method of war finance into tax method. And is not that what we all want?

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Harold J. Laski

By Gaganvihari Mehta

HARDLY any British thinker or writer, with the possible exception of Bertrand Russell, is so well-known to the present generation in India as Prof. Harold J. Laski. A number of Indian students have had the benefit of listening to his stimulating and delightful lectures and many even the privilege of studying directly under him at the London School of Economics—one of the best educational centres in the world. Laski has always been keenly interested in Indian students and is, indeed, one of the sincere friends and champions of Indian freedom. To the outside world and his host of readers and admirers, he is known as an erudite scholar, a creative political thinker and one of the outstanding intellectuals of the British labour movement.

Laski—a Polish Jew domiciled and naturalized in Britain and son of Nathaniel Laski, a well-known Manchester manufacturer—joined, after a brilliant academic career at Oxford, the Montreal University and subsequently went to Harvard. Here he began to establish his own reputation through his studies in law and the American constitution. Laski has always held that the United States is ahead of Britain in the sociological study of law and has pleaded for a scientific survey of British constitutional and common law. No one, he asserts, has performed this essential task after Dicey. While at Harvard, Laski came in close contact with Mr. Justice Holmes, the eminent Judge of the Supreme Court of America, for whom as Laski once told me, he has deeper personal respect than for any one else in his life and to whom he has dedicated one of his books. It was during this period that he wrote his early treatises on sovereignty such as "Authority in the Modern State," "The Problem of Sovereignty" and (later) "Foundations of Sovereignty" which constitute really original contributions to the whole problem of political obedience and the right of the State. Laski, however, proved too radical for Harvard and, I believe, he even took part in a police strike. He then came over to London having already established an academic reputation and a close friendship with the late Lord Haldane and Bertrand Russell. First a Reader, now a Professor of Political Science at the London University, he is one of the principal figures at the London School of Economics. With the exception probably of half-a-dozen academic figures in England, Laski is perhaps the most widely read person in political literature in several tongues and of two continents. His works such as "Political Thought from Locke to Bentham," "A Grammar of Politics"—which should be a text-book for post-graduate students in Indian universities—and "The American Presidency," one of the most illuminating of his works, bear ample testimony to his wide knowledge, his intellectual courage, his originality of approach and, not the least, his fundamental sympathies with the oppressed classes and peoples of the world.

Laski has a characteristic style of expression with its sentences like sharp, pointed firing of a machine-gun, its involved phrases which when paraphrased in simpler terms sound frequently like those platitudes which he vehemently castigates, his analysis which turns upon two or three causes or consequences, his citadel of legal cases in foot-notes and his favourite words and expressions which tend to recur throughout his works. But despite occasional lapses into abstractions, repetitiveness and even verbiage and the somewhat mechanical nature of their style,

Laski's works serve as a refreshing mental tonic. His wit alone renders them unique: it is pungent and caustic. Speaking of Stephen Leacock, he once remarked that "in America, they consider that his most humorous books are his books on politics!" And of Party differences about the Police, he said, "whenever there is a riot, the Conservative theory of police efficiency is that all the persons present should have been arrested, the Liberal view is that half the persons present should have been arrested and the Labour opinion is that the police should have taken part in the riot!" That he has lost none of this wit is evident from his observations in one of his latest lectures—"Choosing the Planners"—such as that "the Royal Air Force began to interfere with Mussolini's ability to make the trains run on time" or that "the Lord Chancellor is even hinting that magistrates at ninety should, if they are deaf, consider the possibility of retirement." Laski is as brilliant a speaker as a writer; indeed, I have heard few lecturers who can stand comparison with him at his best.

But Laski declines to be a mere scholar buried in his books and living in the seclusion of his classroom and his library. Always he seeks to relate the forms and phases of politics to the deeper social forces, to discover the social background of historic events and political institutions, to unravel the economic implications and consequences of constitution, law, sovereignty, liberty and other concepts no less than of Parliaments and parties. No one, so far as I am aware, has argued better than he the vital thesis that there are moral limits to the authority and sovereignty of the State and that, in the ultimate analysis, the citizen has the right of disobedience because the final sanction in any civilized political society is the conscience of its citizen. Indeed, if any political basis was needed for Gandhiji's theory and practice of 'civil disobedience' and 'Satyagraha,' Laski's treatises on sovereignty and some of his later books like "The Dangers of Obedience" and "Liberty in the Modern State" provide it. That is one of the reasons for Laski's admiration for Gandhiji who, he once remarked, has made one of the most original contributions to social development in his application of passive resistance to the solution of social problems—a contribution which can rank with that of Darwin and Karl Marx. And in a world in which force and finance are apparently the only sources of power (now contesting for mastery as between Hitlerism and the Anglo-Saxon economic imperialism) and when regimentation of one sort or the other threatens to swallow up individuality and spontaneity, the emphasis on the ultimate sanction of the human conscience and the protest against the unlimited sway of the State are all the more imperative. Power is a poison to those who possess it, repeats Laski, and the final check to such abuse of power is the ability of the individual to resist it. If it be argued that this is an invitation to anarchy, Laski replies that the danger of anarchy is always exaggerated by those in authority, that it is less of a menace than the more subtle and constant danger of tyranny, that widespread and serious challenge to authority can only be due to deep-rooted causes and, finally, that the risk of anarchy is at times worth taking for the sake of liberty. At the same time, Laski believes fundamentally in the Marxist analysis that it is

* PLAN FOR BRITAIN: Collection of Fabian Essays (George Routledge and Sons Ltd.).

forms of property which determine the structure and functions of the State and that economic power is fundamental in any society. Men who live differently, Laski insists, think differently. Without social equality and economic liberty, he argues, forms of political democracy have no real content; it is only production planned for consumption and distributive justice that can ensure civic rights and political freedom and full social development. Needless to say, Laski is therefore a convinced Socialist—not merely in theory but also in practice. He is one of the intellectual forces which shapes the mind and action of the Left movement in England. Curiously enough, Laski although a "proponent" (to use one of his favourite words) of radical transformation of the existing social and economic order, is somewhat conservative and cautious so far as forms of Government are concerned and his partiality for the British political system is, to quote one of his favourite expressions, "an inarticulate major premise" of his political thought. For example, he is not favourable to such devices as functional (as distinct from territorial) representation or the referendum or Proportional Representation. On the other hand, he is a strong advocate of legal reform and reorganization of the administrative machinery and the development of "expertise" under adequate public control. But he maintains that the only effective cure for the evils of political democracy is not only better education and civic training and discipline but also a more equitable social order which ensures economic opportunity for all.

Laski, like most British intellectuals of the Left, is rather prone to fall into an error exactly the opposite of the imperialist: which is, to seek to plan for Europe and the whole world on the approved lines of the British Socialists and the Fabian Society. In his vigorous Penguin pamphlet "Where Do We Go from Here?" published late in 1940, he pleaded for a revolutionary outlook and policy on the part of the British Government as the spearhead of an insurgent movement in Europe and a guarantee for a stable peace. But there has been no illusion at least among the subject peoples of the Empire and the countries of the East that the real aim of Britain is self-defence and preservation of the Empire—not the vindication of democracy or freedom or destruction of Fascism as a creed. Nor is it clear why those who accept the common aim of defeating Germany and Japan should necessarily accept the domestic and foreign policy advocated by the Left or the Right. Above all, what entitles the Left Parties in Britain to plan (and impose) governments of a particular complexion on European countries? Surely, the sane and equitable course is that suggested by Soviet Russia after the Moscow Conference, namely, to permit full freedom to the countries concerned to choose their own forms of government. It is true that the Fascist Powers have been bellicose; but was the unprovoked attack of Russia on Finland or the acquisition of the Baltic States morally defensible? Have not Labour Parties—as in Australia, for example—been militant advocates of a policy of racial exclusiveness? It is not less pertinent to emphasize that not merely the ideals but also the conditions of different countries differ which tend to weaken Lenin's dictum that no revolution can be successful unless it is a world revolution.

Here, indeed, we come to the other and more fundamental weakness of the intellectual on the Left in Britain. Is Laski, for example, a believer in an evolutionary or a revolutionary tactic? He has sought

to show again and again—compare his revealing analysis in "The Constitution and the Crisis" dealing with the Ramsay MacDonald *coup*—that a peaceful constitutional transition to a Socialist State is rendered nearly impossible not merely by institutions like the House of Lords and the Monarchy but also by powerful vested interests which can undermine domestic and international confidence and bring about a panic and collapse by extra-constitutional methods as in England in 1931 and of the Blum Government in France. Repeatedly, he stresses that there is no reason to assume that the governing classes or the propertied interests in England would, in respect of a fundamental social change, be more amenable to reason or more agreeable to part with economic power and to shed their privilege than other interests elsewhere, historic or contemporary. Fascism, he has described as an expression of counter-revolution and Hitler, a product of monopoly capitalism. Yet curiously enough, as in his incisive book on "Communism" (in the Home University Library Series), he declines to accept the Communist argument of a violent upheaval and contends that once the foundations are shaken, there is no guarantee that the forces of the Right will not seize the initiative and capture the citadels of power. And more recently, in his "Strategy of Freedom" (1942), he has argued the cases of evolutionary socialization and condemned playing with revolution and "mouthing revolutionary phrases." Defending the use of constitutional methods of social change in a political democracy, he observes that "this is less dramatic than the revolutionary way; it is at least as enduring" and that it has "the supreme merit of avoiding the immense pain and bitterness the revolutionary way is bound to inflict." This surely is an intellectual dilemma which confronts and baffles most thinkers in England. Denying continuously the ultimate value and utility of political action because of the formidable economic hurdles and obstacles, they equally refuse to accept the revolutionary technique as a means of changing the economic foundations of society. If revolution is to be by consent, it loses its edge and becomes a matter of adaptation and adjustment and transition, not a forced pace. In plain words, does Laski believe or not in the possibility of bringing about what is commonly understood as "Socialism" through Parliamentary action, assumption of office by Labour and legislative and administrative reorganization? If he does, how does he propose to surmount the difficulty of economic sabotage by powerful interests against which he continually warns? If he does not, what constructive alternative has he to offer for realizing his aspiration and implementing his ideals in terms of a positive policy. Laski, with his rare intellectual gifts and his vast knowledge of political realities as well as a disinterested zeal for social justice is perhaps one of those who is best equipped to resolve this riddle of social reconstruction.

Calcutta.

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Post-War Industrial Reconversion

(From Our Washington Correspondent)

WASHINGTON, Dec. 27 (By Cable).

Bernard M. Baruch, Chief Administration Post-War Planner, is expected to issue next week a report on problems of reconverting the United States industries from war to peace conditions. The report is being prepared at the request of President Roosevelt and James M. Byrnes, Director, Office of War Mobilization. Meanwhile, the Post-War Committee which is headed by Senator Walter F. George will probably recommend the constitution of a single Executive to direct post-war industrial planning with other Government agencies acting in administrative and advisory capacities.

Those two reports when issued will constitute the first authoritative and definite proposals which the United States has yet received for transferring its huge war machine back into peacetime pursuits. If the European phase of the war should end today we would find the nation woefully unprepared to resume civilian activities—probably even more handicapped than it was to enter the war when Pearl Harbour was attacked.

The post-war studies of the Baruch Organization and the George Senate Committee have been conducted by the Army, Navy, War Production Board, Defence Supplies Corporation and other agencies. And none of these groups has so far evolved a formal blueprint for the resumption of peace-time production. The seriousness of the problem was stressed in a recent address by John F. Fennelly, Director, Committee for Economic Development, who gave out that all signs indicated the end of the European war before that against the Japanese. He pointed out that army estimates go to show that when the European phase of the fighting ends it will be possible to eliminate munitions production by approximately 80 per cent. and there will still be enough to conduct a full-scale war against Japan. Mr. Fennelly added: "Our stocks of finished munitions will be so vast that some experts even discuss of our ability to fight a long war against Japan from accumulated inventories."

Thus, as Mr. Fennelly has emphasized, the major shock to the United States economy will come at the end of the European fighting when "we shall face a critical period of transition. Hitler throws in sponge and we must make plans accordingly." Some revelation of the scope of the problems that will arise was given by the Secretary of Commerce, Mr. Jesse Jones, who said that Governments were asking manufacturers how much Government-owned war-plant they wish to buy after the war. He said that Government's stake in war-plant, tools and facilities at present approximates to 16 milliard dollars, of which the Defence Supplies Corporation holds 9 milliard in securities.

Mr. Baruch's report which may be presented with-

in a week or ten days is expected to recommend, firstly, Government protection against excessive claims by contractors; secondly, an offer to most contractors of assurances that they will receive advances on their contracts enabling immediate reconversion to peace production; thirdly, a promise to returning soldiers that they would not be kept from jobs merely because the Government agencies and industries were not as efficient in preparing for peace as soldiers were in winning the war.

Industry with a couple of hundred planning organizations of its own has not been behind the Government agencies in mapping post-war schemes but its forces await the announcement of Government policies before it can proceed. Alfred P. Sloan, Chairman of the gigantic General Motors Corporation, recently announced that his Company has half a milliard dollars ready for post-war projects. Although the statement created a minor financial sensation, actually it only means that General Motors is prepared to resume the output of civilian automobiles on a large-scale. But the consensus of opinion among the executives of automobile industries is that the price of the first post-war civilian automobiles will be from 25 to 30 per cent. above the 1941 price, while models will substantially be the same since industry will be using the same tools placed in the shelf after Pearl Harbour. It will take some time before motor manufacturers begin to produce models differing substantially from those of two years ago.

But the aviation industry will be endeavouring meanwhile to steal a march on pre-war industrial automobile colossus partly by imitating its methods of financing purchases. The aircraft manufacturers recently met Mr. Baruch and it is reliably reported that they considered a post-war plan whereby civilians could purchase planes on instalment basis. It is recognized that military aircraft production may drop as much as 95 per cent when war orders cease. Hence aviation leaders believe that the best stimulant would be an immediate boom in civilian sales which could only be accomplished through part payment plan.

While major post-war interests in Washington are centred in industry, there is also recognition of agriculture's reconversion problem which will be the most important. As wartime shortages of farm commodities become less acute and surpluses accumulate, sellers' market will disappear. Price and other controls will be revised and relaxed. Regulation will be directed towards limiting price declines instead of increases. The wheat trade, for example, would drastically be reorganized. It is estimated that carryover plus new production in Canada, Argentina and Australia will fully satisfy heavy European relief demands. Similarly substantial wool stocks held by the Government in the United States would be handed over to the market and revision of the British purchasing agreement for Australian, New Zealand and South African Wool clips would be likely.

The Four-Year Trade Cycle

(From Our London Correspondent)

LONDON, Dec. 28 (By Cable).

DURING the coming year is expected the test of the widespread stock exchange belief that planless Britain in grip of four-year cycle is reflected more or less accurately in stock-exchange prices. Indeed the stock exchange data supporting this four-year myth is actually clearer than the economic data suggesting a four-year trade cycle. For this rhythmic up and down movement is largely confined to the stock exchange which is the only free market surviving war-time controls.

Beginning no further back than the stock exchange peak of 1928 it may be noticed that the market hit bottom in 1932 after which it recovered to moderately good peak in 1936, when it turned down to low levels reached in 1940 at the time of the fall of France. If this rhythm is still effective then 1944 should see another peak followed by a decline.

There are plenty of sceptical dealers and brokers who dislike the whole conception of a four-year cycle and dismiss it as a mere coincidence. They include "bears" who believe that the stock market has already passed the war-time peak and headed for lower levels reflecting unsatisfactory outlook for earnings after the war. Others dislike American passion for statistics and charts, affirming that British commonsense adjustments would prevent any such phenomena as the United States stock market orgy of 1929 followed by the exaggerated collapse in 1930-31.

Nevertheless the majority of stock exchange firms now keep charts if only for edification of their clients and the four-year myth is certainly borne out by the charts.

The Victorian days knew widespread belief in there being a ten-year cycle generally broken up into seven years of decline and three years of boom, but current phenomenon has seemingly changed its rhythm to four years up and four years down.

