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The Fertilizer Industry

IMPATIENCE of, and even annoyance with, criticism may sometimes be justifiable, as when a person finds that some of his most urgent plans on which he has set his heart are sought to be held up by ignorant or hostile critics. We can, therefore, understand the disconcertment of the Government of India and of the Hon'ble the Supply Member in particular when they find that their well-intentioned efforts to set up at long last a fertilizer industry in the country, far from meeting the enthusiastic response and support of the public, are examined in minute detail and a lot of questions put to them. Yet, in fairness to the public, it should be conceded that their questions are not only legitimate but raise such fundamental issues that it would be foolish of the Government to ignore or cavil at them.

The need for establishing a fertilizer industry as quickly as possible is recognized by all; but it is also necessary that the industry should not at the very start be weighted with a heavy handicap in the form of foreign vested interests in ownership, direction, management and financial basis. On every one of the above the misgivings of the public seem *prima facie* justified. In the first place—although this is a minor point—one would like to know why the establishment of a fertilizer industry which, on Government's own showing, will not deliver the product in less than two to three years from now should be within the purview of the Supply Department. Three departments at least would seem to have a better claim to take charge of this matter. The Food Department—in so far as it is interested in using the manure for the "Grow-More-Food" programme—, the Agricultural Department as part of its programme of agricultural development and the Industries Department as the establishment of an industry is obviously a matter which should come under it. Perhaps it may be that U.M.G. will be more willing to treat the demands of the Supply Department as more urgent for war purposes, and this may explain the allocation. Be this as it may, the Government of India are missing in their duty to place first things first and in not arranging for the import of ammonium sulphate to the need

two years before which production in India would not be possible. The scarcity of shipping space or difficulty in switching off to the production of fertilizers in Britain and America may have been valid reasons in 1942 and 1943. But after the tragic experience of the Bengal famine last year and the threat of famine in many parts of India this year it would be idle to pretend that this country can be contented with a plan for the establishment of an industry which will produce output only in 1946 or 1947, if in the meanwhile people will have to die in their thousands. The Supply Department should, therefore, as part of essential war supplies arrange for the import of 350,000 tons of ammonium sulphate annually from now. This is our first duty. We are surprised that Provincial Governments who seem to have set their hearts on Government-owned plants on *a priori* grounds should have bestirred themselves so little to get the chemical manures immediately, on which depends the difference between subsistence and starvation.

As regards the industry itself, if the choice is between State-owned-managed factories and privately owned-managed units many will be found to favour the former. Weighty arguments may be advanced in favour of the view that only if the production of fertilizers is nationalized can their distribution to the poorer farmers be effectively done. For many years the industry may have to be subsidized; sale and distribution also may have to be at less than cost. Instead of subsidizing the production and distribution of goods manufactured by private enterprise, why may not the Government take up in their hands the entire business? The argument is valid, provided the premises are granted. But what are the facts and probabilities?

It is by now clear that whether the entire capital for the manufacture of 350,000 tons of ammonium sulphate is put up by the Government or not, the management and direction will be in the hands of foreign interests. The I.C.I. will become the managing agents for the Government of India and for the Provincial Governments. It will require a large draft on our credulity to make this country believe that the representatives of the Imperial Chemicals, and of the consortium of British chemical plants manufacturing companies who are here as technical experts to advise us have been sent down out of love for the Government of India or the people of this country. Everyone admits the need for the assistance of foreign technical experts. But if the Government of India have the interests of this country at heart, they should have proceeded on the old basis of association with Indian private industry and have used the latter to get such technical and other advice as may be needed. In making the proposed industrial units entirely governmental, what the Governments—Central and Provincial—will be doing is to exclude Indian business out of them. British businesses will be there in the administrative and managerial capacities and past experience shows that it will take years before Indians can hope to replace the British experts. The real choice before the country is not between Government *versus* private enterprise but it is between Government-*cum*-British enterprise *versus* Government-*cum*-Indian enterprise. This being so, we have no hesitation in saying that the way in which the Government went back upon the agreed conclusions with the representatives of Indian industry by which 51 per cent. of the capital should be subscribed for by the Government and 49 per cent. by Indian industry is most injurious to the country's welfare and reflects little credit on the intelligence of the Government.

It may be that as a sop the Government may so far yield to the pressure of public opinion as to permit a certain portion of the shares to be subscribed by the Indian public or industrialists. But if that be done, we may be sure that the British industry and I.C.I. will have at least an equal share. Indeed it is widely believed and the denials have been so weak that they only add to our suspicions that already the Government have committed themselves to granting a considerable share of the ownership of the business to the the I.C.I. and the Consortium of British Plant Manufacturers. Lest we should be charged as irresponsible, we shall let the Development Commissioner of Bihar, a Civilian, speak. After pointing out how Bihar will have a plant for the production of 60,000 tons of ammonium sulphate, he goes on to add: "A suggestion has been made that the Governments of India and Bihar between them should contribute one half of the total of Rs. 2 crores and the other half should be contributed by the Imperial Chemical Industries and others." This is a statement by a responsible officer of Government who knows what he is talking about. Indeed, all such evidence is unnecessary. What is the *quid pro quo* for these big British industries who have agreed to come out and help India unless they have been assured or are confident of securing a share in the capital assets of the industry and a share in the direction and management?

Much as we should like the immediate setting up of plants for the production of chemical manures in India it should not be by the entrenchment of powerful British vested interests which would hold the country in their grip. Apart from these grounds, there are others which also point to the need for caution. All the propaganda regarding the rich experience of the British plant manufacturers is slightly overdone. The fact is that in this industry America has much greater experience and India will do well to draw more freely from her. Travancore is going ahead in face of great odds with its plan of production by arranging for machinery from U.S.A. The cost of the American plant is said to be decidedly lower than the most conservative estimates given by the British manufacturers. The Government of India would have served the interests of the country better had they given encouragement and support to all industrialists who are and have been anxious to put up plants for the purpose. Heavy financial basis, overcapitalization, and British managing agency are likely to be the logical outcome of the present plan for the establishment of a fertilizer industry in India. If H.M.G. are genuinely anxious to help India, let them immediately arrange for the supply of 350,000 tons of ammonium sulphate and grant facilities for the Indian scientific and industrial experts to visit Britain and America with a view to arranging for the import of the plants which they need.

We can understand the anxiety of H.M.G. and the Board of Trade and of the Secretary of State that British business firms, and not American, should have if possible, a hand in this key industry of India. But the same anxiety on the part of the Government of this country should point to the need for keeping this industry free from British or American control and employing foreign experts only as employees. There is plenty of talents in India—scientific and industrial—which can choose the correct kind of processes, decide the proper location and order the right kind of plant. It is also glaring to note that a Government which through its control of capital issues seeks to place all sorts of restrictions on indigenous activity on the ground that the right of the future Government to impose regulations should not be prejudged has absolutely no compunction or scruple in prejudging the fate of a key industry by practically letting the I.C.I. have a controlling voice in direction.

The Future of a System

THE recent American legislative gesture hastening the attainment of political independence of the Philippines, the Wallace-Chiang declaration and the recommendation of the last I.L.O. conference for a regional labour conference for Asia, have all combined to bring to a focus the future of a politico-economic system which ruled in a region now commonly called South-East Asia. The system itself has not been peculiar to this region, but it is in this region only that the system has met the most direct impact of the war and a calamitous 'unsettlement.' Further, this region is fringed by a chain of countries—India, China and Japan—which will by all tokens undergo significant political revaluations at the end of the war and this in itself brings to the foreground the question of the post-war status and development of this region where the entangled interests of several imperial systems meet so inextricably.

The chain of events which culminated in the 'freezing' order of July 26, 1941, and the denunciation of the Anglo-Japanese Treaty of Commerce of 1911 and eventually the overrunning of American, British, French and Dutch interests in this area, connoting the final collapse of a system, was 'outcome of economic aims and sequences at variance with one another. In the South-East Asian region itself where the different imperial systems had established themselves on the basis of territorial sovereignties, the incompatibilities did not declare themselves so openly as in the regions further north where open door, extra-territoriality and gunboats were the basis of a mutual balance of foreign interests. Notably through the Washington conference and the readjustments of British policy in 1926-27, desultory efforts were indeed made to take cognizance of the need of fundamental changes. The situation is not favourable for a basic change when the major parties who could move were themselves caught in a vicious matrix of events which proceeded as in a pre-determined and irresistible course. However, the intervention of a global war is itself of the nature of a welcome watershed which gives respite not only for thought but also for constructive efforts.

In view of the new Paper Control Order, the size of the Eastern Economist has had to be seriously reduced and in consequence many of our features have to appear in an attenuated form. We hope our readers will bear with the inconvenience until the Government see their way to modify this order.

It is idle to attempt escape from the fact that the colonialism as represented in the South-East Asiatic regions, whatever its local political variation under the different imperial systems, was restrictive of the full economic development of these regions. The region as a whole is rich in some of the very important natural resources, but none of the individual political units taken singly has even nearly all-round self-sufficiency of an autonomous economic region. Nevertheless they together form an economic *bloc* of great value, essentially complementary to *blocs* like India or China; and Japan's dream of a co-prosperity sphere comprising this region and China, whatever its political validity was not altogether unrelated to economic realities. As it is, under the pre-war political system, the region developed chiefly as the provider of raw materials and was in the main a field for investment largely restricted to the capital of the mother countries respectively. True, a substantial mass of indigenous interests have also grown up but they were largely peripheral to the system and in commercial rather than industrial field. Foreign-built railways, foreign-run shipping, foerign-managed banking, insurance and trade, even foreign-administered municipalities and public utilities, foreign-built schools and hospitals formed the essential make-up of a colonial economic and social system crucially oriented to the 'mother' country. Inevitably the benefit of this superstructure also flowed over in some measure to the inhabitants of the regions, but except in such cases as missionary institutes, they were built not for their essential value to the economic development of the region but for their contribution to the commercial possibilities of exploitation of the natural resources of the region. Expanding commercial possibilities led to increasing investment of capital as with "functional interdependence" as Callis puts it in his *Foreign Capital in South-East Asia*. The result was a backward and subservient economy, fully at the mercy of the economic fluctuations in the industrial countries, singularly lacking even a tolerable standard of social services and with hardly even an income tax system which could implement such social services. Even in the French and the Dutch territories where racial assimilation has proceeded further than in British territories, the general economic and political set-up remains essentially the same.

It is this system that is under judgment, and it is against this "coolie economics" that Mr. Henry Wallace so recently directed his attack. The British Government as also the refugee Dutch and the French Governments in London are as anxiously awaiting for the "liberation" of Europe as for the "re-conquest" of their lost territories in South-East Asia. But in their anxiety to return to these lost territories, they must also be vaguely aware that economically and politically these territories will not be the same when they return to them. In Malaya, for example, much of the rubber estates have probably been slaughter-tapped and otherwise destroyed and in any case the economic value of these estates has probably suffered irretrievably due to the development of synthetic and natural substitutes for rubber during the war. Similarly the Japanese were so acutely short of steel that according to reports, they were compelled even to melt down many sugar machinery, etc., in the Dutch East Indies for scrap. In general the war-time economic adjustments of the 'plantation economy' will call for a far-reaching measure of industrialization and scientific farming. Politically also, the leavening of ideas has proceeded far enough for a reversal of trend. Further, as Mr. Henry Wallace observes, "The orderly progress of Russia, China, Korea and the Philippines—the Free Asia—would set up a tremendous pressure favouring orderly emancipation in colonial areas" and even if the pre-war colonial system is re-instated intact, so far as immediate circumstances permit, the overpowering pressure of the new trend of forces would be working against it steadily and surely.

Nevertheless, either in international conferences or at the level of imperial policy making, evidences are distressingly scanty of a creative re-examination of imperial relationships with the colonial peoples such as would be necessary to meet the radically new

type of demands which would be forthcoming at the end of the war. The emphasis is still laid merely on ameliorating the economic conditions of colonies under a paternalistic Government and little on the need of valid political framework and full development of economic potentialities. Old methods and old relationships have failed beyond peradventure, and the authoritative call by Vice-President Wallace and Marshal Chiang for a new attitude, on the economic and political plane, to this region and in general to Asia, has been timely. The method of mandate or "open door" stands discredited and the Wallace-Chiang declaration categorically wants "the recognition of the fundamental right at present of dependent Asiatic peoples to self-government and early adoption of measures in the political, economic and social fields to prepare these dependent peoples for self-government within a specified practical time-limit." Peace and prosperity of the world are indivisible and bound up with the peace and prosperity of this crucial region. Mr. Wallace, on his part, has no doubt that the United States should, in her own interest as that of the world at large, render all material assistance on the economic plane and all moral support on the political plane so that these regions could rapidly step "out of colonial subjection and coolie economics to self-government and an economy of opportunity and reward."

The Week's Notes

FAILURE IN THE FIRST ROUND

The expected has happened. It has been reported that the International Monetary Conference at Brettonwoods has turned down the proposal of the Indian Delegation that the Fund should provide for the liquidation of India's blocked sterling balances. It will be remembered that the White Plan did provide for the multilateral clearing of the abnormal war balances as they were called within a period of time. The new Stabilization Fund by omitting this part of the scheme knocked all of India's interest in it. Yet in the belief that our case should not go by default we had urged India's participation in the Conference. Now that our attempts have failed, we are thrown upon the only course open to us of entering into a bilateral—but as we fear really unilateral—arrangement with Britain. How far we shall be able to get satisfaction time will soon reveal. But the immediate question is: Should India care to be part of the International Monetary Scheme? There are clearly no advantages in being a member of the Stabilization Fund, for on current account India will not be a debtor. As for loans, whether we need them or not will depend upon partly how far we shall be able to secure repayment of our credit to Britain, partly upon how far the machiney of the proposed World Capital Bank will prove useful to us and finally upon the rate of economic development we plan for. After the way in which India has been let down by the U.N.R.R.A., we should hesitate to embark upon any international commitments. The case for India's joining the International Monetary Scheme has yet to be made out. Without political power no country will be able to secure effective consideration of its point of view, much less justice. The argument that the dimensions of these war balances are such that they will swamp the machinery of the Fund, even if true, cannot be admitted as valid because it only proves the need for recasting and reframing the machinery of the Fund.

TAXATION AND INDUSTRY

It will be remembered that on several occasions we have been pressing for a remission of the tax system with a view to stimulate and not hinder industrial development. We contended that the reform should follow two main lines. Firstly, there should be a big difference in the rates between personal incomes and those profits put to reserve for the development and extension of the business; and secondly, that "profits" should be defined for tax purposes in the same way as prudent business practice would define it. In other words before a business can be said to have earned a profit, it should have provided for full wear and tear and replacement, for research and for all expenditure essentially incurred in the making up of profits. The British Chancellor of Exchequer had something interesting to say on the above. He would not accept the first proposal on the ground that this would be giving relief merely for the act of saving whereas according to him relief should be directly proportional to legitimate expenditure incurred in the business. Thus his new proposals include besides the existing allowances for wear and tear and depreciation a special initial tax free allowance of 20 per cent. of the cost of new equipment. Industrial buildings hitherto not eligible for wear and tear allowances are to be included in the scheme under which a depreciation allowance of 2 per cent. per annum with an initial allowance of 10 per cent. would be allowed. Secondly, relief in respect of research is to be extended. Hitherto the practice was to exempt from tax expenditure of a revenue character but not capital expenditure. The Chancellor had now proposed that any research expenditure of a capital character which means normally expenditure on laboratory buildings, plant and machinery should be allowed over a period of five years as a deduction from profits for income-tax purposes.

While these proposals are sound as far as they go we cannot agree that the case for reducing the rate on undistributed profits has been weakened. The erection of buildings and plant for which relief is given is not the only way of promoting economic development. Business cannot stand the heavy taxation now imposed on undistributed profit and the remedies proposed by the British Chancellor are only partial. In the last budget recognition of the principle of differentiation was implicit but in its operaton it did not go far. We would commend to the Finance Member these new reforms introduced in Britain for application to India.

IMPORT OF FOODGRAINS

The statement of eminent political leaders and industrialists on the need for import of foodgrains is a timely reminder that the food crisis has lost none of its seriousness and that complacency on the part of Government will lead to a recurrence of the tragic happenings of 1942-43. Obviously in reply to this public statement, the Government of India have hastened to issue a *communique* to say that since October 1943, 400,000 tons of foodgrains have been imported and that H.M.G. have arranged to send a further quantity of 400,000 before the end of 1944, thus bringing total imports into India during the 12 months October 1943 to September, 1944 to 800,000 tons. His Majesty Government, it is said, will review the position early in August 1944 and again in November 1944. Even according to the Government's own version the position is far from reassuring. The imports

of the first 400,000 tons have only been 'almost' completed, while the further 400,000 tons are only a promise whose implementation will depend on unpredictable factors like the progress of the second front and shipping position. While only less than 400,000 tons have been imported in the ten months uptill June 1944, what assurance have we that a bigger quantity will be made available in the next two months? The Gregory Committee recommended the importation of one million ton of foodgrains every year to create a central foodgrains reserve with which to curb defeatism, draw out supplies and bring down prices. The Government of India have failed to act up to the recommendations which they have accepted themselves. The crop forecasts for the 1943-44 season show a decline in the wheat outturn by 615,000 tons, which, having regard to the damage in the United Provinces and unfavourable outlook in other areas, is an optimistic picture, while in regard to rice the happy estimate of outturn at 3,603,000 tons for the 1943-44 season as against 24,896,000 tons for 1942-43 cannot be taken very seriously if the realities in Bengal in face of bright statistical pictures are remembered. The monsoon conditions in Bombay and Madras are also not too bright. By all accounts there is not the slightest room for complacency. If a second famine should threaten to develop, the responsibility for the consequences will be entirely that of the Government now too as it has been before.

THE FAMINE COMMISSION

In pursuance of the undertaking given to the Central Legislature last fall, the Government of India have promulgated an ordinance providing for the constitution of a Commission of Enquiry into the "causes of the food shortage and subsequent epidemics in India and in particular in Bengal in the year 1943 and to make recommendations as to the prevention of their recurrence." It must strike the public as a curious procedure that the announcement of the terms of reference should be unaccompanied by the announcement of the pesonnel. Nevertheless, the terms of reference must themselves raise the doubt whether or not the Commission is intended to be merely an innocuous affair. The shunting off of a full-fledged enquiry into a grievous tragedy to the task of making pious recommendations about the possibility of improving diet and the quality and yield of food crops, such as the announced terms of reference seem to suggest, would at once make the Commission suspect. If the Commission is expected merely to "go into greater detail as regards distribution than did the Foodgrains Policy which covered some of the same ground last August," it is clearly a superfluous addendum which cannot inspire public confidence. From what is known about it, neither can it arrogate to itself the function of an Agricultural Planning Commission in attempting comprehensive surveys and sorting out of factual data. Nor, expressly, can it "impinge on the functions of the Health Survey and Development Committee." It is, therefore, difficult to see what useful investgations or recommendations it could make about the after-famine epidemics or the possibility of improving diet or food crops. According to report, Sir John Woodhead, an ex-Bengal civilian, is tipped for the chairmanship, while what was needed was an impartial chairman "completely outside the field of Indian politics," to quote the terms of motion adopted by the Council of State in November, 1943. The delay in the announcement of the personnel is odd, although there is no confirmation to the report that two prominent public men who were approached for membership refused it and the membership of the Commission "may go abegging." The Famine Commission cannot be transformed into either a duplicate Gregory Committee or the Planning Commission: it is intended to be and must remain in the main a full-fledged post-mortem into a tragedy. With an impartial and competent personnel, it must be able to pronounce judgments and without fear transfix personalities or Governmental system or whatever caused and aggravated the holocaust.

THE FUTURE OF PALESTINE

The future of Palestine is to be determined by the Governments responsible for the establishment of "the coming world order of peace and justice." This is the reply which President Roosevelt has given to the Arab Political Party's first direct appeal (over the head of the mandatory power, Britain) that Jewish immigration to Palestine be halted and that Jews be prohibited from acquiring further land. No constitutional changes are to take place until the moment suitable for settlement comes, and when it comes the claims of the Jews will be considered equally with those of the Arabs. To us in India both the problem and the solution have a familiar ring, provide another example of how imperial and commercial interests can complicate the simple question of nationalism into the false one of multi-national rivalry and illustrate the obvious devices to delay political liberation. There is, however, one difference. The fate of Palestine is to be a matter for international arbitration and settlement, India is to remain a domestic problem of the British Empire. The Palestine problem in itself is fairly simple and clear Arab nationalism is bursting for self-determination and Britain pledged herself to a recognition of this right as long ago as 1915 when Sir Henry McMahon, the British High Commissioner in Cairo, wrote his famous letter to Hussain, the Arab leader. This clear promise was whipped down and even rendered without substance by the subsequent promise which Britain made to the Jews in the Balfour declaration of 1917, favouring the establishment in Palestine of a 'National Home for the Jewish People.' History records no example of such a promise which pledged to settle a people in a land which they held some two thousand years ago, which they had long before left and which had been occupied by another people for many centuries. The history of the mandate in Palestine under Britain is the history of attempts at reconciling these two conflicting promises and of putting down in the name of law and order. Arab uprising to secure their rights. The Jewish immigration to Palestine has gathered increasing strength and the Arabs are alarmed by the fact that the Jews who formed only 10 per cent. of the total population in 1919 had grown to 30 per cent. by 1936, and that the rich and educated Jews had captured the trade and industry of the country, purchased the best land and were creating a class of landless labourers among the Arabs. The Peel Commission's Scheme of Partition of 1937 with provision for a British-controlled corridor was acceptable to none (let us not omit to note the identical British policy in India leading up to partition by encouraging domestic differences); meanwhile Jewish immigrations, both legal and illegal, is going on unchecked and Arab uprisings are put down by force. President Roosevelt's solution which sets the seal for the present on the *status quo* and is no solution at all is naturally unsatisfying and disturbing to Arab opinion. The fact seems to be that President Roosevelt is playing for American-Jewish support in his presidential campaign in much the same way as Britain issued the Balfour declaration of 1917 as a strategical bid for the support of the Jews, especially those of the U.S.A. at a critical stage of the last war. This is a strange way indeed of establishing "the coming world order of peace and justice."

REPUBLICAN NOMINATION

Will there be any fundamental change in American policy if Mr. Dewey replaces Mr. Roosevelt at Washington? Extraordinary international interest attaches to the question, for if he succeeds, he will be at the helm of the affairs of the world's first power at a crucial moment in the world's history. Mr. Dewey kept his mind closely guarded before nomination, and even his election pledges go very little beyond the familiar lines of Republican attack against the Democratic Administration. Originally to effect the New Deal and subsequently in order to win the war, there has been considerable centralization of authority in the hands of the President at the expense of the State and Departmental authorities. The Republicans naturally represent it as increasing tyranny and Mr. Dewey has pledged to "bring an end to one-man government in America." He thinks that there has been much "wrangling, bungling and confusion" in the vital matters of taxation, price control, rationing," etc., but he does not indicate the line he proposes to adopt in improving these matters.

But the manner in which he proposes to face post-war demobilization problems offers a clue to the general economic policy which his administration may pursue. He has condemned in unequivocal terms the New Deal policy of public works and Governmental interference with business, and has expressed his faith in a full employment policy through the expansion (and perhaps stimulation) of private industry. The traditional faith of the Republican Party in the freedom of private enterprise and local autonomy offers a convenient criticism of the increasing interference under the Democratic Administration of Mr. Roosevelt. But this cannot be expected to bring about any radical conflict of social principles or policies in the ensuing election. In view of the well-known peculiarities of American democracy, the Democratic Party can hardly be expected to take a stand nearer to any kind of *etatism* or socialism than the Republicans. The New Deal interference with Business was only to help it in a crisis. Due to several factors, the American business today is more confident of offering the nation full emptoyment after the war than during the depression. One of these is the growing political influence of America all over the globe which offers her widening horizon of economic expansion. Mr. Dewey's idealization of 150 years of America's "rugged individualism" is not without significance. The American foreign policy will also follow this shift in emphasis from order to liberty. Mr. Dewey indicates a preference to rely on America's internal strength for the realization of her international objectives than on any world order. But it cannot be expected that the Democratic Party will miss the signs of time. Possibly the programme it will offer will speak as much of "rugged individualism" as Governor Warren's keynote address, in domestic as well as foreign policy. And the American people may choose to dismiss the Democratic Administration for no other reason than just for a change.

SEA-BORNE TRADE DURING 1943-44.

There has been a recovery in India's foreign trade during 1943-44 (April to March). Total exports have increased from Rs. 194.70 crores in the previous year to Rs. 210.16 crores, and the imports from Rs. 110.44 crores to Rs. 118.85 crores. But it is still below the trade in 1939-40 when the exports were Rs. 213.57 and imports Rs. 165.29 crores. The balance of trade is larger than in any previous year. It is as much as Rs. 91.31 crores compared to Rs. 79.74 crores in 1942-43, Rs. 84.26 in 1941-42 and Rs. 48.28 in 1939-40. There has been further increase in the import of food and raw materials and decrease in that of manufactures. Oil is the largest single item of import, accounting for over Rs. 36 crores. Raw cotton follows with Rs. 17.5 crores. Machinery, dyes chemicals, vehicles, wool, non-metallic minerals, hardware and cutlery follow in order of value among imports. The exports of Indian merchandise amounted to Rs. 199.20 crores. Jute manufactures (Rs. 49,46 crores), cotton yarn and manufactures (Rs. 42.47 crores) and tea (Rs. 37.54 crores) together account for nearly 65 per cent. of India's exports. Seeds, jute, raw cotton, and hides and skin are the important exports in order of value. The export of cotton goods has fallen by over Rs. 3 crores while that of jute goods has increased remarkably by Rs. 13 crores. There has been considerable change in the direction of India's foreign trade. Exports to U.S.A. has markedly increased and stands at Rs. 40.2 crores, compared to Rs. 27 crores previous year. That to U.K. has also increased a little, that is, from Rs. 57 crores to Rs. 60 crores. Middle East countries absorbed less of our exports, than in the previous year. There has been a greater diversification of India's export market. Imports from U.K. are Rs. 29.80 crores, compared to Rs. 29.55 and has slightly increased. Those from Iran have increased markedly, that is, from Rs. 17.7 crores to Rs. 27.5 crores. There has been considerable increase in imports from other Middle East countries as well. It is easily accounted for by India's large requirements of mineral oil and Egyptian cotton. Imports from U.S.A. has declined considerbly from Rs. 19.1 crores to Rs. 18.3 crores. The distribution of India's favourable balance amounting to over Rs. 91 crores is as follows: U.K. Rs. 3.89 crores, U.S.A. Rs. 21.89 crores, Australia and New Zealand Rs. 10 crores, South Africa Rs. 7 crores, Ceylon Rs. 11 crores, West Africa, South America and West Indies about Rs. 10 crores, and other countries Rs. 10 crores. Our adverse balance bilaterally is mainly to Iran amounting to about Rs. 26 crores. It need hardly be stressed that the above figures do not include the large volume of Government transactions so important, these days in exports as well as imports.

INDIA AND THE U.N.R.R.A.

The U.N.R.R.A., it will be readily recalled, was alleged, at the time of its inception, to have been started with a view to helping in the rehabilitation of areas devastated by war and arranging relief for others in distress due to war conditions. In the Central Legislature, therefore, when the question of India's participation in the Administration came up for discussion, it was urged by the Opposition parties that India should be included among the beneficiaries. Bengal's harrowing misery has been due in no small measure to conditions that have inevitably been created by the war. There was force in the argument and the India Government and subsequently the Council of the Administration also accepted the extension of the scope of its relief operations and India became entitled to receive succour. Another point that was stressed during the Assembly debates was that India's contribution towards the expenses of the Administration should be determined only on the basis of her ability to pay and not on such specious considerations as her population, etc. This demand arose as a protest against past practice. In assessing, for example, India's contribution to the League of Nations, India was treated on a basis of equality in its capacity to bear a financial burden, with such an industrially developed and prosperous country as the U.K. There are reports, however, that H.M.G. have decided to oppose India's entry into the Administration on an honourable basis of equality just due to these two reasons. This is the first time since the Treaty of Versailles that India is being denied a seat in an international conference. India found a place on Naval Limitation, on the World Disarmament Conference where the Indian vote could usefully reinforce British voting strength. On the present occasion, the inclusion of an Indian representative would only add to the liabilities, by reason of any possible demand for relief she might make on the Administration. The U.N.R.R.A. would be the first essay in international co-operation after the war and it should at least begin work with a fund of goodwill on all sides.

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SPECIAL ARTICLES

A World Trade Organization

By Clark Minor

WAR has taught us much about the art of international co-operation. It should be the aim of all men to continue this co-operation after victory over the Axis. In the field of international trade particularly, business men and Governments must learn to work together to promote an infinitely greater flow of trade between all nations.

It is not necessary for me to describe the consequences if we stubbornly and stupidly refuse to do this. The intensely nationalistic trade practices of the past were in some measure responsible for the present war. And if we resort to these practices in the years ahead, we shall never achieve the goal of people everywhere—full employment, which leads to prosperity, which leads in turn to contentment, which leads in the end to peace.

But the establishment of truly effective post-war international economic co-operation will require thought, work and the same willingness to thresh out problems that is now shown by the military authorities of the United Nations. It will also require our immediate attention.