Diamond sales in 1943 are now estimated between sixteen million and seventeen million sterling with sales of industrial stones—first-time in history—exceeding the total for gem diamonds. Sales of 1942 were for about 10.5 million of which gems contributed 6.25 millions and industrial stones 4.25 millions. The previous best year was 1937 when the sales were 9.152 million of which industrialis were only a negligible part. The world is not allowed to know the amount of diamond stock but the trade believes that the decrease in stock which began in 1942 has continued throughout 1943. Gems known as 80 American quality have certainly been short of supply, judging the reports from New York. Moreover the market had difficulty in satisfying the world-wide demand for good industrial stones suitable for high speed cutting tools. It is believed that the bulk of current production is now of industrial stones.

On the whole the diamond producer seemingly has no nervousness regarding possible glut of industrial diamond after the war. One reason is the belief that the war has opened many new uses for industrial stones which is now applied to types of machine tools so far not using them.

However, diamond producers make more money from gem stones which are wanted for investment purposes, sometimes described as "hoarding," and they will not be sorry, regarding industrial diamond after the war as merely a sound supplementary "bread-butter line."

Silver, instead of being "Cinderella" among precious metals has a real future according to gossip in the bullion market which believes that only war-time secrecy has prevented the public to realize the headway which the industrial use for silver has made within past few years.

An instance is the use of silver as alloy in bearing metals where it has replaced tin and it is reasonable to assume that tin will not be able to recover at least a portion of its old-time position. Silver, according to London information, has certainly made friends among American technologists who will be inclined to ignore relative cheapness of tin so long as the price differential is not excessive. The consumption of silver in machinery bearings in the United States is estimated during the current year between 25 million and 35 million ounces which shows a rise over previous year, though somewhat below previous optimistic reports. The United States domestic consumption of silver is estimated at 135 million ounces of which about 10 million is for essential war purposes.

OFFICE OF THE CHIEF CONTROLLER OF IMPORTS

The quotas for goods included in part IV of the I.T.C. schedule for grant of licences for shipment from the United Kingdom during the shipping period January-June, 1944, have been fixed, and licensing instructions have been issued to the Import Trade Controllers. Quotas for certain classes of consumer goods have been substantially increased as compared with those fixed for July-December, 1943. Importers should now approach the Import Trade Controllers at the ports concerned for their quota licences.

2. Importers are further informed that only a limited quantity of the following articles is to be licensed for shipment from the U.K. during the shipping period January-June, 1944:

- (a) Stationery falling under Serial No. 168 in part IV of the Import Trade Control Schedule.
- (b) Photographic goods falling under Serial Nos. 303 and 305 in part IV of the Import Trade Control Schedule.
- (c) Musical instruments falling under Serial No. 319 in part IV of the Import Trade Control Schedule.

3. Applications for goods mentioned in para 2 above in the form prescribed for applications to the Chief Controller of Imports should be submitted so as to reach the Import Trade Controllers at the ports concerned not later than the 10th January, 1944. Information about the applicant's imports during the years 1940-41 and 1941-42, supported by the necessary documents, should be furnished to the Import Trade Controllers along with the application. The Import Trade Controllers after verifying the figures of past imports will forward the applications to the Chief Controller of Imports for consideration on merits and issue of licences. Applications received by the Import Trade Controllers after the 10th January, 1944, will not be considered.

FROM THE PROVINCIAL ANGLE

Madras Letter

TRAINING CLASS FOR RATIONING OFFICERS— EXPLOITATION OF MINERAL RESOURCES— ADVISER EXPLAINS GOVT.'S POLICY —PROGRESS OF PADDY CULTIVATION (From Our Correspondent)

MADRAS, Dec. 24.

IN view of the fact that rationing of foodgrains and other articles has been a complete success in Madras City and as rationing is to be introduced in all the 82 municipal towns in the Presidency in the course of the next two months, a class for the training of rationing officers has been found to be necessary and one such has already been started in the City. The task of rationing officers, particularly in regard to rationing of foodgrains, would be to see that everybody got the proper share without delay; for, delay would mean depriving a man of his food. The work of the officers is no doubt enormous. In Madras alone about 1,100 supply orders were being issued by the City Rationing Officer every week for the supply of rice to retail dealers and establishments. The accounts of about 500 shops and 600 establishments were audited by the checking staff every week and nearly 3,000 applications of all kinds were dealt with in the circle offices every week. About 1,000 rationing offences were dealt with every month. But rationing has not been without its success. To-day, in Madras, in contrast to the crowds of people waiting for hours with no sure prospect of getting their food, no one could see any crowd nor could they know whether any shop was a rice ration shop, except through the name board. All this has been achieved at a low cost, as rationing costs were only six pies per month per person in the City, according to official figures.

Development of Mineral Resources

"The Government of Madras have been paying increased attention to the development of our mineral resources. It is the policy of the Government to keep control over minerals which are of vital importance during the war or for post-war reconstruction. Scientific research is being undertaken in respect of some of these minerals. It is also the policy of the Government to extend the development of hydro-electric power in the province. The Government are prepared to give financial and technical assistance where it is necessary and desirable. It will be thus seen that the time is propitious for quickening the development of industries, particularly of chemical industries." This is the policy of the Government in regard to the exploitation of the mineral wealth of the province as explained by Mr. S. V. Ramamurthy, Adviser to the Governor when he laid the foundation stone of the buildings of the National Chemicals. It is being increasingly realized that it is of utmost national importance that chemical factories should spring up in the country but factories must not be competitive but complementary to each other. It would be only then that one could hope to see valuable assets in the future. The life of an industry depends on the continuous ability to grow and adjust itself to the changing conditions. In no industry so much as in chemical industry are the needs of the public likely to grow and change. This needs both scientific research and economic investigation. Therefore, Mr. Ramamurthy pleaded that attention should be paid to these two aspects betimes.

Progress of Paddy Cultivation

Official figures issued by the Board of Revenue regarding the progress of paddy cultivation in the Province give an interesting picture. The area sown with paddy up to last month-end has been estimated at

9,523,000 acres and when compared with the area of 9,149,000 acres estimated for the corresponding period of the previous year, it reveals an increase of 4.1 per cent. An increase in area is estimated in about 16 out of the 24 districts of the Province and the increase in acreage is due partly to timely rains at the time of sowing and partly to the propaganda to grow more food crops. The first crop of paddy is being harvested in parts of the province. The yield per acre is expected to be normal in eleven districts and slightly below normal in the other districts. The seasonal factor as a whole works out to 96 per cent. of the average as against 91 per cent. in the corresponding period of the previous year. On this basis, the total yield is estimated at 92,730,000 cwts. of cleaned rice as against 83,760,000 cwts. estimated for the corresponding period of the previous year, representing an increase of 10.7%. The wholesale price of paddy (second sort) per imperial maund as reported from fifteen important markets of the Province on December 11 last as compared with those a month ago reveals a rise of approximately 1 to 18 per cent. in eight centres and a fall of approximately 2 to 3 per cent. in two centres, the prices remaining stationary in other centres.

Disposal of Unstamped Cloth

The Government Press Note issued from Delhi regarding the procedure for the disposal of unstamped cloth has come in for criticism in commercial circles. All the unstamped goods in bales have been opened up and therefore there is no question of hoarding of these goods today. Once they are exposed for sale the object of the Government is achieved. Unstamped goods are now very largely held by the retailers who are the least responsible for the high prices in the past few months. It is stated that there is the greatest concentration of these goods with the retailers in the districts like Madura, Coimbatore and Salem. Besides, the stores and emporiums are also reported to be carrying heavy stocks of these goods. It is stated in the Press Note that the goods, if stamped with a special mark, may be sold by the dealers and the price to be stamped will be 10 per cent. above the maximum ex-mill price. The dealer will have to pay as stamping fee a sum equal to 10% of the ex-mill price. The economy of the retailer is so ordered that he will find it difficult to get this money as he carries on the trade generally on the credit in the market. Even though he may be anxious to dispose of his goods hawkers will find it particularly difficult. Thus he will be either driven to the wall or to the black market by the force of circumstances. The fee of 10 per cent. is also considered to be very high. The question also arises as to who it is that should submit the ex-mill prices. For such lines as are not being produced by the mills now, how to co-ordinate the prices with current qualities? The tragic part of the whole order is that January 1 has been chosen as the date before which unstamped goods should be disposed of. In this province, Pongal is a great festive occasion during which both poor and middle classes buy their cloth. Even with the best of intentions, the stamping of goods may not be completed so that they may come on the market before Pongal, which comes on January 14, 1944. The result would be shortage of goods when the consumer goes to the market. Thus, in spite of the well publicized solicitude of the Government for the poor, they have not benefited to any extent as a result of the Control Order.

Bombay Letter

TEXTILE COMMISSIONER ON COTTON INDUSTRY— BRIGHT FUTURE AFTER THE WAR— SUBSIDY FOR IMPROVING WELLS (From Our Correspondent)

BOMBAY, Dec. 25.

Cattle Slaughter

REVIEWING the working of the cloth control scheme promulgated by the Government some six months ago, Mr. M. K. Vellodi, Textile Commissioner painted a bright picture of the post-war future of the Indian textile industry. He said that the industry was now meeting the clothing needs not merely of this country, but also of the Middle East, Africa and Australia, and had captured markets which formerly belonged to other countries, including Germany and Japan. It seemed common sense that these markets should be retained by India after the war. This seemed to him quite possible as the Indian textile manufactures could now compete in quality with the world's best and Indian textile labour, when properly trained, was acknowledged to be the equal of any to be found in any country. Further, there would at the end of the war be only three countries capable of meeting the world's clothing needs, viz., the U.K., the U.S.A. and India. There was every reason why India should seize the opportunity.

Improving Wells

The Bombay Government have promulgated a scheme at the cost of Rs. 3,46,240 for the improvement of wells in the dry and scarcity areas of the province for irrigation purposes. The scheme will improve the water supply from 2,000 wells and bring under cultivation 500 acres of sugarcane and 7,000 acres of foodgrains. The yield from this additional area is estimated at 60,000 maunds of *gur* and 70,000 maunds of grain. Farmers will be subsidized in sinking new wells and improving existing ones, on condition that the cultivators guarantee that they will grow food crops on the entire area commanded by the well, or on three acres, whichever is less.

Bengal Letter

LORD WAVELL ON ECONOMIC PROBLEMS—DISTRIBUTION UNDER RATIONING—MISGIVINGS ABOUT ANTI-HOARDING ORDINANCE—THE JUTE COMMITTEE'S REPORT (From Our Correspondent)

CALCUTTA, Dec. 25.

Distribution Under Rationing

THE annual general meeting of the Associated Chambers of Commerce was held in Calcutta on December 20 last. Lord Wavell's address was mainly devoted to the discussion of some of the major economic problems that have loomed large before the Indian public for sometime past. The striking point in the Viceroy's address in this regard was his insistence that the Bengal Government must manage their food administration properly in the days ahead with full awareness of the fact that they and they alone would be responsible for the success or otherwise of the future food policy. "The solution of Bengal's food problem," he said, "now lies in Bengal's hands." Indeed the Viceroy made no secret of the fact that during the next six months the Bengal Government would be on their trial, and he also demanded of the Bengal Government that they must energetically pursue their policy and strengthen their administration.

The problem created by the indiscriminate slaughter of cattle including milch-cattle and young plough-cattle to satisfy increased demand for meat led the Government of India to issue instructions over a year ago, that in future contracts for the supply of beef, a clause should be inserted to the effect that working cattle used in transportation would not be accepted. This action was found inadequate and the supply position of milk and meat for the civilian market was going from bad to worse, as milch-cattle were being indiscriminately slaughtered for supplying the Army's needs. The Bombay Government have now issued an order to the effect that draught-bullocks, physically fit and below the age of 10 years, and cows-in-milk and cows-in-calf, shall not be slaughtered or acquired or transported for purposes of slaughter. Heavy penalties have been prescribed for breach of this order. The supply of livestock in the province has been imperilled by the indiscriminate slaughter and outbreaks of cattle diseases in most districts and the prices of cattle have gone up so much so that not only has milk been becoming scarce, but cultivators have been unable to buy them for agricultural operations. The order of the Bombay Government, if properly enforced, will stop the rot.

Stock Market

The shares and securities markets ruled steady in the absence of any fresh development. Trading was, however, restricted owing to this being the last week before the Christmas holidays. The market developed a bullish tone towards the end of the week owing to short covering by tired bears. The bombing of Chittagong by the Japanese planes had no effect at all on the market, which seems to be insured to air raids.

the food problem in the province, the difference of opinion on this point as between the Central and Provincial Governments at once became evident. Sir Jwala Prasad lost no time in making a public declaration to the effect that in the India Government's food plan normal trade channels were intended to be used, as far as possible, both in procurement and distribution operations. He further said that he did not wish to see anybody pushed out of his means of livelihood if he could be fitted into the Government's plans. While this was the opinion expressed by the Food Member, the Food Grains Policy Committee of the Central Government had already given their clear and unmistakable verdict on this issue. The Committee had recommended the utilization of normal trade channels under the rationing scheme because of the difficulties of setting up a large number of distributing centres entirely under Government auspices, because of the advantage of making use of the knowledge of dealers as regards trade and locality, and also because of the undesirability of depriving dealers of their means of livelihood. In the face of these expressions of opinion by the public, by a committee of experts and by the Central Government it seemed curious that the Government of Bengal steadfastly clung to their original decision in favour of excluding retail dealers and setting up Government stores only for the distribution of rationed articles. Not even the personal discussions between the Food Member and the representatives of the Bengal Government could induce the latter to modify their attitude and take a more sensible view of the matter. At last, however, came the Central Government's directive to Bengal Government calling upon the latter to maintain private dealers along with some government stores and to have retail shops in operation by January 31 next for the purpose of rationing. The Central move has had a very favourable reception at the hands of the public and the Press in Calcutta.

Anti-Hoarding Ordinances

Considerable attention has been focussed in commercial circles in Calcutta upon the Hoarding and Profiteering Prevention Ordinance. Mr. J. H. Burder, President of the Bengal Chamber of Commerce, had occasion to observe that the Ordinance has been so framed as to make it impossible for an honest trader to carry on business properly. The President of the Bengal National Chamber of Commerce also observed

recently that the Ordinance had allowed a margin between cost of production and sale price which would prove too narrow in the case of certain commodities. Discussing the Ordinance with the Bengal National and Indian Chambers of Commerce, Mr. C. C. Desai, Controller-General of Civil Supplies, clarified the objective and mode of operation of the Ordinance. While it was the intention of the Ordinance to fight the profiteer in every possible way, said Mr. Desai, it was also desired by the Government that co-operation of the traders would be secured in giving effect to the Ordinance. As regards complaints of the inadequacy of a profit margin of 20 per cent., Mr. Desai said that higher selling prices would be fixed for particular commodities if convincing proof could be given for special consideration.

Jute Committee Report

Further improvement took place in the output of the Jute Mills in the month of November as may be judged from the latest figures available. The total output was of the order of 86,000 tons. This has to be compared with the output of 55,544 tons in September and 69,739 tons in October. There has thus been a steady and continuous increase in the production of Mills in recent months. The annual report brought out by the Indian Central Jute Committee draws attention to some aspects of Jute problems during the year 1942-43. The reference made by the Report to the effects of war on Jute consumption is interesting. It is revealed that the total civilian consumption of Jute in the third year of the war was about half the pre-war consumption. It is also indicated that the scarcity of jute and jute goods in overseas countries consequent on the difficulties of transport led to the most extensive search for jute substitutes particularly in America. In India, however, new uses of jute were found mainly to satisfy war demands. An inquiry confined to Calcutta was undertaken by the Committee during the year under report with a view to explore the potential capacity of the Indian market to utilize jute goods. Such an inquiry was considered necessary in view of the restricted markets for the jute goods at present and because of the search for substitutes in the overseas countries. Some recommendations have been made on the basis of the inquiry indicating ways and means of diversifying jute products.

U.P. Letter

PRICE-STAMPING ON CLOTH—ADVISER ELABORATES ANTI-INFLATION MEASURES—THE HOUSING OF LABOUR AND ZONING OF FACTORIES

(From Our Correspondent)

CAWNPORE, Dec. 27.

AS was expected by most of the cloth dealers the Government of India have disavowed their intention of seizing the unstamped cloth manufactured before August 1. But after January 1 this cloth, in order to become saleable would have to be stamped by the Provincial or State authorities where the open stocks are lying for sale. A very complicated procedure will have to be gone through in stamping on these goods the retail prices which are to be 10 per cent. above the ex-mill prices. Because, the ex-mill prices are in very few cases fixed and are not the same as the ceiling price of any particular quality, and there have already been cases where a single mill in the course of a week stamped three ex-mill prices on the same quality to suit the market fluctuations. In view of this, there is likelihood of considerable delays before this cloth becomes available for sale again after

1st of January. But this is better than seizure without any compensation.

It has been brought to the notice of the authorities recently that local officers in several of the towns of the province, including Cawnpore, have seized a fairly large quantity of cloth from dealers and this has been lying in custody with other dealers awaiting decisions by the courts which have been held up since September and October owing to lack of proper information on the subject of the enforcement of the Order.

Anti-Inflation Measures

Sir Tenant Sloan, U.P. Governor's Adviser, last week discussed with Pressmen, the anti-inflation measures of the Provincial Government. These include: A saving drive, 100 per cent. increase in the betting

and entertainment tax, a surcharge on the court fees and stamp duty of roughly 25 per cent., levelling up of irrigation rates on certain canals, compulsory investment of a part of sugarcane price in defence certificates, and control of prices of *gur*, oils and oilseeds and foodgrains. The Government of India had set for the U.P. Government a target figure of Rs. 12 crores to be immobilized by means of savings, and taxation during the year 1943-44. The amount invested in defence bonds and certificates up to the end of August, 1943, was nearly Rs. 8 crores, and it was hoped that by the end of the financial year the target would be reached. The taxation measures would yield one crore and the compulsory investment of two annas per maund of the cane price in the defence certificates will amount to two crores. The net value of the grain stocks held by the U.P. Government on the 1st October was Rs. 828 lakhs. This figure represents the total cost of grain purchased less the amount realized from sales. The total expenditure on standard cloth amounted to Rs. 84 lakhs while the sales had brought in Rs. 41 lakhs. On the purchase of *gur*, oil and oil seeds the Government had spent Rs. 89 and Rs. 75 lakhs, respectively. These had been sold for Rs. 119 lakhs and Rs. 86 lakhs, respectively, thus giving a net profit of Rs. 41 lakhs.

It is clear from the relevant figures quoted above that the standard cloth stocks have been mounting in the Province which has led to the cancellation of the further manufacture of the standard cloth on the U.P. Government's account. The cancellations are in regard to one quarter of the year.

Dearness Allowances

Quite a useful service to the workers has been rendered by the Cawnpore Tannery and Leather Workers' Union. It was found that the Cawnpore Tannery, a big boot manufacturing concern, had been paying dearness allowance at half the rate at which other leather factories that are members of the Employers' Association of Northern India have been paying, and which rate has also been accepted by this concern. On the attention of the Labour Com-

Sind Letter

MINISTRY AT WAR WITH CENTRAL GOVT.—PREMIER PROTESTS AGAINST INTERFERENCE—MR JINNAH'S VIEWS AT THE LEAGUE SESSION (From Our Correspondent)

KARACHI, Dec. 28.

THE Sind Ministry are now at war with the Government of India. The ultimate cause for provocation has been the direction issued by Delhi as long as back as a month, about the time when the Ministry was concerned with a division of opinion over the rationing scheme. The Delhi instructions have been to the effect that the Provincial Government shall not increase the price of foodgrains without the approval of the Centre. The injunction is perfectly in keeping with the definite and decided policy of the Government of India to enforce a uniform price level for all parts of India. Postponement of the rationing scheme gave some quietus to the discontent, although the pressure by the zamindar interests, who dominate the Sind Assembly, was pronounced. It was demanded, in a resolution towards the end of last month, that there should be immediate raising of the price of foodgrains at least to bring them on parity with the prices prevailing in the Punjab. Subsequently, the Premier at-

missioner having been drawn to this, the Tannery has paid the balance of the dearness allowance for the last six months—and this has amounted to a fairly large sum—and even those who had left service in the interval were paid what was thus due to them. The Employers' Association were glad to represent that their member concerns once having committed themselves to a uniform policy of dearness allowances, were bound by it and so they proposed their restitution.

Improvement Trust

The Province's three Chambers of Commerce and the Employers' Association of Northern India, representing both European and Indian trade and industrial interests, have agreed on a joint representation to the Government of the United Provinces in regard to the appointment of a Chairman for the Cawnpore Improvement Trust when the term of the present Chairman expires in April next. The Province's trade and industrial interests are all interested in the appointment for it affects the solution of the problem of housing labour and siting industrial units. Despite much talk by the present Government nothing has so far been done to solve the twin problems and labour continues to live here in slums. In many cases factories are badly planned and sited and adversely affect the health of the entire population of the city. Two years ago, the U.P. Government had invited the Province's Chambers of Commerce to express an opinion in regard to the appointment of the Trust Chairman. These pressed for a public man who will work in an honorary capacity. The Government in complete disregard of this recommendation appointed a retired police officer to the post, and while his predecessors used to work honorarily, he was given a salary of Rs. 2,000 a month. The appointment, as a sop to the Chambers, was to be for one year only. But before the Chambers could recover from the shock and make a fresh representation, he had been granted another year's term. This time the Chambers are moving besides, and are making known to the Government their feeling of annoyance at the appointment of a paid chairman who had no pretensions whatever to knowledge of town-planning.

tended a conference in Delhi; the Food Commissioner to the Government of India came to Karachi and returned after discussing with the Government the prospects and possibilities of the Ministry's demand. But, as the events have subsequently revealed themselves, it is clear that the opinion of Mr Hutchings has been against power being vested with the Ministry to raise the price level. The Premier who was obviously smarting under the overriding disposition of the Centre issued to the Press last week a strong statement protesting against the interference by the Government of India in the discretion of the Ministry to raise the prices. He detailed the intentions of the Ministry. They were, firstly, to increase the price of rice from the existing controlled rate of Rs. 9 to Rs. 12, and secondly, to reduce the price charged for export purposes from Rs. 16 to Rs. 12, thus keeping the internal and external price level the same. The Premier argued that by increasing the price level for internal purposes, the zamindar would be helped, and such help to him was justi-

fied on the ground that he had to incur higher expenditure for all necessities of life, as well as for the purposes of cultivation; and by reducing the price level for outside, the deficit provinces and those suffering from food shortage would directly benefit. He made bold to add that, by not allowing them to give effect to these suggestions, the Government of India, whom he chose to call "Mr Amery's agents" were only trying to destroy the Ministry.

Delhi Not to Resile

By some strange coincidence, on the same evening (December 19) the Premier explained the Ministry's stand, an official communique was issued from Delhi, which, besides containing an announcement about the convening of a conference on January 6 in Delhi to discuss the price of rice, explained the talks which had taken place between the Government of Sind and Mr Hutchings, and stated categorically that "the Government of India, had, after full consideration, informed the Government of Sind that they regretted they were unable to agree to a rise in the statutory price of rice in Sind, and from this position they were unable to resile."

Mr. Jinnah's Views

The atmosphere was considered appropriate for any imprecations which Mr. M. A. Jinnah might utter against the Government of India for their food bungle and incidentally cheer the League Province of Sind by supporting the Ministry's stand for a higher statutory price level. Mr. Jinnah, however, made no straight attack. His presidential address on last Saturday had a strong political bias, with special reference to the Muslim ideal and goal of Pakistan. The economic consequences of Central control of price levels were only incidental in reference. He, however, stood by the

League Premiers and declared that it was false to say that they had been actuated by vested interests. The real issue, as he put it, was: "Why should the agriculturist and the producer labour to fatten the industrialists? Is there one rule of justice and fairplay for one class of people and another rule for another class? We want that if you wish to control food, you must control also the prices of all articles necessary to the existence of the very man who produces that food. Do not go in terms of currency notes. Go by the purchasing power. That is the real issue that the Government should tackle."

The Muslim League session was also taken advantage of to pass a resolution embodying the views of Mr. Jinnah, at the same time giving full support to rationing and "effective control of all necessities of life." The Premier of Sind who spoke in support of the resolution, said that the demand for a higher price for rice was intended to benefit the agriculturist and there was no intention to please or satisfy vested interests.

In the meantime, the Governor has spoken at Dadu giving the contrary opinion, advising zamindars and cultivators not to listen to those who tell them through greed, that they should clamour for still higher prices, which will cause distress to the poor among them, and will keep those in other Indian provinces on the verge of starvation. The battle between Sind and the Centre is yet undecided. The outcome largely depends on the forthcoming Delhi conference. But there is no doubt expressed that ultimately Sind would be compelled to give way and zamindar interests are bound to be ignored in the face of considerations of all-India policy. And the full adherence of even the Punjab to the Central policy removes the last bargaining point for Sind.

A DELHI DIARY

NEW DELHI, Dec. 30.

It has been announced that the Viceroy will address the Central Legislature on February 17. As it will be the first official address of the new Viceroy it has undoubted importance, but so far as I am able to gather from talks here, it will be more in the nature of an administrative review than a political pronouncement. There is one question upon which at least the Viceroy is expected to say something definite—the question of holding fresh elections to the Central Legislature. From practically all the organized parties in the country the demand has come for immediate dissolution of the present Legislature which is now a decade old. The Linlithgow policy was to avoid elections and go on extending the life of the existing Houses from year to year—a policy which has reduced legislative proceedings to a farce. Even the Government of India's delegates who recently proceeded to England for propaganda tours, began decrying the representative character of the Assembly on the ground that it was elected nine years ago. In political circles there is undoubtedly a feeling that Lord Wavell would be starting well if he decided to hold a general election next year. If other parts of the Empire can have their elections there is no reason why the Government of India should make the war an excuse for indefinitely postponing elections. Neither politically nor administratively can there be any objection to elections—particularly as one cannot say how long the war will go on.

The next Budget will be the fifth—probably the last—of Sir Jeremy Raisman. So far as revenues are concerned, he has been exceptionally lucky, but his taxation policy has often been bitterly criticized. Revenue receipts for the seven months—April to October—have come up to nearly Rs. 100 crores. With the single exception of salt which has yielded nearly Rs. 2 crores less compared with last year's figures, every major item of revenue has shown an upward trend. Even customs receipts have this year averaged to Rs. 3 crores a month. Excise collections have more than doubled themselves. In October the central excise duties brought in nearly Rs. 2½ crores. Income-tax and corporation tax collections have totalled nearly Rs. 40 crores during these seven months. The increase in revenue receipts as compared with last year is already more than Rs. 30 crores during these seven months. And if the expected windfall from railways, the usual income from mintage and other sources and other miscellaneous items are taken into consideration, the increase at the end of the year, according to revised estimates, may be substantial. The latest available Railway figures show that in the eight months—April to November—the increase has been nearly Rs. 17 crores—undoubtedly favourable compared with the year's Budget estimates. On the Posts and Telegraphs side also, the revenue position appears to have greatly improved.

What then is the task before the Finance Member? There is not much scope for raising more money through additional taxation. On the contrary, there has already been some complaint that owing to heavy taxation on industry, production itself has been suffering. It goes without saying that if the Government of India wish to speed up production and also prepare the ground for post-war reconstruction, they should think of revising their taxation policy in relation to industry. One comforting fact is that the Government of India's expenditure has so far remained practically stationary this year as compared with the previous year. The expenditure total in October was just over Rs. 26 crores—the total for the seven months

being Rs. 170 crores as against Rs. 148 crores in the previous year. It is quite likely that the coming quarter may see a big spurt in expenditure, but even then there collections this year have come to just half of the expenditure incurred. The main problem before the Finance Member is to think of new ways and means to speed up the savings drive in the country. The new interest-free prize bonds scheme has not been well received. A good deal more has to be done if the Finance Member wants to see the savings drive yield better results than have so far been evident. Primarily, the problem is political, for what a popular Government can do the Government of India as now constituted cannot hope to accomplish. The whole question is inextricably bound up with the problem of inflation which is today presenting even more disturbing features than a year ago. I may add that the cost of the Defence Services (net) is about Rs. 20 crores per month. One should, therefore, expect that in his coming Budget statement, the Finance Member may budget for a war bill of at least one crore per day.

Interesting details are available of the recent discussions in New Delhi of nutrition experts on rationing schemes. They have recommended that though the food, the rationing of which is of primary importance in connection with the food situation is cereals, it is necessary in order to secure an equitable distribution of ingredients other than cereals which form part of an adequate diet, rationing schemes should also include the rationing of pulses, oils and fats, sugar, etc. In their opinion, one pound of cereal per capita (including adults and children) may be regarded as a suitable minimum figure. They have, however, asked for special provision to cover the needs of manual workers. Among other suggestions, they mention that children's rations could be supplemented by the development of school feeding schemes to which part of the available food supplies could be diverted. There is reported to have been a discussion also on "village projects schemes" initiated by the Imperial Council of Agricultural Research. The scheme is defined as follows:

"A project is a planned system of land use involving the simultaneous or co-ordinated application of a variety of measures of proved value. A project is carried out on the land of a farmer by himself (with the help or guidance of Government technicians) as a means of permanently improving his land, his cultivation practices, his production and his income. A project is most likely to be successful both technically and economically when it is carried out on a group of contiguous holdings or best of all a whole village."

It has also been recommended that Directors of Public Health should take steps to institute special inquiries into morbidity and mortality in deficit areas and areas where for other reasons a deterioration in food supplies and public health is suspected.

As regards the gruel at present given in food distribution centres in Calcutta, expert advice available in these discussions shows that they are less than 800 calories per adult daily and is not altogether suitable in composition.

According to a Press note issued by the Government of India the first all-India rice forecast shows that India's total rice crop this year will be a record one—over 28½ million tons which is a figure never before reached during the last 15 years. Bengal is expected to have a rice crop of nearly ten million tons.

ARGUS.

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NEWS PAGE

In pursuance of the previous announcement in the matter, unstamped cloth and yarn found with a dealer after December 31 will be sealed and he will be offered the alternatives of letting the matter be decided in a Court of Law or getting the cloth or yarn stamped with a special distinguishing mark by the Provincial or State authorities for a fee. This stamp will indicate the maximum retail price at which the cloth or yarn may be sold, and will be 10 per cent above the maximum ex-mill price. In addition, the dealer will have to pay as stamping fee a sum equal to 10 per cent of the ex-mill price.

India's total rice crop this year is expected to be greater than any produced during the last 10-15 years and will, it is believed, exceed 28.5 million tons. Bengal will record 45 per cent increase in production and Assam 10 per cent. The all-India figure of increase is 16 per cent.

The Government of India have appointed Mr. Frank Parr to the post of Steel Commissioner. His duties will include co-ordination on behalf of the Government of India of the working of the various authorities dealing with iron and steel. He will also centralize and maintain in a standardized form statistics of iron and steel use and production.

The Central Government's monthly accounts for October, 1943 show that, excluding periodical adjustments and the transactions of Railways and Posts and Telegraphs, expenditure in the first seven months of the financial year 1943-44 exceeded revenue by Rs. 70½ crores against Rs. 78¼ crores in the corresponding period of the previous year. Defence expenditure increased by about Rs. 21-1/3 crores to Rs. 123-2/3 crores and Civil expenditure by about Rs. 1-2/3 crores, but Revenue was better by about Rs. 31¼ crores.

By a system of ballot all young men between 18 and 25 are liable to be conscripted to labour in the coal mines in Britain and the scheme abolishes distinctions of class and wealth in the matter of enlisting manpower to the work in coal mines.

It is proposed shortly to release every month a limited quantity of brass sheets for conversion into domestic utensils. These sheets will be distributed, under certain conditions, among manufacturers who have a monthly productive capacity of 25 tons and over.

The Government of India are understood to have issued a directive under Section 126-A of the Government of India Act to the Bengal Government calling upon them to bring food rationing into force in Calcutta by January 31, 1944, and to arrange for distribution of food through 1,000 retail shops of which 55 per cent. should be private retail dealers and 45 per cent. Government-controlled stores.

According to a new Notification, no person, other than a dealer or a producer, shall have in his possession at any one time a greater quantity of the following articles than that necessary for the reasonable needs of himself and his family for a period of three months: Charcoal, coke and firewood; toilet articles, viz. soap, razor blades, tooth paste, tooth powder and tooth brush; boot polish; torch lights and batteries; writing paper and other stationery items; washing soap and washing soda; oil cakes, and cashew nut, areca nut, and betel nut.