For years the leaders of the world have been saying that the various countries must put their heads together and stop this bickering. Some honest attempts have actually been made in this direction. But little has developed. When harmony of a sort prevailed, there was no desire to stir up possible trouble by promoting something new; and when fights raged, we were all too busily protecting our own interests to look into the future. Consequently, the day for positive action never seemed to arrive.

But war did. And because of the war, the slate has been wiped clean. Old agreements, old alignments, old laws, prejudices and practices—almost everything that impeded world trade has gone by the Board. Before we can start trading again, we must revise tariffs, establish new administrative controls, rewrite custom laws and regulations.

Never was there such an opportunity, never so many reasons for acting to establish world trade on a sane, solid and broad basis. But exactly what sort of action is called for?

Emulating the International Labour Office and the military leaders of the United Nations, the business men and Government officials of all countries must collaborate (1) to define the rules for carrying on world trade, and (2) to set up an organization to interpret and arbitrate those rules for the benefit of all member nations.

This requires multi-lateral agreement. Fortunately, Article 7 of the Mutual Aids Agreement provides the nucleus for that. It states: 'In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of worldwide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the adjustment of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 21, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

"At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments."

Beginning at this point, the various nations should be able within a reasonably short time to reach an understanding on the general rules governing world trade. Of course, there are countless principles that will have to be agreed upon. Many of these—covering rights of entry and property ownership, access to raw materials, freedom of ownership, etc.—have already been defined to the satisfaction of all people. But others remain to be considered.

For instance, the principle that alien traders in and the citizens of a country are entitled to the same treatment should be affirmed. So should the principle of unconditional most-favoured-nation treatment. Excessive or unjust customs formalities, double taxation and exchange restrictions should be eliminated. Unfair competition should be limited. The validity of arbitration clauses in international commercial contracts should be recognized by national courts. With certain exceptions, import quotas should be prohibited. Equality of treatment should be guaranteed to all traders of all nations. Restrictions on exports and restrictive export taxes should be abolished. Provisions should be made for consultation on the subsidization of exports and imports, on trading arrangements and tariff adjustments.

Agreement on these points will not be reached overnight. No two nations think alike. In discussing these objectives, they will certainly find grounds for argument—just as the military men of the United Nations do. But because they have a common goal of far-reaching importance to the welfare of the world, I am sure they will, like the military men, compose their differences and arrive at satisfactory solutions.

Once this point is reached (and it is to be hoped that it will be reached before the war's end, and that the various Governments will commit themselves to abide by the over-all agreement), the interested Governments, aided by business, should move promptly to establish an international commercial organization of experts from Government, business, labour and agriculture. This body will not have policing powers (in case a nation short-circuits the agreement, its most-favoured-nation privileges will be automatically abrogated); neither will it have any right to intrude upon the domestic problems of member nations. Rather, its duties will be confined, broadly, to providing information, interpreting agreements and conventions, investigating world-trade problems, recommending changes in existing agreements and arbitrating differences between nations.

I have no doubt that such an organization will prove its value.

In order to assure the outcome, however, it will be necessary for every nation to straighten out its own internal affairs. For no one-man, business or State—can work happily and successfully with others if something unhealthy is gnawing at his vitals.

We in the United States have a big job to do in this respect, because, although we started life dependent on our international trade, we have withdrawn more and more into ourselves. This is our most serious problem as we look into the future; but gradually we are solving it. We are learning that we cannot live alone in a world closely bound by swift communications and the spirit of collaboration engendered by war.

Other American problems also demand solution. For instance, our government and our business men must learn to work together. Our Reciprocal Trade Agreements must be extended to cover more nations and more commodities. Our industries must be encouraged to further industrialization abroad while our Government is discouraged from making almost unlimited loans to other countries. And so on.

All of these are personal problems, and we cannot and do not ask for outside help in finding the answers to them. But I think we can be guided by the examples set by other countries in respect to them.

Similarly, I think other countries should be guided somewhat by the example we set in the United States.

It is not for me to express an opinion as to what India should and should not do. I hope, naturally, that she will continue her rapid war-time expansion of industry. I hope that she will raise her standard of living. Because this will bring greater happiness to her millions, and because India, with her immense population, her enormous resources and her wealth can become an increasingly important market for United States goods and an increasingly important supplier of the materials and products we need.

Above all, I hope that the United States and India will develop a better mutual understanding of each other.

In the General Electric factory in Schenectady, two young Indian engineers are now continuing their study of electricity while working with us to produce materials for war. At the same time, they are getting a clearer picture of the United States, what it stands for, how it works.

This is international co-operation on a tiny scale. But it paves the way for international co-operation on a huge scale. As I have said before, such co-operation is the means by which we can attain the freer trade, hence better world we all so earnestly desire.

New York

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THE WORLD ABROAD

The Monetary Conference Begins

(From Our Washington Correspondent)

WASHINGTON, June 5, 1944 (By Cable.

THE International Monetary Conference opened this week in Washington amid optimistic expressions by high officials as contrasted with feelings of strong misgivings expressed by many in the United States financial quarters and that section of the Press which usually reflects business men's point of view. On the necessity for stable exchanges and a healthy world monetary climate in which trade and commerce can flourish in the post-war period there is unanimous agreement. But there the agreement seems to end.

Even before the deliberations of the Conference began there were plentiful indications that it would be tremendously difficult to obtain acceptance of the projected Stabilization Fund in either the Congress or the British Parliament. Many British authorities look askance at the Fund's emphasis on gold and fear the possibility of a post-war deflation. Critics dislike the idea of underwriting the weaker currencies which is inherent in the Plan. There is also criticism in diplomatic circles here that the proposals offered by the Conference for adoption contain fundamental weaknesses which, if not corrected, would cause failure within a few years. They contend that the eight billion dollar fund would be insufficient to accomplish stability. They claim that the Fund could not survive prolonged withdrawals which it would have to suffer to be able to support the weaker currencies. It is also complained that any nation could withdraw from the Fund virtually at will and that inadequate safeguards have been provided, in the Plan, against inflation of currencies by individual countries. The most telling criticism, however, is that the Fund cannot succeed unless the United States and Britain work for reduced trade barriers. On the eve of an election year the United States' future trade policies are necessarily uncertain and it is felt by many that the necessary adjustments that must be made in the British Empire's Preferential System may not be forthcoming.

President Roosevelt, in a statement issued on the eve of the Conference, has stated that he had "confidence and hope" in the Conference which was meeting to help in shaping the future even while the war is on. Elsewhere, however, there is criticism that the very fact of war makes its impossible to estimate the parity values for stabilization of national currency units. The *New York Times* has pointed out that the "main proposal for stabilization.....quite misconceives the nature of the problem to be solved and therefore attempts to solve it from the wrong end." The *Times* complains that the Fund commits itself to bolster up weak currencies in the international exchange market but has no control over internal policies of the countries with such currencies. The *Times* fears that it "seems probable that loans could only lead to huge waste of funds, and a temporary world inflation with subsequent collapse." It urges the Conference therefore to adopt principles under which individual nations would guarantee to make their currencies sound internally and says that the United States must take the leadership by balancing its post-war Budget, lowering tariff barriers, refraining from import quotas and exchange restrictions, offering moderate gold loans in return for a pledge by the other countries concerned, and instituting reforms to ensure a sound currency and internal fiscal policy. The *Washington Post*, however, calls immediate post-war budget balancing, in view of British antipathy to retrenchment, which woud provoke deflation, unemployment and shrunken trade, unfeasible and says that the first step must be expanded world trade through the Stabilization Fund and a World Bank. It takes note of the fact that the hardest task will be the enlisting of Congressional support for the proposals to be adopted at Bretton-woods. An example of this difficulty occurred on Sunday when 25 Senators in a letter to President Roosevelt stated that the Stabilization Plan suffers from a "basic organic defect" in that no place in it has been assigned to silver. They pointed out to the President that their views should be known because "whatever plan is ultimately adopted, it will have to be approved by the Congress," and this is adjudged a sufficient warning. The Senate's famous Silver Bloc can and may cause rejection of the entire Plan unless considerable missionary work is done.

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Money Market

Falling Demand for Funds—Disconfidence of Bears in Silver Section—Recovery in Textile Shares

(From Our Correspondent)

BOMBAY, July 2.

EVERY index of money market points to the fact that the traditional slack season is in full swing. Although the Monsoon has yet to break, it has begun to cause some concern to marketmen, particularly to those interested in commodities. Although banks have been reporting substantial withdrawal of deposits presumably to meet payment of taxes, the market is still flushed with funds. The balances of Scheduled Banks with the Reserve Bank of India have crossed the Rs. 100 crore mark. There has hardly been any inquiry for call money. Even the half yearly closing of accounts by the banks failed to provoke any demand for funds for purposes of window dressing, with the result that the inter-bank call money rate has remained unaltered at the irreducible minimum level of ¼ per cent. per annum. Banks take no particular interest in short term deposits. Three months funds are quoted at ½ per cent. and six months at ¾ per cent. Twelve months deposits are accepted at 1¼ per cent. by all the big banks, while some of the newly established banks and the smaller ones offer 1½ to 2 p.c. A month ago Scheduled Banks' advances and bills stood at a little over Rs. 227 crores, while on June 23, 1944—the latest date for which figures are available—they were only Rs. 223 crores. A fall of Rs. 4 crores on a total of Rs. 227 crores may not mean much. Nevertheless, it is sufficient to show that the upward trend in advances and bills, which continued practically uninterrupted during the last four months, has now been definitely arrested. This is only as it should be, in view of the easing of crop movements, and the confinement of activities in the port markets to mostly speculative transactions, which need very little bank accommodation.

Govt.'s Borrowing

The average rate of accepted tenders dropped by 4 pies, from As 8-4 per cent. per annum to As. 8 per cent. This was surprising, because the market believed that, with the banks unwilling to lock up their funds in anticipation of heavy withdrawals to meet payment of taxes in advance, the offerings would be poor, and that, in consequence, the upward trend in the Treasury Bills rate would continue. In fact, their anticipations about falling off in the tenders did materialize and the total amount tendered was Rs. 8.03 crores compared to Rs. 9.67 crores in the previous week, but the rate failed to rise, perhaps because one or two of the bidders anticipating fall in the tender limit for the coming week, and anxious for a larger allotment offered at a slightly lower rate. The tenders invited for the next week have been reduced from Rs. 6 crores to Rs. 4 crores, since the weekly maturities during the month are only of the order of Rs. 2 crores. Even at Rs. 4 crores, the weekly offtake will be Rs. 2 crores in excess of maturities, but such a disparity has prevailed during the past three weeks or so, without materially raising Treasury Bill rate.

The gilt-edged market continues to reflect the plethora of funds awaiting investment. It has remained fully steady. The pressure of funds has been most steady in the dated loans, particularly in the medium dated ones. There has, therefore, been an all round improvement in values. All the defence loans have gone up by an anna or two. The leader of the section, namely, 3½ per cent. Government Paper, however, has remained a shade quiet at Rs. 99.3, as against Rs. 99.4 last week.

Bullion

Both the sections of the Bullion Exchange ruled firm after witnessing somewhat erratic conditions early in the week. Silver for one week delivery, after fluctuating between Rs. 122.7 and Rs. 124.8 in the first few days of the week, recorded a continuous rise in the second half of the week and touched Rs. 129.10 on the evening of June 30. Likewise gold also spurted from Rs. 71.12 early in the week to Rs. 73.14—a rise of no less than Rs. 3 in less than five days. The premium on ready silver continued to be high in the neighbourhood of Rs. 3.8 to Rs. 4, while such in the case of gold was about Annas 3½ after widening at one time to Annas 5.

The chief cause for the notable rise in the value of silver, in the face of encouraging war news, is bear covering, which was intensified by disappointment of bears about Government sales in the open market, and the efforts of the bull operators to terminate the "gentlemen's agreement" regarding the *budli* rate, for carrying forward the outstanding short sales. Some months ago, an understanding was reached between the members of the Bullion Exchange, whereby it was agreed that the rate for carrying forward short sales should be only Annas 8 per 100 tola. This was subsequently changed to Re. one, on insistent demand from the bulls. Such a facility gave wide scope for the bears, when the announcement about lease-lend silver for India was made. In anticipation of sales of silver by the Government of India, they sold heavily, and rather indiscriminately, building up thereby a short position of 20,000 bars at one time. When their anticipations failed to materialise, they became entirely at the mercy of the bulls. Seeing the plight of the short sellers, some of the prominent bulls have been demanding the wholesale withdrawal of the "gentleman's agreement" so that the bears might be forced to carry over their outstandings at the ruling market rate, which means the payment of a *budli* of Rs. 3-8 to Rs. 4 as against the fixed rate of Re. 1. The bulls, of course, argue that their demand is a legitimate one on the ground that the bears staged a raid when the Government announced that Lease-Lend silver would be utilized to fight inflation by offering it to the public. Such a raid, they say, was against the spirit of the "gentlemen's arrangement" which, according to them, was agreed to in order to facilitate the bears to square up their existing commitments within a reasonable time and not to create fresh short sales.

As things stand today, the bears are in a helpless situation, their only hope being an early resumption of sales by the Government. In the meantime, the bears are reported to have made a representation to the Acting Finance Member explaining the present position of the bullion market and requesting that (a) the delivery period be extended to one month, (b) the penalty for carrying forward be fixed as As. 4 per 100 tolas, (c) a maximum price of Rs. 125 per 100 tolas be fixed in order to prevent manipulations by the bulls and (d) the Government should lend silver to the bears returnable ounce for ounce after the war. It is understood that a copy of the representation referred to above has been forwarded to the authorities of the Reserve Bank of India also. It is not known to what extent the Government will listen to this representa-

tion of the bears, but it may be added that their present difficulties are of their own making and their operations were entirely against the spirit of the D.I.R. which expressly prohibits forward trading in bullion in any form.

Stock Exchange

On the Stock Exchange, there was a slight revival of activity in the leading scrips. The most outstanding feature of the week's trading, however, is the sudden change in the tend of Textile Shares. After pursuing, in the earlier part of the week, the downward trend which was noticeable in the last few weeks, the leading scrips in this section began to look up. *Bombay Dyeings* for instance, after declining from Rs. 1,885 to Rs. 1,850, improved to Rs. 1,888-12-0 towards the close. Similarly, *Centuries*, which dropped from Rs. 895 to Rs. 830 recovered to close at Rs. 850. *Kohinoors*, which were at Rs. 612 at the close of last week, receded to Rs. 595 on Thursday last, but closed higher at Rs. 606. The recovery witnessed in the latter half of the week is mainly attributable to a short covering. This is borne out by the fact that, in the majority of cases, the trend continued to be downward, the closing rates showing a further substantial fall.

In distinct contrast to Textiles, Steel Shares continued to move up throughout the week, the turnover being substantial. *Tata Steel Defds.*, which finished last week at Rs. 2,217 spurted to close at Rs. 2,261-4-0 and *Ordinaries* which stood at Rs. 415-8-0 last week improved to Rs. 417. A large volume of business was done in *Indian Iron* as also in its counterpart, the *Steel Corporation*, on reports that the latter would be expanding its productive capacity in the post-war period in co-operation with a leading American steel manufacturer. Consequently, the value of these shares recorded a substantial rise, *Indian Iron* closing at Rs. 38.7 and *Steel Corporation* at Rs. 29.7, as against Rs. 36-14 and Rs. 28-12, respectively, a week ago.

In the miscellaneous section, activity was very much restricted. Stray deals were reported in *Bombay Burmas* at Rs. 435, as against Rs. 412-8 last week. *Associated Cements* lost Rs. 2-8 to close at Rs. 228-8 on reports that a new cement company was going to be floated by some of the prominent Bengal Industrialists. This report was evidently interpretea to mean that, in the post-war period, there will be keen competition in the cement industry. The only noteworthy feature in this section was a marked rise of about Rs. 3-8 in *Tata Chemicals* which closed at Rs. 29-8. Bank shares were featureless but steady, so also Insurance and Public Utilities.

Spurt in Coal Shares

(From Our Correspondent)

CALCUTTA, July 8.

THE feature of the week is the sensational rise in prices for coal shares. There have been no fresh developments favourably affecting companies, but reports that the bigger collieries will succeed in effecting a substantial increase in raising and that there has been a large appreciation in the value of coal lands, have led to heavy buying. Thus, *Amalgamated* have increased by 3 points to Rs. 51-10 and *Bhalgora* by 1½ points to Rs. 17-12. Bengal are nearly 30 points higher at Rs. 666 while there has been a jump in the quotation for Bokaro and Ramgur to Rs. 45-8 from Rs. 39-8 on Monday last week. It was reported that the company is negotiating for the sale of some of its coal lands to the Tata Iron and Steel Company and that the sale, if concluded, would admit of the payment of a large dividend to shareholders. Speculative counters like *Bansra, Parasea* and *Baraboni* are all higher though one fails to see how such a rise in prices could be justified

Jute Shares

The jute section has been firmer in sympathy with coals. It is pointed out that the few mills that are working stand to gain considerably from the present conditions if only it can be assured that there will be a continuity of production. *Anglo-India* were 20 points higher at Rs. 475 while *Clive* are quoting Rs. 44-10 against Rs. 41-8. *Howrah* were relatively quiet at Rs. 78 but the quotation was on balance 1 point higher. *Ganges, Kamarhatty* and India were prominent among the larger issues. Nuddea were steady at 136 as also *Nellimarla* at Rs. 36-9. *Megna* were higher at Rs. 112 while *Soorah* were sticky at Rs. 40-8.

Other Scrips

Among engineering shares *Indian Iron and Steel* came into their own after a long time and the quotation has been done up to Rs. 38-12 from Rs. 36-12 at the middle last week. It is rather surprising that these shares should be under-valued in spite of the fact that there are not many scrips in the market and that the company is paying a good dividend. *Steel Corporation* also are 8 annas higher at Rs. 29-6.

Sugar shares have improved towards the close *Belsund* being higher at Rs. 61-1 Carew at Rs. 30-5 and Raza at Rs. 44-6.

In tea shares, business has been rather restricted but quotations are higher, *Hasimara* being Rs. 76-8, *Dimakusi* Rs. 56 and *Bishnauth* Rs. 41-4.

Paper shares were steady with *Titaghur* A and B at Rs. 29 and *India Paper Pulp* at Rs. 231.

Raw Jute

The Jute Market has continued steady though a smaller volume of business has been passing in the loose jute section. Rainy weather has slowed down arrivals into upcountry centres and sellers are not very anxious to do business. Mills are very eager to get deliveries on their earlier contracts but the standing crop is reported to be in good condition. If there is no damage on account of floods there will be no difficulty in regard to deliveries of jute but if weather conditions prove to be unsatisfactory, mills might be in a difficult position. The developments in the next two months are very important from the point of view of both the jute trade and industry. Mills are reported to have purchased from dealers *Lightnings* at Rs. 79 per bale and *Cuttings* at Rs. 42 and Rs. 43 per bale.

Jute Goods

In the jute manufactures market firm conditions continue to prevail and improvement in business conditions during the week has been on U.S. account. Quotations are nominally at maximum rates. The fear that difficulties on account of coal supplies will result in a lower level of production has prevented mills from entering into large commitments. It was reported during the week that negotiations were going on between representatives of jute mills and representatives of the Government of India regarding compensation payable to requisitioned units. Some agreement seems to have been reached though it is reported that the extent of compensation proposed will be far short of the losses incurred by the requisitioned units, if they are not able to arrange for production at the electric units by asking them to work multiple shifts. It is also feared that there may be more requisitioning and some more steam-driven units will go out of production. The Indian Jute Mills Association is trying its level best to prevent further requisitioning as far as possible.

A DELHI DIARY

EVERYONE in the capital is suffering from inertia. The weather is oppressive. Political gossip has been knocked on the head by the Viceroy's letter of June 22 to Mahatma Gandhi. Most of the Executive Councillors, Secretaries and Deputy Secretaries and Directors and Deputy Directors are holidaying in the hills. The other day I had been to the Supply Department (supposedly most war-minded) to see four or five high officials. All of them had gone on a holiday!

The Viceroy's letter to Gandhiji, from what I gather, reflects the considered view of the British Government and of the bureaucracy in India. At one time Lord Wavell flirted with the idea of conciliation and seriously considered the release of Congress leaders. His courage, obviously, failed him. And now he has adopted the Churchillian slogan that India must be held to enable the U.K. to make good her war losses by exploiting the Empire and has listened to the bureaucrats who believe in holding India down for the period of the war.

In fact, a most insidious propaganda is afoot in Delhi trying to depict Mahatma Gandhi as a politician whose word cannot be taken at its face value. As matters stand, it looks that no fresh move will be made for resolving the political deadlock for the duration. The question of release of political prisoners has been left to the judgment of local governments. Cases of members of the Congress Working Committee detained under the orders of the Central Government were reviewed recently and it appears that their detention for a further period of six months has been ordered. This is to underline the policy embodied in the Viceroy's letter.

Having won its battle against Lord Wavell's desire to try to solve the deadlock, the bureaucracy is considering further measures to tighten its hold on India. Hundreds of military officers, it is said, are to be drafted into the Civil Service to help the Central and Provincial Governments man the numerous gazetted jobs that are being created under the pretext of war work or to run the numerous schemes of control. The sinister aspect of this move is apparent from the fact that at least 50 per cent. of the military officers will be European, and that they are likely to be permanently absorbed in civil employment after the war. This clearly shows that the British have no intention of granting India self-government even after the war, and that Indians of 'loyal' class are to be entrenched in key Government posts from now on so that post-war problems may be handled through them.

The same mentality is responsible for the decision to appoint Mr. Jamnadas Mehta as India's Agent with the Burma Government. This gentleman did a great deal of anti-Congress propaganda in the U.S.A. on the occasion of the International Labour Conference held at Philadelphia. He is anti-Gandhi and a strong opponent of Indian capitalists. Well, if he had been merely rewarded by a job it could have been understood. But it is suggested that he should also retain his seat in the Central Assembly. In the past Mr. Mehta for the sake of a change attacked the Finance Member and his currency policy. When he takes up the Government job and remains a member of the Assembly his vote and advocacy will also be booked for the Government. The Bombay constituency which returned him will thus be cheated. It is hoped that wiser counsels will prevail and that if Mr. Mehta is to be given a *cushy* job he should at least not be exempt from the rule requiring resignation of anyone taking up service under the Crown.

The feeling is growing here that the U.K. will either repudiate sterling balances or will insist on a drastic revision of the financial settlement and burden India largely for the war against Japan on the pretext that the war in Burma is for India's defence. Since military expenditure is not subject to the vote of the Assembly, such a revised settlement can be forced down the throats of the Indian people. The news that the International Monetary Conference has turned down the proposal of the Indian sterling balances is a pointer. It is a pity that little information is cabled to this country regarding the proceedings of the Conference. India's future development demands that liquidation of sterling balances be integrated with the economic plans of the Government of India. It is feared that even if the U.K. agrees to a plan for liquidation, it may flood this country with consumer goods and obsolete or "innocuous" machinery such as for road making and thus waste the sterling assets which should be used for importing capital goods to strengthen our basic economic structure.

There is no news yet as to what use the Government of India proposes to make of the Lend-Lease silver it has obtained from the U.S.A. There is apparently no one in Delhi with the necessary imagination to handle the situation wisely. The speculators will learn their lesson only if silver is released in such quantities and at such intervals as will shake the confidence of the speculator and the hoarder. Hoarded silver as potential wealth is dead meat. It must be put into the market to bring down the present artificial price. With the Finance Member and the Governor of the Reserve Bank in Washington and the acting Finance Member in a holiday mood there is no one to think out these problems seriously.

ARGUS

be a Host to the Poor

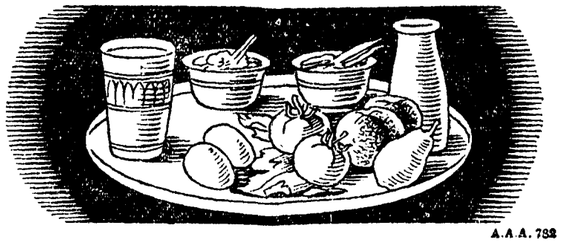
INSTEAD of acting as a host towards your friends and business acquaintances who are as rich as yourself, why not be a host to India's poor? You can do this, with very little effort, in these three ways :—

1. Stop entertaining lavishly. The tradition of Indian hospitality is now out of date in a country in which food has to be rationed. You can still be hospitable without incurring unnecessary waste.

2. Economise in your home by having less dishes served. That is, do not serve a large variety of dishes many of which are not likely to be touched.

We nearly *all* eat more rice and bread than is good for us. It is a habit worth breaking for the sake of our health, as well as for the poor who need all the rice and wheat they can get.

IN these ways we can save hardship amongst the poor, who look to us, in time of trouble, for just this kind of practical help and support. This *is* the new hospitality !



A.A.A. 782

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..but none to waste

Issued by the National War Front

THE BUSINESS WORLD

THE AUTOMOBILE INDUSTRY

EASILY the most interesting recent development in the business world is the latest phase which the project for an Indian automobile industry has entered with the sanction granted by the Government to two prominent groups of industrialists to raise share capital for their respective ventures. The actual starting of the factories may have to be delayed until the cessation of hostilities, but the interval will no doubt be utilized by the promoters for perfecting their plans for one of the most ambitious schemes on which Indian enterprise has had the vision and courage to launch.

The idea of automobile manufacture in India is not new. It is at least as old as the proposal for the establishment of a factory in Bombay, first mooted in 1934. The project has had its critics as well as its enthusiasts. A good many people, even among industrialists, were obsessed with the fear that the manufacture of motor vehicles, being a very complicated and difficult matter, would prove to be beyond the capacity of Indian workmen, not yet sufficiently trained for advanced and delicate work. Again, interested persons in the trade were not slow to spread the misleading view that the industry is not wanted here, that it is "better to buy than to build" motor vehicles. Sir M. Visveswaraya, one of the pioneers of the project, spared no pains to combat these fears and ideas and time and again pointed out that as the machinery used in the manufacture of automobile parts is to a considerable extent standardized and its action largely automatic, the thought and skill required in manufacture has been transferred from the workmen to the machinery so that "although the motor vehicle is a most delicate and finely adjusted machine, the human labour and human intervention utilized in its manufacture is reduced to a minimum." The experience of assembly plants, a large number of which are working on war orders, has shown that the Indian workman is quite capable of handling satisfactorily the type of machinery used in the automobile factories.

Sir M. Visveswaraya has also brought out forcibly the importance of the industry to the national economy. In the United States of America, the prosperity of the people is held to be in direct relation to the volume of automobile sales; they rise and fall together. In the United Kingdom, the motor industry is recognized as ranking very near the top as an employer of labour and consumer of raw materials. With the starting of the industry, a number of subsidiary industrial activities would be springing up and thousands of people would get employment. The heavy money drain that flows out in payment for imported automobiles will be diverted into the channels of the national economy and made to increase the volume of employment and augment the national income once India begins to manufacture a large proportion of her requirements of automobiles. Further, the strategic significance of the industry should not be forgotten, for in addition to the fact that automobiles play a big part in modern mechanized warfare, much of the factory equipment can be converted into an armament plant at short notice.

The chief advantage that the industry will possess in India is the existence of an actually considerable and potentially huge domestic market at its door-steps. One of the striking features responsible for the progress of the industry in the United States has been this factor of a large home consumption; in 1940, there were over 30 million vehicles on the American roads. It is true that the corresponding figure for India is only 185,000 and that the low-level of Indian incomes makes the individual possession of a car something of a luxury to any but the upper middle classes. But, even so, it cannot be denied that the potentialities of the Indian market, with its huge population and vast land area, are immense and, given a reasonable rate of economic activity in the post-war period, likely to be largely realized. At any rate, there is bound to be a good market for vehicles for haulage purposes, if the Government's declared plans of transport and agricultural development and other post-war projects are put into practice.

Another substantial advantage which the Indian industry will possess in its home market over foreign competitors is the high incidence of marketing costs on imported cars. The price of an American motor-car to the consumer in India is about two and a half times the actual cost, *ex* works in America. In normal times, a car which cost, say, Rs. 1,400 in a factory in Detroit would be sold for about Rs. 3,500 in Bombay, the difference of Rs. 2,100 representing the expenditure on inland freight in America, ocean freight, sea insurance, loading and unloading charges in Bombay, import duty, dealer's commission and other items. The bulk of these charges would be saved if vehicles are made in India.

Informed opinion has long since ceased to regard the project for an automobile industry in India as anything but a sound business proposition. It is significant that from the very beginning the topmen in the automobile industry, in the United States, Canada and the United Kingdom, never entertained any doubt about the prospects of the venture and were, on the other hand, keen to have a hand in enterprises of that sort in India, on the basis either of a share in the capital of the companies or of agreements for their vehicles being manufactured in India for a royalty. It is interesting to recall in this connection the Russian experience. The manufacture of motor vehicles was started in that country some twelve years ago. In the fourth year they manufactured 40,000 cars; in 1938 the production was increased to 215,000 vehicles. There is no reason why India should not achieve a success in this sphere, which, though it may not be comparable to the Russian record for obvious reasons, may still be substantial.