The manufacture of knitted scarves, jerseys and blankets as well as tapestry are among the new fields which are being opened up for jute, according to the annual report of the Indian Central Jute Committee.

The American Red Cross has announced that it is preparing to send "very shortly" 500,000 pounds of evaporated milk and almost two million moulty-vitamin tablets to India for famine victims. The milk shipment will be equivalent to a million quarters' liquid milk, while the vitamin tablets will be sufficient for ten thousand children for three months.

Seven thousand ounces of silk worms, valued at 3,500,000 dollars, will shortly be exported to Kashmir by a Szechwan (China) silk company. The exportation will be the first of its kind.

The prices of certain chief grades of leather and hides have recently been fixed under the Hoarding and Profiteering Prevention Ordinance at between As. 12, and Rs 1-3 per pound. These prices are to take effect from the 1st of January, 1944 and compare with the prices hitherto ranging between Rs. 1-4 and Rs. 2. As a result of this the prices of footwear and other leather goods are expected to decline correspondingly.

Representatives of Britain, Canada and the United States met recently to discuss plans for war-time pooling of machine tool production. The effect of such pooling would be some cutting down of production in the United Kingdom, and this might result in additional calls being made on the United States for machine tools.

The Indian Chamber of Commerce, Calcutta, discussed with the Supply Member to the Government of India last week questions relating to war industries, manufacture of machine tools, availability of cheap power, shortage of coal and foreign competition, and urged that the decision of the Government of India to protect war-time industries should be implemented as soon as possible.

As the Inter-Governmental Rubber Agreement of 1938 has been extended, pending the conclusion of a new international agreement, up to April 30, 1944, the duration of the Indian Rubber Control Act of 1934, which implements India's obligations under the above Agreement, has also been extended for a further period of four months.

CLEANINGS

LAND REFORM

Discussing the question of land reform, in his presidential address to the fourth annual conference of the Indian Society of Agricultural Economics, Sir Manilal B. Nanavati observed that the situation today in the matter was desperate. "In spite of the fact that the zamindar's rights and privileges are controlled in permanently and semi-permanently settled areas," he said, "the zamindars continue to exercise a depressing influence on agriculture; and this is a significant fact as landlordism is spreading and making the position of tenants everywhere increasingly difficult. The various systems of tenure introduced by the early British officials in this country have failed to provide the farmer with the proper incentives or to create a class of landlord-capitalists who would take interest in the work of modernizing agriculture. The Flood Commission of Bengal has brought out startling facts such as extensive sub-infeudation of land, the growth of the *Bargadari* system, the growth of a rural proletariat and a decline in the yields of cultivated land. Even in the Ryotwari areas share tenancy has been growing and the functionless landlord has become parasitic on the cultivator. Land has been passing from the cultivator to non-cultivating classes and a considerable part of the actual cultivators is not in a position to look after agriculture in any satisfactory manner. Agriculture is thus falling into the hands of the wrong type of people. The solution, I believe, lies in extending peasant proprietorship. I would say that Ryotwari is not the same thing as peasant proprietorship, to the extent that even under this system the landlord is often a non-cultivator and cultivation is done on the basis of crop-sharing. Peasant proprietorship is a system very much suited to subsistence farming. The first step in this direction should be the abolition of the zamindar as an intermediary between the Government and the cultivator and the stoppage of lands passing into the hands of non-cultivating classes, and the progressive acquisition of land that has already passed into their hands. It is not necessary for the State to purchase all the rights of the zamindars by lump sum payment all at once. It would be a very complicated and difficult undertaking. The State may simply take up all the responsibilities of the landlord, establish direct contact with the cultivator and give to the landlord a reasonable rent—not a competitive rent—as may be fixed by a competent authority. We shall need very careful legislation to deal with this colossal problem."

BRITAIN'S POST-WAR PLANS

Reviewing a recent debate in the House of Commons Stephen King-Hall writes that the British Government has cautiously begun to fill in the details of its post-war plans. As regards housing, the Government had decided that new ideas in house construction must be fully turned to account and the Minister for Production announced that a series of experimental houses is being erected for demonstration purposes. In this connection a committee of Members of Parliament has just been to the United States in order to examine house-building developments in that country, particularly the subject of pre-fabricated homes. In addition to its plans for long-term housing programme, the Government is also preparing a short-term scheme for emergency and temporary accommodation which will be urgently required as soon as the war is over.

The Government informed the House that a

White Paper is in preparation which will give the Cabinet's views on questions relating to social security and added, as an instance of the complexity of the administrative problems involved in social security, that the proposal for a comprehensive medical service which is only one of the aspects of social security now under review will involve altering the number of medically insured people from its present figure of 12,000,000 to 44,225,000.

The third point about the post-war period on which the Government has so far revealed its mind is the question of change-over from war to peace production. The problem will be tackled "industry by industry" in consultation with the President of the Board of Trade to whom industrial capacity in men and machines will be released; first, so that it may be turned over to make goods for civilian consumption in Britain; secondly, so that goods can be made for export; thirdly, so that Britain shall make a contribution towards the problem of relief in liberated territories.

THE EMPLOYER AND THE WORKER

In his presidential address at the annual general meeting of the Employers' Federation of India held in Calcutta recently, Sir Homi Mody said the employer, who was out of tune with the humanitarian spirit of the age or who refused to adjust himself to the fast-changing conditions of the industrial world, was happily disappearing. At any rate, like other anachronisms, he had a poor chance of survival. Sir Homi protested against the observation made in the statement of objects and reasons of the Trade Unions Act Amendment Bill introduced during the last session of the Central Assembly that disputes often occurred or were prolonged because an employer refused to recognize a trade union of his workmen. He affirmed his belief in the progressive amelioration of the lot of the worker and the diffusion of economic well-being among as large a mass of people as possible and said he had no doubt this was the viewpoint generally of the class for whom he spoke. So far as the vast majority of industrialists were concerned, they were prepared to support, to the full extent of their capacity, a policy aimed at a steady improvement of the lot of the worker, but they asked that before industry was securely established in this country, and before anything approaching Western standards of efficiency was achieved, they should not be called upon bodily to adopt Western standards of legislation.

Referring to the wage adjustments which had taken place with every rise in the cost of living, "resulting in wages chasing prices and helping to set up the spiral of inflation," he said the time had arrived for framing a policy which, while safeguarding the interests and well-being of the working classes, would prevent continual increases of cash allowances to meet the increased cost of living.

POST-WAR EMPLOYMENT IN U.S.

A chief topic of speculation now interesting American economists is the question, how to carry over into peacetime as nearly as possible the peak employment of wartime. How many more jobs will private industry have to provide in order to absorb the millions who will be released from military service, from positions in governmental agencies created to perform wartime functions, and from munitions industries? Upon the successful handling of this problem depends the economic security of the United States and, to the extent that a serious depression would react adversely upon other nations and might interfere with the pro-

grammes of relief and rehabilitation in which the United States is associated, the economic security of much of the world. The prevention of the type of widespread unemployment is a problem of economic as well as political importance. Alvin H. Hansen, Professor of Political Economy, Harvard University, expressed this point neatly in a recent magazine article. Dr. Hansen estimates that 13 to 14 million workers will return from military service or wartime jobs. Of these, 3 to 4 million, including some women, younger persons and older persons, will not care to continue working. Of the remaining 10 million, Dr. Hansen believes it is possible to employ 8 million roughly as follows: 1 million to go back to agriculture, 2 or 3 million back to trade, 3 million into service industries such as finance, servants and self-employed, and 1-1/2 to 2 million into construction.

Dr. Hansen's belief that the American economy must provide 8 million more jobs than existed in 1940, even though that was considered a normally prosperous year, was concurred in this week in a report by the well-known private economic research organization, the Brookings Institution of Washington. The Brookings report was optimistic about the possibility of achieving the goal, anticipating that foreign purchases under an international policy of freer trade than before the war, plus pent-up consumer demand in America, will vitalize American business for the first two years after peace comes.

SERIOUS UNEMPLOYMENT?

As is natural on an issue of such importance, the optimism expressed by the Brookings report is being questioned. The Research Institute of America, a similar organization to the Brookings Institution, sees a possibility during the transition period from war to peace of a serious condition of unemployment, perhaps with as many as 10 to 12 million out of work. It says that "the Brookings Institution may have underestimated several important factors. First, there is the inevitable reconversion time lag. Plants that must slow down or close down in order to shift back to peacetime production must lay off large numbers of workers. This unemployment, although temporary, may increase the difficulties of lifting civilian production to the point where it will substantially fill the gap left by war production cuts. Second, the Brookings study gives insufficient attention to possible deflationary psychology after the war. Families who are not sure of their jobs may hold on to their savings. Consumers who have been promised post-war 'miracle' products may not choose to spend their money for the old 1941 and 1942 models which most American industries will place on the early post-war market until new models can be put into production. Such factors may aggravate the unemployment situation which reconversion will bring. The wheels of normalcy may not start turning as rapidly as the Brookings report seems to indicate. It is significant that the report itself ends on a note of caution: "While the overall employment outlook during the transition period appears to be encouraging, it remains true that there may be serious difficulties after the carry-over stimuli from the war period have spent themselves and after the civilian labour force reaches normal proportions." It is possible to predict, with some assurance, that American reconversion to peacetime economy will be, on the whole, accomplished successfully. Even now, Bernard Baruch, special adviser to the Director of War Mobilization, is preparing a programme for the termination of war contracts which gives promise of solving the ticklish problems involved without undue dislocation." —U.S.O.W.I.

PRIZE BONDS

Concerning the use of premium bonds in India the London *Economist* observes that the Government of India's anti-inflation campaign is gathering momentum rapidly, though not too rapidly for the need of the situation. "On the general principles involved, one would hesitate to applaud the decision of the Government of India; but as an expedient to deal with an urgent and abnormal situation, the move will probably be justified. It may be well to remember that the Soviet Government has issued two State loans, one bearing interest at four per cent. and the other consisting of interest-free lottery bonds which cost the State rather less than four per cent. The public response to these issues is of the order of nine to one in favour of the lottery bonds."

The *Financial Times* states that the decision of the Government of India to start a state lottery loan has aroused some interest and discussion in the City where opinion on the whole subject of lotteries as a means of providing Government with finance are as sharply divided as ever. Most people are still of the view that such methods are unnecessary and undesirable in England, because of the more modern methods already effectively practised, but in a country like India such methods of curbing inflation are regarded as suitable. It is felt that this experiment deserves success, if it will help to relieve the danger of inflation. France was always a great country for lotteries as also was Spain. Russia has issued prize-winning bonds besides regular interest-bearing bonds.

WAR INJURIES INSURANCE

The first premium payable by employers under the War Injuries (Compensation Insurance) Act, 1943, which came into force on November 16, 1943, has been fixed at 4 annas per Rs. 100 of their wage bill. The object of the Act is to impose on employers an obligation to pay compensation in respect of war injuries to workmen. The amount of compensation is roughly such as would bring up the relief paid by Government under the War Injuries Scheme to the appropriate level of compensation which would be payable if the provisions of the Workmen's Compensation Act had applied. Every employer, other than a contractor whose contract is of less than a month's duration, to whom the Act applies, is required to take out a policy of insurance from the Central Government. This policy will insure him until the termination of the present hostilities or until the date he ceases to be an employer if that date is earlier. The provisions of compulsory insurance are not binding on the Crown or any Federal Railway unless the Central Government orders otherwise. Insurance business under the Act is prohibited otherwise than by authorized agents.

The scheme of the Act is that the total amount of premium will be fixed finally after the termination of hostilities and will be assessed as a percentage on the total wage bill of an employer for four complete quarters immediately preceding this. The wage bill for this purpose will include all cash wages excluding allowances given on account of increased cost of living. Advance payment against this final total premium will, however, be recovered from employers, such payments being not more frequent than once in each quarter of a year. The first such premium is fixed at 4 annas per Rs. 100 of the wage bill. The rate of subsequent periodic payments will not be higher than the rate estimated to raise Rs. 15 lakhs after repayment of any advances paid into the fund by the Central Government. The insurance fund, however, will not be utilized to pay compensation to workmen employed

by the Crown. The Act makes an important provision that any balance remaining in the fund after all payments have been made will be utilized for the benefit of workmen. The same machinery as administers the War Injuries Scheme will be utilized for the present scheme.

BRITISH PRODUCTION IN WAR

Munition output in Britain has trebled in the past three years. The fact is the more remarkable because this gigantic increase has been achieved with less than half the quantity of raw materials normally imported, writes the financial commentator, Robert Mackay. A point of interest is the part played by women in industrial expansion, and, according to a statement by the Minister of Production, the proportion of women employed in the engineering and allied industries, for example, had risen from 16.3 per cent. in 1940 to 34.6 per cent. in 1943. In order to obtain the vastly increased quantity of war material that is being produced, not only has production of civilian consumption goods been cut down to the barest essentials, but savings have been effected in the employment of scarce raw materials in munitions production itself. Again, wherever possible substitutes have been used, while labour has been called upon to produce more. Prudent financial administration, as well as war taxation, has kept the yields of industrial shares remarkably steady, despite the colossal increase of Britain's war production. At the end of July, an authoritative index shows that the average yield on all classes of industrial shares was 4.36 per cent. Moreover in such groups as aircraft, iron and steel trades, and home railway stocks the yield-movements were negligible since the beginning of the year.

NOTICE.

IMPORT TRADE CONTROL

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In the case of applications for licences for imports from the United States of America the goods must be described in sufficient detail to enable them to be classified in accordance with approved procurement programmes. The description according to the Import Trade Control Schedule may frequently not be enough for this purpose. Applicants are therefore advised to describe as fully as possible the exact nature of the goods required, failing which their application is liable to be returned for further particulars.

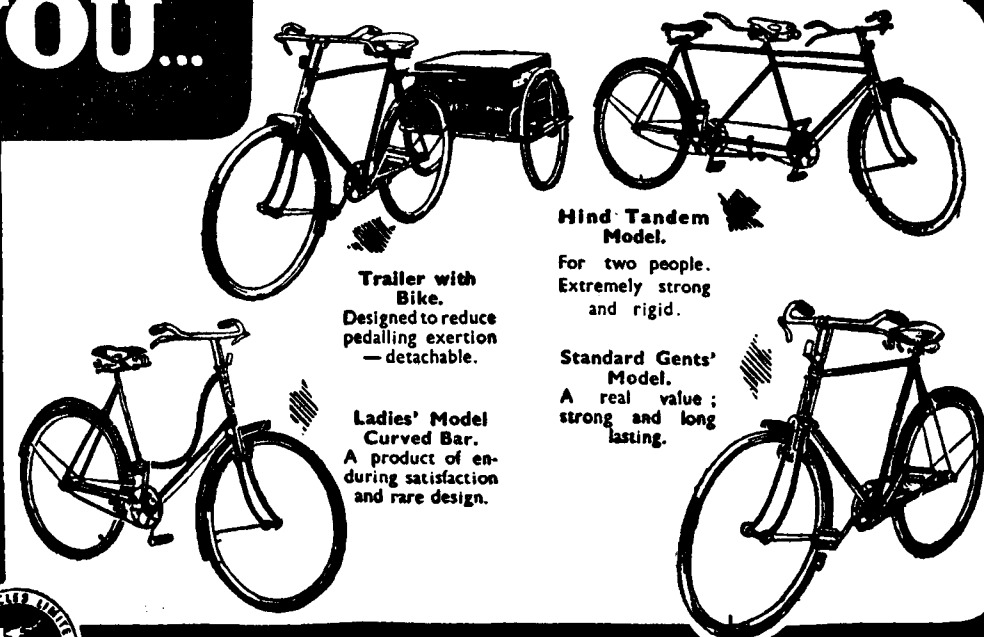
Licences for goods which have been programmed will contain at the top an entry showing the "IND. NUMBER"..... This entry gives the reference to the procurement programme, and it may be of advantage to the importers in obtaining supplies from the United States of America if they communicate also this reference Number to their suppliers when informing them that an import licence has been obtained. Reference numbers in respect of other classes of goods will be communicated to licence holders as and when the programmes for such goods are approved.

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LETTER TO THE EDITOR

PLANNED ECONOMY AND
RULE OF LAW

Sir,—Prof. Hayek in his two articles on "Planned Economy and the Rule of Law" (contributed to the *Eastern Economist* of 29th October and 5th November 1943), has raised certain general objections against a 'planned economy' which have received no comment, editorial or otherwise, in the columns of your paper. I believe that some of his arguments invite criticism and cannot be allowed to go unnoticed. It is not my purpose, here, to make out a private case for 'planned economy': I only want to point out some of the fallacies implicit in Prof. Hayek's arguments.

Prof. Hayek has raised certain objections against a 'planned economy' in general, on the ground that such an economy involves arbitrary legislation and violates the Rule of Law. The Rule of Law, he says, "means not that everything is regulated by law, but on the contrary, that the coercive power of the State can be used only in such cases defined in advance by law and in such a way that it can be foreseen how it will be used." According to Prof. Hayek that Government is best which is governed by the Rule of Law. But the central difficulty that faces us is: "How is such a Rule of Law discovered?" Who is to be its interpreter when discovered? And how is it to be enforced unarbitrarily? The first question is left unanswered. The answer to the other two is most unsatisfactory. Prof. Hayek speaks of the State enforcing the Rule of Law. But the State is itself an arbitrary body, a historical category, and as Laski tells "the supreme coercive power in any given political society . . . used to protect and promote in that society the interests of those who own its instruments of production." (*Grammar of Politics*). How can such a body be expected to carry out the Rule of Law—a la Hayek? Without entering into any lengthy philosophical discussion, sufficient to say that all law is in a very real sense arbitrary and the distinction between *arbitrary law* and *non-arbitrary law* is really arbitrary. If 'planned economy' is to be deprecated on the grounds that it involves arbitrary legislation than on this score all Governments which have existed in history must be deprecated. The question is not one of *arbitrary* and *non-arbitrary* legislation. The question is one of *degrees* of arbitrariness. And the problem before society is one of devising laws which are *least* arbitrary, in the sense, that they serve the social interests of the greatest majority of mankind. And these laws cannot be arrived at "in advance," to permanently act as guides to our action—a la Hayek. History teaches us that such laws can only be realized through a historical process of struggle and stress, mutual compromises and concessions, trial and error; that there is nothing sacrosanct or absolute about these laws, by which we mean that these laws exist in time and space, and their utility is thus not of a permanent or absolute character. And above all they change.—Yours, etc.

A. P. HASSUMANI,

Fellow, Ismail Yusuf College,
Jogeshwari, B.S.D.

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BOOK REVIEWS

OUR ECONOMIC PROBLEM. By P.A. Wadia and K.
T. Merchant. New Book Company, 188-190, Horn-
by Road, Bombay, 1943. Pages 536. Price Rs. 6.

The authors hope to present in this volume in a compact form a survey of the economic problems of India for the use of students studying in the University. But the book is more than a mere text-book in the ordinary sense of the term. For running all through the book is a central theme, viz., the "one and indivisible problem of our poverty" and the need of planning for our economic regeneration. Starting with a survey of our natural and human resources, the authors survey the problems in the field of agriculture, industry, labour, fiscal policy and so on. They approvingly quote J. S. Mill, "when the object is to raise the permanent condition of people, small means do not merely produce small effects; they produce no effects at all." The emphasis is on "drastic remedies" and the "futility of tinkering expedients." Under agriculture there are two interesting chapters on "The Agricultural Proletariat" and on "Farm Accounts and Family Budgets" bringing together the results of recent surveys. The authors have very decided views on many subjects (with not all of which the readers need always agree), but one can feel the earnestness and sincerity of convictions of the authors who can often be very caustic when they like to. For example, quoting Dr. Anstey about the protective policy being at the expense of cultivators, they say: "The concern for the masses of the rural population has not been put forward for the first time by economists belonging to a country that has changed over from protection to free trade and from free trade to protection according to changes in its economic environment." The authors have no blind faith in the virtues of capitalist industrialization, and frankly plead for end of private enterprise and socialism. Indian capitalists are, if possible, worse exploiters than foreign exploiters and our industries are in the grip of these capitalists. At places the idealism of the authors tends to be coloured by a sort of romantic naivete. They would take industrialism "on their own terms" and although their economy is based on "service motive" and not "profit motive," they are strangely afraid of large-scale production and are prepared to "give up some of its external and internal economies." After having been assured that "the prospects for industrialization are very much brighter today in India than they were for Soviet Russia in 1917," the reader is apt to stumble on such a passage as this: "We must shake ourselves off from the assumption that mass production is the only method of promoting economic progress. We are a nation of farmers and artisans. 90 per cent. of our population live in village surroundings. If we can assist these craftsmen by the improvement of their technique, by education, by more effective marketing of the commodities that they produce, we shall avoid by these measures the mass unemployment and the compulsory idleness of millions maintained on doles which Western industrialism has brought with it." The reader is left with a lurking sense of an incompletely resolved ideological conflict in the minds of the authors.

THE NEWSPAPER. Oxford Pamphlets on Home
Affairs, No. H2. By Ivor Thomas Oxford Uni-
versity Press, 1943. Pages 32. Price 6d. net.

This pamphlet is designed to show the lay public in a brief compass the ins and outs of the British press—from the collection and organization of news to the question of ownership and control. The author naturally has set himself a task less ambitious than the excellent P.E.P. report and more suited to the audience

he has in view, and he performs his task well. Mr. Thomas has a robust optimism in the integrity of the British press and considers the danger in concentration of ownership and control as "hypothetical." The profit motive "hardly operates" and the "motive of public service" is genuine. Many of us recall that the British press, which is today so unanimous about the skill and power of the Red Army, was also unanimous about its worthlessness during the Russo-Finnish war. Nobody, again, can fail to be impressed by the general bias in reporting of Indian affairs in the British press. The rise of London-centred, mass-circulation, inter-connected newspapers is indeed an impressive phenomenon. However, the author himself admits that "the controllers of the popular press have not kept pace with the gradual rise in the level of knowledge and taste throughout the community. 'Sports, crime, and women' is still the mixture as formerly prescribed, except for an added dash of astrology." and that "the power of the press to influence opinion and policy is, in fact, almost in inverse proportion to circulation, though the rule is not mathematically exact." Is this how "for centuries (the English newspaper) has been both the mirror and pulse of national life," as Mr. Thomas claims?

SWORDS AND PLOUGHSHARES. The Indian Army
as a Social Force. A United Publication Pp. 30.

About two million men, mostly from the villages have been recruited to the forces. The Army has given them education, discipline, better health, better physique, new technical skill and social cohesion, not to mention the small capital which the soldier might accumulate by the time the war ends. The Army authorities are crediting now Rs. 2 per month for every serving soldier to a fund which now amounts to some four crores of rupees, and are thinking of other measures for resettling these soldiers after the war. The pamphlet emphasizes how the returned soldier can be the spearhead of a rural reconstruction drive after the war.

PERVERSITIES. By G. L. M. The Author, 100, Clive
Street, Calcutta. Pp. 191. Price Rs. 2.

Humour at the expense of politics and public life is very common in the West, but rather a rarity in our country. In England for example, the *Punch* has been for two centuries laughing out the hypocrisy as well as the frustration of man's variegated endeavours as a social animal, and its "Charivaria" is a recognized tonic for egotism and melancholy. In *Perversities*, Mr. Gaganvihari Mehta who writes under the transparent veil of his initials has collected his humorous skits written between 1934 and 1940 and satirising mostly the economic and political scene of the thirties. Fiascos like the Round Table Conference and the League of Nations, impostors like Mussolini and the Indian bureaucrat, economic bunkum like bi-metalism and *laissez-faire*, all come under Mr. Mehta's witty pen. Some pieces make admirable chastisement of the subjects they ridicule. We hope Mr. Mehta will continue to give us more humour about more things.

THE CRY OF DISTRESS. By K. Santhanam. The
Hindustan Times, New Delhi. Pp. 186. Price Rs. 2.

In this book the *Hindustan Times* has got together the articles contributed to its columns on the contemporary famine by Mr. K. Santhanam, the well-known journalist and former Congress M.L.A., who toured Malabar, Orissa and Bengal on its behalf and studied famine conditions and relief measures first hand. Mr. Santhanam's articles are marked by a

deep humanity. They are factual as well as critical. The appendices to the volume—containing statements and writings from public men on the famine and Government's policy, and the recommendations of the Foodgrains Policy Committee—enhance its value. The photographs of the famine-stricken and dying men, women and children of Bengal, as well as the brilliant series of Shankar's cartoons on the subject which have been included in the book greatly add to the effectiveness of the picture which it paints.

WILL THE WAR MAKE US POORER? Oxford Pamphlets on Home Affairs, No. H5. By Michael Young and Henry N. Bransbury. Oxford University Press, 1943. Pages 32. Price 6d. net.

This is a simple narration of the real implications of war finance and answers the popular apprehension that in view of the huge war expenditures, Britain would be poorer after the war. The authors point out that the real basis of war finance is increased home production, the diversion of labour and materials from peace-time to war use, and the calling in or borrowing of materials and products from abroad. The only serious loss to Britain is the loss of overseas investments. As against this, after the war the labour force will probably be bigger and more efficient and so also the capital equipment. Besides, there have been favourable technical developments. An active policy of raising standards of living in less developed or impoverished countries will provide the needed expanding export markets. If only there is good monetary organization, and if Britain's great human resources are properly utilized and co-ordinated with the resources of other nations, there need be no worry. The authors say: "War is a great teacher of economics and if we can recast our ideas on finance in the light of war-time experience, we shall have gone far to remove one of the stiffest obstacles to victory over poverty and unemployment." True. But finance constitutes the texture of the existing capitalist system and change in ideas on finance may involve fundamental changes in the system itself. Have the authors persuaded themselves that such fundamental changes in the economic system can be brought about by superior knowledge alone?

THE BRITISH PACIFIC ISLANDS, Oxford Pamphlets on World Affairs, No. 64. By Sir Harry Luke, Oxford University Press, 1943. Pp. 32...Price 6d.

Scattered amidst the expanses of the Pacific lie thousands of islands under the British flag. Though their total land area does not exceed that of Scotland they contain invaluable bases for the Allied war against Japan, and many of these islands are destined to play a great role in future trade and diplomacy as essential links in the chain of post-war global air and sea communications. Though one may not agree with the author completely in his eulogy of Pax Britannica over these islands, one cannot but profit from the wealth of details contained in this pamphlet which surveys the present and potential fortunes of these islands.

HOW BRITAIN IS GOVERNED, Oxford Pamphlets on Home Affairs, No. 1. By R. B. McCallum, Oxford University Press, 1943. Pp. 32. Price 6d.

This is the first of a series of pamphlets on the domestic affairs of Britain. Pamphlets in this series are intended to be brief, expert accounts and are designed to provide a basis of facts on which the citizen can rely in forming his opinion about the many tasks of national reconstruction after the war. The

war has roused an interest and criticism regarding British political institutions unknown for the last three decades, and constitutional adjustment would possibly occupy prime importance in post-war domestic reconstruction in Britain. This pamphlet is an uncritical appreciation of the institutions and would contribute to strengthen conservative opinion. It pictures the intention and purposes instead of the activities. Facts of life have escaped the pigeon holes in which the writer attempts to locate the political authority in Britain. Nevertheless, it is an exceptionally well-written pamphlet and the job has been most clearly done.

BOOK REVIEWS

KATHIAWAR ECONOMICS: By A. B. Trivedi, Khalsa College, Bombay, price Rs. 10.

STATISTICS: Theory and Practice: By M. K. Ghosh and S. C. Choudhry, The Indian Press Ltd., Allahabad, Price Rs. 8.

INDIA UNRECONCILED. The Hindustan Times, New Delhi, Price Rs. 3.

BRASSWARE INDUSTRY OF MORADABAD: By S. C. Chaudhri, University of Allahabad.

THE CRY OF DISTRESS: By K. Santhanam, The Hindustan Times, New Delhi. Price Rs. 2.

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LABOUR SECTION

The Soviet Wage System

By Hamir K. Merchant

ONE of the many misconceptions which the ordinary man has about the Russian economic system is that there is equality of wages in the Soviet Union. In the beginning the Russians did try to put into practice this principle of the equality of incomes as an intermediary step towards the ultimate ideal of unrewarded voluntary toil for the common good but they soon found out that it could not be achieved in the immediate future.

In 1918 they adopted the principle of placing industrial workers in a number of categories according to their skill and the nature of their work. By 1920 the number of categories in most of the industries was eight with 1:2 as the ratio between the lowest and the highest rates. Ironically enough the principle of equal wages came very near realization during the period of War Communism when only 20% of the total wage was paid in money while the rest was paid in kind. This paltry monetary remuneration made worthless by the unlimited issue of notes, together with the shortage of food-stuffs and the almost complete lack of other commodities reduced everyone to the same level. However the circumstances changed during the time of the N.E.P. when the entire wages began to be paid in money. The Government asked the Trade Unions to work out rates of wages on the piece rate method. The Government also found it necessary to differentiate more and more between the wages of skilled and unskilled workers and to increase the number of categories to 17 in which the highest rate was eight times the lowest level but the difference between the successive categories was not uniform.

Gradually the monetary wage became more and more important in the determination of the standard of living of the Russian worker as the Government in successive years ceased to render free service and it became necessary for the worker to pay even for the necessities of life and to contribute to taxes, various Government funds, union dues, and other obligations. Therefore the Government had to reorganize and rationalize the whole wage system. With the inauguration of the first Five Year Plan the Government began to allocate wage funds annually for each industry and for each individual enterprise and to establish minimum rates of wages for different categories and piece rates for different operations. By the end of 1932 about 64 per cent. of the industrial workers and employees were paid by piece rates and at the outbreak of the war the piece rate method had spread throughout the industry including even clerical work such as book-keeping. The Government defended this policy on the ground that the main objection to the piece rate system in the capitalist countries viz. that the employers cut the rate as soon as they find that a few skilled workers have exceeded the average cannot exist in the U.S.S.R. This is because the State is the sole employer and as the workers themselves comprise the State theoretically speaking their interests are not supposed to conflict. Other reasons put forward by the Government in support of its policy were that when a worker through his skill and energy increases his output above the average he adds to the wealth of the community of which he is a member and that it is also the best method of putting into practice the principle which bridges the gap between the present conditions and the ultimate ideal viz. that every worker shall be paid according to his ability or according to his contribution to the common good. The truth is that when the facts could not fit the principle they invented

a principle to fit the facts. The main and the most important reason for such a policy is not officially admitted. The plain fact is that the Russian worker is not different from any other worker and the material benefit which he receives is the sole determinant of the quality, quantity and the efficiency of his work; and piece rates together with the incentive of differential earnings is the most effective method of inducing the worker to put his best in the work and which will encourage and draw forth more and more skilled workers.

In the U.S.S.R. wages are calculated on the basis of the norm or the standard task. It is different in different kinds of jobs. For example in a factory it will be the production of so many units of output in a certain time while in retail trade it will be a sales turnover measured in money. Theoretically speaking the Soviet rate fixer in consultation with the factory committee of the Trade Unions, the management and the technical and engineering staff of the plant, and the experienced Stakhnovites fixes the norm at about midway between the performance of Stakhnovites and that of the ordinary average worker. The rate fixer is supposed to study carefully various workers at their work and determine chronometrically the time taken to perform given operations. Then after experimenting and determining the actual capacity of the machinery he is supposed to build up a new and correct system of work and to fix the norm of output and the time to be taken in completing the task. After that he has to give a practical demonstration of the new system and show to the worker the correct movements and actions which are necessary to perform the work and the superfluous movements which should be avoided. A revision of the norm has to be made whenever a change is introduced in the technical process of production or when the norm becomes obsolete because of new methods of work and it is supposed to take place as a rule at least once a year. But this principle of fixing the norm propounded by the Government was very difficult to put into practice because there were not many persons in Russia with those scientific and technical qualifications which are necessary to lay down correctly the capacity of the worker plus his machine. Therefore in actual practice the norm is fixed not scientifically but by the common-sense of the rate fixer. What he does usually is to go through the workshop returns to find out how many units are produced in a given time by a large number of workers and strikes an average without paying attention to the capacity of the machine or the correct methods of work. Again instead of fixing a simple definite standard the rate fixer frequently divides the operation into many parts for which time is fixed within the fraction of a second and pay within the fraction of a kopek. Therefore sometimes the worker is unable to determine the correct amount of his output and the exact wage he has earned. The actual wage of the worker is determined by a collective agreement between the industries concerned and the Trade Unions in consultation with Government tariff fixers. The wage of a worker depends basically on the grade in which he is placed after a test of skill. There are seven or eight such grades in heavy industry and more in light industry. But his wage is also partly determined by the kind of job he is doing and the volume of his output. Here also there are some inconsistencies as for example though two workers in the same grade doing different jobs may be paid at different rates, it is not clear whether workers working in different

grades but doing the same kind of work requiring the same skill and efficiency would be paid at the same rate or different rates. Also there does not seem to be one standard rate even in a single industry because the same work may be paid at different rates by different enterprises in different regions. For example the basic wage of spinners producing Twist No. 54 in two neighbouring cotton mills varies from 8.61 to 9.15 Roubles.