While the prospects for the industry are bright and it may be expected to emerge ultimately as one of the pillars of our industrial structure, the dangers of unrestricted foreign competition in the vital initial period should not be under-estimated. In the immediate post-war period, the United States, Canada and the United Kingdom will all be very active exporters. They are all likely to resume production quickly and on a large scale and in fact it has been reported that the automobile manufacturers in the United Kingdom are already planning an export offensive with small cars suitable for the colonial market. It is not improbable that the foreign manufacturers will resort to unrestricted competition to squeeze out the nascent Indian enterprise or gain a foothold in it on terms advantageous to themselves. The Government of India have, therefore, a special responsibility towards this industry. Their attitude in the past has not been satisfactory. But for their lukewarmness, often merging into hostility, and their partiality for foreign vested interests, automobile factories would have been

established in this country some years ago. The Government should revise their attitude and make up their mind to render all possible assistance and protection to the industry. Moth-eaten shibboleths, such as discriminating protection, should be chucked into the limbo and a bold policy of active encouragement adopted. The next step would be to appoint a special Board of Enquiry, with a personnel of indubitable integrity and authority, to study the measures taken by the State in other countries to promote the industry and recommend such as are suitable for this country. In France, the automobile factories were helped with Government orders for armaments and defence machinery in slack times. In Germany, help was given in the form of a prohibitive import duty and exemption of users of German-made cars from paying certain taxes for a term of years. The Soviet Government opened an office in New York and stationed a number of Russian engineers there to secure the required equipment in close co-operation with the Ford Motor Company. The Commonwealth Government of Australia have taken the lead in promoting the development of an automobile industry in that country. Payment of bounties, exemption of machinery and special parts from the burden of import duties and agreement to purchase a substantial part of their requirements from home manufacturers are some of the methods they have adopted. Other valuable safeguards to the home industry are their promises to control the establishment of rival manufacturing foreign companies within the country and to use their power of import control to counteract any harmful trading methods on the part of foreign manufacturers. The British automobile industry is essentially a protected industry and would not have developed but for the heavy McKenna duties and other later import duties. All the above measures adopted by the various Governments and such others as may be suggested should be sympathetically examined with a view to their application to this country. It speaks highly of the robust self-confidence of our industrialists that they have decided to initiate the industry despite the uncertainty that clouds the Government's attitude, but the latter's responsibility to ensure all legitimate facilities has not become any the less onerous on that account.

NOTES

BRITISH OVERSEAS INVESTMENTS

The statement of the British Chancellor of the Exchequer in the Commons that Britain still retains more than one-half of her 1938 overseas investments, including those in the British Commonwealth, must cause some surprise because of the very large debts Britain has incurred in the present war. Nevertheless, relevant figures show that Britain at the end of 1943 retained something like 40 per cent. of her overseas assets, although Sir John Anderson's estimate would appear exaggerated. The market value of all the overseas assets of Britain amounted to about £5,000 Mn. in 1938; but the disinvestment has been continuous, £55 Mn. in 1938, £150 Mn. in 1939, £756 Mn. in 1940, £797 Mn. in 1941, £632 Mn. in 1942 and £655 Mn. in 1943, amounting in all to over £3,000 million, leaving the net total assets at £2,000 Mn. Of the amount disinvested, about one half represents gold, foreign exchange and securities sold, while the other half represents the accumulation of other nations' sterling assets. Further this latter source of disinvestment is bound continuously to increase and will certainly leave Britain with much less than 40 per cent. of her pre-war foreign assets in tact by the end of the war. But the income from foreign investments has not been impaired in a corresponding degree, and was estimated at £140 Mn. in 1942 and £100 Mn. at the end of the war as compared with £200 Mn. in 1938 because only the relatively low yielding bonds have been sold off and the sterling claims of other nations mainly invested in British treasury bills carry only a nominal rate of interest. This illustrates Britain's knack of keeping her own cake, while trying to eat that of others.

MANUFACTURE OF POWER ALCOHOL

The manufacture of Power Alcohol is a very important supplementary industry for the immediate purpose of conserving 'straight' petrol for vital defence requirements. From the point of view of our long-term needs also it is an essential industry as it will supplement petrol, of which India has no adequate domestic supplies and consequently has to rely heavily on imports. Furthermore, it affords a profitable outlet for molasses, the utilization of which is, at present, not possible for many Indian sugar mills. Mysore pioneered the way in the development of this important industry by installing a plant which was entirely the result of the efforts of local engineers. The Hyderabad State has a plant which produced in 1942, 3,000 gallons per day and was reported to have a maximum capacity of over 6 lakh imperial gallons of power alcohol of 99.5 per cent. purity per annum. The U.P. Government have also showed their interest in the project by taking steps to ensure the availability of all the molasses for the purpose, while in Bihar the admixture of distilled spirit with petrol has been made compulsory for use as fuel for motor vehicles. But more still needs to be done. The peacetime requirements of the country are about 25,000 gallons per day. It has been estimated that power alcohol could be expected to meet 20 per cent. of these requirements. Birlas' projected venture is, therefore, of great national importance and comes at an opportune moment. The estimated cost of the scheme is Rs. 7,00,000. Attempts during the last two years to import the necessary plant from the U.S. having failed, the entire plant is to be manufactured in workshops in Bombay and it will be installed at a sugar factory in the U.P. Aiming at the production of 3,000 gallons a day, Birla's present venture is one of the biggest of its kind in India.

RE-EQUIPPING INDIAN TEXTILE MILLS

A considerable part of the textile machinery in India has become old, antiquated and obsolete. Of blow room machinery, for example, 11.5 per cent. of the total now in use in the industry was installed prior to 1890, 11.1 per cent. between 1906-10, 18.6 per cent. between 1921-25 and 11.4 per cent. between 1936-40. Of the existing draw and speed frames 35.5 per cent. was laid down earlier than 1910. And this old equipment has had to work at top speed to cope with the intensified war demand, to yield, today, about 1,550 million lbs. of yarn and 4,500 million yards of cloth. Fifty per cent. of the weaving machinery, it has been estimated, stands in need of replacement. It is high time that Indian manufacturers begin to give thought to the urgent need of building up plans for post-war re-equipment and replacement and make arrangements for their immediate implementation after the war. It is instructive to note that the British Cotton Board Committee has evolved a scheme which, given statutory backing, would lead to the industry's placing orders for machinery and equipment valued, on the basis of pre-war price-level, at £43,000,000. Scrapping

old equipment is only part of the job. It is equally urgent that the latest devices are also introduced to make the industry technically efficient and enable it to compete on fair economic terms with foreign concerns.

An important question in this connection is whether India should import the necessary equipment to carry out its programme of re-equipment and replacement or embark on the manufacture of textile machinery itself. The vast majority of India's textile machinery, in the first instance, came from Great Britain, but the possibilities of manufacturing the machinery in this country should now be carefully examined, as India has all the necessary raw materials and labour power. Only in case it is found that the requirements of our re-equipment programme, either qualitatively or quantitatively or both, cannot be fully met by indigenous manufacture, should the industry go in for foreign machinery. The Committee of the Bombay Millowners' Association discussed the possibilities of setting up manufacture of textile machinery in India with a rpresentative of the principal British spinning machinery manufacturers, but no definite agreement seems to have been reached. The subject deserves to be pursued.

PRESS CUTTING SERVICE

We undertake supply of press cuttings ON ANY SUBJECT of interest from all leading journals and periodicals (published in India) on a yearly or half-yearly basis. Press cuttings on matters pertaining to general trade and commerce, industrial developments, general economics, banking, currency, exchange, insurance, law, politics, education, references to personalities, etc., a speciality. For particulars write to:—

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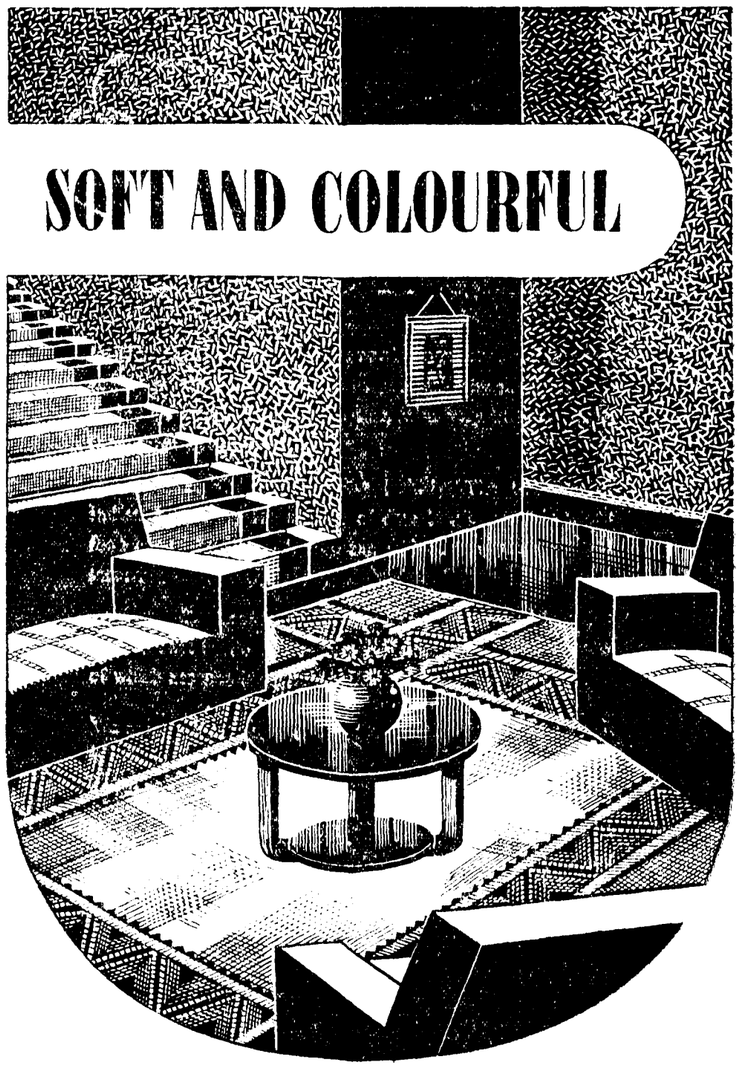
A bride from this home of Krishna-Leela, dressed in her native costume and ornaments is an attractive sight. The soft folds of the 'ghagra' that spreads round the ankles and the 'dopatta' that falls carelessly over the shoulders heighten her charm.

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8, Royal Exchange Place, Calcutta.

FROM THE PROVINCIAL ANGLE

Madras Letter

DISTRESS IN COIMBATORE

(From Our Correspondent)

MADRAS, July 1.

REPORTS of distress conditions in Coimbatore district have reached Madras. It is stated that he whole Udumalpet taluk is on the verge of famine nd that conditions in the southern portion of Pollachi aluk are very serious with water supply diminishing. Except for a small percentage, the *punja* crop seems o have failed absolutely for want of rain. In the reas irrigated by wells, only a crop of 25 to 30 per ent. is being expected. In Pollachi, which is a big roundnut growing centre, the crop has been affected or want of rain and the yield, according to present stimates, is expected to be only 70 per cent. Drawing he attention of the authorities to this state of affairs, Mr. T. S. Avinashilingam Chettiar, M.L.A. (Central), n a statement has urged that unless proper measures re taken immediately to relieve the distress, the itter events of Malabar and Bengal would be repeated. Economic conditions are reported to be bad in Tinnevelly and Ramnad districts also. In the former district, it is usual to begin agricultural operations early in June and the crops are withering for want of rain. The agriculturists have represented to the authorities that water may be given to them from the Papanasam reservoir as it contains over and above the need for the generation of hydro-electric power.

Cattle Shortage

An inter-governmental board consisting of representatives of Madras, Mysore, Travancore and Cochin with the Regional Food Commissioner, Southern Range, as Chairman to deal with livestock movements in Madras Presidency and the adjoining States is proposed to be set up very shortly. The ban on the exports of cattlehead from Mysore and Hyderabad States has led to this proposal being mooted out by the Central Government. When formed, the board is expected to take steps to bring about a freer movement of cattle within the Presidency either by lifting the ban altogether or by fixing quotas between various units. The ban by Mysore on the export of cattle had not only put a strain on Madras which had normally imported 200,000 cattlehead per annum but hit Cochin and Travancore rather hard. It has been suggested to the Central Government that a representative of Hyderabad should also be included in the board.

Bombay Letter

TEXTILE COMMISSIONER'S REVIEW OF CONTROL— CONTROL OVER MILK

(From Our Correspondent)

BOMBAY, July 1.

REVIEWING the operation of cloth control last week, the Textile Commissioner admitted that on the side of production similar progress had not been made as on the side of prices and that the limits to output had been reached. Why should not the Textile Control Board take up Sir Victor Sasson's idea of putting up power looms in the provincial centres to step up production and make use of the surplus cotton whose sagging prices are a constant cause of concern to the Government? Perhaps the fear is that power-looms introduced now may lead to competition with the mills after the war. But that is a short-sighted view in view of the high post-war demand for cloth. In any case why should not the representatives of the Government on the Textile Board press for the introduction of power-loom?

It is strange and puzzling that the Textile Commissioner omitted any reference to standard cloth. Although we have been given the figures of production of the "standard cloth," it is now admitted that it has been a miserable failure. "Standard cloth" was never worked in the right spirit by the industry itself. The reeds and picks that were given in the "standard cloth" were very few and made it unacceptable. Secondly, nothing like a variety was provided to make the "standard cloth" appeal to the people. Everything about the "standard cloth" suggested that it was thrown by the unwilling producer in the face of the people and so poor was the cloth that the people preferred to go without the cloth than have it. What has the Textile Commissioner to say about making the scheme really successful? Even for tackling the black markets, the Provincial Textile Controller has not enough staff, and it is rumoured that so many mills are involved that the Textile Controller will take time to bring matters to light.

Control Over Milk

The control over milk has been handed over to one Mr. P. G. Shah, who, although a capable man, has little experience of any trade or business. The central fact about milk scarcity is that the demand has gone up owing to increase in the purchasing power of the people in the lower strata of society and the Defence demands, while the supply has been reduced by the stoppage of import of skimmed milk powder which used to go for the making of milk for ice-cream, tea and coffee in the innumerable hotels in the city and in the propince and by the slaughter of milch cows. A long-range programme should first aim at increasing milk production, even by import of skimmed milk. Then comes distribution. Mr. Shah has let slip a remark that, if necessary, he, on behalf of the Government of Bombay, might have to take over full control over the production and distribution of milk. If this happens, the Director of Civil Supplies will soon find that if milk were to be rationed, he would come to the ridiculous position of having to ration a few ounces of milk to each family.

Charcoal Trade

With a view to regulating the charcoal trade in Bombay city and suburbs and the districts of Thana, Colaba and Surat and to ensuring a regular and adequate supply of charcoal for domestic and other purposes, the Government of Bombay have issued the Charcoal Trade Licences Order. Under the Order, which comes into force from August 1, no person can carry on the business of a charcoal dealer, importer

or producer in these areas except in accordance with the licence. Different rates of licences have been fixed for producers' licence, importers' licence and dealers' licence. While this is a welcome measure, it is to be hoped that the Bombay Government, in its anxiety to keep the city well supplied, will not do so at the cost of other mofussil areas.

Bengal Letter

SAVINGS CAMPAIGN—RICE SHORTAGE—COAL PROBLEM

(From Our Correspondent)

CALCUTTA, July 3.

THE Paper Control (Economy) Order, 1944, has evoked strong and bitter criticism in the city. At a recent meeting of the representatives of periodicals, printers, publishers and other interests attention was drawn to the serious difficulties that would arise due to the enforcement of the drastic Order. Periodicals have already reduced their size to a considerable extent on account of the scarcity and high price of paper; to ask them to reduce size to one-third of the restricted size is to ask them to discard all the features that make them popular and readable. A serious drop in their circulation is inevitable which will react on journalistic business and on those who are employed in it. Printing presses and publishers can hardly carry on business with paper cut down to 30 per cent.. of the quantity consumed in 1943, and many of them will also have to go out of business. A special cause of grievance against the Order is that no time has been allowed to the parties affected to make their adjustments. Why should a 70 per cent. reduction in consumption be enforced when the drop in production is only 30 per cent. Why should not the Paper Control Order be kept in abeyance till the conference that the Government propose to summon in Bombay on July 11 is held? No reasoned or convincing reply to these questions, but only dogmatic assertions were furnished by the Paper Controller, Mr. Andrew Lepper when he recently called a conference of Press representatives to meet him.

Small Savings Campaign

The small savings scheme planned by the Government of India has been inaugurated in Calcutta and the adjacent industrial areas today (Sunday, July 2). In the course of a personal message issued by Mr. R. G. Casey, the Governor of Bengal. His Excellency emphasizes the need for small savings for post-war purposes, and asserts, that these would help avert post-war economic depression. No mention has, however, been made in the message of the Governor or in another message issued by the Chief Minister of the anti-inflationary object of the Movement which was the primary consideration with the Government of India. A detailed scheme of work has been prepared in this connection. It has been placed in charge of one Deputy National Savings Circle Officer who is to be assisted by two Assistant Circle Officers. For actual field work agents are being appointed who will receive commission at the rate of 2½ per cent. on their sales of National Savings Certificates. The agent will be a go-between between the post-office and the public. He also function as a savings publicity agent.

Rice Shortage Again?

A bumper surplus of ten million tons, then only a small margin that would enable Bengal to pull through the year without another famine, and now the rumours of an impending shortage? This has been the course of the news about Bengal's rice position. Calcutta and the industrial areas have been taken off the markets. Why should there be any shortage, then? Is it the transport system that is to blame? If so, Government must solve it immediately lest local shortages should assume province-wide proportions. It is imperative that the Government should drop their hush-hush policy and take the public in their confidence. One would expect Government to learn from past experience.

While the food position is yet uncertain, the stage is being set for the forthcoming enquiry on food shortage in India. Mr. L. A. Pinnell, I.C.S. has been deputed to prepare 'material' for the Commission. This is bound to be one-sided. The need is, therefore, urgent, that non-official bodies took up the collection of material that would be impartial and give an objective picture of the real situation.

Coal Problems Discussed

A meeting of the Coal Control Board has just been held in Calcutta under the presidentship of Sir Ramaswami Mudaliar. Production and distribution problems were discussed, and in the context of the production problem the question of higher wages and better facilities to colliery labourers figured prominently. A curious fact was revealed by the coal producers. They maintained that while they were not opposed to higher wages and giving of other facilities to labourers, it was their sad experience that though the new rationing scheme increased the attendance of labour in the fields it led to no corresponding improvement in output.

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One of the Largest Nationalists' Bank in India

Managineg Director:

Mr. N. C. DATTA, M.A., B.L.

(A copy of this Prospectus has been filed with the Registrar of Joint Stock Companies, Trivandrum, and a certified copy delivered to the Registrar of Joint Stock Companies, Madras.)

THE COMPANY HAS NO PLACE OF BUSINESS IN BRITISH INDIA

"Consent of the Central Government under Defence of India Rules 94-A and consent of the Government of Travancore under Defence of Travancore Rules 94-B have been obtained to this issue. It must be distinctly understood that in giving this consent the respective Governments do not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them."

PROSPECTUS

The Midland Rubber & Produce Co., Ltd.

(Incorporated under the Travancore Companies Regulation, 1092.)

(Certificate No. 18 dated 13th Kumbham 1112. Liability of Members Limited.)

AUTHORISED CAPITAL : .. .. **Rs. 75,00,00**
Divided into 3,75,000 Ordinary Shares of Rs. 10|- each and 3,75,000 Preference Shares of Rs. 10|- each.
PAID-UP CAPITAL : .. .. **Rs. 27,00,000**
Divided into 2,70,000 Ordinary Shares of Rs. 10|- each.
PRESENT ISSUE : .. .. **Rs. 34,40,000**
Divided into 3,44,000 Preference Shares of Rs. 10 each, to be issued at a premium of As. 4 per share.

FULL AMOUNT PAYABLE ON APPLICATION

The Preference Shares carry the right to a fixed cumulative preferential dividend of 6% per annum free of Travancore Income-tax, and the right in the event of winding up, liquidation or amalgamation with any other Company, to preferential repayment of capital and all arrears of dividend, if any, whether such dividends have been declared or not, but not to participation in further profits or assets of the Company.

DIRECTORS:

1. Mr. A. V. THOMAS, Beach Road, Alleppey.
2. Mr. K. C. Karunakaran, Alleppey.
3. Mr. S. P. Ramaswamy Iyer, Venkita Vilas, Alleppey.
4. Mr. A. Gopal Rau, "Krishnalaya," Thycaud, Trivandrum.

AUDITORS.

Messrs. Karikar and Suri, Registered Accountants, Jail Road, Coimbatore.

BROKERS AND UNDERWRITERS:

1. Mr. P. R. SUBRAMANYAM, M.A., Stock and Share Broker, 61, Stock Exchange Building, Appollo Street, Fort, BOMBAY.
2. Mr. ARVINDRAPRASAD RAMRAY MAHADEVIA, Stock Share and Broker, Stock Exchange Old Building, Dalal Street, Fort, BOMBAY.
3. Messrs. RAMAN & COMPANY, Stock and Share Brokers, ALLEPPEY.

REGISTERED OFFICE:
Beach Road, Alleppey.
MANAGING AGENTS:
A. V. THOMAS & COMPANY, LIMITED, ALLEPPEY.

OBJECTS OF THE ISSUE

To acquire the Sittar, Vellanadi and Perinad Estates, belonging to The Rani Travancore Rubber Company, Limited, London, in pursuance of an agreement of sale dated 23rd March, 1944 and executed between the Managing Agents of this Company and The Travancore Agencies, Kottayam, who have obtained an option for the purchase of these estates, whereby this Company has agreed to purchase the said Sittar, Vellanadi and Perinad Estates, for a sum of Rs. 32,21,000|- to The Rani Travancore Rubber Company, Limited, as Vendors of these properties and Rs. 59,000|- to the Travancore Agencies, for transfer of their option to this Company, payable in cash.

PARTICULARS of the properties are as under :—

Rubber Seedling 1904|1927 : ..	2,247.87 acres.	
Rubber Budded 1931|1943 : ..	398.09 ,,	
	.. ..	2,645.96 acres.
Fuel clearings and other lands including reserve	.. ..	330.17 ,,
	Total ..	2,976.13 acres.

CROP harvested from the Shallacary Estate during the past three years was an under:—

	Vellanadi.	Perinad.	Sittar.	Total.
1941	2,74,773	3,36,000	3,45,520	9,56,293
1942	3,44,570	4,10,859	4,40,729	11,96,153
1943	3,67,650	4,18,432	4,56,960	12,43,042

AREA the total area including the estates to be purchased is as under :—

	Tea.	Rubber.	Fuel Clearings, Other Products, Etc.	Reserve	Total.
Arnakal	1109.00	....	262.75	1715.75	3087.50
Mukampala	....	351.60	17.45	5.00	374.05
Balamore, Corrimony and Mahendragrit ..	921.60	....	28.00	1548.24	2555.84
Sittar, Vellanadi and Perinad ..	....	2645.96	41.97	288.20	2976.13
Total	2090.60	2997.56	348.17	3557.19	8993.52

BUILDINGS : All the three estates to be purchased are fully equipped with factories, machinery, bungalows, staff quarters, cooly lines, etc., which are estimated at Rs. 2,65,300|-.

PROSPECTS.

The estimated total income from rubber and tea is:—

15,00,000 lbs. Rubber at As. 7 per lb.	Rs. 6,56,250
10,00,000 lbs. Tea at 30 cents per lb.	Rs. 3,00,000
.. ..	Rs. 9,56,250
LESS : Provision for taxation	Rs. 1,35,000
Balance : ..	Rs. 8,21,250

and this amount will be available for disposal as under:—

Dividend on 3,44,000 Preference Shares at the rate of 6%	Rs. 2,06,400
Balance available for 2,70,000 Ordinary Shares	Rs. 6,14,850

and this will show a return on ordinary capital of over 22% per annum.

When the budded rubber attains full maturity, the return on Ordinary Capital at the present level of prices is estimated to exceed this return.

VOTING RIGHTS

Every share entitles the holder to one vote exercisable either in person or by proxy.

BROKERAGE AND UNDERWRITING COMMISSION.

The entire issue has been underwritten by (1) Mr. P. R. Subramanyam, Stock and Share Broker, 61, Stock Exchange Building Apollo Street, Fort, Bombay, (2) Mr. Aravindaprasad Ramray Mahadevia, Stock and Share Broker, Dalal Street, Fort, Bombay, and (3) Messrs. Raman & Company, Stock and Share Brokers, Alleppey, jointly, for a commission of 2½ on the amount of the issue. The Directors are of the opinion that the resources of the Underwriters are sufficient to discharge the above underwriting obligations.

The minimum subscription is Rs. 34,49,020/-. The Directors will proceed to allotment to existing members immediately and to outsiders only after the shares remaining unabsorbed are subscribed.

CONTRACTS.

Messrs. A. V. Thomas & Co., Ltd., Alleppey; are the Managing Agents of this Company and their term of office and remuneration were revised by Special Resolution passed on 23rd November 1943, as under :—

TERM—10 years from 1st July 1943. OFFICE ALLOWANCE—Rs. 1,000 per month.

COMMISSION—5% of the Annual Nett Profits. (Nett Profit being as defined in the Travancore Companies Act IX of 1114)

The following documents are open for inspection at the Registered Office of the Company during business hours :—

1. Underwriting letter dated 10th May, 1944 from the underwriters.
2. Agreement dated 23rd March, 1944, between the Managing Agents and The Travancore Agencies, the option holders for the purchase of these properties from The Rani Travancore Rubber Company, Limited, London.

Copies of the above documents and of the Memorandum and Articles of Association of the Company and the Travancore Companies Act, may also be inspected at the office of Messrs. A. V. Thomas & Co., (India) Ltd., No. 3, Sunkurama Chetty Street, Madras, the Company not having established a place of business in British India.

GENERAL.

In 1943 the Company issued for subscription 1,51,500 Ordinary Shares of Rs. 10/- each, at a premium of Rs. 5/- per share, for an aggregate amount of Rs. 22,72,500/- and this issue was fully subscribed and the 1,51,500 shares were fully paid up and duly allotted. None of the Directors have got any interest in the properties intended to be purchased.

This issue has been in the first instance offered to the existing members in accordance with Section 138 of the Travancore Companies Act, and the balance remaining after allotment to the members are only offered to the public.

The following report by the Auditors of the Company will testify to the successful working of the Company and to the profits made and the rates of dividends paid, by the Company during the past three financial years. The Company's last financial year having closed only on 31st March, 1943, the accounts of the Company will be made up next only after 31st March 1944.

REPORT OF THE AUDITORS

Under Section 122 (2) (i) of the Travancore Companies Act.

1940-1941 :			
By Sales, Stocks, Interest and other income	Rs.	3,42,255	4 3
To Expenses	,,	2,41,984	1 5
Nett Profit	Rs.	1,00,271	2 10
Dividends paid on Ordinary Shares from Nett Profit		5%	
1941-1942 :—			
By Sales, Stocks, Interest and other income	,,	4,18,590	7 0
To Expenses	,,	2,63,771	3 8
Nett Profit	,,	1,54,819	3 4
Dividends paid on Ordinary Shares from Nett Profit		7½%	
1942-43 :—			
By Sales, Stocks, Interest and other income	,,	5,46,084	7 11
To Expenses	,,	3,03,339	13 8
Nett Profit	,,	2,42,744	10 3
Dividends paid on Ordinary Shares from Nett Profit		15%	

Dated 19th June 1944.

Examined and found correct,
(Sd.) KARIKAR & SURI,
Registered Accountants.

Applications for shares are to be made in the attached form and forwarded with a remittance of the amount payable on application to the Company's Registered Office or to the Erckers. Where no allotment is made the deposit will be returned in full and where allotment is made 'pro rata,' the surplus remaining thereafter will be refunded from the Registered Office of the Company.

ALLEPPEY,
Dated 22nd June 1944.

Directors
(Sd.) A. V. THOMAS.
(Sd.) K. C. KARUNAKARAN.
(Sd.) S. P. RAMASWAMY IYER.
(Sd.) A. GOPAL RAU.

The Midland Rubber & Produce Co., Ltd.

(Incorporated in Travancore)

APPLICATION FOR PREFERENCE SHARES.

3,44,000—6% Travancore Income Tax free Cumulative Preference Shares of Rs. 10/- each at a premium of 4 As. per Share.
Full amount of Rs. 10-4-0 per share payable on application.

No.....

TO

The Midland Rubber & Produce Co., Ltd.

ALLEPPEY.

Dear Sirs,

Having paid to you the sum of Rs.....only being a deposit of Rs. 10-4-0 per Share on application for.....Preference shares of Rs. TEN each, in the above named Company I request you to allot me that number of shares, and I hereby agree to accept the same, or any less number that you may allot to me, upon the terms of the Memorandum and Articles of Association of the Company and this Issue and I authorise you to place my name in the Register of Members of the Company in respect of the shares allotted to me. I am the registered holder of..... Ordinary shares as on 3rd June 1944.

Full Name.....
Profession or business.....
Full Address.....
.....
Date.....

I remain, Dear Sirs,

Yours truly,

Encl.—Cheque / D.D.— No.....on.....
.....Bank Ltd.....

Signature.

The Midland Rubber & Produce Co., Ltd.

No.....

(Incorporated in Travancore)

RECEIPT FOR APPLICATION MONEY FOR PREFERENCE SHARES.

Received from.....
the sum of Rupees.....
by Cheque / D.D. subject to realisation being a deposit of Rs. 10-4-0 per share on.....Preference Shares of Rs. TEN each in the above-named Company.

ALLEPPEY,
Date.....

For The Midland Rubber & Produce Co., Ltd.
A. V. THOMAS & Co., Ltd.,
Managing Agents.

N. B.—This receipt and the allotment letter should be preserved to be exchanged for the share certificate when ready.

COMMODITY MARKETS

Wheat

(From Our Correspondent)

HAPUR, July 1.

WHEAT situation has deteriorated further in Hapur and in other important assembling centres of the U.P. during the week under review. Arrivals are everywhere steadily declining. At Hapur, for instance, average total arrivals per day do not exceed 250 maunds. Total stock at Hapur is put at 34 *khattis* only. It is estimated that this year's total receipt by the end of June will be not more than 45,000 maunds, whereas they totalled 195,000 maunds during the corresponding season last year. Stock at other centres too is very poor and the produce it appears is primarily hoarded in villages. One of the reasons that have led to this state of affairs is the present low maximum control rate of wheat. On July 3 last year wheat was quoted at Rs. 14-8 at Hapur and from Rs. 13 to Rs. 16 per maund elsewhere. It is consequently argued that while there was no substantial reduction in the prices of peasant's necessities of life, it is most unfair for them to have fixed the control rate of wheat at such a low level. The result is that peasants are keeping their surplus produce with them. Some of them, instead of bringing their surplus to the markets, are selling it direct to the consumers at Rs. 11 or near about that rate.

What is making matters worse is that the U.P. Government, instead of learning by experience, are steadily reducing their control rate. At Hapur the maximum control rate of wheat has been reduced to Rs. 9-12 from today. This step will discourage further arrivals in the markets.

The local *Vyapar*, a well-informed market report, estimates the U.P.'s wheat yield for this season at 25 lakh tons only as against the Government's third forecast estimate of 28,45,000 tons. The reduction in the output have also contributed—though to a very little extent—to the present shortages in the markets. Weather here is very hot and dry. Rains are badly needed.

Wheat markets in Sind are lifeless owing to unchanged control rates and absence of trade interest. Arrivals in Karachi were heavy. Total arrivals since January 1 have been about 40 lakh maunds of wheat. About 10 lakh bags have been stored in Government depots. Fair quantities have already been exported to needy areas.

Wheat situation in C.P. and Berar which caused some anxiety last month is reported to have considerably improved. The Government is reported to have procured sufficient quantity of wheat both within and without the province.

In Bihar wholesale prices of wheat have been further reduced. With effect from July 15 next the basic wholesale price of wheat (red) will be reduced from Rs. 14 to Rs. 13 per maund in the wholesale producing markets and mills of the province and wheat (white) from Rs. 15 to Rs. 14. The price of *atta* will be reduced from Rs. 16 to Rs. 14 per maund and of *maida* from Rs. 22 to Rs. 21 per maund.

In the Punjab, wheat quotations in important centres are as follows: Okara Rs. 8-8 to Rs. 9-1; Lyallpur Rs. 8-12 to Rs. 9-2, arrivals 8,000 maunds; Amritsar Rs. 9-12 and Lahore 591 Rs. 9-6 and Dara Rs. 8-3. Government are purchasing actively in the markets. It is learnt that accommodation for another 60,000 tons has already been hired in the Punjab which will be increased up to 1,50,000 tons as and when necessary.

COMPANY NOTE

Rajagiri Rubber and Produce Company

The rubber industry is assured of a good future for some years and at the present moment the better established companies are paying very good dividends. The addition to earning capacity of established companies is, therefore, a factor which should not be overlooked by discerning investors. The Rajagiri Rubber and Produce Company is acquiring the Shaliacary Estate which contains about 1,300 acres of rubber and the Bindavana Estate which contains valuable jungle land in suitable area of Travancore. The properties are to be acquired from the Rani Travancore Company Limited, London. The Shaliacary Estate is well equipped with machinery for manufacturing crepe. The new properties will double the output of the Rajgiri Rubber and Produce Company, Limited, which is already paying a good dividend to the ordinary shareholders. On the basis of a conservative estimate of earnings, not taking into consideration the bonus scheme announced recently, it is estimated that the earnings will cover 3½ times the preference dividend and leave after payment of taxation and preference dividend 21 per cent. for the ordinary shareholders.

To meet the cost of the new properties and provide working capital, it is proposed to raise a capital of Rs. 23,16,500 by the issue of 2,26,000 six per cent. cumulative preference shares of Rs. 10 each free of Travancore income-tax at a premium of As. 4 per share. As preference shares of existing companies are quoting at a premium and dividends will be paid from the beginning the shares appear to be good proposition for investors. The new issue will be made in the first instance to existing shareholders.

Midland Rubber and Produce Company

At the extraordinary meeting of shareholders held on May 29, 1944, it was decided that the authorized capital of the Midland Rubber and Produce Co., Ltd., should be increased to Rs. 75 lakhs equally divided in preference and ordinary shares of Rs. 10 each. The preference shares carry the right to a cumulative dividend of 6 per cent. free of Travancore income-tax. The need for increasing the authorized capital arose from the successful negotiation by the directors of the Company for the purchase of three Estates belonging to the Rani Travancore Rubber Co., Ltd., London, at a cost of Rs. 32.8 lakhs. The decision of the directors to issue the whole of the new capital in the form of preference shares might not be generally approved, but if it is taken into consideration that the Estates are in good condition and the earnings of the new properties alone provide three times the dividend on the preference shares, it will be agreed that the new arrangement will be beneficial to both the ordinary and preference shareholders. The Company paid a dividend of 15 per cent. for 1942-43. With the purchase of these new estates it can be expected that the dividend for the current year will be very much more. The new shares are to be offered in the first instance to the existing shareholders and the balance left over will be allotted to the public. As a result of the new issue, the total capital of the Company will be increased to Rs. 61.4 lakhs. The entire issue of preference shares has been underwritten for a commission of 2½ per cent.

(A copy of this Prospectus has been filed with the Registrar of Joint Stock Companies, Trivandrum, and a certified copy delivered to the Registrar of Joint Stock Companies, Madras.)

THE COMPANY HAS NO PLACE OF BUSINESS IN BRITISH INDIA

"Consent of the Central Government under Defence of India Rules 94-A and consent of the Government of Travancore under Defence of Travancore Rules 94-B have been obtained to this issue. It must be distinctly understood that in giving this consent the respective Governments do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them."

PROSPECTUS

The Rajagiri Rubber & Produce Company, Ltd.

(Incorporated under the Travancore Companies Regulation, 1092.)
(Liability of Members is Limited.)

No. 44 of 7th Medom, 1112.

AUTHORISED CAPITAL : .. .. **Rs. 50,00,000**
Divided into 2,50,000 Ordinary Shares of Rs. 10 each and 2,50,000 Preference Shares of Rs. 10 each.

PAID-UP CAPITAL : .. .. **Rs. 13,50,000**
Divided into 1,35,000 Ordinary Shares of Rs. 10 each.

PRESENT ISSUE : .. .. **Rs. 22,60,000**
Divided into 2,26,000 Preference Shares of Rs. 10 each to be issued at a premium of As. 4 per share.

FULL AMOUNT PAYABLE ON APPLICATION.

The Preference Shares carry the right to a fixed cumulative preferential dividend of 6% per annum free of Travancore Income-tax, and the right in the event of winding up, liquidation or amalgamation with any other Company, to preferential repayment of capital and all arrears of dividend, if any, whether such dividends have been declared or not, but not to participation in further profits or assets of the Company.

DIRECTORS.

1. Mr. A. V. THOMAS, Beach Road, Alleppey.
2. Mr. K. VENKATARAGHAVAN, Sri Krishna Gardens, Alleppey.
3. Mr. A. D. VINCENT, Kutikal Estate, Mundakayam.
4. Mr. K. SRINIVASAN, Sri Krishna Gardens, Alleppey.

AUDITORS.

Messrs. M. S. KRISHNASWAMI and M. S. JAGANNATHAN, Registered Accountants, Madras.

BROKERS AND UNDERWRITERS.

1. Mr. P. R. SUBRAMANYAM, M.A., Stock and Share Broker, 61, Stock Exchange Building, Appollo Street, Fort, BOMBAY.
2. Mr. ARVINDRAPRASAD RAMRAY MAHADEVIA, Share and Stock Broker, Stock Exchange Old Building, Dalal Street, Fort, BOMBAY.
3. Messrs. RAMAN & COMPANY, Stock and Share Brokers, ALLEPPEY.

REGISTERED OFFICE.

BEACH ROAD, ALLEPPEY.

MANAGING AGENTS.

A. V. THOMAS & COMPANY, LIMITED, ALLEPPEY.

OBJECTS OF THE ISSUE

To purchase the Shaliacary Estate and Brindavanam Reserve belonging to The Rani Travancore Rubber Company, Limited, London, in pursuance of an agreement of sale dated 23rd March, 1944 and executed between the Managing Agents of this Company and The Travancore Agencies, Kottayam, who have obtained an option for the purchase of these estates, whereby this Company has agreed to purchase the Shaliacary Estate and Brindavanam Reserve for a sum of Rs. 21,29,000|- to The Rani Travancore Rubber Co., Ltd., as vendors of the properties and Rs. 41,000|- to The Travancore Agencies for transfer of their option to this Company, payable in cash.

PARTICULARS of the properties are as under :—

Rubber Seedling 1906|1920 : ..	600.22 acres.	
Rubber Budded 1931|1940| : ..	693.53 ,,	
		1,293.75 acres
Fuel clearings and other lands including reserves ..		1,141.35 ,,
Total		2,435.10 ,,

CROP harvested from the Shaliacary Estate during the past three years was as under :—

1941	3,49,690 lbs.
1942	3,64,400 ,,
1943	3,79,871 ,,

AREA the total area including the estates to be purchased is as under :—

	RAJAGIRI.	SHALIACARY.	BRINDAVANAM.	TOTAL.
Rubber	1,175.00	1,293.75	....	2,468.75
Other Produce	173.00	....	....	173.00
Jungle Reserve (including fuel clearings) ..	97.36	202.94	938.41	1,238.71
,, Total ..	1,445.36	1,496.69	938.41	3,880.46

BUILDINGS. The Shaliacary Estate is fully equipped with bungalows, staff quarters, cooly lines, factory buildings and the necessary machinery for manufacture of crepe and smoked sheet. The value of these is estimated at Rs. 1,65,750|-.

PROSPECTS.

The estimated total income is :—

11,00,000 lbs. Rubber at As. 7 per lb.	Rs.	4,81,250
LESS Provision for taxation	Rs.	60,000
Balance ..	Rs.	4,21,250

and this amount will be available for disposal as under :—

Dividend on 2,26,000 Preference Shares at the rate of 6%	Rs.	1,35,600
Balance available for 1,35,000 Ordinary Shares	Rs.	2,85,650

and this will show a return on Ordinary Capital of over 21% per annum.

When the budded rubber attains full maturity, the return on Ordinary Capital at the present level of prices is estimated to exceed 27%.

VOTING RIGHTS

Every share entitles the holder to one vote exercisable either in person or by proxy.

BROKERAGE AND UNDERWRITING COMMISSION.

The entire issue has been underwritten by (1) Mr. P. R. Subramanyam, Stock and Share Broker, 61, Stock Exchange Building, Apollo Street, Fort, Bombay, (2) Mr. Aravindaprasad Ramray Mahadevia, Share and Stock Broker, Stock Exchange, Old Building, Dalal Street, Fort, Bombay, and (3) Messrs. Raman & Company, Stock and Share Brokers, Alleppey, jointly, for a commission of 2½ on the amount of the issue. The Directors are of the opinion that the resources of the Underwriters are sufficient to discharge the above underwriting obligations.

The minimum subscription is Rs. 22,60,000|-. The Directors will proceed to allotment to existing members immediately and to outsiders only after the shares remaining unabsorbed are subscribed.

CONTRACTS.

Messrs. A. V. Thomas & Co., Ltd., Alleppey; are the Managing Agents of this Company and their term of office and remuneration were revised by Special Resolution passed on 20th November 1943, as under :—

TERM—10 years from 1st July 1943.
OFFICE ALLOWANCE—Rs. 750|- per month.
COMMISSION—5% of the Annual Nett Profit.
(Nett Profit being as defined in the Travancore Companies Act IX of 1114) and 1% Sales Commission.

The following documents are open for inspection at the Registered Office of the Company during business hours :—

1. Underwriting letter dated 10th May, 1944 from the underwriters.
2. Agreement dated 23rd March, 1944 between the Managing Agents and The Travancore Agencies, the option holders for the purchase of these properties from The Rani Travancore Rubber Company, Limited, London.

Copies of the above documents and of the Memorandum and Articles of Association of the Company and the Travancore Companies Act, may also be inspected at the office of Messrs. A. V. Thomas & Co., (India) Ltd., No. 3, Sunkurama Chetty Street, Madras, the Company not having established a place of business in British India.

GENERAL.

The Company has not issued any shares for subscription within the past five years. None of the Directors have any interest in the properties intended to be purchased.

This issue has been in the first instance offered to the existing members in accordance with Section 138 of the Travancore Companies Act, and the balance remaining after allotment to the members are only offered to the public.

The following report by the Auditors of the Company will testify to the successful working of the Company and to the profits made and the rates of dividends paid, by the Company during the past three financial years. The Company's last financial year having closed only on 30th June 1943, the accounts of the Company will be made up next only after 30th June 1944.

"REPORT OF THE AUDITORS UNDER SECTION 122 (2) (i) OF THE TRAVANCORE COMPANIES ACT, 1114."

1940|1941 :—

By Sales, Stocks, Interest and other income	Rs.	2,42,309	8 2
To Expenses	Rs.	1,19,344	11 3
Nett Profit	Rs.	1,22,964	12 11..
Dividends paid on Ordinary Shares from Nett Profit		5%	

1941|1942 :—

By Sales, Stocks, Interest and other income	Rs.	2,79,660	10 5
To Expenses	Rs.	1,12,243	12 5
Nett Profit	Rs.	1,67,416	14 0
Dividends paid on Ordinary Shares from Nett Profit		7½%	

1942|1943 :—

By Sales, Stocks, Interest and other income	Rs.	4,23,344	13 9
To Expenses	Rs.	2,03,519	10 1
Nett Profit	Rs.	2,19,825	3 8
Dividends paid on Ordinary Shares from Nett Profit		12½%	

Dated 18th June 1944.

Examined and found correct.
(Sd.) M. S. Krishnaswami and M. S. Jagannathan,
Registered Accountants.

Applications for shares are to be made in the attached form and forwarded with a remittance of the amount payable on application to the Company's Registered Office or to the Brokers. Where no allotment is made the deposit will be returned in full and where allotment is made 'pro rata,' the surplus remaining thereafter will be refunded from the Registered Office of the Company.

Directors.
(Sd) A. V. THOMAS,
,, K. VENKATARAGHAVAN,
,, A. D. VINCENT.
,, K. SRINIVASAN.

ALLEPPEY,
Dated 22nd June, 1944.

The Rajagiri Rubber & Produce Company, Ltd.

(Incorporated in Travancore.)

APPLICATION FOR PREFERENCE SHARES.

ISSUE OF

2,26,000—6% Travancore Income Tax free Cumulative Preference Shares of Rs. 10|- each at a premium of 4 As. per Share. Full amount of Rs. 10|4|- per share payable on application.

No.....

TO

The Rajagiri Rubber & Produce Company, Ltd.

ALLEPPEY.

Dear Sirs,

Having paid to you the sum of Rs.....only being a deposit of Rs. 10-4-0 per Share on application for.....Preference shares of Rs. TEN each, in the above named Company I request you to allot me that number of shares, and I hereby agree to accept the same, or any less number that you may allot to me, upon the terms of the Memorandum and Articles of Association of the Company and this Issue and I authorise you to place my name in the Register of Members of the Company in respect of the shares allotted to me. I am the registered holder of..... Ordinary shares as on 3rd June, 1944.

Full Name.....
Profession or business.....
Full Address.....
.....
Date.....

I remain, Dear Sirs,
Yours truly,

Signature.

Encl. Cheque / D|D No.....on.....
.....Bank Ltd.....

The Rajagiri Rubber & Produce Company, Ltd.

(Incorporated in Travancore)

No.....

RECEIPT FOR APPLICATION MONEY FOR PREFERENCE SHARES.

Received from.....
the sum of Rupees.....
by Cheque / D|D subject to realisation being a deposit of Rs. 10-4-0 per share on.....Preference Shares of Rs. TEN each in the above-named Company.

ALLEPPEY,
Date.....

For The Rajagiri Rubber & Produce Co., Ltd.
A. V. THOMAS & Co., Ltd.,
Managing Agents.

N. B.—This receipt and the allotment letter should be preserved to be exchanged for the share certificate when ready.

CURRENT STATISTICS

BANK RETURNS

RESERVE BANK OF INDIA

COMPARATIVE STATEMENT AS ON JUNE 23, 1944.

ISSUE DEPARTMENT

(000's omitted)

	June 23, 1944	June 16, 1944	June 25, 1943	Sept. 1, 1939
Liabilities				
Notes held in the Banking Dept.	13,22,59	9,13,30	11,39,58	35,04,49
Notes in circulation	9,25,17,66	9,28,70,23	7,23,35,15	1,82,13,17
Total Notes issued	9,38,40,25	9,37,83,53	7,34,74,73	2,17,17,66
Assets				
A. Gold Coin and Bullion	44,41,43	44,41,43	44,41,43	44,41,46
Sterling securities	8,22,83,96	8,22,83,96	5,54,48,67	59,50,11
Total of A ..	8,67,25,39	8,67,25,39	5,98,90,10	1,03,91,57
B. Silver Coin ..	12,82,15	12,25,41	16,13,29	75,87,11
Rupee securities	58,32,71	58,32,73	1,19,71,34	37,38,98
Silver bullion under Coinage ..	..	..	..	..
Percentage of Reserves to Liabilities	92.418	92.474	81.511	63.149

BANKING DEPARTMENT

(000's omitted)

	June 23, 1944	June 16, 1944	June 25, 1943	Sept. 1, 1939
Cash	13,51,02	9,40,46	11,55,61	35,15,26
Balances held abroad	177,32,83	176,63,78	87,21,48	10,06,33
Investments ..	11,02,56	10,80,67	7,51,22	6,81,34
Bills discounted:—				
(a) Internal ..	..	..	..	..
(b) External ..	..	..	..	..
(c) Government of India Treasury Bills	2,39,85	2,69,83	75,19	1,15,67
Loans and Advances to the Government	70.00	53,00	..	31,00
Deposits:—				
(a) Government	78,05,91	79,61,33	29,70,05	14,89,43
(b) Banks	101,25,50	92,61,49	56,14,45	26,91,43
(c) Others ..	3,72,06	4,79,18	3,01,03	1,24,37

BANK OF ENGLAND

(000's omitted)

	June 21, 1944 £	June 14, 1944 £	June 23, 1943 £	Aug. 30, 1939 £
Total Bullion ..	1,030	977	1,197	263,700
Public Deposits ..	9,100	11,500	7,300	31,100
Other Deposits ..	235,100	226,400	203,100	129,100
Of which Banker's Deposits ..	179,900	168,200	148,900	90,100
Govt. Securities ..	222,100	216,900	153,700	113,100
Other Securities ..	14,800	15,500	15,900	31,000
Of which Discounts and Advances	2,800	5,200	5,000	6,400
Notes and coins ..	22,300	18,200	53,400	34,200
Notes in circulation	1,128,700	1,132,800	947,700	529,500
Ratio of Reserve to Liabilities ..	9.13%	7.64%	25.41%	21.28%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	June 22, 1944 $	June 15, 1944 $	June 24, 1943 $	Aug. 31, 1939 $
esources:				
Total Reserves ..	19,312,000	19,314,000	20,610,000	14,660,610
Total Bills Discounted ..	171,000	173,000	19,000	6,190
Bills bought in open market ..	..	..	..	550
Total U.S. Government Securities	15,180,000	15,001,000	6,746,000	2,426,190
Liabilities:				
Federal Reserve Notes in actual circulation ..	18,716,000	18,736,000	13,635,000	4,609,280
Deposits— Member Bank Reserve Account	13,758,000	13,715,000	12,223,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note-liabilities combined ..	55.5%	55.8%	74.8%	86.9%

IMPERIAL BANK

WEEKLY STATEMENT OF AFFAIRS AS ON 30TH JUNE 1944.

(000's omitted)

	June 23, 1944	June 16, 1944	June 25, 1943	Sept. 1, 1939
Fixed deposits, savings bank, current and other accounts ..	221,65,39	223,69,19	190,29,34	87,26,24
Government securities	122,14,54	123,64,63	133,16,04	51,02,78
Other investments	3,07,11	2,98,49	2,09,81	96,27
Loans	14,57,81	14,91,32	10,21,39	7,66,38
Cash credits and overdrafts .	45,57,76	45,12,17	23,74,01	19,76,06
Bills discounted ..	6,45,66	4,41,42	4,52,93	2,94,74
Cash in hand and with the Reserve Bank and with other banks ..	41,63,82	43,74,87	27,91,66	14,66,87

SCHEDULED BANKS

(In thousand Rupees)

	23-6-1944	16-6-1944	25-6-1943	1-9-1939
Demand Liabilities in India ..	554,62,87	556,34,02	417,99,39	134,36,49
Time Liabilities in India	180,95,99	179,64,21	131,23,39	102,24,34
Cash in India ..	26,21,74	27,03,36	17,72,79	6,69,92
Balances with Reserve Bank ..	93,77,68	93,33,63	54,71,76	25,17,19
Advances in India	214,27,64	215,65,54	141,30,17	101,52,16
Bills Discounted in India	8,84,92	9,17,19	4,64,70	3,57,29

TREASURY BILLS

WEEKLY TENDERS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Intermediate	Sold in favour of Issue Dept.
Apr. 4	80,75	80,25	0 12 10	..	1,10,75
,, 11	1,18,00	1,13,00	0 13 0	..	7,27,50
,, 18	3,62,00	2,00,00	0 12 9	..	2,97,00
,, 25	6,01,00	2,00,00	0 12 0	..	2,05,00
May 2	12,14,50	4,00,00	0 10 11	..	2,35,00
,, 9	13,18,75	4,00,00	0 9 0	..	3,35,00
,, 16	15,22,75	4,00,00	0 8 0	..	1,37,00
,, 23	13,39,00	4,00,00	0 6 10	..	3,85,00
,, 30	12,40,75	6,00,00	0 5 11	..	55,00
June 6	11,09,75	6,00,00	0 6 3	..	90,00
,, 13	9,42,00	6,00,00	0 7 8	..	1,95,25
,, 20	9,66,75	6,00,00	0 8 4	..	14,05
,, 27	8,03,25	6,00,00	0 8 0		2,79,50
July 4	7,42,25	4,00,00	0 7 9		1,67,25

MATURITIES

Date of Maturity	Amount (000's of rupees)	Date of Maturity	Amount (000's of rupees)
17th June 1944 ..	4,56,00	15th July 1944 ..	400
18th ,, ,, ..	25	21st ,, ,, ..	1,84,75
25th ,, ,, ..	4,00,00	22nd ,, ,,	15,25
30th ,, ,, ..	3,97,75	27th ,, ,, ..	8,25
6th July 1944 ..	80,25	28th ,, ,, ..	1,82,75
14th ,, ,, ..	1,00,00	29th ,, ,, ..	200

INDIA'S FOREIGN SEA-BORNE TRADE DURING 1943-44

Twelve months, April 1 to March 31

	IMPORTS			EXPORTS		
	1941-42 Rs.	1942-43 Rs.	1943-44 Rs.	1941-42 Rs.	1942-43 Rs.	1943-44 Rs.
I—Food, Drink and Tobacco:—						
Fish (uncanned)	6,24,242	1,90,026	2,31,263	60,18,973	78,23,694	1,55,38,419
Fruit and Vegetables	1,12,10,973	1,11,55,508	87,01,482	3,09,13,877	1,97,05,705	2,27,50,037
Gram, Pulse and Flour	15,02,02,992	30,85,190	1,47,83,664	10,40,87,765	6,93,23,353	2,30,81,647
Liquors	2,13,51,345	1,18,91,676	1,24,97,922	2,29,502	46,375	47,774
Provisions and Stores	2,55,71,101	70,86,279	55,45,123	79,36,290	59,91,592	58,46,387
Spices	2,21,86,828	1,51,71,964	89,59,593	1,13,01,547	1,94,10,466	1,44,69,884
Sugar	1,07,54,498	1,87,314	12,931	31,78,448	1,07,96,170	42,27,140
Tea	11,98,434	51,74,354	2,17,233	39,57,22,693	31,63,98,844	37,54,01,139
Other food and drink	1,01,45,009	69,72,693	1,43,57,646	43,80,333	52,58,770	70,06,104
Tobacco	2,51,64,267	1,33,18,699	1,59,70,023	2,20,00,971	1,49,20,233	76,44,594
Total	27,84,09,689	7,62,33,704	8,12,75,886	56,57,70,399	46,96,78,202	47,60,15,175
II—Raw Materials:—						
Coal	2,66,054	1,07,589	28,800	1,46,10,788	35,53,794	21,06,025
Other non-metallic minerals	1,12,09,567	1,89,45,601	3,31,35,458	3,13,48,291	2,80,17,486	2,91,07,387
Fodder, bran and Pollards	53,379	329	2,450	5,41,100	7,15,138	7,06,157
Gums, resins and lac	51,12,324	27,48,046	19,80,670	5,44,01,195	3,23,65,529	2,74,83,194
Hides and skins	31,64,254	12,11,560	9,89,781	4,77,45,331	3,36,35,861	4,12,26,932
Metallic ores and scrap iron or steel ..	13,62,171	2,02,675	10,69,028	2,91,48,779	2,32,49,978	2,23,88,413
Oils—vegetables, mineral and animal ..	21,84,98,729	27,77,68,467	36,32,58,018	2,63,71,742	1,36,84,213	82,84,077
Oilcakes and of all kinds	20,442	1,618	4,071	37,44,383	61,49,042	14,92,379
Paper-making materials	11,23,677	2,75,406	4,33,207	7,85,533	4,69,091	5,57,607
Rubber, raw or crude	80,13,900	7,70,838	4,72,677	72,77,382	6,25,754	19,72,203
Seeds (including nuts)	1,98,47,573	2,27,07,163	1,23,10,949	10,43,15,806	10,51,76,072	11,15,80,433
Tallow, stearine and wax	56,01,071	36,84,094	39,11,633	7,16,291	7,61,490	2,73,324
Cotton, raw and waste	15,34,42,565	15,42,47,727	17,52,77,527	17,54,09,613	5,30,56,265	7,48,71,369
Jute, raw	45,295	13,421	38,124	10,41,72,886	9,01,56,966	8,32,12,355
Silk, raw and cocoons	80,87,485	1,73,599	25,427	9,44,735	14,10,824	6,72,316
Wool, raw	2,77,18,194	2,95,50,191	4,02,24,854	2,60,33,554	1,20,12,943	1,71,81,653
Other textile materials	32,34,699	23,40,162	20,60,883	96,66,532	52,36,646	67,27,468
Wood and timber	2,74,50,079	16,14,871	11,75,871	19,97,571	13,80,794	9,67,004
Miscellaneous	60,48,103	31,03,709	29,78,715	1,45,50,995	1,57,09,577	1,56,14,661
Total	50,05,04,561	51,94,67,066	63,93,76,150	65,37,82,722	42,75,69,483	44,64,26,960
III—Manufactures:—						
Apparel	32,14,761	12,01,323	5,02,708	74,54,883	55,01,179	40,90,296
Arms and Military Stores	48,60,111	37,60,503	33,83,180	11,004	1,200	2,410
Chemicals	3,73,47,900	6,37,68,452	7,25,94,119	95,12,768	58,51,557	66,83,183
Cutlery, hardware, implements and instruments	5,43,85,187	3,26,10,310	2,77,08,270	72,76,720	26,73,012	22,53,149
Dyes and colours	6,96,69,544	5,43,18,085	8,37,55,849	59,46,965	36,04,663	33,74,982
Electrical goods and apparatus (other than machinery)	2,40,08,902	1,61,02,046	1,54,21,810	..	..	..
Furniture and cabinetware	17,86,625	6,59,741	5,24,490	2,87,574	1,70,080	2,43,459
Glassware and earthenware	1,00,81,652	36,37,249	21,83,633	12,83,716	7,32,964	7,60,411
Hides and skins tanned	62,75,544	41,76,835	52,26,917	6,02,49,911	4,76,05,032	4,36,92,051
Machinery of all kinds including belting	13,71,43,330	10,52,82,973	11,39,08,700	6,45,772	5,90,087	7,51,838
Metals—iron and steel	6,29,53,421	2,81,23,636	2,03,28,162	3,75,12,959	1,44,78,784	1,05,40,307
Metals—other than iron and steel ..	6,33,91,400	3,32,18,639	2,09,38,365	34,67,547	15,37,672	20,47,253
Paper and stationery	4,05,05,860	2,15,52,046	1,96,69,647	39,89,492	5,47,386	5,30,470
Rubber manufactures	1,55,31,324	18,52,266	5,56,303	47,25,762	30,86,908	34,35,861
Vehicles (excluding locomotives, etc., for Railways)	13,03,49,191	5,71,17,666	1,26,72,714	1,43,512	98,487	1,16,643
Cotton yarn and goods	6,79,72,603	1,36,03,976	1,33,63,218	35,96,11,936	46,19,09,679	42,47,99,562
Jute yarn and goods	6,10,145	3,35,583	5,34,476	53,39,53,850	36,40,93,005	49,46,23,470
Silk yarn and goods	68,20,706	1,24,878	36,614	2,66,444	10,01,359	2,24,897
Woollen yarn and goods	1,92,79,592	62,69,992	44,90,071	78,83,285	40,89,312	63,13,272
Other yarns and fabrics	4,96,83,820	55,47,722	35,47,474	1,37,94,345	1,40,63,899	95,25,171
Miscellaneous	12,94,57,868	3,78,85,926	2,96,33,531	2,96,21,831	2,20,45,195	2,79,[illegible]
Total	93,54,29,476	49,51,50,949	45,11,78,251	1,09,26,42,316	95,36,81,470	1,04,[illegible]
IV—Living Animals:—						
Horses	2,25,426	3,64,979	38,250	1,95,700	300	
Cattle, sheep and goats	..	..	..	5,79,322	15,13,[illegible]	[illegible]
Other living animals	16,387	5,396	50	44,085	[illegible]	[illegible]
Total	2,41,813	3,70,375	38,300	8,19,107	[illegible]	[illegible]
V—Postal Articles and baggages not Specified:—						
Postal articles	1,60,76,109	1,27,65,157	1,62,04,734	4,25,13,627	[illegible]	[illegible]
Articles imported as baggage	9,68,313	3,65,852	4,61,920			
Total	1,70,44,423	1,31,31,009	1,66,66,654			
GRAND TOTAL	1,73,14,82,067	1,19,44,97,020	1,18,83,35,242	[illegible]	[illegible]	[illegible]