Apart from the basic wage which he gets the worker is also paid progressive premiums for exceeding the standard task. Different industries have different systems of premiums but all are based on the principle that the worker who exceeds his norm is paid a premium or bonus on the whole of his output. For instance the cotton textile operatives exceeding their norm by 5 per cent. or less will be paid a bonus of 10 per cent. on the whole of their output and a bonus of 15 per cent. if their standard was exceeded by anything over five per cent. Workers who do not reach the standard are paid at the basic rate but if the slowness of their work is due to causes beyond their control their earnings are subject to a guaranteed minimum of two thirds of the normal earnings. But the complexity and the multiplicity of the premium systems makes it very difficult for the worker to find out the exact amount of his output and his total wage. For example the complicated intricacy of 270 different methods of calculating premiums in the Ural Machine Works was frequently instrumental in depriving the workers of whole or apart of their premiums. But it is also a fact that before 1935 when the old norms which were introduced in the beginning still existed a worker was sometimes able to earn 2 or even 4 times his normal wage due to high premiums. Again as long as only a few persons were able to exceed the norm no special difficulty arose. But when higher output was the result of improved methods of work and better machinery it did not necessarily mean that it was due to any greater effort and greater efficiency on the part of the worker. The higher speeds and the new methods of the best workers were also copied by the average workers. When such conditions were created it was realized that the improvement in the wage system had been effected by an increase of wage costs resulting in a rise in the costs of production. The performances of the Stakhnovites in 1935 finally convinced the Government that the standard tasks had been fixed too low. So the Government in December, 1935 decided to replace the existing norms by new and higher ones but the scales on which the progressive premiums were paid were to be maintained as before. The new norms were put into practice in 1936. They were mostly 20 to 30 per cent above the old ones though in some cases increases of even 60 per cent. were made. By the end of 1936 it was claimed that 75 to 90 per cent. of the workers were already fulfilling their new norms while in heavy industry as a whole the new standard tasks were being exceeded by 30.8 per cent.

The position with regard to wages at the end of the second Five Year Plan was that wages were graded into several categories which varied from eight in heavy industry to fifteen in light industries like the textiles with a ratio of 1:3 between the lowest and the highest categories. But this applied to wages paid out for the standard rate of output only. If we take into account the premiums also then we find that the average earnings of the higher paid grades are seven or more times those of the lower grades. For example in 1935 the average monthly wage of a worker in a large-scale industry was 213 Roubles, that of an office-worker 319 Roubles, that of a machinist 540 Roubles, that of an engineer 1,744 Roubles, while the service

personnel including porters, messengers, charwomen etc. received only 89 Roubles. In recent years the spread has still further increased. This difference in wages was apparent not only in different grades but also in the same grade. This is because Stakhnovites who greatly exceed the normal standards of output and quality generally receive a premium of 100 per cent. and even more in addition to the normal wage of the grade concerned; this may make the wage of the Stakhnovites twice, thrice or even four times that of the average worker in the same grade.

Under the looming threat of war the Soviet Government issued a decree in June, 1940 by which the seven-hour day was abandoned. Up to this time this had been the shortest working day of any country (in heavy and clerical work it had been as low as six hours). The workday was increased to eight hours except in very heavy work where it was increased to seven hours. Together with this the continuous week for the plants and the five-day work-week for the workers were abolished i.e. instead of the worker working for five days and resting on the sixth day he had now to work for the customary six days, Sunday being restored as the day of rest for all the workers. The number of holidays was also reduced. At the same time an order was issued by which work quotas were to be increased and piece rates were to be decreased in proportion to the increase of the working day while the existing rates of pay per day for wage workers and monthly rates for salaried employees were to be retained as before. In other words standard outputs and piece rates were so adjusted as to leave the earnings of the workers the same as before. In July 1941 after Hitler's attack on the U.S.S.R. another decree was issued which made overtime labour compulsory at a half pay and which discontinued vacations for the duration of the war substituting monetary compensation for them. There is however no doubt that all these war-time measures demanding heavy sacrifices from the workers are temporary and are meant to be removed as soon as the war ends.

Notwithstanding the defects of the Soviet wage system if we take the efficiency of production as the criterion of judgment and then look at the unbelievable and stupendous strides which the Soviet industry has taken in the last decade we must certainly admit that the Soviet wage system cannot be excelled by any other wage system in the world. But the greatest achievement of the Russians has been that though they have not been able to introduce equality of incomes they have considerably lessened the dangers of inequality by divorcing social status from income and giving to the Communist worker that high place in the social framework which has never yet been accorded to him.

Bombay.

OFFICE OF THE CHIEF CONTROLLER OF IMPORTS, NEW DELHI.

Import Trade Control—Public Notice.

Holders of import licences for goods falling under Part I of the Schedule annexed to the Govt. of India, Commerce Department, Notification No. 23-ITC/43, dated 1st July, 1933, and for goods covered by the Machine Tool Control Order, are informed that such licences valid for shipment in July-December 1943 do not stand automatically revalidated for shipments to be made in January-June 1944. If, however, the goods are not shipped within the period of validity of the licence, importers may apply to the respective licensing authorities for extension of such licences. Each case will then be considered on merits. (35)

MONEY MARKET

(From Our Correspondent)

NEW DELHI, Dec. 30.

Expansion of note issue against sterling assets and easy money market conditions continue to be the important features during the week under review. Increase of sterling assets this week does not represent merely a transfer from the Banking department unlike the previous week. The fall in the total foreign assets held by the Reserve Bank noticed last week has been partially recovered, net increase in such assets over the previous week being Rs. 6 crores. Provinces have been encouraged to borrow increasing amounts by the low rates in the treasury bills market during the recent weeks. The provincial tenders amounted to Rs. 9 crores this week, out of which Rs. 8 crores were from Bengal Government alone, the remaining amount having been borrowed by the U.P. Government. But in spite of this increased borrowing from the provinces and the existence of so-called busy season money market rates remained nominal and the rate for the Central Government treasury bills declined further to 11 annas. This is partly due to the excess of maturities over recent tenders. The rate at which the U.P. Government secured her loan was significantly low, being only 5 pies higher than that of the Central Government. But Bengal has borrowed at a rate which is much higher than that of the Central Government or that of the U.P. Government. Her wisdom in coming forward for such a big amount to be subscribed for her in one week, when her financial condition in her present distress is hardly inspiring, is no doubt questionable. She could have better resorted to the Reserve Bank for ways and means advances, in case she had immediately pressing needs and extended her tenders over 3 to 4 weeks. This would have helped her to borrow at significantly lower rates than the rates at which she has borrowed now.

Treasury Bills

Tenders for Rs. 6 crores of three months' Government of India Treasury Bills were opened on Tuesday the 21st December. Total amount offered was Rs. 14.26 crores compared to Rs. 14.02 crores previous week. The average rate declined further to 11 annas from 11 annas 11 pies previous week. Tenders at Rs. 99-13-6 were accepted in full and those at 99-13-3 allotted approximately 75 per cent. The amount tendered for next week is six crores. Treasury Bills for Rs. 1,795 crores were sold in favour of the Issue department. Tender for Rs. 8 crores of the three months' Government of Bengal Treasury Bills was opened on Friday, December 17; total amount offered was Rs. 8.7 crores. It was a noticeably low offer for a tender of Rs. 8 crores. Tenders at Rs. 99-12-6 were accepted in full and those at Rs. 99-12-3 allotted approximately 91 per cent. Total amount accepted was Rs. 8 crores, the average rate for accepted tenders being 14 annas 11 pies per cent. per annum. Tenders for Rs. 1 crore of three months' Government of the U.P. Treasury Bills were opened on Wednesday, December 22. Total amount offered was Rs. 2.31 crores. Tenders at Rs. 99-13 and above were accepted in full and those at Rs. 99-12-9 allotted approximately 10 per cent. Total amount accepted was a crore, and the average rate of accepted tenders was 11 annas 5 pies per cent. per annum.

INVESTMENTS

(From Our Correspondents)

MADRAS, Dec. 24.

With the approach of Christmas and New Year holidays, very quiet conditions prevailed on the Stock Exchange. There have been no important features and business has been on a moderate scale. Both opera-

Reserve Bank

Total notes issued are Rs. 5.32 crores higher than the previous week and stand at Rs. 829.82 crores. Notes held in the Banking department is about Rs. 1.38 crores higher and the rest of the increase in the total notes issued has gone in circulation. The sterling securities in the Issue department are Rs. 7 crores higher than the previous week and stand now at Rs. 712.8391 crores. The amount of silver coin in the issue is slightly lower. Percentage of Reserves to liabilities of the Issue department is 91.254 compared to 91.105.

The account of the Banking department shows no striking feature. The total of assets and liabilities has increased by about Rs. 1.28 crores. On the assets side the increase is accounted for by the increase in its holding of notes and loan advances to Governments. The increase under these two heads also makes up for a fall of about a crore in the balances held abroad. On the side of liabilities there has been a fall of Rs. 1.5 crores in the deposits of the Central Government. But this decrease is more than made by the increase in the deposits of other banks. The deposits of other banks with the Reserve Bank now stand at Rs. 98.16 crores. They may be expected to cross the 100 crore mark when the new year begins. They are 2.19 crore higher than previous week. Other increases on the liabilities side are noticeable in other government accounts and Burma Government accounts.

Scheduled Bank

Deposits and Advances have mounted up further during the week under review. Demand liabilities have increased by Rs. 4.64 crores and stand at Rs. 500.55 crores and the time liabilities have increased by Rs. 4.76 crores and stood at Rs. 153.04 crores. Advances are now Rs. 159.62 crores compared to Rs. 157.63 crores previous week which is an increase of about Rs. 2 crores. Balances with Reserve Bank have increased further and are Rs. 95.40 crores compared to Rs. 94.6 crores last week. Cash held is Rs. 22.69 crores compared to Rs. 21.85 crores and Bills discounted are Rs. 6.45 crores compared to Rs. 6.15 crores, and considerable increase has taken place under both heads.

Bullion

The Bombay bullion market ruled weak during the week. Some steadiness was imparted to gold in the beginning of the week when the tight position in ready gold was exploited by the bulls who demanded deliveries against their purchases. This drove the sellers to the Bank with whom they placed bids for gold at Rs. 72-4, but the Bank refused gold at this level which accounted for steadiness in gold. This steadiness was shortlived as on reports that the Bank had lowered its selling limits to between Rs. 72-12 and Rs. 72-8, prices sagged. Rumours were also current in the market to the effect that the Bank at its Board meeting had decided to sell gold up to Rs. 65.

In the silver section, a bearish feeling was prevalent owing to the weakness in gold, though the bull chokseys tried to push up prices by exploiting the tense position in the ready. Rumours that about 20,000 lagadis of silver were on their way from Mexico to India also induced some weakness in silver.

The latest quotations are:—

Ready gold: Rs. 71-12; Ready silver: Rs. 114-2.

tors and investors have not shown any great interest and there has been no tendency to enter into fresh commitments. There has, however, been no pre-holiday selling but there has been a cautious marketing down of prices. The Government Securities market was fairly brisk and three and a half per cent. paper was firm at Rs. 97-10. Three per cent. Loans 1951-54 and three per cent. Loans 1963-65 were done at Rs.

100-2-6 and Rs. 98-8 respectively. There was a good turnover in Madras Loans. Bank shares firmed up during the week. Indians fully paid rose to Rs. 300, the highest quotation recorded so far. The other two shares advanced to Rs. 158 and Rs. 95. Bank of Hindustans, Indo-Commercials and Reserve Banks received good support. A small volume of textile and planting preference shares were offering in the Fixed Interest Securities section and they were taken up immediately. Textile shares were listless. There was a marked decline of speculative interest as there have been no

special news to induce widespread activity. A few shares showed up mildly and the others maintained their last levels. There was a small volume of business in the Planting section. Share values were higher fractionally. There was increased activity in Cochin Malabars, O. Valleys, Rajagiris, Midlands, Pullangodes and Chembra Peaks. In Miscellaneous section, there was continued interest in chemicals and fertilizers. There was moderate support for sugar shares. The market closed with a steady undertone.

COMMODITY MARKETS

(From Our Correspondents)

BOMBAY, Dec. 26.

The cotton market is ruling steady with some advance over the prices ruling a week back. In spite of the professional operators being bearish, the market is keeping steady due to active spot demand. The demand for Jarilla cotton in the spot market is particularly impressive, considering the general expectation to the contrary in the beginning of the season owing to black leaf. Some 20,000 bales of 4F cotton are reported to have been sold to Liverpool and compared to Jarillas, 4F prices in the Bombay market are too high. It is for this reason that the better styles of Jarilla are constantly in demand by the mills. Another point of interest is the strength of the January position of the Contract, which is quoted at a premium of Rs. 4 over the March position owing to the dearth of tenderable cotton.

In the foreign section, purchases of Egyptians have commenced. Prices permitted by the Control authorities in India are lower than those prevailing in Egypt. The plan for purchase of Egyptians is not yet quite clear.

Cloth

The piecegoods market continues to be nervous. Market conditions did not show any signs of improvement this week. Bazar prices may be said to be nominally steady. Consuming centres have shown no activity. Goods with October-November tex mark are offered at lower prices than December tex mark goods as purchasers are not willing to buy December tex mark goods. Local buying is moderate while the future trend of the market remains uncertain.

Groundnuts

The Ministry of Food have purchased about 19,000 tons of groundnuts at £33-7-6 for shipment from the east and west coast. The Bombay market ruled rather firm as exporters were buyers for Madras-Mormugao delivery. Business was done in Khandesh quality for Bombay January-February at between Rs. 15-4-0 and Rs. 15-8-0 and for February-March at Rs. 15-10. Business in Madras-Mormugao for January-February was done at between Rs. 15-8-0 and Rs. 15-10-0. It is reported that exporters bought in Kathiawar about 6,000 tons at Rs. 15-8-0.

Castorseed

The Ministry bought about 3,000 tons at £33-10-0. They are not interested in more lots. In the local market exporters bought castorseeds Madras for Mormugao delivery January-March at Rs. 15-10-0.

Linseed

Millers were interested for a small quantity at Rs. 13-10-0 on bazar terms, but there were no buyers against R/R delivery.

Oil quotations are as under

Groundnut	Oil	ready	Rs.	10	2	0	per	qr.
"	"	Dec.	Rs.	9	14	0	"	"
"	"	Jan. '44	Rs.	9	6	0	"	"
"	"	Feb. '44	Rs.	9	4	0	"	"
Cocoonut	Oil		Rs.	10	6	0	"	"
Linseed	Oil		Rs.	10	12	0	"	"
Castor	Oil		Rs.	12	0	0	"	"

MADRAS, Dec. 24.