STOCKS AND SHARES

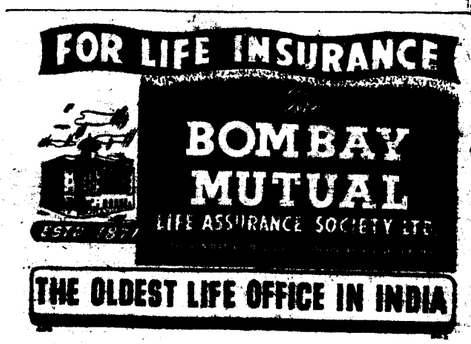
BOMBAY (July 4)	This week Rs. a. p.	Previous week Rs. a. p.
GOVT. SECURITIES		
3% (1946)	102 2 0	102 2 0
3% (1949-52)	101 0 0	100 14 0
3% (151-54)	100 12 0	100 10 0
3% (1953-55)	100 4 0	100 4 0
3% 1963-65)	98 13 0	98 13 0
3% (1966-68)	98 2 0	98 2 0
3½% (1947-50)	103 5 0	..
3½% G.P. Notes	99 4 0	99 4 0
4½ 1960-70)	112 7 0	112 6 0
4½% (1955-60)	115 14 0	115 14 0
TEXTILES		
Ahmedabad	483 12 0	492 8 0
Bombay Dyeing	1,937 8 0	1,858 12 0
Central India	415 0 0	402 8 0
Indian Bleaching	179 0 0	180 0 0
Kohinoor	612 0 0	596 0 0
Century	885 0 0	850 0 0
Colaba Land	221 8 0	216 0 0
Phoenix	640 0 0	640 0 0
Simplex	255 0 0	248 0 0
Swadeshi	544 0 0	524 0 0
Vishnu	490 0 0	476 4 0
Gokak	325 0 0	312 0 0
Finley	321 0 0	..
Morarji	687 8 0	..
MISCELLANEOUS		
Bombay Burma	445 0 0	..
Alcock	500 0 0	488 12 0
Belapur Sugar	244 0 0	243 0 0
Bombay Tramway	151 12 0	153 0 0
British Burma Petrol	3 8 3	3 5 6
Andhra Valley	1,900 0 0	1,892 8 0
Shivarajpur	60 0 0	58 8 0
Tata Power	1,897 8 0	1,882 8 0
Tata Chemical	29 6 0	..
Tata Oil	80 0 0	..
Tata Hydro	206 0 0	205 0 0
Tata Steel Ordy.	423 8 0	416 8 0
Tata Steel Defd.	2,281 4 0	2,221 4 0
Associated Cement	229 12 0	228 12 0
Indian Iron	37 10 0	36 13 0
Indian Copper	3 1 0	2 15 0
Tata Steel 1st Pref.	230 0 0	230 0 0
Tata Steel 2nd Pref.	167 12 0	165 0 0
Bombay Burma New	153 4 0	..
Premier Construction	229 8 0	230 0 0
BANKS		
Central	76 8 0	73 0 0
Imperial (Fully Paid)	2,000 0 0	2,012 8 0
Imperial Partly Paid)	511 4 0	507 8 0
Reserve	138 0 0	137 12 0
India	176 4 0	178 0 0
New India Insurance	80 12 0	77 12 0

CALCUTTA (July 4)	This week Rs. a. p.	Previous week Rs. a. p.
JUTES		
Anglo-India	464 0 0	472 0 0
Alliance	564 0 0	568 0 0
Barnagore	233 0 0	230 8 0
Champdany	268 0 0	271 0 0
Howrah	77 5 0	78 2 0
Kamarhatti	633 0 0	647 0 0
Kankanarah	570 0 0	576 0 0
Presidency	11 3 0	11 9 0
STEEL & ENGINEERING		
Indian Iron	37 9 0	37 12 0
Kumardhubi	..	13 4 0
Slee Corporation	28 14 0	29 2 0
Jessop	..	27 8 0
TEXTILES		
Cawnpore Textile	13 4 0	12 10 0
New Victoria Pref.	8 9 0	8 10 0
Elgin	66 0 0	64 4 0
Kesoram	18 10 0	..
COALS		
Dhemo Main	28 2 0	..
Bengal	666 0 0	640 0 0
South Karanpura	19 12 0	19 7 0
Bhalgora	17 12 0	..
Burrakur	..	37 8 0
East Indian	..	35 4 0
Equitable	66 0 0	60 2 0
North Damuda	12 10 0	12 8 0
MISCELLANEOUS		
Burma Corporation	4 12 0	4 7 0
Titagarh Paper	28 14 0	28 6 0
Dalmia Cement	19 4 0	20 0 0
SUGAR		
Champaran	39 4 0	40 7 0
Samastipur	22 0 0	22 0 0
Belsund	15 12 0	15 12 0
Carew	29 14 0	30 0 0
Cawnpore	..	41 0 0
TEA		
Tejpur	19 14 0	20 8 0
East India	16 14 0	16 10 0
Bihnauth	41 4 0	..
Naga	20 8 0	..

WORKING CLASS COST OF LIVING

Base August 1939=100

	1944 April	1944 March	1944 Feb.	1943 March	1942 March
Bombay	220	215	219	193	130
Ahmedabad	..	282	288	237	132
Sholapur	284	275	274	219	132
Cawnpore	316	294	298	246	150
Nagpur	271	273	289	262	133
Jubbulpore	320	320	323	276	165
Lahore	..	292	303	254	146
Madras	205	205	203	173	117
Jharia	..	..	378	269	150



WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity	Quality	Market	Unit	Latest Quotation Rs. a. p.
Rice	Basmati			
	Sela	Amritsar	per md.	21 0 0
Wheat	Average	,,	,,	8 2 0
	,,	Hapur	,,	9 10 0†
Linseed	,,	Calcutta	,,	10 7 0†
	Ready bold	Bombay	,,	10 10 6
Mustard	Small	Calcutta	,,	10† 0 0
	Yellow	Cawnpore	,,	14 9 0
Ground-nuts	Bold	Bombay	,,	11 9 2
Ground-nut oil	Special	Ernaculum	,,	41 4 7
,,	Ready	Bombay	per qr.	11 6 0
Copra oil	,,	,,	,,	10 6 0
Linseed oil	,,	,,	,,	10 4 0
Castorseed oil	,,	,,	,,	11 10 0
Potato	Desi	Cawnpore	per md.	3 0 0
Cotton	I.C.C. (Sept.)	Bombay	per candy.	435 0 0
Cotton cloth	Leopard	,,	per lb.	1 12 0
Jute	(Raw 1st	,,	per bale	84 0 0
Jute cloth	B Twills	Calcutta	,, 100 bags	60 12 0
Tea	Indian Market	,,	per lb.	0 11 10†
Wool	Indian	Karachi	per md.	73 0 0

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"Abnormal War Balances"

THE rejection by the International Monetary Conference of the Indian delegation's proposal regarding blocked sterling balances was not altogether unexpected. Britain had set her face firmly against the Indian move which had thus to depend on other votes. But what is most unexpected, surprising, disappointing and painful is the fact that it was the American delegation which defeated the particular proposal as well as the other proposal made by Sir Shanmukham for helping backward countries through the Fund. The significance of this, as also the significance of the rejection of the Egyptian proposal to give preferential dollar rationing to the countries with blocked sterling assets, will not be lost on the Asiatic and other politically dependent countries. The U.S.A. is bartering away the rights of subordinate peoples for securing Britain's adherence to her proposals. All the Wallacian promises to the Asiatic nations are so much pompous pretence. It is futile for this country, as for any other similarly situated, to expect that the economic damage caused by the political domination of Britain can be assuaged by American economic collaboration if not political intervention. What is in store for the underdogs of the world is a dollar imperialism in partnership with the sterling imperialism. It is reported that several of the delegations supported the Indian case, but the majority rejected it. Details are lacking, but when available, we shall at least know who are our friends and who our enemies.

What is the plea offered for rejecting [illegible] demand? It is that the problem of [illegible] now become so huge that it would [illegible] the mechanism of the Fund and [illegible] Fund performing its main [illegible] formative stages. We contend [illegible] not only wrong but goes [illegible] the Fund. Clause (5) I of [illegible] the establishment of [illegible] as one of the principal [illegible] exclusion of blocked sterling [illegible] ment is a big false [illegible]

Apart from this argument on *prima facie* grounds, let us examine the nature and dimensions of the problem of blocked sterling balances and examine the technical implications of their inclusion in the Fund in some detail. We can start with an account of the disequilibrium in Britain's balance of payments which has given rise to this problem. The deterioration in her capital account can be measured either by the sum of foreign central bank assets held in Britain or by the overseas disinvestment incurred in the last five years. The former figures are not complete and comprehensive, while the latter are available and highly accurate. Britain's overseas investments in 1938 amounted to about £5,000 million, and the disinvestment in the period 1938-1943 was £3,005 million, leaving net investments at £2,000 million. The amount of £2,350 million disinvested to the end of 1942 comprised (a) loss of gold and foreign exchange £650 million; (b) sale of securities £875 million and (c) accumulation of sterling balances and interest free loans £825 million. Disinvestment in 1943 comprises almost wholly of the growth of foreign sterling balances £655 million. If we assume the liabilities to grow at the rate of £500 million for two more years, the total sterling balances would be £825 million, *plus* £655 million *plus* £1,000 million, *i.e.*, £2,500 million. Thus at the end of 1945 Britain would have become a net debtor, the unliquidated investments being only £2,000 million as against an indebtedness of £2,500 million.

What is the effect of this transformation on her income from foreign investments? Leaving out the disinvestment of gold and foreign exchange, the loss of income from the sale of securities of the value of £875 million at an interest yield of 4 per cent. comes to £35 million per year, while the loss due to interest payment at 1 per cent. on the accumulations of sterling to the tune of £2,500 million amounts to £25 million. At the end of 1945 the decline in income from foreign investments would be about £60 million; and if we deduct this from her £200 million of pre-war income from foreign investments, it would be £140 million per year.

But this picture leaves unreckoned other vital factors. If the £2,500 million debt is funded, say, at 3 per cent., the interest payment would aggregate £75 million per year. If, alternatively, the debt is repaid, say, at the rate of £250 million per year, Britain would have to find an export surplus of the quantity of £60 million loss of income, *plus* £250 million repayment of debt, *plus* an uncertain amount due to loss on other invisible items like shipping, in all about £325 million per year at least for ten years after the war. Even in the period 1936-38, Britain's imports were £940 million, exports £540 million, and invisible income £360 million, leaving a deficit of £40 million. If to this is added the deficit of £325 million likely to arise after the war, the figure is as high as £365 million or approximately £350 million. To meet this gap Britain would have to augment her exports from £540 million to something like £940 million and this she cannot do without increasing her imports of raw materials and essential articles by only slightly less than a corresponding amount. A restriction of imports is out of the question.

The question is: How this gap is to be covered and whether it can be covered except through the multilateral circuit. The segregation of the blocked balances from the world's Fund has the implicit suggestion that the sterling bloc offers a wide enough area for internal adjustment to be effected of the entire amount. This, in our view, is wrong and impossible; what does it in effect mean? Either Britain can run safely into an annual deficit on current account to the extent of £350 million by getting credit within the sterling area itself or she can increase her domestic employment and trade with the sterling countries to the desired degree. The former can be achieved either by not releasing the assets at all or by releasing one country's but blocking another's assets. If India's assets are reduced by increased purchase of goods from Australia and if the clearing is done in London, the resulting change is only a transfer of claims from Indian to Australian account, not a reduction in Britain's debts. The other choice of securing the entire amount by trade within the sterling area is impossible. Trade radiates from the industrial countries and even for the pre-war volume of trade, Britain had to depend so largely on the U.S.A. and the continent for her imports. How much more so for the greater volume after this war? Thus Britain might try to segregate the blocked assets from the multilateral circuit in the financial sense, but it is impossible to do so in real terms of goods.

There are, then, only two alternatives left for Britain, (1) short-term credits, or (2) long-term loans. If, as Lord Keynes claimed in his original proposals, Britain represents a country with enough productive capacity to sustain her standard, but is temporarily faced with troubles, short term credits are the best remedy and the Monetary Fund is just the agency for the purpose. If on the other hand long term loans are wanted, the honourable course is to say so and apply to the World Bank for help when it starts functioning. No considerations of prestige should stand in the way. Any other course is *mala fide*. It is impossible that the eminent Lord Keynes and others at Bretton Woods are so innocent as to miss this simple issue; and that is precisely why the proposed segregation of our assets lends strength to our doubts about their *bona fides*. If the claims are going to be met and not repudiated, the best way of doing it will be through the Fund, not by segregation. Hence segregation is suspect. India has yet to get an official assurance from H.M.G. against repudiation of her assets or retrospective revision of her claims. The deliberately evasive statements of Sir John Anderson and Mr. Amery in the Commons are the most certain evidence of Britain's *mala fides* and America's attitude at the Monetary Conference of her complicity in a shady deal. The immediate and only vital issue before India is not the Monetary Conference—it has failed us—but organization of opinion to demand from Britain an official assurance against repudiation and of sanctions to enforce it.

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Planning and Statistical Organisation

WHEN Sir Ardeshir Dalal joins the Government of India early next month and assumes charge of the Department of Planning and Development, the twin tasks of instituting an adequate statistical organization and a comprehensive and intensive survey of national resources, including, in particular, geological survey, must naturally engage his urgent attention. Economic planning or adjustment of means to end is only possible on the basis of reliable and well-organized statistics and a complete inventory of resources available. A planned economy can be properly organized and directed only through men stationed in central positions working largely through statistical knowledge of the whole and of the parts under their control—knowledge which is statistical in the double sense of being numerical and summarized. It is true that not all knowledge which would be essential to plan and execute any national economic programme, would be of statistical nature and especially qualitative aspects of human and material equipments and social imponderable factors which can make or mar any practical economic planning, can never be wholly thrown into statistical forms. Further, in the pressure of the mechanized array of statistical analysis, vital human aspects stand in peril of being effectively squeezed out. Nevertheless, a planned economy, whether for policy making and economic programming or for the allocation of scarce resources in accordance with formulated schedules of priorities, must in the main operate through a detailed statistical organization and analysis. For no individual can comprehend through direct observation the totality of a giant economic machinery, and it is only through the broad and impersonal picture conveyed by statistical *precis* that the parts can be brought in proper relationships to one another. Planning is only possible on a platform of comprehensive economic intelligence and statistical analysis.

No one would probably be more conscious than Sir Ardeshir himself who is a part author of the Bombay "master plan," of the utter inadequacy of our statistical organization in the context of planning. Partly due to the tradition of *laissez faire* and partly due to the cramping effect of general economic backwardness, statistics in India, in so far as they exist, have been merely the exudation of administrative activities and except in the case of population census and to some extent of foreign trade statistics, there has been no organization charged with the primary function of collection of economic data. Even in the case of the population census, the gaps in statistical information and analytical defects in organization of data, largely detract from their value. We are not referring to the peculiar political and communal factors such as have vitiated the objectivity of the censuses of 1931 and 1941 but to their vital *lacunae* from the point of view of social and economic analysis. Thus, statistical information bearing on the number of girl babies born to women in different age groups is not available and it is thus probably impossible to calculate such a crucial populational factor as the net reproduction rate for India. Consequently, the Bombay planners were forced to proceed on the basis of the shabby—but in the circumstances inevitable—assumption that our population will be increasing at the constant rate of 5 million per annum indicated by the simple arithmetical average in the preceding intercensal period. Professors Bowley and Robertson in their *Report* were impelled to ask for "much more light" on the comparative behaviour of birth and death rates and still more on fertility, among different races, religions and classes and in districts differently situated as regards the rapidity of agricultural improvement and as regards their exposure to the stimulus of industrial development, so as to enable us to judge whether or not the various economic and social forces making for a reasonable balance between population and production are working with sufficient strength. In the census report, again, tables relating to caste or religion occupy a good fraction of the big volumes, while the essential economic and social data, analyzable in their manifold relationships, are either totally missing or appear only in a truncated form. Where is the corpus of data on the basis of which we can formulate a sensible population policy or bring out the recognizable contours for occupational planning?

In the field of foreign trade, the most crying need is probably the organization of economic intelligence service reporting on economic conditions and market possibilities in the various countries, so that not only are we able to get our imports from the best markets in the world, but also our export potentialities may be fully exploited in a keenly competitive world. The war, again, has forced profound permanent changes on our balance of payments and we need a much more systematic attempt to record the various elements which go to make up the balance, especially movement of private capital. Correlated is the need of tabulating the various foreign interests in our country.

The pitiful experience during the war has showed us, as never before, how very ignorant we are about the elementary facts and figures of our agriculture. The Government has been literally fumbling and blundering in an almost complete statistical darkness—especially so in regard to the Indian States and permanently settled areas. While Professors Bowley and Robertson pointed out that the data at present are quite insufficient to determine whether or not food is increasing in proportion to population, the Gregory Committee negatively concluded that since available statistics of food production or food imports do not show any trend, but since a population increase as large as 50 million in a decade "is itself inconsistent with any assumption of a progressive deterioration in the standards of consumption which would not have permitted such a population increase to take place," consequently there *must* be statistical defects. Such is the enormity of our statistical ignorance. The perfunctory treatment of agriculture in the Bombay Plan and even in the Government Plan is hardly to be surprised at. Let us confess that we know little about our largest occupation: we do not know how much land we have for extension of cultivation or what are the production and cost conditions in agriculture, or whether famine mortality in Bengal has been nearer half a million or nearer five million.

Indeed even in regard to the broadest economic statistical conceptions like the national income, we are woefully deficient. The fact that the Bombay planners had to base themselves on the estimate, for what it is worth, by Dr. Rao of national income in a rather abnormal and nearly pre-historic year like 1931-32, is itself a voluminous commentary. As it is, we have no census of production, no comprehensive survey of industrial structure in town and village and even elementary statistical data are conspicuous by their absence and even when present, lie unco-ordinated and scattered. The British Budget White Paper, which

neatly shows how much of British war expenditure has been covered by increased production, how much by curtailment of consumption and how much by disinvestment, is something at which we in our circumstances could only marvel.

To institute a strong Central Statistical Organization supported by a network of Provincial and State organizations, which can act as the essential fact-finding, co-ordinating and analyzing agency, must be one of the primary tasks which Sir Ardeshir will have to face. The importance of such organization in a planned economy can be seen from the fact that in Russia there are tens of thousands of employees engaged in the tabulation of statistics in the central offices of the Planning Commission and more tens of thousands engaged in the separate Commissariats. However, Russia did not build up her vast and efficient statistical organization overnight, and there too in the pre-planning days there was "chaos prevailing in statistics" which could only be viewed with "despair." In the main, increasing comprehensiveness and resiliency of our statistical organization must come in the course of the practical working of the planned economy and gradually an efficient system of "statistical control" will grow up. But the basic statistical organization which can supply the data for the formulation of broad policies and economic programming must be built up forthwith. This will mean three things. Firstly, the establishment of a "Permanent Economic Staff" which will systematize the work of economic intelligence on a long-term basis to subserve the pressing needs of the post-war economy. Secondly, the co-ordination and organization of the vast mass of scattered data which the various Governmental departments have acquired in the course of war-time administration. Thirdly, there would be a category of economic data which we require for immediate policy making but the full statistical organization of which will require time. Here interim sample surveys could provide immediately sufficient factual data for the formulation of policy. In the re-organization of our statistical service, both the short-term and the long-term ends have to be kept in view.

The Week's Notes

A GRIM POINTER

The International Monetary Conference which opened at Bretton Woods about a fortnight ago, is only one of the first in the great series of vital international economic conferences which would be taking place during this near-peace and the immediate post-war period. The world economy has been violently wrenched out of its pre-war bearings by the compelling pressure of the global war. It would be some time—and not without an initial period of acute stress and strain—before the world economy settles down to function in an orderly manner at a new equilibrium level. But during this interregnum of instability and uncertainty, all the different nations will be manoevering for position and advantages and staking their claims round international tables. The results of these international conferences and negotiations will have decisive effects on the course of economic development in the various countries after the war. Unless we can press our legitimate claims vigorously at international venues during this crucial period in our economic history, we are likely to find ourselves worsted at every turn in the strenuous period that is likely to ensue at the end of the war. The reverse after reverse which the Indian delegation is meeting at the Bretton Woods Conference and the almost cavalier fashion in which even our elementary and minimum claims are being shoved aside is a grim reminder of the grievous disadvantage under which our delegation is labouring on account of the subordinate political status of our country at present. Even the tentative line-up of proposed quotas for participation of major member nations in the International Monetary Fund, appears to be based not so much on economic criteria, as on a rough evaluation of respective political status after the war. India & France come lowest in the hierarchy with a quota of $300 mn. each. China's quota is put at $600 mn., while Russia with $1,000 mn. comes only after the United States and Great Britain. The pretext that Russia and China have been given quotas much above what are arrived at on the basis of gold holdings and pre-war foreign trade, on account of their higher 'potential' post-war foreign trade, is lame, to say the least. For who supposes that China's 'potential' is double that of India and India's future is so dark that her quota has to be lowered to $300 mn. even from the figure of $347 million actually arrived at? Countries like Egypt and India which do not possess fullest political power cannot hope to compel respect from other nations for their barest rights. The results of the Monetary Conference provide a grim pointer. Unless the political forces in our country rally even at this late hour to achieve unity and political power *now*, even before the end of the war, all our vital economic interests would receive short shrift at the hands of other nations. A continuance of the present political situation at this decisive stage is likely to spell disaster for our economic future.

REJECTION OF COMPROMISE FORMULA

Having failed in the first instance to bring the blocked sterling assets within the ambit and mechanism of the Monetary Fund, the Indian delegation offered a compromise by which at least a part of those assets as might be determined by the Conference be released for conversion into foreign exchange. This, too, has been turned down, the opponents being the U.S.A., U.K. and Free France. The French delegate, M. Andre Istel, has said that if Indian sterling is to be included, France would require that her blocked assets in Germany should also be taken into account, that it was impossible and that he would oppose any further saddling of the mechanism of the Fund. Earlier, the Conference rejected the Egyptian proposal, much more modest and limited in purpose than the Indian amendment, which pleaded not for including part or whole of the blocked assets in the purposes of the Fund, but only for some preferential treatment in the rationing of foreign exchange which was already there in the plan.

All the major Powers have thus joined hands in insisting without the least desire for compromise on the assets of weaker and smaller nations being blocked or dealt with in a manner suitable to them. The French delegate gave himself and his powerful friends away when he likened the blocked sterling assets to the German clearing system in Europe. Unpleasantness alone prevented Britain's friends in this country from pressing this analogy. And, yet, are the clearly incurred claims of an ally like India within the sterling area and without the tentacles of the monetary system of the enemy to be treated as if they were no

different from the claims of a country which has been in enemy occupation and whose monetary system has been regimented beyond recognition to the enemy's needs? The confusions and complications as to the rights of various nations and nationals to the assets and property in Europe, which are going to arise after the war from the tangle of German clearings are a wholly different category of problems and in no way comparable to the clear-cut issue of sterling assets. The right course for the Allies is not to lend strength to M. Istel's analogy, but to emphasize the difference and make the clearing of legitimate claims real and effective.

MR. CASEY'S REVIEW

Mr. Casey, the commoner Governor of Bengal, is wont to speak to the people oftener than is usual for the heads of the Governments in this country. Broadcasting, again, on Monday last, his Excellency claimed that the procurement operations have succeeded to an extent that the Government has now a minimum reserve of rice to see the province through until the next *aman* crop in November. This means, he added, that "we are almost out of the wood, so far as this year is concerned." This would have been a most welcome reassurance, if facts could endorse it. Nevertheless, it would be idle to pretend that disquieting symptoms have ceased to obtrude themselves on our attention. Those who remember the distressing trek of destitutes about this time last year into the urban areas in Bengal, and particularly into Calcutta, naturally feel apprehensive that the trek should reappear again just now. The Government's assurance that these "ticketless travellers" to Calcutta are not destitutes but "just poor people" who take "advantage" of free kitchens in the city, is hardly calculated to allay misgivings. There are gradations of poverty even in the worst of conditions and it is clear that the condition of these "just poor people" has demonstrably worsened lately to impel them to these free kitchens in the city. Reports from the mofussil, particularly in East Bengal, point to increasing distress. Mr. Casey claims that throughout this year his Government has been accumulating food stocks and "facts and experience," but while they are planning on the basis of several years ahead, this accumulation of stocks, facts and experience should also be allowed to come out to influence favourably, and in time, the situation in the current year as well. On the other hand, reports aver that the Bengal Government has recently "lent" a sizeable quantity of rice to the military authorities in Assam. How are the military authorities to "repay" this loan except out of the physical stocks accumulated through procurement operations. When the aggregate of stocks procured or procurable is itself insufficient, this fiction of "loan" is of dubious utility. While the "relative" decrease in the incidence of diseases is satisfactory in itself, the need for continued vigilance and efforts is not weakened. His Excellency alluded to the "common knowledge that there is a good deal of corruption in Bengal." Last year there were almost open allegations of widespread corruption. Surprisingly high personages were implicated, and it was commonly believed that it was corruption made into a system—particularly at the top—that immeasurably aggravated a difficult position. The public will more eagerly respond to his plea for co-operation in putting down corruption, only if they are given concrete evidences that his Excellency is determined to put down the evil with a strong hand and that he would spare neither personages nor systems in the process.

CO-OPERATIVE INDUSTRIAL RESEARCH

During the war there has been very great expansion of industrial capacities, particularly in the United States, Great Britain and the Dominions. This has also been accompanied by great technological developments. The post-war world is therefore likely to be a highly competitive one, and only those who can keep themselves in the van of technological progress can hope to survive. This only emphasizes the need for an improved liaison between the scientists engaged on research and the industrial and commercial world which puts the results into practical application. So far in India industrial research has been mainly in the chemical field, while facilities for research in mechanical and electrical engineering are practically non-existent. Even in the chemical field, with one minor exception, there is no concern which can maintain a really good laboratory and library; most of the chemical firms which have grown up, specially during the war, are dispersed units with small financial resources. In this country, therefore, while there is a specially strong case for the Government openly identifying itself with a vigorous industrial research policy, there is also, as Sir S. S. Bhatnagar made out recently, a parallel case for co-operative industrial research schemes, in the benefit of which a multitude of small firms in any particular industry could participate in return for small individual contributions. Although rival firms may tend to have competitive apprehensions in regard to exclusive processes and products, experience in other countries shows that there is a very wide field for co-operative research. The benefit of co-operative industrial research has been widely appreciated even in an advanced country like England and in India the usefulness of co-operative research which is intended to benefit principally small firms, would be more and not less. Today under the auspices of the Agricultural Research Council there are a few organizations like the Lac Research Institute, the Matunga Cotton Technological Institute and the Jute Research Laboratories, which are maintained on principles somewhat like those under which research associations are run in England, but with their meagre financial endowments, their usefulness remains limited. In the early stages, especially during the war when the importation of necessary scientific equipments for laboratories is difficult, co-operative research schemes could be carried on with the co-operation of existing laboratories, *e.g.* of universities. There is everything to be said for the pooling of resources in the different industries for research, without any diminution of the Government's responsibility for a progressive industrial research policy.

A WORLD TRADE ORGANIZATION

Mr. Clark Minor, the President of International Electric Company, New York, in an illuminating article in our pages last week, advocated the need for an international organization analogous to the I.L.O. to define the rules for carrying on world trade and to intrepret, and arbitrate those rules. The purpose of such an organization would be the maximization of international economic co-operation, and with that end in view principles such as rights of entry, ownership of property, access to materials and in general, equality of treatment with citizen traders will have to be recognized in the interests of aliens. In the interests of international fellowship, perhaps, such principles have unquestionable validity in the same way as the rights of people in over-populated regions to unoccupied land and opportunities in the new countries, which are crying for recognition. The state has a justification to step in to regulate national economy only so so long as no international recognition of obligation of ensuring decency of standards of living throughout the world exists. In the absence of the latter every country has not the equal interest in a growing volume of international trade, as it is not equally conducive to the welfare of every member.

Despite the Atlantic Charter and the Mutual Aid Agreement, it will be hazardous to place much confidence in the prospects of such an international obligation being recognized in effect in the near future. Nations must continue to depend upon their own resources for the raising of their standards of living, and the management of their foreign trade constitutes the most helpful instrument of accelerating the tempo of their development. A world trade organization must recognize this limitation to free trade, if it is not to defeat its principal objective of full employment not only in the developed but also in the underdeveloped countries. It shall have to be particularly cautious in defining what constitutes unfair trade practices in order to avoid differential advantage to the highly capitalised industries in certain countries. In spite of these serious limitations, it can help to formulated a code for international commercial terms and practices, totally disrupted after the last depression, with a conception of international well-being and concord instead of national interests only.

VALUE OF THE POUND

The British Chancellor of the Exchequer, in reply to a question in the Commons, stated that the domestic purchasing power of the pound in 1943 was about 71 per cent. of that in 1938. This is based on "certain estimates of the relative levels of retail prices, excluding indirect taxes, increased by subsidies" which are given in the 1944 White Paper on National Income. Those estimates show that retail prices have risen from 100 in 1938 to 118 in 1940, 131 in 1941, 138 in 1942 and 141 in 1943; from which we can see that the maximum rate of increase had been reached by 1941 and that thereafter the rise was much smaller. Price movements in other sections of the economy have been very different from those applicable to consumers' expenditures, and, in the absence of those figures, we cannot be certain of the value of the pound as based on retail prices alone. Nevertheless, it is a tribute to the skilful management of her war finances that Britain has been able to keep her prices within such rigid non-inflationary limits while at the ture rise from £1,021 million in 1938 to £5,782 million same time she has let her central Govrenment expendi- in 1943 and note issue from £556 million in 1939 to £1,150 million at present. But the explanation is simple, and lies in the mechanism of the external war finance of Britain by means of which she has transmitted inflation which should have been hers to the dependent countries of the sterling area through the currency link. Prices in India have soared by 300 to 400 per cent., and in the Middle Eastern countries by anything from 500 to 2,000 per cent. These widely disparate national price levels will present a very difficult problem of readjustment after the war, and when the time comes, the gainer is likely to be not these countries whose prices will slump, but Britain which will gain from it, as she does now by the avoidance of domestic inflation But there is at least one comfort. The pound has not depreciated in its internal value and, if our assets are to be available, they will buy a quantity of goods only slightly smaller than before the war.

THE COAL CRISIS

The crisis in coal production is deepening every day and, if things are allowed to drift as they have been suffered to so far, a complete collapse in the near future can hardly be avoided. And for this impending coal famine, the Government must bear the entire blame, for they hold the industry's destiny in their hands. From 28 million tons in 1940-41, coal production began its calamitous fall; the total output in Jharia coal-fields in the first quarter of 1943 fell to 7% below the amount produced in the corresponding period of the previous year. The end of 1943 saw a decline of 40 to 50% in coal raisings in Bihar mines which constitute 65.2% of India's total coal production. And all this time Government continued complacent and contented themselves with half-measures like permitting women labourers to work underground to relieve the shortage of labour which was caused by the migration of labour to take up work on military or C.P.W.D. schemes pulled by the prospect of better pay and less arduous work. Of late labourers have been imported in the mining areas from outside the provinces, for example from Gorakhpur, and this has led to some improvement. In the Jharia coal-belt, for instance, it has been estimated that 15 to 20% of the original labour shortage has been made good. But this is inferior labour and in consequence there cannot be expected much improvement in coal raisings; for it has been estimated that the Gorakhpur worker produced about only one-fifth of the skilled worker . The steps taken by Government to attract the miners back have not resulted in a come-back of more than 4% of the workers because they have not been adequate for the purpose. And, therefore, the shortage of labour, not quantitatively so much as qualitatively, continues to handicap coal raisings. The situation in regard to transport and colliery stores bespeaks colossal indifference. One mine, for example, is reported to have been forced to remain idle for several days due to lack of kerosene, which is essential for the miner's lamps. Another colliery has had to turn its energies to the production of nails from pieces of wire for its own use. Coal 'tubs' and wire rope for drawing trucks are in short supply and contribute to make the situation still more grave. Lack of railway wagons of the right type has often led to the slowing down of loading. Closed wagons have been supplied to collieries with the result that mechanical loaders have been unhelpful and labourers have had to be diverted to fill these wagons with baskets. In these circumstances, it is obvious, the level of 28 million tons attained in 1940-41 cannot be thought of as practical proposition. Government have, therefore, fixed 23 million tons as the target for 1944-45. While, therefore, this target is admittedly low when we consider that the demand on the internal production has been greatly enhanced, imports have almost been stopped and coal has even been exported, it is urgent that nothing is left undone to attain this target, low as it is. The prospects are rather grim. The best months, September-June from the point of view of coal raisings have been lost and the monsoon has set in when the production of coal naturally goes below the normal, due to flooding of the mines. Then from the middle of November, for the next two months, there is bound to take place a large exodus of mining labour for harvesting work.

THE NEW ORGANIZATION

It is in these threatening circumstances of a coal catastrophe that a new organization, under the Supply Department, has been set up to deal with the questions relating to the production and distribution of coal. There will henceforth be two Deputy Commissioners, under the Coal Commissioner, one dealing with production and the other with distribution, and six Regional Coal Controllers in the mining areas. It should be the business of this new organization to take energetic steps to augment the production of coal through the supply of better equipment and adequate store to the collieries, big and small, and not content itself with intensifying production in a few selected mines only. The crisis is too severe, and its consequences so serious that an all-round increase in the outturn of each and every colliery is the only ideal that can be said to be in consonance with the needs of the moment. In regard to distribution we have only to submit to Government that the principle of Government taking the lion's share acted upon in respect of paper, leaving the civilian population, industry and commerce to fend for themselves should not be followed in regard to coal. The consequences of such a policy would be too disastrous.

A TEN-CRORE SCHEME

The Development Plan for Travancore, an outline of which was recently given in the Press, seems to be a rounded and well-balanced programme, admirably correlated to the needs and resources of the State. In its emphasis on the expansion of hydro-electric resources and the building up of a machine tools industry, try, the scheme reveals its recognition of twin fundamentals of industrial progress—power and machinery. An interesting feature is the part to be assigned to electricity in revivifying rural economy; cottage industries are to be equipped with small electrically-driven plants and electricity is to provide the motive force for irrigating areas of scarce rainfall as well as for draining swampy regions. The programme of industrialization includes the establishment of large-scale fertilizer, cement, aluminium, plywood, rayon and artificial silk, rubber products, china clay and porcelain industries. The scheme is expected to cost about Rs. 10 crores, much of which will come from specific budgetary allocations for reconstruction purpose and from the proceeds of State loans. Sir C. P. Ramaswamy Iyer, the Dewan, made it clear that the Travancore scheme would forge ahead independently of the Government of India's reconstruction plans. If co-ordination on a national scale is to be achieved, it is clear that the Central Government will have to come forward early with a bold plan for it would be unfair to the more progressive among the latter to expect them to adjust themselves to the snail's pace at which Delhi moves.



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SPECIAL ARTICLE

British Employment Policy

By J. Henry Buchi

STEP by step the British Government is building up its post-war development programme. In its White Paper on "Employment Policy" a fairly comprehensive outline of financial and controlling policy is presented. One needs to read this latest White Paper together with the 'May Report' of 1931 to realize the change in outlook that has taken place. Then it was considered a *sine qua non* condition for re-establishing healthy conditions to cut down municipal and State expenditure to the bone; to cure anaemia by blood-letting. Now it is considered safe, indeed essential, to have deficit budgets during times of stress. The authors of the Employment Policy do say that in the long run—the budget should balance, which means that the whole financial problem should be considered on long term lines and not, as in the past, merely as an annual accountancy business. What is more important still, whilst in the past the Budget was only concerned with the annual income and expenditure of the State, in future the financial budget is to be based on and considered in connection with the total economy of the country. A small start was already made by the late Sir Kingsley Wood when, four years ago, he published a short statistical survey of the source of the national income as a companion to his budget. This survey has been extended and improved and thus gave the members of Parliament and the public a background and basis for estimating the budgetary proposals. The Government now propose to still further extend the survey so as to include besides the income statistics returns of production, stocks, consumption, and capital investment both of the State and the municipal authorities and of private enterprise. In other words, in future the national budget will become merely an ancillery to the gross national income and production budget.

The Transition from war economy to peace economy, naturally, takes up a good proportion of the White Paper. It is stated that at present there are about 23 million men and women in the armed forces and in gainful employment, an increase since 1939 of 4½ million. Something like 80% of employment in the manufacturing industries is now on Government account. The numbers involved in the change-over from the forces and war to peace work are estimated to be about 7 million persons. How large the amount of machinery and plant is that is immediately available for peace work and how much has to be built before the industries concerned are ready for full peace work, even the Government does not know at present. It will be some time before they have the necessary returns. On the other hand, even if one is now able to look forward to an early termination of the war in Europe, no one would venture to suggest that war against Japan is matter of months only. Then, a much larger army of occupation will be required in Europe for the transition period so that demobilization will be a much more gradual process than it was in 1919. To this has to be added the fact that Government and nation are not only aware of the problems involved —which they were not in 1919—but also are already planning for action. Thus the Government is making preparations:—

(a) by assisting firms to prepare to switch over their capacity to peace-time production as quickly as possible.

(b) by finding out in advance where the skilled labour which will gradually become available for civilian work will be most urgently required;

(c) by arranging, so far as war conditions permit, that labour and raw materials will be forthcoming for urgent civilian work and ensuring that the machinery of allocation devised in war-time will be adaptable to the special conditions likely to obtain after the end of the war in Europe;

(d) by arranging, so far as possible, that curtailments of munitions production shall take place in areas where the capacity and labour can be used for civilian products of high priority;

(e) by arranging that the disposal of surplus Government stocks shall not prejudice the re-establishment and development of the normal trade channels for producing and distributing similar goods;

(f) by regulating the disposal of Government factories in such a way as to help towards the early restoration of employment.

Beyond emphasizing the importance of properly ordering the country's overseas trade relations there is nothing in the White Paper to indicate Government Plans in this direction. Some critics express some anxiety on this point. On the other hand, the Government may not have wished to prejudice negotiations which, no doubt, will have to be conducted sooner or later. At any rate the first and fundamental point is to order one's internal affairs. Any definite and consistently pursued internal policy will automatically create the conditions necessary in international relationship, so long as that policy is one which, ultimately must benefit those with whom we shall have economic intercourse.

The Government lay stress on the proper relations between industry and labour, on the one, and wages and industrial efficiency, on the other hand. Wages levels and price levels, they say, must be stabilized. By that they do not wish to imply that there should be no change in wages. But, they point out, increase in real wages should go *pari passu* with increased efficiency. And Trade Unions are asked to help in removing restrictions on output which at some time in the past were deemed necessary to protect the interests of the workers. To keep the cost of living down at least for some time, the Government will continue to subsidise a certain variety of products. On the other hand, it is pointed out, there is no purpose in wage increases which have inflationary tendencies since thereby there will be no benefit to the worker who merely has to pay out his wage increase in higher prices for his necessities.

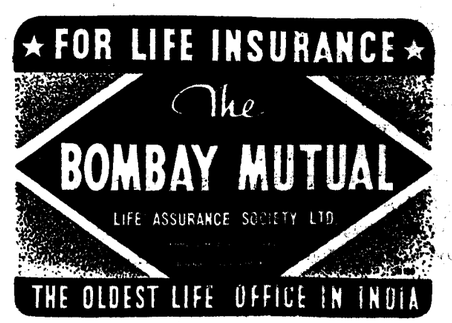
Location of Industries and mobility of labour are two more problems which have to be dealt with. Both have much to do with sectional unemployment. Experience has shown that localities with mixed industries never suffered the same degree of unemployment as localities depending on one or two industries. Thus in controlling to some extent and guiding the location of new industrial units the Government expect to be able to create better conditions. It is essential, however, that as a concomitant greater adaptibility of labour is achieved. This, it may be added will be more or less automatic. Where labour has the opportunity to change over from one industry to another without having to move too far it will change occupation readily enough. Even when it has to move from one region to another it will do so—at least the younger element—so long as employment in the new region promises to be fairly secure and if there is at least a modicum of reasonably commodious and reasonably cheap housing available. The Government make special reference to the point of housing in areas which require the influx of additional labour.

The idea that the State and municipal authorities should 'create' employment in times of unemployment by public expenditure is not new. What is new in the Government's proposals is that such expenditure should be of a productive nature. To employ skilled mechanics in draining marsh-land, as was done after the last war, is waste of money and waste of capacity. What is proposed now is that as far as possible, Public Works should be co-ordinated to the general trend. Government and municipal authorities shall plan their requirements in advance, it is suggested for four or five years in advance, and to have the more immediate plans fairly complete in details so that when necessity arises work can begin immediately or can be stopped up rapidly. Further, all such plans must be co-ordinated and for that purpose the Government and the local authorities have to work and plan together. Rather too much seems to be expected of the local authorities. The Government appears to contemplate to shift too much of the responsibility for public works on to the local authorities. However, much will depend on the actual working. So long as central planning control and direction is obtained devolution of executive authority is a good thing. It enables the citizen to take more immediate interest.

Monetary and financial policy have, of course, a large place in any policy of directing and persuading private investment. The Government are right in stating that monetary policy alone cannot achieve all that is necessary, but they do seem to give too little weight to the implications of such policy. Where they are right is when they say that it is easier to stem industrial over-development through high rates of interest in boom periods than to engender increased development by means of cheap money. But the point is that up to the present cheap money has been an artificial creation. Rates of interest have been kept down by banking policy while really cheap money should be the result of economic conditions. The cheap money policy has not increased but has decreased the velocity of circulation. The reason is that money and quasi money such as bank balances, have no incentive to circulate except where profits in trade and industry entice it to invest itself. And the excess Profit Tax has curbed that incentive to a large extent. Economists nad economic advisers will have to study this matter from another angle. Cheap money would be resulting from a dis-incentive to hoard, such as is proposed by the Cassellian school in their 'demurrage' money. For the present and for some time to come the cheap money policy will be pursued on the lines we know. And this policy has to be supported by direct public expenditure either by way of public works in excess of what is required for public administration, or by monetary support of consumption, or by both.

There is agreement that the first named has to take place at various times. The Government also postulates the latter. In that they are, however, over-cautious. They do not accept the proposal that the consumer and the investor, or, rather, the entrepreneur, should be encouraged by tax manipulation. This proposal has been much discussed and is favoured by a large section of the experts and the public. It accounts, in fact, to a long term taxation ratio so that during prosperous periods taxation is rather more than is required, whilst during slump periods taxation would be reduced below the average. But the Government advance the proposal to do the same thing—which, however, will inevitably be on a much lesser scale—in the realm of unemployment ratio for a long term period, contributions payable by the insured and the employers will be considerably above the average during prosperous periods, *i.e.*, periods of full employment. As unemployment increases the rates of contributions will be reduced *pro rata*. Thus, it is calculated, that, above a certain level of unemployment a rise of two points in the unemployment percentage would reduce the payment of contributions by workers and employers by about £850,000 a week. There would, therefore, be that much more to be spent on consumption which, no doubt would have a marked effect on consumption and, therefore, on employment.

As can be seen, 'Employment Policy' contains a series of postulates and proposals which would have been considered heretical only 15 years ago. Whatever criticism may be offered on individual points, it cannot be gainsaid that the British Government has stepped out to proceed towards economic pioneering. One hopes that they will be equally ready to support to the utmost limit pioneer work of others.



THE WORLD ABROAD

Liquidation of Sterling Balances

(From Our London Correspondent)

LONDON, June 21.

THE question of the Indian sterling balances in London has been discussed in different quarters over here. A typical comment on the matter appeared in the editorial columns of the *Financial News* a few days ago. The matter has been referred to in other papers and the views expressed there are largely in agreement with what the *Financial News* writes. First, the article in question refers to the increase of Indian sterling balances in London. India has paid off some £325 million since the beginning of the war. Meanwhile her sterling assets have mounted up from a mere £56 million to about £745 million at the end of May, thus the article goes on, the total may be expected to reach £900 million, by the end of this year. "Even if these balances were funded on a long-term basis at a low rate of interest, the servicing of this debt would impose quite a considerable strain on this country's resources, having regard to the deterioration of our capital position as a whole," writes the *Financial News*. It goes on to say that to permit these sterling balances to be spent in a rush, even on British exports, as soon as the war is over, was now quite out of question while it was even more impossible to permit their conversion into other currencies. Some arrangement was evidently urgently necessary but even more urgent was action to suspend the present financial arrangement. Unfortunately, the Indian political situation was particularly unfavourable to the dispassionate negotiation of a fresh settlement that would be fair to both parties. It was, however, quite certain that the fantastic results produced by the agreement of November, 1939, could not have been foreseen by either party to the agreement. "Yet any attempt at modification seems certain to be made the basis of a purely political outcry. Even in an untroubled political atmosphere it would be impossible to arrive at the basis of a fresh agreement on purely equitable grounds. From this point of view the only system of inter-Allied finance that would fit the facts would be an all-embracing United Nations agreement, based in some way on the principle of equal sacrifice. On such a basis, it was by no means certain that India would come out worse than under the present arrangements, having regard to the low standard of living of the Indian population. "What is certain, however, says the paper," is that in any such settlement the whole burden of any compensation due to India for her war-time sacrifices would not fall entirely on this Island. Since an agreement has to be negotiated with India and the United Kingdom as the sole parties, however, the object must be to find some formula that would limit this country's post-war obligations to a reasonable level and would pay regard to India's sacrifices in real terms, instead of to purely financial factors."

Whether the provisions of the present agreement should stand under which India assumes liability only for defence expenditure deemed to be required for the local defence of India the paper continues was a matter for discussion. But what was manifestly unfair to this country and quite indefensible on any rational basis, was that any increase in prices in India increases, in the same proportion, this country's post-war liability in respect of a given amount of war expenditure in real terms. The greater the inflation in India the greater becomes the sterling counterpart of the expenditure borne by this country. As an example, the *Financial News* writes, after having given the figures for the years since 1939, and corresponding price indices, on this basis the increase of £654 millions in India's sterling assets up to the end of March last would represent expenditure equivalent to £351 million of pre-war purchasing power. If it be assumed that our own price level will have risen by 40 per cent. when these claims come to be converted into goods after the war, the saving to this country from "squeezing the water" out of the balances already accumulated (ignoring the sterling debt already liquidated) would be £163 millions; if our price level should be 50 per cent. higher than before the war the saving would still be £127 millions.

So far the *Financial News*. Discussions of the problem of the 'Blocked Balances' extends beyond the Indian sterling balances. Without adding any comment of his own on the above the present writer has to add that, so far, responsible journals are treating the matter as they see it and there is no suggestion of doing India out of her dues whatever one may think of the merits of the different comments themselves.

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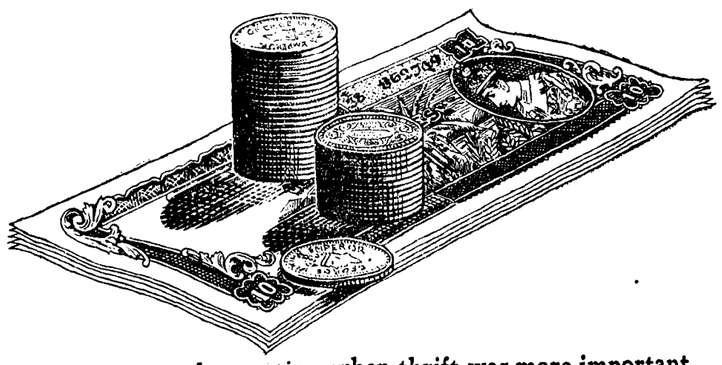
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CONNAUGHT CIRCUS,

NEW DELHI.

FRIEND OR FOE ?



There has never been a time when thrift was more important, more vital to India's future. During these war days there is a surplus of purchasing power in the country, and by "purchasing power" we mean money, cash, rupees. Thrift can make this surplus a blessed friend—for you and for the nation. Careless spending can turn it into the deadliest of foes—inflation. There is a shortage of goods in wartime India and unless the demand for them is reduced the prices remain high. Control measures have checked the upward trend of prices, but in this fight against inflation we need all the help *you* can give.

Invest wisely: Do not invest in jewels, land, buildings, manufactured goods or commodities. Today's best and safest investments are Insurance, Co-operative Societies, a Savings Bank Account or the Post-Office Savings Bank. Best of all invest in Government Loans or National Savings Certificates.

Every time you go into a shop ask yourself this question. "Do I really need it?" By self-denial now you help keep prices down and the value of money up. And you save money too.

SAVE

ALL YOU CAN AND INVEST ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1111

Money Market

Easy Money Conditions—Demand For Medium-dated—A Bullion Deputation.

(From Our Correspondent)

BOMBAY, July 9.

OWING to the plethoric state of short credits in the money market, the turn of the half-year was not marked by any unusual stringency, and there was absolutely no need for banks to adopt any of the traditional window-dressing operations. In fact, the cash balances of most banks remain at the highest levels, and with deposits continuing to pour in and avenues of investment getting more and more narrow, the banker is hard put to employ his resources in remunerative channels. So far, there is no sign of any heavy withdrawing of deposits for the payment of the excess profits tax.

Treasury Bills

The only factor that at all influences the state of the money market is the treasury bill borrowing of the Government. Towards the end of last month when the weekly offtake remained at Rs. 6 crores, one could notice a slight accession of firmness. The weekly offer of treasury bills was, therefore, reduced to Rs. 4 crores, and this had the immediate effect of bringing down the average rate to Re. 0-7-9 per cent. Total amount offered was Rs. 7.42 crores, which reflects quite keen bidding on the part of banks. The tender limit continues to remain at Rs. 4 crores for next week also. It would not be surprising if the rate sags much further as happened in the first week of June, because demand liabilities of Scheduled Banks show an increase of Rs. 11 crores in the week ended June 30, while time liabilities have also been up by Rs. 2 crores. The fact that advances have declined by Rs. 3 crores during that week suggests that the anticipated demand for bank accommodation from industrial companies has not materialized as yet. Bank profits for the half year, however, appeared to have been fully maintained and both the Central Bank of India and the Bank of India have handsome profit figures to their credit. Investment in gilt-edged continue to provide the bulk of bank profits.

Gilt-Edged

At the moment, the shadows of peace psychology are already noticeable in the securities market. Favourable war news brought about a rise in 3½% Rupee Paper yesterday to Rs. 99-9-0. The market in this scrip had remained dormant for some weeks. The switch-over of a good deal of investment interest from long-term to short-term securities has received further emphasis during the week, particularly from banks and insurance companies who have discarded their policy of waiting and are actively interested in buying up all scrips which mature within a period of ten years. Almost all loans show improvement in prices except 4 per cent. 1948-52 which is slightly easier at Rs. 105-10-0. The Reserve Bank has stopped selling 3% 1946, while from Saturday the stoppage of sales of the Funding Loan (3% 1966-68) has resulted in the scrip being quoted 2 annas higher at Rs. 98-4-0. The Victory Loan is quoted at par.

The total of India's sterling balances has crossed the Rs. 1,000-crore mark. The statement of the Reserve Bank for the week ended June 30, shows an addition of Rs. 5.49 crores to Sterling Securities which stand at Rs. 828.3 crores. With Balances Held Abroad reaching Rs. 173.74 crores,, the total of sterling balances owned by this country comes exactly to Rs. 1,002 crores. The Central Government appears to enjoy a comfortable ways and means position. Its balances stands at Rs. 65.2 crores, and in view of the speed up in tax collections under the pay-as-you-earn scheme and also the substantial amounts seeking investment in gilt-edged, one should think that the Treasury Bill tender limit is kept at Rs. 4 crores merely to oblige banks.

Bullion

The bullion market has attained an extremely interesting phase. In contrast with the easier sentiment of a fortnight ago, on receipt of the news of the purchase of Lend-Lease silver, a firm tendency has developed with the result that the gold price has crossed the Rs. 75 mark after a long time, while silver delivery has moved up to Rs. 131-12-0. A peculiar aspect of the market is that this firmness has been brought about more or less entirely by the bull chokeys whose grip over the spot market is firmer than ever. On Friday, a small lot of 2,000 tolas was bought from the Reserve Bank at Rs. 75-4-0. If the price remains steady, the acute scarcity of ready gold may cause merchants to go to the Bank. Bear covering has helped to improve the market but bears have made no secret of their disgust at the seeming inactivity of Government in not stabilizing the prices of silver. They have paid substantial amounts by way of *budla* charges, but the strong hold of the bulls has driven them to square up outstandings at a heavy cost. The bulls have been buying up both silver and gold and despatching them to up-country centres and Indian States from which export of gold is forbidden. This has tended to create a squeeze in the local market, which is entirely the result of these manipulations since the public demand for the precious metals is very low at the moment.

The artificial shortage of silver brought about by these cornering operations led to a deputation by some members of the Bullion Exchange, who waited on the local Finance Secretary. They pointed out that the short delivery period has established a system of permanent *budli* business, on which the bulls are alleged to be thriving. It was suggested that Government should take action against the bull operators and forbid the purchase of bullion in excess of ordinary requirements. Bears are practically urging Government to begin selling the silver acquired through Lend-Lease. The lot of the bears has no doubt been unenviable in the past few weeks, but it is doubtful whether their requests can be taken seriously by the authorities. Meantime, the Bullion Exchange has appointed a committee and empowered it to close the market in 15 minutes in case the committee felt that the market was hammered down by bears without sufficient reason.

The future trend of the market is hard to foresee. In one view, the technical position of the market has become clearer as a result of the squaring up of many short positions and since public demand for silver is running low, large fluctuations would seem to be improbable. At the same time, official sales are said to be a very remote contingency as regards silver. As for gold, the fact that the market price has gone over Rs. 75 will naturally induce merchants to approach the Reserve Bank for supplies, but even here there is an impression in some circles that the Bank will not be selling gold on anything like the scale on which they had been sold previously. Firm bullion markets seem therefore to lie ahead, even though this conclusion is difficult to square with the gradually increasing notion that the end of the war is not far.

All-Round Rise in Share Prices

(From Our Correspondent)

CALCUTTA, July 10.

THE Calcutta Stock Exchange has been rather irregular during the past week but there was a spell of activity in the latter half and excited trading on Friday, when the highest levels were touched. There was no suggestion of an abrupt rise in prices earlier in the week, though bulls had the upper hand and with greater outside buying jobbers were inclined to put up prices. As usual, the coal section led the rise followed by the Jute section on the reports that the claims of the industry for more coal supplies would be sympathetically considered. In the Engineering section *Indian Irons* and *Steel Corporations* have sharply risen on bear covering and closing quotations are substantially higher though lower than the highest levels for the week. The Calcutta market was also inclined to take bullishly the news of the maintenance of dividends by the Tata Iron and Steel Company Ltd. for the year ended March, 1944.

Coal Shares

The rise in prices for coal shares has been very surprising. Afer the substantial improvement in prices in the past two months such a sudden jump was not expected. The Bird and Heiggers group of collieries have been prominent with *Burrakur* done up to Rs. 42-12. *South Karanpura* to Rs. 25-12, *Standard* to Rs. 45-12 and *Sendra* to Rs. 26. The quotations at the end of last week were Rs. 38-12, Rs. 19-7, Rs. 36-12 and Rs. 23-12 respectively. That the rise was exaggerated is evident from the drop on Saturday.

The rise in prices for the bigger collieries is due to the hope that the proposals for increasing production would affect them favourably. Other shares also have been favourably affected. *Bengal* were done up to Rs. 685. They have now come down to Rs. 670. *Cental Kurkend* improved from Rs. 28-4 to Rs. 32-12 and are now quoting Rs. 31. The speculative issues were comparatively neglected. *Bhalgora* were the only counter which were higher at Rs. 19-6, the quotation at the end of the last being Rs. 17-12.

Jute Shares

Jute shares have been more steady and only the weakness of the Coal section towards the close brought about a slight fall. *Howrah* have been very active; the quotation has been done up to Rs. 80 from Rs. 77-14 and has closed firm at that level. *Anglo-India* were Rs. 485 against Rs. 470, *Clive* were very active at Rs. 46-12 against Rs. 44-10. *Kanknarrah* and *Kamarhatty* were not very much changed among the bigger issues, but *India* were done as high as Rs. 690 against Rs. 655 earlier in the week. *Megna* have been outstanding with a rise to Rs. 128 from Rs. 124. It is surprising that *Nuddea* have not moved up further.