The groundnuts market was erratic during the week under report. Under the quota system of exports formulated by the Madras Government, the British Ministry of Food were allotted about three lakh tons which were subsequently raised to 3,25,000 tons. This target had already been passed over and therefore exporting firms, not knowing their own position *vis-a-vis* exports to the Ministry, refrained from making purchases, with the result the quotation declined from Rs. 73 to Rs. 68. During mid-week, a conference of the four important exporting houses was held in the Board of Revenue at which it was decided subject to the confirmation by the Government that 5 lakhs of tons may be exported to the Ministry, in view of the bumper crop this year. Thereafter, exporters bought in fair quantities and the quotation also rallied to Rs. 71. Under the revised arrangement, it is understood that exports will be allowed as follows: Bombay 30,000 tons, Calcutta 30,000 tons and other provinces and States 10,000 tons. But it is stated that the last item is likely to be further revised. The British Ministry of Food have bought very heavy quantities of seeds this week. At £33-12-6, lower by 5 sh. as compared with the past week, they bought about 12,000 tons and at £33-7-6 they bought again 40,000 tons. As regards exports to Calcutta, Indian merchants are aggrieved that they are not given permits whereas other European merchants are being given freely. The oil market was very steady with demand from consuming districts and provinces. A fair volume of business has been done. Cake was quoted Rs. 135 for ready and there was good demand from agriculturists. A zonal system of distribution for cake has been introduced aiming at grouping the surplus and deficit districts, regulating the distribution of surplus and controlling the movements in order to minimise transport difficulties. For this purpose, production of cake in the province has been estimated at about 2,23,000 tons and imports from Hyderabad are expected to be in the neighbourhood of about 30,000 tons. But consumption has been estimated at about 2,90,000 tons and hence there will be a deficit.

Yarn

The yarn market remained dull during the period under report. Demand was poor in view of the approach of Pongal. But as stocks are not heavy, quotations were maintained and in certain lines, where shortage is acute, prices have improved slightly.

Piecegoods

The market was not active but was not dull. Anticipations to the effect that prices would come down substantially have been responsible for the poor turnover. The flow of goods from the producing to the deficit areas has been checked by the failure of the Control Board to fix the percentage of profits at the various stages of business. Most of the mills, excepting a few, are reported to be disinclined to do business for a percentage less than 6 and the indentor takes away another four per cent. As the ultimate retailer should get 7 per cent., the wholesaler is left only with 3 per cent. to cover profit, transport, war risk insurance and other charges. This being hardly sufficient, there has been no disposition to do business on the part of the wholesalers.

HAPUR, Dec. 27.

The local Urad market was marked by a bullish attitude in the early part of the week caused by reactionary upcountry advices, firmness of Arhar values and profit coverings; but this was followed by a substantial slump in prices owing to colossal speculative sales by manipulators of eastern markets and bearish statistical positions. Towards the close, prices again turned actively firm following decreased arrivals and bulls' support. Owing to easiness in spot values, the arrivals of Urad continue to be decreasing both by rail and road. The local stock is put at over 30,000 bags. Urad Magh opened at Rs. 9-10-6 and closed at Rs. 9-12-4½, touching the highest and the lowest at Rs. 9-15-0 and Rs. 9-5-9 respectively. Speculative business was done on a grand scale and the fluctuations were so large that some traders suffered a great loss and they failed to meet their liabilities. The local Mahabir Beopar Mandal had to close down the business for the same reason on the 22nd December. On the following day the traders could arrange to pay the covering money and the business commenced in the very manner. Moongy prices were also erratic in sympathy with Urad values.

Juwar

In the early part of the week the market ruled easy but later on became actively firm. Bull operators are taking keen interest in Poos delivery. Arrivals continue still very poor. The straddle between Poos and Fagun has further increased to Rs. 1-3-9. Uptil now 1,400 bags were tendered against Poos delivery. Juwar Fagun opened at Rs. 5-11-6 and closed at Rs. 6-2-10½. Poos rate was quoted at Rs. 7-4-0, the highest level ever touched during the past several months.

Grains

No substantial change has been recorded in wheat prices. Prices for barley, gram, peas, maize and bajra remained weak. Arhar market remained actively firm and fluctuations were colourful. It is reported that the Government has decided to purchase 13,000 maunds of Arhar pulses at Rs. 12-12 per maund at Hapur. The daily arrivals of wheat averaged 100 maunds. The condition of the standing Rabi crops is reported to be quite satisfactory.

Gur

Gur prices were easier following increased arrivals. Arrivals averaged 3,000 maunds daily. Harvesting of cane and crushing, both for gur and factory sugar continues on a large scale. No damage to the crop is reported except some by wilt and borers in the north eastern submontane tracts of U.P. The standing crop is on the whole in a very healthy condition and is expected to yield juice of good quality. Prospects of the harvest are favourable. Today's quotations are: Wheat Rs. 10-12-0, stock 187 Khattis. Gram Rs. 9-10, stock 4 Khattis. Barley Rs. 6-10-6, stock 9 Khattis. Peas 6-14, stock 100 Khattis. Arhar Rs. 8-2-0, stock 256 Khattis. Gur Rs. 6-4. Raw Sugar Rs. 6-14.

RAILWAYS can run
many more urgently wanted
GOODS TRAINS
if we all travel
ONLY WHEN WE MUST.

So—

ASK YOURSELF
BEFORE YOU
BUY YOUR TICKET—

**IS YOUR
JOURNEY
ABSOLUTELY
NECESSARY?**
B. B. & C.I.Rly.

CURRENT STATISTICS

BANK OF ENGLAND				
(000's omitted)				
	Dec. 16, 1943	Dec. 8, 1943	Dec. 16, 1942	Aug. 30, 1939
	£	£	£	£
Total Bullion	1,418	1,667	1,319	263,700
Public Deposits	9,000	6,300	7,000	31,100
Other Deposits	161,200	207,200	194,500	129,100
Of which Bankers' Deposits	216,800	154,600	146,900	90,100
Government Securities	191,100	150,600	152,300	113,100
Other Securities	16,000		20,000	31,000
Of which Discounts and Advances	2,000	8,200	4,000	6,400
Notes and coins	34,500	56,400	43,000	34,200
Notes in Circulation	1,087,000	1,045,300	908,300	529,500
Ratio of Reserve to Liabilities	15.28%	26.40%	21.34%	21.38%

U.S. FEDERAL RESERVE BOARD				
(000's omitted)				
	Dec. 16, 1943	Dec. 9, 1943	Dec. 17, 1942	Aug. 31, 1939
	\$	\$	\$	\$
Resources:				
Total Reserves	20,137,000	20,168,000	20,878,000	14,660,610
Total Bills Discounted	90,000	108,000	9,000	6,190
Bills bought in open market .. ..	....	....	....	550
Total U.S. Government Securities	11,014,000	11,061,000	5,537,000	2,426,190
Federal Reserve Notes in actual Circulation	16,636,000	16,528,000	12,019,000	4,609,280
Deposits — Member Bank Reserve Account	12,932,000	12,569,000	13,517,000	10,951,000
% of total Reserve to Deposit and Federal Reserve Note — Liabilities combined	63.8%	64.1%	78.2%	86.9%

RESERVE BANK OF INDIA
WEEKLY STATEMENT OF ACCOUNTS AS ON DEC. 17, 1943.

ISSUE DEPARTMENT		Rs.	Rs.
Liabilities			
Notes held in the Banking Department		9,26,45,000	
Notes in circulation		829,56,23,000	
Total Notes Issued			829,82,68,000
Total Liabilities			
Assets			
A. Gold Coin and Bullion:			
(a) Held in India		44,41,43,00	
(b) Held outside India		712,83,96,000	
Sterling Securities			757,25,39,000
Total of A			14,24,68,000
B. Rupee Coin			
Government of India			58,32,61,000
Rupee Securities			
Internal Bills of Exchange and other com-			
Total Assets			829,82,68,000
Ratio of Total of A to Liabilities: 91.254 per cent.			

BANKING DEPARTMENT		Rs.	Rs.
Liabilities			
Capital paid up		5,00,00,000	
Reserve Fund		5,00,00,000	
Deposits:—			
(a) Government			
(1) Central Government of India		18,56,63,000	
(2) Government of Burma		53,70,000	
(3) Other Government Accounts		6,97,86,000	
(b) Banks		98,16,11,000	
(c) Others		7,41,61,000	
Bills Payable		3,12,49,000	
Other Liabilities		7,15,48,000	
Rupees			151,93,91,000

Assets		Rs.	Rs.
Notes		9,26,45,000	
Rupee Coin		12,93,000	
Subsidiary Coin		1,50,000	
Bills Purchased and Discounted:—			
(a) Internal			
(b) External			
(c) Government Treasury Bills		3,50,000	
Balances held abroad*		129,69,39,000	
Loans and Advances to Governments		2,10,00,000	
Other Loans and Advances			
Investments		7,64,47,000	
Other Assets		3,05,67,000	
Rupees			151,93,91,000

*Includes Cash and Short term Securities.

ISSUE DEPARTMENT COMPARATIVE STATEMENT				
(000's omitted)				
	Dec. 17, 43	Dec. 10, 43	Dec. 18, 42	Sept. 1, 39
Held in the Banking Department	9,26,45	7,87,68	12,71,36	35,04,49
In Circulation	8,20,56,23	8,15,62,43	5,63,18,06	1,82,13,17
Total Notes	8,29,82,68	8,23,50,11	5,75,89,42	2,17,17,66
A. Gold Coin and Bullion	44,41,43	44,41,43	44,41,43	44,41,46
Sterling Securities	7,12,83,96	7,05,83,96	3,92,83,39	59,50,11
Total of A	7,57,25,39	7,50,25,39	4,37,24,82	1,03,91,57
B. Silver Coin	14,24,68	14,92,13	16,26,03	75,87,11
Rupee Securities	58,32,61	58,32,59	1,22,38,57	37,38,98
Silver bullion under Coinage .. ..	....	....	....	....
Percentage of Reserve to Liabilities	91.254	91.105	75.925	63.149

BANKING DEPARTMENT COMPARATIVE STATEMENT				
(000's omitted)				
	Dec. 17, 43	Dec. 10, 43	Dec. 18, 42	Sept. 1, 39
Cash	9,40,88	7,99,49	12,83,43	35,15,27
Balances held abroad	1,29,69,39	1,30,72,85	76,58,84	10,06,39
Investments	7,64,47	7,64,43	5,98,27	6,81,34
Bills discounted:—				
(a) Internal .. ..	....	....	....	....
(b) External .. ..	....	....	....	....
(c) Government of India Treasury Bills	3.50	3.49	1,03,40	1,15,67
Loans and Advances to the Government	2,10,00	1,02,00	64,00	31,00
Deposits:				
(a) Government	26,08,19	28,08,68	27,53,18	14,89,43
(b) Banks	98,16,11	95,97,00	50,87,01	26,91,43
(c) Others	7,41,64	7,85,13	4,86,01	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.
August	8,546		1sh. 6d.
September	8,371		1sh. 6d.
October	8,947		1sh. 6d.
November	7,476		1sh. 6d.

IMPERIAL BANK

(In 000's of Rupees)

	Dec. 10, 1943	Dec. 3, 1943	Dec. 11, 1943
Liabilities—			
Subscribed Capital ..	11,25.00	11,25.00	11,25.00
Capital paid-up ..	5,62.50	5,62.50	5,62.50
Reserve Fund ..	5,75.00	5,75.00	5,70.00
Fixed Deposits Savings Bank, Current and o t h e r Accounts ..	209,44.84	208,91.34	160,33.56
Loans against securities, per contra ..	..	..	..
Acceptances for Constituents ..	..	..	..
Sundries ..	1,83.60	1,73.59	1,42.06
Total ..	222,65.94	222,02.43	173,68.12
Assets—			
Government Securities ..	119,77.53	119,81.70	110,84.09
O t h e r authorised invest- ments ..	2,62.75	2,63.75	1,36.94
Loans ..	15,71.31	13,18.98	8,70.40
Cash Credits ..	20,03.87	20,10.08	15,19.87
Bills Discounted and Pur- chased ..	4,05.47	5,02.83	5,09.40
Liabilities of Constituents for Acceptances per contra ..	..	..	..
Dead Stock ..	1,69.27	1,67.90	1,73.14
Sundries ..	1,42.34	1,34.45	1,21.97
Bullion ..	..	..	..
Balances with other Banks ..	1,66.28	1,86.81	2,69.20
Cash in hand and with the Reserve Bank of India ..	55,67.12	56,35.93	26,83.11
Total ..	222,65.94	222,02.43	173,68.12

SCHEDULED BANKS

(In 000's Rupees)

	17-12-'43	10-12-'43	18-12-'42	1-9-'39
Demand Liabilities in				
India ..	500,55.49	495,91.37	340,83.69	134,36.49
Time Liabilities in				
India ..	153,04.80	148,68.25	110,85.73	102,24.34
Cash in India ..	22,69.45	21,87.18	14,40.53	6,69.92
Balances with Reserve				
Bank ..	95,40.02	94,61.45	49,27.42	25,17.19
Advances in India ..	159,62.03	157,63.80	92,33.26	101,52.16
Bills discounted in				
India ..	6,42.91	6,15.06	2,84.57	3,57.29

TENDERS FOR TREASURY BILLS

(In thousands of rupees)

Week Ending	Amount Tendered	Amount Accepted	Average Rate	Inter- mediates	Sold in favour of Issue Dept.
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
" 21	15,84.25	8,00.00	0 13 5	..	3,48.00
" 28	20,10.75	8,00.00	0 13 6	..	4,79.50
Oct. 4	15,86.50	8,00.00	0 12 0	..	2,06.50
" 12	12,28.00	8,00.00	0 12 0	..	5,22.00
" 19	14,57.00	8,00.00	0 12 1	..	5,40.75
" 25	12,89.00	8,00.00	0 12 9	..	3,18.00
Nov. 2	10,70.50	8,00.00	0 13 8	..	3,19.00
" 9	91,450	60,000	0 13 8	..	16,800
" 16	13,20.50	6,00.00	0 13 8	..	18,100
" 23	10,71.25	6,00.00	0 13 0	..	34,725
" 30	11,13.50	60,00.00	0 13 11	..	1,45.00
Dec. 7	13,73.75	6,00.00	0 12 3	..	1,40.50
" 14	14,02.50	6,00.00	0 11 11	..	1,34.00
" 21	14,26.25	6,00.00	0 11 0	..	..

MATURITY OF OUTSTANDING TREASURY BILLS

As on the 31st October, 1943.