Other Scrips

In the Engineering section *Indian Iron* have forged ahead to Rs. 41-4 from Rs. 37-12 and the rise has been mainly due to bear covering. There are large outstanding deliveries and the Committee has insisted on these being concluded. On Saturday there was heavy selling and the quotation came down to Rs. 40-4. The undertone, however, is steady. *Steel Corporation* have been prominent with a rise to Rs. 32-8, an improvement of nearly three points. *Burn and Co.* were Rs 435 against Rs. 424 and *Bhartia Electric* Rs. 22-8 against Rs. 21-12. *Kumardhubi Engineering* were Rs. 12-14 and *Braithwaite* Rs. 13-4.

Cotton shares were firmer but with no appreciable rise, *Cawnpore Textiles* being Rs. 13-12, Elgin Rs. 67-8 and *New Victoria* Rs. 8-12.

Sugar shares were better with Belsund at Rs 16-4, *Carew* at Rs. 30-4 and *Dharbhanga* at Rs. 35-4.

Teas have been rather quiet though *Bishnauth* were better at Rs. 41-4. *Tezpore* were crossed at Rs. 19-4 and *Patrakola* at Rs. 1,225.

Calcutta Trams have been fluctuating in rather wide limits. The close is rather firm at Rs. 40. The Corporation of Calcutta has given notice of its intention to purchase the Calcutta Tramways on January 1, 1945, in pursuance of the agreement with the Tramways. It is said that the break-up value of the shares admits of a further rise in the quotation for the shares. Paper shares were good with *Titaghur Paper* at Rs. 30. *Calcutta Landing and Shipping* have risen sharply to Rs. 40.

Raw Jute

The raw jute market has been rather quiet with values maintained. Mills are not anxious buyers and are inclined to await further developments. The coal position is expected to deteriorate further in the next three months. Arrivals into Calcutta during the month of June have been satisfactory but recently despatches have been affected owing to the prevalence of monsoon conditions.

The preliminary forecast figures published so far do not serve any useful purpose as there is no indication of the area under the jute crop. Only the licensed acreage is shown which the trade is well aware is not completely under jute. Licensed areas in all cases are higher. Until the final forecast figures are available no idea can be had of Government estimates of the crop for the next season.

Small quantities of new crop Supervised Middles and Bottoms have been purchased at Rs. 16-8 and Is. 13-8 per maund. District Jute were eight annas lower. There are many sellers for old crop but Mills are not interested.

More business has been reported for export but the quantity involved has not been large. Dundee Daisee 2|3 were done at Rs. 77-8 per bale and Short Group Daisee at Rs. 87 per bale. Dundee Tossa fours sold at Rs. 83 per bale. Mills purchased Firsts at Rs. 81 per bale and Cuttings at maximum rates. conditions in the goods market have remained unchanged. With the recent large business on U.S. account mills are not anxious to do fresh business. Buyers are unsaitsfied and it would be possible to place fresh business at maximum rates without any difficulty. The same conditions prevail in the heavy goods section and no business of importance is to be reported.

A DELHI DIARY

"Mr. Gandhi's statement on political deadlock made to a British journal and to the Indian press is like a flying bomb dropped at the Viceroy's House and 10, Downing Street," said an official depicting the confusion caused in bureaucratic quarters. The Viceroy and the civil service thought they had completely blockaded Gandhiji and were not prepared for attack by a "secret weapon." To the extent the latest declaration has made certain Executive Councillors think that they may be asked to "evacuate," it has produced the effect comparable to that of the flying bomb.

The Government's propaganda experts are particularly baffled. They had hardly recovered from the shock given by the publication of the Mahatma's correspondence with the Governmnet when the Rajaji-Gandhiji communal formula burst like a cracker under their chair. And now Gandhiji has unloaded a block-buster in their midst. "You cannot overtake the Mahatma," cried an expert. "He is moving too fast for our cumbersome organization."

The calculations of the ruling class that it was safely entrenched in power for long long years, or at least for the duration have been upset. These quarters feel that Gandhiji's political pronouncement cannot be ignored. Their hopes that the communal formula would cause sharp reactions have been disappointed. Now they see the prospect of Indian leaders meeting at a conference and putting up a united front for the solution of the political problem.

The general opinion in the capital is that the release of Congress leaders is now only a question of time and that it should occur earlier than later. This opinion is based on an argument running like this. Gandhiji has said to the British: The August resolution has lapsed. I have no authority to launch civil disobedience on behalf of the Congress; I do not propose to resort to it in my personal capacity. The Congress demands in 1942 were based on the situation then existing. Now that the tide of Axis invasion has turned and the Allies have pooled their resources to win the war India will play her part. She will permit India to be the base of operations against Japan and lend whatever help is possible. The civil administration should be entirely in the hands of a National Government and co-operation in military matters should be based on mutual trust.

It is asked here how this differs from the Cripps Offer. The Cripps' negotiations did not break down on the question of control over defence as has been alleged by official propagandists. They failed because the Viceroy's powers were to remain unlimited and the Executive Councillors were to be his advisers in all spheres, civil and military. Gandhiji demands full responsible government in the civil sphere and a promise of complete independence to be carried out at the end of the war. The Mahatma's reference to a government formed out of the Central Assembly is meant apparently to suggest that it should consist of persons elected by the people. The precise composition of the proposed National Government would probably be settled later. Party leaders can determine the manner in which a composite government should be formed and a fresh election can be held to secure endorsement of this arrangement.

The main question posed by the enemies of India's progress is: how will the communal problem be solved? Mahatma Gandhi's endorsement of the formula given to Mr. Jinnah by Mr. Rajagopalachari is the answer. Mr. Jinnah has tried a tactical move to save his face. As reported by me in April and now confirmed by Rajaji, Mr. Jinnah had rejected the Madras leader's formula in April last, at their last meeting and Rajaji left the meeting in such disgust and with such parting words that Mr. Jinnah could never have mistaken their meaning. The formula was rejected.

When Mr. Jinnah denied that he had rejected it, Rajaji was pleasantly surprised. He thought the League leader had become wiser and gave him another chance to reconsider his position. It later turned out that Mr. Jinnah's denial of rejection was aimed at putting himself right with the Muslims and pose as the constitutional head of the League organization. Anyway, the publication of the formula has done a great deal of good to the cause of communal understanding and harm to Mr. Jinnah's reputation as a politician. Even Dr. Ambedkar, for all his malice against the Congress, has felt constrained to criticise the League leader.

Delhi has watched with some anxiety the proceedings of the Monetary Conference. Official circles did not like the impression conveyed by cables that the delegation from India stood in open opposition to the U.K. Some relief is felt in these quarters at the 'sober' statement made by Sir Jeremy Raisman that India believed in British sincerity, and hoped to have a fair deal. Commercial quarters here contend, on the other hand, that the statement of Lord Keynes that England had been impoverished by the war should not have been allowed to go unchallenged. It is pointed out that British investments in Empire and foreign countries are still over 50 per cent. of what they were in 1938, and the annual loss of invisible sources of income would be about £100 million. Considering that after the war the British would go in for an export drive and would have larger international pull as middlemen in the territories allotted to Britain, she would make up before long her war losses.

Commercial quarters express amazement at the statement that India never objected to accumulation of sterling. The fact is that the Reserve Bank Act leaves no alternative and the subordinate branch of British administration in India would not take steps to amend the Act. Indian commercial opinion had all along objected to accumulation of sterling. Indian opinion in the capital is totally dissatisfied at the proceedings of the Bretton Woods Conference.

I hear a rumour that an understanding has been reached between the U.S.A. and the U.K. as to the zones to be divided between them for post-war commercial exploitation. It is said that China and South America are to be the preserve of American finance and that India and Africa are to be the British sphere. If this is so, it may explain the united stand made at the Monetary Conference by the American and British delegates against India's legitimate claim for conversion of sterling into other currencies.

What confirms the suspicion of a secret deal is the fact that whereas France's claims against an enemy country (Germany) are to be adjudicated at the peace conference India, which sold war material and goods to an Allied nation, is asked to negotiate a bilateral agreement. A White enemy is to be treated more justly than a brown ally! This in spite of the pious declaration in article 7 of the master agreement on Lend-Lease running down bilateral agreements and urging multi-lateral arrangements!

ARGUS.

THE BUSINESS WORLD

THE MANUFACTURE OF LOCOMOTIVES

THE technique of locomotive manufacture is by no means unknown in India; "steam locomotives, complete with boilers, have been manufactured in Indian railway workshops from the earlier years of railway operation in India." The East Indian Railway workshops at Jamalpur built as many as 214 broad-guage locomotives, 103 boilers and 99 tenders before the manufacture was given up in 1926, and the B.B. & C.I. Railway workshops at Ajmer have manufactured between 1896 and 1940, no less than 435 metre-guage locomotives. There are, therefore, demonstrably no difficulties of a mechanical or other technical character standing in the way of locomotive manufacture being organized in this country on a scale sufficient to meet the requirements of our railways.

During the Great War of 1914-18, the Government of India were forced by the logic of facts to adopt the policy of making India as far as possible independent of outside sources for the supply of materials for the railways. With the object of encouraging private enterprise to construct locomotives in India, the Government published in September, 1921, a *communiqué* giving a general undertaking that tenders would be invited annually in India for all the locomotives and locomotive boilers required by the Indian railways during the 12 years commencing from 1923, which were estimated to be about 160 locomotives and 160 additional boilers during 1923 and 1924, and 400 locomotives and 400 boilers thereafter. An early response to this gesture came in the form of the Peninsular Locomotive Company, Limited, which was incorporated in India with a subscribed ordinary share capital of Rs. 60 lakhs under the chairmanship of Mr. Herbert Langham Reed, the head of a well-known firm of British locomotive manufactures. The Company's works at Jamshedpur involved an expenditure of Rs. 30 lakhs on buildings and machinery and were designed for an annual output of 200 locomotives, then regarded as the economic scale of production for such a factory. But the Company had not commenced operations even in 1924, when they decided to apply for protection. The Tariff Board was not unfavourably inclined. They were convinced that the establishment of locomotive manufacture was desirable both on national and economic grounds and as for, the support of precedents, there were the examples of Australia and Canada, which built up the industry under a heavy protection of 27½ per cent. and 22½ per cent. *ad valorem*, respectively. But, at that time, a sharp decline was expected in the demand from the Indian railways for locomotives, owing to the better utilization of existing stock and the electrification of certain lines, and it was estimated that the annual requirements would only be of the range of 60 to 100 locomotives for some years to come. The Tariff Board were of the opinion that the existence of an adequate home market was an indispensable preliminary condition and as they did not consider that the future requirements of the Indian railways, as then estimated for the next few years, were sufficiently large even for the smallest unit, which could be economically and efficiently operated, they refused to recommend the industry for protection. The Peninsular Locomotive Company, Limited, went out of business soon after without manufacturing a single locomotive, their works being purchased by the Government and converted into the State Railway Workshops at Tatanagar for the construction of carriage and wagon underframes.

Public opinion, however, was not satisfied and an insistent demand was kept up that the position should be reviewed at the appropriate time. In 1939, in accordance with a promise made to the Standing Finance Committee for Railways, the Railway Board appointed two officers, Messrs. Humphries and Srinivasan, having, between themselves, an extensive knowledge of workshop practice, planning, production and accounts, to examine, and report on, the prospects of building broad-gauge locomotives and boilers in India on an economic basis. The leading conclusions of their report, which became available early next year, were that the average annual requirements of railways in regard to steam locomotives and boilers during the next quarter of a century would be more than the output of a single workshop of economic size, that the bulk of the "raw materials" for locomotive manufacture could be obtained from indigenous sources, with the exception of the small number of special parts which would have to be imported from abroad in the early years and that indigenous production would be cheaper by about 20 per cent. in comparison with the purchase prices of imported locomotives. These conclusions firmly established the fact that the manufacture of locomotives in India can be made a sound financial proposition. While introducing the Railway Budget for 1940-41, the Railway Member described the report as "an interesting, a lucid and an encouraging document" and gave the definite assurance, "The report will be examined expeditiously in consultation with railway administrations, and if the proposals made are approved, demands will be placed before the House as soon as detailed estimates can be made," and added, "That, I hope, will be within the coming financial year."

But the next financial year came and with it a big disappointment. Said the Railway Member, "We have.....had to defer.....the hope of seeing the manufacture of broad-guage locomotives undertaken as a large-scale industry. The heavy demands for skilled labour, machine tools and materials resulting from the expansion in the production of munitions and other military requirements made it out of the question to embark at this stage on a new large-scale industry, and the workshop which we regarded as most suitable for the purpose has been completely turned over to war work." Such excuses and explanations have value only for the light they throw on the workings of the official mind. The Government of India were never very enthusiastic about the project and therefore quick to seize upon any pretext for not furthering it. When war conditions hampered, as they naturally would, all activities, their first impulse was to give up this activity to which at no time had they any particular sympathy. Already the attitude had become pronounced in the Railway Board to regard locomotive building as a post-war programme, as is evidenced by the words, which the Chief Commissioner of Railways let slip while presenting the Railway Budget for 1941-42 in the Council of State, "'.....the way will be open for the building programme at the end of the war." And yet the Humphries-Srinivasan report had emphasized, "The demands of Indian railways for locomotives, during the first ten years of the locomotive life cycle between 1940 and 1980, are likely to be so large that railway transportation in India will be thrown out of gear if these requirements were not met promptly.....The countries from which the supplies have been available in the

past are now more actively engaged in the production of armaments than in the manufacture of steam locomotives for export to India. In the circumstances, therefore, we feel that no efforts should be spared to ensure the manufacture of locomotives in India being started early." This clear and definite warning went unheeded; had the Government only realized the urgency and importance of this warning, they would not have been so easily disposed to regard each and every war-time difficulty as an insuperable obstacle in the way of locomotive construction. The present transport muddle, which has been caused at least partially by the shortage of locomotive power, would then have to that extent been guarded against.

The Government were heading for a rude awakening. While the normal rate of locomotive depreciation was in itself such as to generate a huge replacement demand in the years after 1940, the rising intensity of war transport sharply increased the rate of depreciation and consequently the magnitude of the replacement demand. In the course of his speech introducing the Railway Budget for 1942-43, the Railway Member admitted that in many cases shortage of railway capacity was due to inadequate locomotive power. The situation rapidly worsened and it became imperative that new locomotives in considerable numbers be put on the lines if a major breakdown was to be avoided. The Railway Board became frantic and orders were piled upon the United Kingdom and the United States manufacturers for heavy goods engines and locomotives. An attempt was also made to step up production at the Ajmer workshop and the Government became unnerved to the extent even of coming to regard the setting up of large-scale locomotive construction as a war necessity. Accordingly, their spokesmen announced, in the course of the debate on the Railway Budget for 1943-44, that they were actively planning to organize locomotive construction in India during the war if physically possible and that their Consulting Engineers were formulating proposals on up-to-date practice in England and America. The matter has hardly progressed any farther a year later when, in the course of his reply to the debate on the Railway Budget for 1944-45, the War Transport Member could only say, "It is hoped to finalize the blue-prints with the Consulting Engineers at a very early date." Since then not much has been heard except the reports that the Government are negotiating with the Tatas the terms on which the latter would be prepared to undertake the manufacture of locomotives.

In the meanwhile, more and more orders are being placed on the United States and Canada for locomotives, and the plausible argument is advanced that in an emergency such as the present the import of locomotives is to be preferred to starting on its manufacture as the former is easier and quicker. That this is not so really will become clear if thought is given to two considerations. The War Transport Member himself had said that local construction would take about 18 months. In the present conditions of war work in foreign factories and of sea transport, it may safely be asserted that the time which will have to elapse between placing an order on a foreign country and the arrival of the locomotive in India cannot be much less. In fact, it has been demonstrated in practice that foreign manufacturers are unable to execute promptly the huge orders which the Government of India have heaped on them. It is in this context that the second consideration becomes important. It should be much more easier and speedier to manufacture and ship the machine-tools that would be required for the new workshop than to manufacture and ship the requisite locomotives. There is also the danger that while the imported locomotives may not arrive in time to relieve the acute shortage of transport capacity, they may, nevertheless, come in useful for the Government's spokesmen to argue in the future that there is no need for setting up locomotive construction in India as already there are too many locomotives for peace-time requirements.

Indeed, the Government's policy is altogether perverse in this and similar matters. Thus, in the case of fertilizers, the need is for immediate import to increase food production and we find the Government completely ignoring this aspect, while busying themselves with production projects, which may take years to fructify. In the case of locomotives, it is the other way about. Immediate setting up of manufacture will serve our purpose better than importing our requirements, and the Government needs most tackle the matter from the wrong end. If adequate locomotive power is to be provided for the railways to avoid a serious breakdown, it is imperative that plans for the manufacture of locomotives in this country should be energetically pursued, not as a post-war programme, but as an immediate necessity.

NOTES

OWNERSHIP OF BANK DEPOSITS

We have had occasion before to indicate the trends in the distribution of bank deposits between personal and business accounts in the U.K. and U.S.A. and to analyse the social implications of the predominance of the claims held by business. The latest British White Paper on National Income and Expenditure in 1938-1943, now reissued, brings the figures right to the end of the year 1943:

(Million Pounds)

	June 30 1940	Dec. 31 1942	Dec. 31 1943
Total deposits held by clearing banks ..	2,469	3,629	4,032
Less			
Advances to customers and other accounts ..	—962	—773	—743
Total deposits (net) ..	1,507	2,856	3,289
Personal deposits (net)	617	820	972
Other deposits (net) ..	890	2,036	2,317

In the year 1943 personal deposits rose by £152 million, whereas other deposits increased by £281 million. The same concentration of community created money in the accounts of businesses is seen to continue.

THE COTTON TEXTILES FUND

After prolonged discussions an ordinance to create a Cotton Textiles Fund out of the proceeds of a three per cent. duty on the exports of cloth and yarn has been issued and takes effect immediately. The principle as well as the expediency of the proposal has been in question in certain quarters, but we are persuaded that in the prevailing scarcity of cloth and inflation of prices in the Middle Eastern countries in a far greater measure than in India, a 3 per cent. duty which can be reduced or abolished with the return of normal conditions, will do little damage to our export trade. Meanwhile the industry can be helped in some degree to face post-war competition by means of the Fund for technical research and education. A committee is to be constituted to administer the Fund; we hope it will be composed of men in the trade competent for the job. It is interesting to note that the cotton trade has provided ground for the adoption of novel and discriminate fiscal devices for raising revenue. Already a duty on long staple raw cotton imports is raising money to sustain the prices of domestic short staple cotton. Now textile exports are to finance industrial research. The Government have given no details of the former fund, and its disbursement. We hope light will be regularly shed on these ingenious items in the Government's finances.

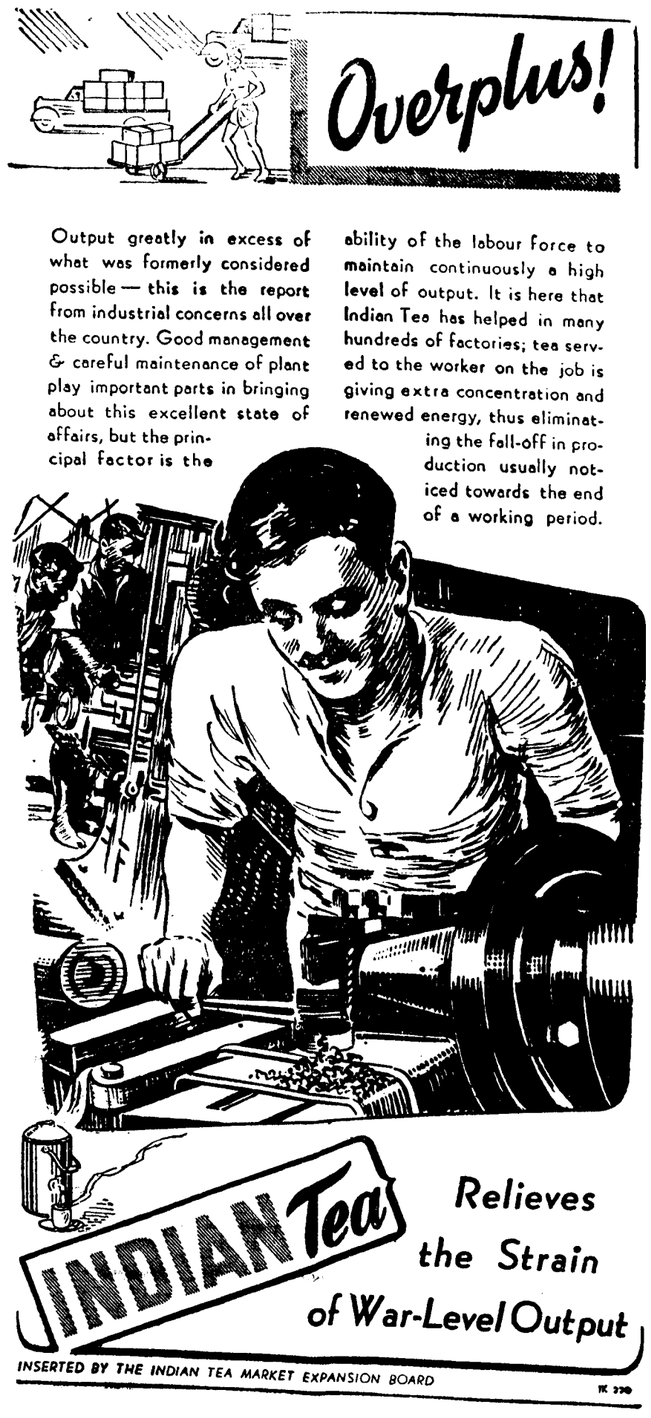
MICA IN THE SOUTH

The occurrence of mica in the West Godavari District, Madras Presidency is revealed in a recent Press Note issued by the Madras Government. While investigating the Gondwana strata of the Beddanuru area of the West Godavari District, the Geological survey came across occurrences of mica along two of the tributary streams of the Mani Vagu. In one area, fairly large flakes of greenish grey muscovite were seen. Mica schists occurring in the area are in a highly weathered condition and some of the specimens collected were 4 or 5 inches across. In a neighbouring region, ruby mica was seen associated with a hard compact, greyish granitic rock; occasionally, small pieces of muscovite were seen. Examinations of specimens of mica in a third locality showed that the muscovite was of greenish grey colour and yielded pieces up to 3 inches square.

GROUNDNUT IN INDUSTRY

The tests carried out by the Government of Madras on the use of groundnut oil on a low speed diesel oil engine have now been completed and the following conclusions have been drawn from a 1,000 hour run on the engine, using groundnut oil of the expeller A quality. The engine starts easily from cold. The maximum power output from the engine is received as with light diesel oil, but the amount of carbon deposit is more. There is a tendency for the valves to stick in their guides and cleaning and grinding of the valves have to be done more frequently. Groundnut oil has no deleterious effects such as spitting and corrosion on the piston, cylinder valves and other working parts of the engine.





FROM THE PROVINCIAL ANGLE

U.P. Letter

(From Our Correspondents)

CAWNPORE, July 9.

The arrangement made in June by the U.P. Government with the Textile Commissioner for the import and distribution of cloth from out of frozen stocks and from out of output of the mills whose production has been controlled has undergone a further change, and instead of the various district dealers being directly entrusted with their district quotas, the entire province's quota is to be handled by four dealers nominated from Cawnpore. About 1,750 to 1,800 bales are expected to be allotted monthly for the U.P. and these will be distributed through four dealers in accordance with the directions issued by each District Magistrate in his own district. These dealers will be required to sell at ex-mill rates *plus* 6 per cent. to the wholesale dealers to be nominated by District Magistrates, and will have to bear all the intermediate costs. The formation of a central organization after pooling the resources of the important local dealers as well as the above four dealers has also been suggested.

Whether the quotas apply to the selling agents or not is to be decided, among other matters in the Textile Board Committee meetings that are taking place now in Bombay. In view of the ambiguity in the wording of the relevant clause in the amended Control Order so far it has been generally held that the selling agents were not covered by any quotas and they were free to sell to whomsoever pleased. But this view defeats the object of the quota system as it frees the production of some of the mills, and leaves the dealers without any claim on it.

Oil Export

Black market is not peculiar to cloth market. The U. P. has a flourishing oil market, and a large quantity is exported to Bengal, Assam and Orissa, etc. The U.P. Government have again fixed Rs. 36 per maund as the control price for mustard oil, and there are reports of black market rates being charged on a fairly large scale. The various regions in the U.P. have now been assigned export areas. This arrangement is expected to come into force shortly and reduce to the minimum the heart-burning caused among exporters on account of inability to obtain permits, priorities, etc.

Cost Of Living

Arrangements are nearly complete for the holding of an enquiry into the working class cost of living in Cawnpore. Family budgets of about 1,500 working class people will be scrutinized, and sample surveys made to determine the rise in the cost of living, etc., during the war years.

The number of Labour Officers for the Province has been increased to 3 now. The Labour Officers have been given the powers of additional factory inspectors and this will empower them to enter factory premises for investigating the working conditions of labour. These Labour Officers will also be treated as Inspectors for the purposes of Payment of Wages Act.

Sind Letter

SIND, July 6.

The first consignment of cotton cloth of 597 bales out of the quota of 63 million yards fixed for the Province of Sind is expected to reach Karachi in a few days. The textiles branch of the Civil Supplies Department has issued nearly 3,000 licences to wholesalers and retailers and has arranged for equitable distribution of cloth among them. On the subject of the profit margin to be permitted to the two classes of dealers it has now been agreed that the wholesalers as well as retailers will take the same margin of profit, namely 10 per cent. above the ex-mill price, with the result that the consumer will pay 20 per cent. above the mill price. Further, the wholesalers have agreed to allow retailers choice of selection to the extent of 60 per cent. so far as the quality of cloth is concerned. In the meantime, arrangements for the elimination of black markets are proceeding vigorously. It has been decided to set up syndicates of merchants in different towns and trading centres of the Province, who shall be vested with the monopoly of receipt and distribution of cloth as under the quota. The policy of keeping strict vigilance over postal parcels of cloth and seizing them so as to prevent their going into the black market is also strictly enforced. So far one crore rupees worth of cloth has been frozen, and 18 cloth merchants have been prosecuted and sentenced to deterrent punishments for offences under the Cotton Control Order.

Wheat For The Frontier

The bumper crop of wheat in Sind has enabled storage of large quantities as reserve for export to deficit areas. Frontier Province is the latest area to which Sind's wheat has been sent. Three thousand tons were despatched during the last week to relieve the acute food scarcity there. According to Mr. G. M. Syed, the shortage is very acute in Peshawar city and in Kohat, Dera Ismail Khan and Abbotabad districts. He added that malnutrition had resulted in various deficiency diseases, and if there was no immediate relief, there was the danger of epidemics. Sind's contribution was good as a token but more supplies were required to be sent to alleviate the situation in the Frontier to any considerable extent.

Lack of Technical Bias

The Revenue Minister commented the other day on the woeful lack of response from Sindhi young men to take advantage of the facilities provided by the Government to be trained in methods of modern agriculture and later settle down on land. Provision of sufficient incentive to young men to divert their attention from traditional forms of employment is viewed as a necessary preliminary to the successful working of any post-war plans of industrial and commercial development in the Province. The starting of a technological college is among the several schemes Government have in view to relate education to the demands of post-war economic organization.

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YODHRAJ,
General Manager.



LETTER TO THE EDITOR

Sir,—I write this to afford mild correctives to some serious misrepresentations and lines of reasoning contained in some of your recent articles on the problems of the Mica Industry.

While discussing the problem of mica piracy, in your issue of May 5, 1944, you have stated that at least 30 per cent. of production of mica in Bihar is being stolen from the mechanized mines. This percentage was deduced from the export figures and the output on which taxes are paid to the Government. Now, taxes are paid to the Government only on the production of Bihar, whereas exports include mica from other provinces like Rajputana, Madras and at times from other countries as well. In this connection, I wish to refer you to your own article published in the issue of May 26, 1944, in which it has been definitely stated that mica is imported from foreign countries like U.K., U.S.A., and Africa, etc., for processing in India.

During the last few years colossal quantities of mica were imported from Madras and Rajputana. Moreover, the mica industry had experienced a very long peroid of slump before the year 1937, as a consequence of which there was accumulation of huge stocks, specially with mechanized miners. Under the circumstances, a difference of 30 per cent. between the quantity calculated from the taxes paid to the Government and the export figure does not provide any proof whatsoever of illicit trade in mica.

It is, of course, incontrovertible that there has been some amount of illicit trade since the very inception of the industry. And I may add that this problem of mica piracy is not common to all the mechanised miners. Only a few of them are apparently completely unable to take care of their own affairs for reasons best known to them.

In these circumstances, your statement that "the scale of thieving would not have assumed its present size but for certain aggravating circumstances, and it is here that the problem baffles solution" is lacking in warrant. Such statements, instead of doing any good to the industry, are likely to jeopardize its interest by creating wrong impression, both in public and in Government circles. After all, it should not be forgotten that the success of measures for Government production will depend in the last resort on the quality of organization in the mines.

A lot has been said regarding the wasteful methods of mining prevalent in the mica field under the caption of "Conservation of Mica." In this connection, the smaller miners, better known as surface scratchers, have been very badly criticized as being parasites to the mining side of the industry acting against its long-term interests. But it might surprise you to know that all the big guns, too, without any exception whatsoever and with plenty of mechanical equipments, indulge in this practice of surface scratching. This is because no scientific method has yet been invented to prospect mica deposits and the only process known to the mica world is to put a pit through a mica bearing pegmatite to find out whether a particular vein is productive enough to be developed into a big mine in course of time.