Date of Maturity	Amount (000's of rupees)
2nd Dec. 1943 ..	7,80.25
3rd ..	15.25
4th ..	4.50
9th ..	6,47.50
10th ..	1,07.75
11th ..	44.75
16th ..	12.50
17th ..	7,73.75
18th ..	13.75
24th ..	7,67.50
25th ..	32.50
30th ..	7,96.50
1st Jan. 1944 ..	3.00
2nd ..	59
7th ..	8,00.00
15th ..	7,59.00
16th ..	41.00
22nd ..	7,38.50
23rd ..	61.50
27th ..	7,92.00
30th ..	8.00
5th Feb. 1944 ..	7,83.75
6th ..	16.25
12th ..	5,52.25
13th ..	47.75
19th ..	5,43.25
20th ..	56.75
26th ..	6,00.00
Total ..	98,00.00

COST OF LIVING ABROAD IN 1943

(Base: January/June 1939=100)

Turkey ..	374	Sweden ..	150
Palestine ..	337	Mexico ..	148
Iran ..	303	Switzerland ..	149
Bolivia ..	306	Peru ..	143
Iceland ..	245	Japan ..	133
India ..	195	U. K. ..	128
Finland ..	186	U. S. A. ..	124
Chile ..	184	Argentina ..	121
Cortalla ..	167	South Rhodesia ..	119
Spain ..	166	Canada ..	118
Ireland ..	159	Germany ..	111
Norway ..	150	China ..	3149

CURRENCY AND PRICES ABROAD

(Base: 1939=100)

	Note Circulation	Sight Deposits	Wholesale Prices	Cost of Living
	1917 1943	1917 1942	1917 1942	1917 1942
U.K.	769 184	163 193	204 162	230 129
Germany	629 298	304 ..	179 108	.. 107
France	391 345	150 255 Nov.	273 July 199 Mar.	248 153 Mar.
Italy	369 ..	347 ..	306 ..	260 ..
Bulgaria	790 676	343 190 Nov.	..	200 ..
Finland	676 461	941 341	..	230 588 182
Rumania	940 336	.. 198	..	..
Denmark	222 223	269 221	250 195	196 157
Netherlands	293 306	376 136	276 ..	184 ..
Norway	302 425	764 695 May 341	179 264	150 ..
Turkey	.. 373	.. 184 Aug.	.. *430	.. 340
Portugal	222 232	254 424	.. 188	.. 146
Sweden	245 190	370 185	239 179	238 149
Switzerland	226 151	202 119	.. 202	211 146
Palestine	.. 434	.. 216	.. 276 Sept.	.. 264
Egypt	.. 369	.. ..	.. 221 Sept.	.. 199 Sept.
Iran	.. 372 Oct.	.. ..	.. 243 July	.. *347 Nov.
Iraq	.. 473 Nov.	.. 308 March	.. 406 Oct.	.. ..
India	.. 316	.. 267	.. 241	.. 161

CLEARING HOUSE RETURNS

(In lakhs of rupees)

Period	Bombay	Calcutta	Cawnpore	Delhi	Karachi	Lahore	Madras	Total	Total
Total 1940-41 ..	796.88	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	65.62	3.42	6.53	6.61	4.89	10.49	222.61	765.00
August ..	81.80	66.62	2.85	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	1,146.45
October ..	124.29	95.16	5.39	6.16	6.96	4.24	12.28	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	14.33	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
August ..	140.07	127.87	5.64	7.70	6.69	6.24	13.60	307.81	1,688.07
September ..	132.17	139.31	8.96	8.61	8.12	5.27	15.33	317.77	2,005.84
October ..	163.01	139.07	8.73	10.43	9.46	6.80	17.61	355.13	2,360.97
November ..	33.39	23.46	4.2	1.17	1.45	99	4.19	65.07	2,140.86
December ..	34.05	21.66	2.62	2.51	2.13	1.49	2.71	67.17	2,208.03
January ..	37.57	40.87	1.69	2.95	1.93	1.51	3.36	69.88	2,297.91
February ..	29.33	24.13	1.98	1.40	1.53	1.44	3.25	63.06	2,360.97
March ..	37.03	42.49	1.69	2.81	193	1.58	3.49	91.02	2,451.99
Week ended November 5 ..	39.62	31.01	1.98	2.19	1.55	1.13	3.64	81.12	2,533.11
" " " 12 ..	34.84	32.41	2.31	2.56	1.95	1.50	3.41	78.98	2,612.09
" " " 19 ..	36.91	34.48	2.23	2.59	1.85	1.48	3.76	83.30	2,695.39

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 pro- gressive increase or decrease of Notes and Coin in Circulation	Calcutta No. of Whole- sale Prices (July 1914=100)
	During Month	Progressive	During Month	Progressive
1940-41 ..	..	+ 19.11	..	+ 33.23
1941-42 ..	..	+ 152.40	..	+ 7.18
1942-43 ..	..	+ 262.33	..	+ 46.13
1942-43				
April ..	..	+ 32.55	..	+ 3.05
May ..	..	+ 18.04	..	+ 5.59
June ..	..	+ 11.35	..	+ 61.94
July ..	..	+ 7.81	..	+ 69.75
August ..	..	+ 23.26	..	+ 93.01
September ..	..	+ 18.33	..	+ 111.34
October ..	..	+ 22.11	..	+ 133.45
November ..	..	+ 25.66	..	+ 159.11
December ..	..	+ 30.00	..	+ 189.11
January ..	..	+ 22.89	..	+ 212.00
February ..	..	+ 21.11	..	+ 233.11
March ..	..	+ 29.22	..	+ 262.33
1943-44				
April ..	..	+ 34.03	..	+ 34.03
May ..	..	+ 26.50	..	+ 60.53
June ..	..	+ 19.24	..	+ 79.77
July ..	..	+ 17.03	..	+ 96.80
August ..	..	+ 14.26	..	+ 111.06
September ..	..	+ 5.04	..	+ 116.10
October ..	..	+ 22.41	..	+ 138.51
November ..	..	+ 12.28	..	+ 150.78

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade & Quality	Market	Unit	Pre-war (1939)			
				This Week.	Last Week.	A Year ago.	(1939)
				Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Rice (not in husk)	New Crop	Calcutta.	per md.	16 0 0	..	13 0 0	4 14 0
	Basmati Sela	Amritsar.		20 0 0	19 8 9	..	..
Wheat	Average quality.	Karachi.	"	8 0 5	7 14 5	5 15 0	..
		Hapur.	"	10 10 9	10 13 6	..	5 15 0
		Lyallpur.	"	10 11 0	10 9 0	5 1 0	2 5 0
Sugar	Marhowrah Crystal No. 1.	Cawnpore.		15 5 6	15 5 6	12 3 6	9 15 0
Sugar raw (Gur)	Chikna best quality.	"	"	8 8 0	8 8 0	..	..
Tea	For home market	Calcutta.	"	0 9 5	0 9 5	1 6 3	0 4 4
Potatoes	Paharl Haldwani	Cawnpore	per md.	16 0 0	16 0 0	..	..
Groundnuts	Bold.	Bombay.	per 500 lbs.	76 0 0	76 0 0	52 14 0	..
Groundnut Oil	Expeller	Madras.	per 500 lbs.	..	160 0 0	..	..
Castor Oil	Average	Madras.	per 500 lbs.	..	..	170 0 0	..
Castorseeds	Average	Bombay.	per candy	15 10 0	15 8 0	15 10 0	7 2 6
Linseed	Bold.	Bombay.	per cwt.	13 10 0	..	12 1 0	6 12 6
Mustard	Toria 9% admixture.	Karachi.	(656 lbs.)	..	100 8 0	64 10 0	36 12 0
Cotton (raw)	line M.G. 4-F (Punjab) R.G.	Karachi.	per 784 lbs.	505 0 0	505 0 0	..	..
"	*Jarilia 3/4"	Bombay.	per candy	468 8 0	468 8 0	..	..
Cotton Piece-goods.	Grey Dhoti Markin 11 lbs.	"	44"X10 yds.	7 12 0	7 12 0	..	..
		"	43"X38 yds	26 6 2	26 6 2	..	..
Cotton Yarn	No. 10s.	Bombay.	per 10 lb.	13 10 6	13 10 6	..	..
	No. 20s.	"	"	17 8 7	17 8 7	15 5 0	..
Jute	Raw Firsts.	Calcutta.	per 400 lbs.	72 0 0	73 0 0	65 0 0	41 0 0
Jute Bags	B. Twills 2 1/4 lbs.	"	per 100 bags.	67 12 0	67 4 0	66 0 0	28 13 0
Wool (raw)	Kandhar (cleaned)	Karachi.	per md.	60 0 0	60 0 0	50 0 0	32 0 0
Cow hides	Best quality (Agras)	Calcutta.	per 20 lbs.	10 8 0	10 8 0	10 8 0	8 8 0
Goat skins	Best quality	"	per 100 pieces.	150 0 0	150 0 0	145 0 0	115 0 0
Tanned Hides	Best quality (cow)	Madras.	per lb.	1 6 9	1 6 3	1 4 6	0 12 0
Tanned Skin	Best quality (goat)	"	"	2 5 6	2 5 6	2 0 0	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 7	5 4 9	5 5 3	3 13 3
Coal	Selected Jharla (best).	"	per ton into wagon.	10 8 0	10 8 0	7 8 0	4 12 0
Pig Iron	Foundry No. 1.	"	per ton f.o.r.	104 0 0	104 0 0	94 0 0	89 0 0
Copra	Fair average quality.	Cochin.	per 500 lbs.	188 0 0	..	175 0 0	43 6 0

* January.

RURAL RETAIL PRICE INDEX NUMBERS

Base: January 1943=100

Name of Centre	Cereals			Pulse	Other articles of food			All articles of food	Fuel and Lighting	Clothing		Miscellaneous	
	Aug. '43.	Sept. '43.	Oct. '43.		Aug. '43.	Sept. '43.	Oct. '43.			Aug. '43.	Sept. '43.	Aug. '43.	Sept. '43.
Eastern Zone													
1. Bamra	217	157*	146	184	185	191	136	142	149	157	151	155	129
2. Malabang	235	232	235	140	163	164	142	163	164	149	168	169	105
3. Rajapur	327	360	434	172	189	228	162	166	173	182	190	195	118
4. Shankargarh	181	179	..	178	180	..	116	110	..	157	154	..	..
5. Sonali	318	314	283	163	185	182	158	193	207	186	212	216	105
Northern Zone													
1. Multapi	128	130	131	118	123	119	120	123	131	121	119	122	71
2. Nana	93	110	110	107	108	117	99	104	105	99	106	108	118
3. Salamatpur	150†	150†	150†	119	118	119	101	101	104	109	109	111	100
4. Shujabad	129	139	142	105	113	120	105	120	221	114	125	128	104
5. Gujjar Khan	144	152	148	125	148	150	125	126	113	127	135	127	118
Southern Zone													
1. Krishna	147	152	163	103	103	103	123	122	120	126	126	127	90
Lakh	144†	138†	140†	124	127	153	103	101	117	111	109	127	88
..	118	144	144	130	137	144	122	123	126	123	130	133	88
..	129	138	143	120	126	131	112	111	109	116	113	117	86
..	150	150	150	139	138	143	120	120	127	127	125	152	100

Price control by the State.
not available.
controlled prices for Kerosene Oil.
1943 are not available.

† On the basis of price quotations for "Rice" only.
‡ Tobacco and Soap are the only items included in the group.
§ On the basis of price quotations for "Bajri" only.
b Prices for only one item out of the three included in the group are available.

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
Nov.	104 108 120 170	111 111 129 188	108 1 03 130 196	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	119 119 153 231	123 115 143 252	110 112 123 161
Jan.	109 111 130 183	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	107 111 136 258	101 107 136 223x	110 107 149 268	106 113 138 291	110 124 155 279	110 120 148 287	108 111 121 176
May	106 116 135 214	105 112 141 271	103 107 142 234	109 108 155 299	111 113 145 317	112 122 158 309	101 113 155 278	109 110 123 177
June	106 116 145 224a	110 114 152 289	104 111 149 252	108 114 175 336	109 116 160 361	116 126 178 317	100 109 162 275	109 111 131 183
July	108 120 160 225	108 121 160 288	104 115 153 266	109 126 190 341	108 120 181 361	119 134 199 312	102 114 166 275	109 115 136 185
Aug.	109 125 160 227	107 126 168 293	104 118 158 266	112 130 203 339	111 125 183 354	117 131 202 319	102 120 177 286	110 117 140 185
Sept.	107 123 162 233	108 126 160 312	103 119 162 289	113 133 202 353	111 125 183 356	124 138 202 301	108 125 183 293	110 117 149 184
Oct.	108 119 164 236	108 126 166.103	123 177 288	112 134 206 349	117 125 184 273	124 138 202 301	111 133 186.111	117 155 188

Nagpur and Jubbulpore do not include housing.

(a) Figures from June onwards relate to the calendar month and not to the month ended 15th June as before.

(b) Fall in index is due to the taking into account controlled cereal prices instead of market prices.

(x) Revised figure.

† Indian Labour Gazette.

STOCKS AND SHARES

	This week.	Previous week.	Model	..	..	..	330 0 0
	Rs. a. p.	Rs. a. p.					
BOOMBAY (Dec. 28)			Poddar	..	..	..	415 0 0
GOVT. SECURITIES—			MISCELLANEOUS—				
2 1/2% 1949-52	..	..	99 12 0	99 12 0	Alcock	..	573 12 0
3% 1949-52	..	..	100 10 0	100 11 0	Bombay Burma	..	417 8 0
3% 1951-54	..	..	100 2 0	100 2 0	Elapur Sugar	..	255 8 0
3% 1963-65	..	..	98 9 0	99 13 0	Bombay Tramway	..	143 8 0
3% G. P. Notes	..	..	97 7 0	97 7 0	Bombay Steam	..	657 8 0
3 1/2% 1947-50	..	..	103 6 0	103 6 0	British Burma Petrol	..	3 3 3
4% 1960-70	..	..	112 4 0	112 0 0	Scindia Steam	..	38 0 0
4 1/2% 1955-60	..	..	115 8 0	115 8 0	Andhra Valley	..	1,977 8 0
TEXTILES—			Shivrajpur	..	..	..	77 0 0
Ahmedabad	..	..	496 4 0	496 4 0	B.I.C.	..	6 6 0
Bombay Dyeing	..	..	1,970 0 0	1,930 0 0	Tata Chemical	..	30 2 0
Central India	..	..	461 0 0	455 0 0	Tata Oil	..	87 8 0
Indian Bleaching	..	..	212 0 0	227 0 0	Tata Power	..	1,915 0 0
Kohinoor	..	..	616 0 0	612 0 0	Tata Hydro	..	202 0 0
Century	..	..	961 0 0	961 0 0	Tata Steel Ord.	..	300 0 0
Colaba Land	..	..	245 0 0	240 0 0	Tata Steel Defd.	..	1,901 4 0
Gokak	..	..	344 0 0	340 0 0	Premier Construction	..	223 8 0
Phoenix	..	..	700 0 0	700 0 0	Associated Cement	..	226 0 0
Simplex	..	..	282 0 0	275 0 0	Indian Iron	..	34 15 0
Swadeshi	..	..	600 0 0	585 0 0	Indian Copper	..	2 12 0
Vishnu	..	..	2,600 0 0	2,600 0 0	Tata Steel 1st Pref.	..	221 4 0
Finlay	..	..	334 8 0	330 0 0	Tata Steel 2nd Pref.	..	155 0 0
Morarji	..	..	740 0 0	725 0 0	BANKS—		
New Great	..	..	447 0 0	427 0 0	Central	..	88 4 0
Swan	..	..	314 0 0	310 0 0	Imperial (Fully Paid)	..	1,970 0 0
Apollo	..	..	5 4 6	5 4 6	Imperial (Partly Paid)	..	498 12 0
Sassoon	..	..	20 4 0	20 4 0	Reserve	..	132 0 0
Sassoon Defd.	..	..	4 5 0	4 5 0	India	..	224 8 0

INDEX NUMBER OF WHOLESALE PRICES BY GROUPS OF ARTICLES

ALL-INDIA
(Base: Week Ending 19th August, 1939=100)

Groups	Average for March 1943.	Average for February 1943.	Average for March 1942.
Food and Tobacco ..	247.8	207.0	230.5
Other Agricultural Commodities ..	215.3	193.8	116.8
Raw Materials ..	172.0	172.0	162.4
Manufactured Articles	227.0	225.5	162.5
Primary Commodities	210.0	190.5	139.4
All Commodities ..	213.5	197.6	144.2
Chief Articles of Export	210.5	187.6	138.7

BOMBAY

July 1914=100)

Commodities	Aug. '43	July '43	Aug. '42
Cereals ..	7	200	196
Pulses ..	2	281	286
Sugar ..	3	248	246
Other Food ..	3	279	280
All Food ..	...	235	234
Oilseeds ..	5	170	172
Cotton, Raw ..	5	94	94
Cotton, Manu- factures ..	6	282	297
Cotton Textiles	2	83	83
Hides & Skins	3	99	99
Metals ..	5	735	740
Other Raw & Manufactured Articles ..	4	228	232
Non-food ..	..	271	275
General Index	..	258	260

CALCUTTA

(Prices in July 1914=100)

Commodities.	Nov. '43.	Oct. '43.	Nov. '42.	Sept. '39.
Cereals ..	317	424†	220	80
Pulses ..	433	434	226	99
Tea ..	120	123	305	142
Other Food Articles ..	588	583	371	125
Oilseeds ..	310	319	186	100
Mustard Oil ..	229	215	105	81
Jute, Raw ..	114	108	107	80
Cotton, Raw ..	162	178	127	75
Jute Manufactures ..	197	199	166	102
Other Textiles (Wool and Silk) ..	202	202	194	110
Hides and Skins ..	101	98	91	67
Metals ..	303	293	286	147
Other Raw and Manu- factured Articles ..	240	236	156	95
All Commodities ..	314	334	227	106

† Officially controlled prices of rice taken into account.

BANGALORE

July 1914=100

Particulars.	July 1943.	June 1943.	July 1942.
Food Grains and pulses ..	284	314	179
Oils and Oil seeds ..	267	276	170
Other food articles ..	303	297	181
Textiles ..	296	356	165
Others ..	349	339	200
General Index Numbers	306	213	186

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