Out of a hundred pits like this, even if one pit proves to be successful, mica mining becomes a profitable proposition. Such surface scratchings are done not only with the object of prospecting but with a view to getting as much mica as possible from the shallow deposits as well.

Again, when a small pit of this type proves to be a failure, at a certain depth, it is treated in the same manner by bigger miners as in the case of smaller miners, *i.e.*, levels are driven at the deepest point of the pit to stope out every bit of mica from the sides of such pits. This is what is being done by one and all in the mica world. Moreover, at the time of abandoning a pit one removes only valuable mica while small chips of mica with debris are left at the pit which ultimately make indications more conspicuous. These debris attract the attention of the passers-by even, telling them that mica were extracted from that particular place at some time. Under the circumstances, sweeping statements that such practices ruin surface indications carry no sense at all.

One who for some reasons or other starts stoping out a proved mine before developing the entire vein does more harm to the industry than the surface scratchers. And some of those who have been most violent in their denunciation of the surface scratchers are guilty of this graver offence.—Yours, etc.,

CHANDMULL RAJGARIA.

[Over twice as much mica was exported as was produced in 1929 and 1935, and an excess of no less than 25 to 40 per cent. exports over production has been the well-known and anomalous feature of the mica industry in most of the years for which returns are available. In view of the fact that Bihar alone produces over 75 per cent. of the world's and 90 per cent. of the Indian production, the excess of 25 to 50 per cent. can in no way be accounted for wholly by re-exports from Bihar fields, nor can this recurring annual feature be completely accounted for by saying that it merely represents release of accumulated stocks. Some amount of illicit trade is an incontrovertible fact, as the writer himself admits, and no well-wisher of the industry can be complacent about this disquieting feature. It is also well known that a number of unscrupulous small miners and dealers are chiefly responsible for the continuation of this unsatisfactory affair. "The quality of organization" in some mines feeling the evil more acutely than others might be at fault, and in fact we have drawn attention to this aspect in an article on May 12, but it is obviously unfair to tolerate a pernicious system and ask the honest miner to fend for himself. Another incontrovertible fact, to which sectional interests need not blind anybody, is the urgent need of scientific mining in the interests of conserving it for posterity. It is not a case for a big miner. Our article on "Conservation of Mica" draws attention to the fact that "the extent of mechanization and the use of modern methods even among these larger mine operations are limited..... The big man may violate the law sometimes as badly as the small man; whoever does it should be deprived of his licence.....The honest mine operator, even if he be small, may have a place, provided again he will confirm to the regulation." This makes our position fairly clear. Social interests diverge here considerably from private interests, and some of the bigger miners follow mining practices no less predatory than the smaller ones. What is necessary in the national interest is that when a miner finds it either uneconomical to work under prevailing conditions of demand or impracticable with his financial limitations he must be obliged to leave definite record of the geological conditions in the up to the extent he has opened the mine.

The manner in which the small miner with financial limitations proves nationally wasteful is that he is incapable of tapping deeper deposits even when he knows them to be economical to work and has little interest in keeping the mine he thinks of abandoning in proper condition. Mines recently abandoned may be giving clues to prospectors, but after a time they are generally buried in a mass of vegetable growth, and are thus almost lost as known national assets.—Ed.]

Your Countrymen Madam

MANY THOUSANDS of them are suffering daily from want which is the result of food shortage. Authorities have done, and are doing, all they can to assure that every man, woman and child in this country has enough to eat. But you, too, can help in this humanitarian task.

REDUCE your entertaining, but if you have to entertain, please see that no more food is cooked than is really necessary. You can also reduce your consumption of rice and wheat which is the staple food of the poor. Set an example to others in simple, but nevertheless healthy living, and earn the blessings of your less fortunate fellow-men. This is the least you can do.



A.A.A. 785

food for all

..but none to waste

Issued by the National War Front

LABOUR

Social Insurance Under the Bombay Plan

By A. N. Agarwala

THE problem of the introduction of social insurance in India has transcended the bounds of academic thinking and idle talks because of the definite steps taken some time back by the Government of India in the Labour Department to have a Health Insurance Scheme for this country prepared, which have been closely followed by the appointment of a Labour Investigation Committee to be itself succeeded by a Reconstruction Sub-Committee which will finally frame the full-fledged social insurance scheme for this country. It is, therefore, natural that the Bombay Plan should receive attention from, *inter alia*, the angle of social insurance as well.

We must, at the very outset, make it clear that the essential function of social insurance is to redistribute national income in a manner more favourable to the poor. The tripartite contribution, the confinement of benefits usually to certain poorer sections of society only, and, finally, the element of compulsion with which social insurance has now come to be inextricably linked, all suggest that it is, in final analysis, a mode of making the richer sections of society to pay for the welfare of the poorer sections. The contribution of the poor is required not so much to find the necessary finance as to make them feel a sense of self-interest in its working and a sense of self-respect in securing its benefits. Sir William Beveridge has repeatedly emphasized this fact in his *Report on Social Insurance and Allied Services;* and it requires wide recognition in this country as well. Social insurance is nothing more than a method by which a part of the income of the rich is driven into a pool which is used to maintain the income of the poor during period of adversity. It is, in other words, a part of the distribution pattern adopted by a country.

If the above reasoning is correct, it would appear that the Bombay Plan does not deal with the problem of social insurance for a very good reason. The Plan deals only with consumption, production and finances; and that too in a broad outline. It is not, as Mr. G. D. Birla frankly declared in his Federation speech, a complete blue-print. Its authors abundantly made it clear in the text of the Plan itself and later in their individual pronouncements that the problem of distribution and State control would form the subjects of the second instalment of the Plan, which is yet to be published. Consequently, it would have been illogical to ear-mark the discussion of a complete whole for future as well as discuss a part thereof at the same time. The discussion of the problem of social insurance and the non-discussion of the question of distribution, would have been contradiction in terms. Evidently, then, to criticize the Plan on the ground of its neglect of social insurance problem is to take too much for granted and is a little thoughtless. Very wisely, we feel, the judgment on the distributive aspects of the Plan has been reserved in responsible quarters; and this is a correct lead to all of us. The occasional repetition of the criticism which we are considering here is, as such, unfair to the Plan and lacks in discretion as well as patience.

Apart from it, though we have absolutely no direct or first-hand knowledge of the lines along which the minds of the authors of the Plan are working in the matter of distribution, we think that some rough picture of the distribution pattern as would be furnished in the second instalment can be evolved even at this stage. We are, as a matter of fact, tempted to hazard the anticipation which follows. The authors have already given in concrete and statistical terms a minimum standard of living, the cost of which they have valued at Rs. 74 per annum per head. This suggests that they would ensure this sum, *i.e.*, Rs. 74, as the minimum annual income to every person (slightly increased perhaps by the social insurance contribution he might have to make as discussed below, or to keep a slight safety margin); and they would provide and ensure it through the device of minimum wage and earning legislation or some other like method. Let us keep this minimum income liberally at Rs. 80 per year. But the aggregate national dividend would be so large as to ensure an average *per capita* income of Rs. 130 per annum. This Rs. 130 would be, in all probability, the *average* income. This suggests that the sum of Rs. 130 minus Rs. 80 *i.e.*, Rs. 50 per annum, would be the *per capita* floating mass which would be capable of being snatched away by those who press individual enterprise in the service of society and which would keep private initiative and incentive alive and kindled.

It is out of this floating mass of national income that the State contributions to the insurance fund would be made, with a view to furnish income security to the poor. We are here not concerned with the problem if this position would be a happy compromise between socialistic aspirations and capitalistic individualism; but we are merely considering the probability of a social insurance system operating under the Bombay Plan. The beneficiaries would pay their contributions out of their assured income of Rs. 80 per annum. The employers would pay their share just as any other cost item, which has already been taken into account, presumably, in the Plan. The State would contribute out of the taxes it would draw from this floating mass. There would thus be adequate availability of means which can finance a social insurance scheme.

There is one other consideration as well. Rupees 80 per head is to be the minimum income. But if a man is thrown out of employment, how can that be made his minimum income unless he gets cash benefit under an unemployment insurance scheme? Similarly, if he falls sick, how can he continue to earn Rs. 80 per annum unless he obtains adequate benefits in cash and kind under a sickness insurance scheme? The fixation and assurance of a minimum income implies a continuity of that income; and logically calls for a social insurance system which is the proper device for furnishing security and maintenance of income. The Bombay Plan, therefore, implies the establishment of social insurance scheme to guarantee that the individual income would not be allowed to register a drop below the fixed minimum level.

On the basis of the available details and reasonable guess work, we can, as such, say that a social insurance system is not incompatible with the Industrialists' Plan. On the contrary, it is absolutely essential for the maintenance of the minimum *per capita* income envisaged under it, which can be ensured only if a social insurance scheme is made to operate simultaneously, within the integument of capitalistic order. This necessity is further fortified by the availability of adequate monetary means under the Plan, which would make the social insurance scheme financially possible. To us, therefore, the establishment of such a system under the Plan and its discussion in the second instalment, is a foregone conclusion.

COMMODITY MARKETS

Wheat

(From Our Correspondent)

HAPUR, July 11, 1944.

DURING the week under review, the Hapur and other important U.P. wheat markets ruled quiet and the conditions were more or less the same as were noticeable in the past week. Arrivals are persistently declining, and there has been no any improvement in the local stock of 34 *khattis*. The present wheat stock is placed at 34 *khattis* while on the corresponding date of 1943, 1942, 1941, 1940 and 1939 the stock was estimated at 229, 32, 1,015, 752 and 434 *khattis* respectively. Although the Government are assuring of further importations of foodgrains from abroad and the authoritative circles are attaching due importance to such assurances, the pessimistic elements of the trade are burdened with scrupulous ideas so much so that they are apprehending shortage of foodgrains immediately after the *kharif* crop season. Such elements in support of their pessimism are inclined to plea that the Government would not be in a position under the present circumstances to import during the short period of coming two months a large quantity from overseas when they have been only able to get about 400,000 tons during ten months up till June, 1944. It would be recalled here that the Government had assured of importing 800,000 tons during the period from October 1943 to September 1944. As such the pessimistic elements do not foresee the implementation of the Government's promise. The private estimates of all-India wheat crop show a substantial decline and the present weather conditions are not at all promising. The rainfall in the up-country centres during the last month has been much below normal and is believed to have not only adversely affected the sowing acreage but is reported to have damaged the germination of the already seeded acreage. Heavy rains are now needed.

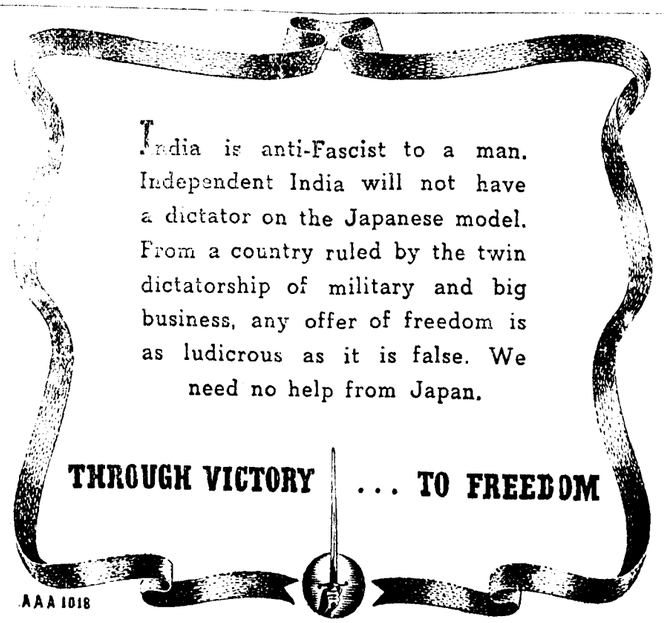
In the U.P. maximum control rate in the main assembling centres range between Rs. 9-8 and Rs. 10 per maund. Following are the current quotations: Hapur Rs. 9-12, Chandosi Rs. 9-8, Shamli, Sitapur Rs. 9-14, Kasganj Rs. 9-12 and Gonda Rs. 10. In Hapur, from July 1, the rate was reduced from Rs. 10 to Rs. 9-12. It is understood that the control rate may further be reduced steadily month by month to Rs. 8-8 per maund. It is not unlikely that the low control rate of wheat in the U.P. is one of the causes responsible for large-scale hoardings, in which case, it is to be feared, the policy of the U.P. of reducing the control rate will encourage still more hoardings and stimulate black markets. It is interesting and instructive in this connection to note that the Punjab Government have benefited from recent experience, and the maximum price of f.a.q. wheat when sold in wholesale quantities has been increased in most of the centres from 4 to 9 annas per maund. There are some centres where the control rate has not been increased. In Amritsar and Lahore the control rate now will be Rs. 10-8. In Lyallpur it will be Rs. 9-10. This step will certainy stimulate crop movements to the markets.

Gur

The season is nearing the end. Arrivals have gone down to an average of below 100 maunds per day. Current prices range between Rs. 5-8 and Rs. 6-4 according to quality. Exports are still very poor averaging not more than 2,000 maunds per day and with this pace a substantial part of the present stock will stand no chance of liquidation before the start of the next season in November.

Pulses

The local *Urad* and *Moong* markets during the week reviewed moved erratically with an obvious trend of steadiness. At the moment, the prices are moving in line with barometric movements and it would be apt to call them "Weather Markets." It is confessed on all hands that the heavy downpours may terminate the steadiness of prices. Punjab traders are working as staunch buyers while the operators of eastern markets act as chief sellers locally. *Urad Magh* opened at Rs. 11-12-10½ and closed at Rs. 11-13-5¼, touching the highest and the lowest at Rs. 11-15 and Rs. 11-11-3 respectively. *Asarh* delivery was settled at Rs. 11-10. *Arhar* prices were steady at rates. One *khatti* was opened this week and the stock is put at 139 *khattis*.



(This is only an announcement and not the Prospectus. A Copy of the Prospectus has been filed with the Registrar of Joint Stock Companies, Baroda as also with the Registrar of Joint Stock Companies, Calcutta.)

HINDUSTAN MOTORS LTD.

(Incorporated in Baroda State on the 18th day of February, 1942. Certificate to commence business was obtained by the Company on the 18th day of February, 1942.)

Consent of Central Government has been obtained to this issue of capital, subject to the conditions (i) that all monies payable to the Company in respect of this issue by persons in British India or by persons outside British India to whom the provisions of the Defence of India Act apply are received only in British India and are deposited in a Bank in British India, and (ii) that so much of the capital as cannot be in that Government's judgment properly expended until some uncertain future date is invested and kept invested in prescribed securities which will not be released until the Central Government, (in consultation with the Crown Representative), is satisfied that the time has come to make corresponding payments for purposes which are consistent with the enforcement of any measures of control or restriction that may be in operation at the time when such release is applied for. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.

Consent of the Baroda Government has been obtained to the issue under the Defence of India Rule 94-A as applied to the Baroda State. It must be distinctly understood that in giving this consent the Government of Baroda do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

AUTHORISED CAPITAL ... ... RS. 20,00,00,000/-

Issued 50,00,000 Ordinary Shares of Rs. 10/- each ... ... Rs. 5,00,00,000/-
Allotted and/or reserved for Directors and their friends ... ... Rs. 3,50,00,000/-
Now offered to public 15,00,000 Ordinary Shares of Rs. 10/- each ... Rs. 1,50,00,000/-

DIRECTORS:

1. G. D. Birla, Esqr., of Calcutta, Chairman.
2. Sir Purshottamdas Thakurdas, K.B.E., of Bombay.
3. Sir Badridas Goenka, Kt., C.I.E., of Calcutta.
4. Sir Adamjee Hajee Dawood, Kt., of Calcutta.
5. Kasturbhai Lalbhai, Esqr., of Ahmedabad.
6. N. R. Sarkar, Esqr., of Calcutta.
7. Navin Chandra Nafatlal, Esqr., of Bombay.
8. B. M. Birla, Esqr., of Calcutta.

MANAGING AGENTS:

Birla Brothers Limited, 8, Royal Exchange Place, Calcutta.

BANKERS:

1. Imperial Bank of India.
2. The Bank of Baroda, Ltd.
3. The United Commercial Bank Ltd.
4. The Central Bank of India Ltd.

SOLICITORS:

Khaitan & Co., 1/B, Old Post Office Street, Calcutta.

AUDITORS:

Messrs. S. R. Batliboi & Co., 1/B, Old Post Office Street, Calcutta.

OBJECTS & PROSPECTS.

The Company has been formed for the purpose of carrying on business of assembling and/or manufacturing of cars, trucks, tractors, chassis, motors, cycles, aeroplanes, engines, turbines, tanks, ships, boats, tools, equipments, accessories, busses, lorries and other materials and products in India or elsewhere as permitted by the Memorandum of Association.

The establishment of an automotive industry has been a long felt need of the country. If it is needed for defence purposes it is equally a necessity for the intensification of agriculture. It is thus no longer a luxury, but an essential factor in the modern economics which no nation can afford to ignore. It is to fulfil this want that the Directors have undertaken this venture. In the post-war period with further industrialisation and growth of internal trade, construction of new roads and higher standard of living there is a certain likelihood of a continuously growing demand for cars and trucks. A ready market for the sale of the products therefore may be expected. Further, India is not lacking in natural advantages needed for the success of the industry. Iron, Steel and other necessary raw materials are in the country. Labour is intelligent and is available in plenty and can be trained as has been observed from experience during the war time. These factors will go to indicate that there exist reasonable chances of the success of the industry in India. But this industry like some pioneer industries cannot be called, at any rate, in the initial stage an easy money making proposition. It is a project which could be built up only on a long range policy. Before final success the industry may have to pass through vicissitudes. The Board therefore without giving any high hopes to the investors of brilliant results in the initial stage can only promise to put forward their best efforts to make the industry a success and with normal good luck they hope to achieve the object.

MANAGING AGENCY AGREEMENT.

Messrs. Birla Brothers Ltd., are the Managing Agents of the Company by the Managing Agency Agreement dated the 4th July, 1944, as approved by resolution of the Company dated 12th June, 1944, on the following terms and conditions amongst others.

(a) Messrs. Birla Brothers Ltd. are appointed as Managing Agents of the Company for a period of 20 years from the 1st July, 1944.

(b) The remuneration of the Managing Agents shall be, (i) an allowance of Rs. 4,000/- per month; (ii) a commission of 10 per cent. on the net annual profits of the Company. The term "net profits" means profits of the Company calculated after allowing for all the usual working charges, interest on loans and advances, repairs and outgoings, depreciation, bounties or subsidies received from any Government or from a public body, profits by way of premium on shares sold, profits on sale proceeds of forfeited shares or profits from the sale of the whole or part of the undertaking of the Company but without any deduction in respect of income-tax or super-tax or excess profits tax or any other tax or duty on income or revenue or expenditure by way of interest on Debentures on otherwise on capital account or on account of any sum which may be set aside in each year or half year out of the profits for reserve or any other special fund.

(c) **The Managing Agents have informed the Directors that they will not charge to the Company any commission or allowance till the Company starts paying a dividend to its Shareholders.**

EARLY EXPENDITURE.

The Government of India have permitted early expenditure up to Rs. 60,00,000/- for purposes connected with the proposals set forth in the Company's application for consent to the issue of Capital as stated in the order passed by the Government of India.

BROKERAGE.

Brokerage will be paid at four annas per share on allotment made in respect of applications through approved brokers.

SUBSCRIPTION LIST.

The subscription list will open on 17-7-44 and will close on 22-7-44 or earlier at the discretion of the Directors.

APPLICATION

Applications should be submitted for a hundred or multiples of hundred shares only through the Company's Bankers and their Branches. Application form and full prospectus can be had from them.

CURRENT STATISTICS

BANK RETURNS

RESERVE BANK OF INDIA

COMPARATIVE STATEMENT AS ON JUNE 30, 1944.

ISSUE DEPARTMENT

(000's omitted)

	June 30 1944	June 23 1944	June 16 1944	Sept. 1 1939
Liabilities				
Held in the Banking Dept.	12,02,09	13,22,59	9,13,30	35,04,49
In circulation	931,37,44	925,17,66	928,70,23	182,13,17
Total Notes	943,39,53	938,40,25	937,83,53	217,17,66
Assets				
A. Gold Coin and bullion	44,41,43	44,41,43	44,41,43	46,41,46
Sterling securities	828,32,89	822,83,96	822,83,96	59,50,11
Total of A	872,74,32	867,25,39	867,25,39	103,91,57
B. Silver coin	12,81,42	12,82,15	12,25,41	75,87,11
Rupee securities	57,83,79	58,32,71	58,32,73	37,38,98
Silver bullion under Coinage	..	..	..	..
Percentage of Reserve to Liabilities	92.511	92.418	92.474	63.149

BANKING DEPARTMENT

(000's omitted)

	June 30 1944	June 23 1944	June 16 1944	Sep. 1 1939
Cash	12,30,84	13,51,02	9,40,46	35,15,27
Balances held abroad	173,74,45	177,32,83	176,63,78	10,08,33
Investments	11,10,50	11,02,56	10,80,67	6,81,34
Bills discounted:—				
(a) Internal	..	..	..	..
(b) External	..	..	..	..
(c) Government of India Treasury Bills	2,59,33	2,39,85	2,69,83	1,15,67
Loans and Advances to the Govt.	72,00	70,00	53,00	31,00
Deposits:—				
(a) Govt.	82,83,17	78,05,91	79,61,33	14,89,43
(b) Banks	94,35,14	101,25,50	92,61,49	26,91,43
(c) Others	3,44,54	3,72,06	4,79,18	1,24,37

BANK OF ENGLAND

(000's omitted)

	June 28 1944	June 21 1944	June 30, 1943	Aug. 30 1939
Total Bullion	1,140	1,030	1,156	283,700
Public Deposits	12,500	9,100	9,500	31,100
Other Deposits	273,300	235,100	293,400	129,100
Of which Banker's Deposits	217,700	179,900	238,100	90,100
Govt. Securities	255,300	222,100	233,400	113,100
Other Securities	27,000	14,800	27,500	31,000
Of which Discounts and Advances	1,200	2,800	4,900	6,400
Notes and coins	20,300	22,300	54,800	34,200
Notes in Circulation	1,130,900	1,128,700	946,300	529,500
Ratio of Reserve to Liabilities	7.09%	9.13%	18.10%	21.38

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	July 6 1944	June 29 1944	July 8 1943	Aug. 31 1939
	$	$	$	
Resources:—				
Total Reserves	19,240,000	19,312,000	20,555,000	14,660,610
Total Bills Discounted	22,000	51,000	34,000	6,190
Bills bought in open market	..	..	..	550
Total U.S. Government Securities	14,733,000	15,080,000	7,676,000	2,426,190
Liabilities:—				
Federal Reserve Notes in actual Circulation	18,972,000	18,832,000	14,034,000	4,609,280
Deposits — Member Bank Reserve Account	12,987,000	13,081,000	12,107,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note - liabilities combined	56.5%	56.12%	72.4%	86.9%

IMPERIAL BANK

Weekly Statement of Affairs as on 30th June, 1944

(000's omitted)

	June 30 1944	June 23 1944	July 2, 1943	Sept. 1 1939
Fixed deposits, savings bank, current and other accounts	226,91,56	221,65,39	191,94,20	87,26,24
Govt. securities	123,44,16	122,14,54	131,87,48	51,02,78
Other investments	3,07,10	3,07,11	2,09,81	96,27
Loans	13,48,31	14,57,81	10,17,27	7,66,38
Cash credits, and overdrafts	44,57,91	45,57,76	24,22,83	19,76,06
Bills discounted	5,82,91	6,45,66	9,49,48	2,84,74
Cash hand and with the Reserve Bank and with other banks	46,06,33	41,63,82	24,78,01	14,68,87

SCHEDULED BANKS

(In thousand Rupees)

	30-6-44	23-6-44	2-7-43	1-9-39
Demand Liabilities in India	565,11,88	554,62,87	423,22,64	134,36,39
Time Liabilities in India	182,31,82	182,95,99	131,72,83	102,24,34
Cash in India	30,73,47	26,21,74	18,16,60	6,69,92
Balances with Reserve Bank	95,98,12	93,77,68	50,73,77	25,17,19
Advances in India	211,47,37	214,27,64	142,34,52	101,52,16
Bills Discounted in India	8,53,09	8,84,92	4,66,22	3,57,29

TREASURY BILLS

WEEKLY TENDERS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Intermediates	Sold in favour of Issue Dept.
April 11	1,18,00	1,13,00	0 13 0	..	2,27,50
,, 78	3,62,00	2,00,00	0 12 9	..	2,97,00
,, 25	6,01,00	2,00,00	0 12 0	..	2,05,00
May 2	12,14,50	4,00,00	0 10 11	..	2,35,00
,, 9	13,18,75	4,00,00	0 9 0	..	3,35,00
,, 16	15,22,75	4,00,00	0 8 0	..	1,37,00
,, 23	13,39,00	4,00,00	0 6 10	..	3,85,00
,, 30	12,40,75	6,00,00	0 5 11	..	55,00
June 6	11,09,75	6,00,00	0 6 3	..	90,00
,, 13	9,42,00	6,00,00	0 7 8	..	1,95,25
,, 20	9,66,75	6,00,00	0 8 4	..	14,05
,, 27	8,03,25	6,00,00	0 8 0	..	2,79,50
July 4	7,42,25	4,00,00	0 7 9	..	1,67,25
,, 11	8,44,25	4,00,00	0 7 8	..	7,85,00

MATURITIES

Date of Maturity	Amount (000's of rupees)	Date of Maturity	Amount (000's of rupees)
17th June 1944	4,56,00	15th July 1944	400
18th ,, ,,	25	21st ,, ,,	1,84,75
25th ,, ,,	4,00,00	22nd ,, ,,	15,25
30th ,, ,,	3,97,75	27th ,, ,,	8,25
6th July 1944	80,25	28th ,, ,,	1,62,75
14th ,, ,,	1,09,00	29th ,, ,,	200

INDIA'S FOREIGN SEA-BORNE TRADE DURING 1943-44

Twelve Months April 1 to March 31.

	Imports from 1942-43 Rs.	Imports from 1943-44 Rs.	Exports to 1942-43 Rs.	Exports to 1943-44 Rs.
BRITISH EMPIRE:—				
United Kingdom	29,55,92,770	29,80,37,482	57,31,77,263	60,19,11,852
Palestine	..	..	1,97,29,503	1,24,50,701
Aden and Dependencies	59,10,065	67,45,915	4,13,20,577	3,46,29,545
Bassein Islands	4,02,22,303	3,70,19,170	66,03,592	64,44,358
Ceylon	4,37,14,394	3,50,68,360	14,43,27,506	14,35,76,069
Burma	1,44,44,737	2,52,390	33,585	..
Straits Settlements	25,42,053	20,226	..	..
Borneo (British)	4,22,508	790	..	..
Hongkong	14,20,293	1,56,953	146	..
Gold Coast	..	..	69,36,204	77,57,069
Nigeria	..	..	2,41,31,914	2,79,80,693
Union of South Africa	2,24,46,393	258,54,141	10,51,20,535	9,90,42,345
Rhodesia	..	..	59,25,797	72,47,699
Tanganiya Territory	1,42,51,093	2,00,83,875	2,11,33,690	1,96,62,117
Anglo-Egyptian Sudan	3,05,13,742	2,81,87,667	2,00,56,254	3,37,53,094
Mauritius and Dependencies (including Seychelles)	47,560	61,081	1,18,36,295	88,79,173
Zanzibar and Pemba	92,36,881	20,65,871	31,61,508	22,18,922
Kenya Colony	3,86,69,065	3,14,34,129	3,51,99,058	4,63,44,035
Canada	5,52,84,337	2,51,93,331	3,77,93,437	4,92,69,463
British West Indies Islands	..	..	74,80,980	35,27,605
Australia	3,22,19,664	4,92,16,332	16,07,66,705	13,31,23,711
New Zealand	38,82,533	27,52,822	1,69,77,000	1,89,49,559
Other British Posessions	17,29,598	79,62,394	1,64,20,048	2,63,02,270
Total British Empire	61,25,49,907	57,91,12,929	1,25,81,33,577	1,28,50,72,280
FOREIGN COUNTRIES:—				
Union of Socialist Soviet Republics	..	..	86,18,376	1,65,428
Sweden	14,78,722	18,037	14,72,209	22,12,870
Spain	..	..	..	55,000
Switzerland	1,05,21,121	1,45,68,213	2,14,469	22,931
Turkey, European	..	..	1,27,46,648	2,31,54,551
Turkey Asiatic	..	..	30,00,285	49,59,273
Syria	..	..	2,19,92,420	46,46,163
Arabia	32,91,853	47,15,075	4,22,17,017	2,47,23,629
Iraq	22,90,735	1,56,03,212	7,95,00,389	3,83,24,362
Iran	17,74,83,934	27,55,70,176	4,26,57,289	1,71,82,221
Sumatra	..	..	175	..
Borneo and Java	24,199	..	..	..
Thailand	16,839	..	..	..
Philippines	..	..	..	..
China	6,56,699	7,30,971	3,36,857	2,38,851
Japan	3,53,648	2,317	..	..
Egypt	8,11,79,357	11,18,66,756	3,68,48,637	2,97,89,049
Belgian Congo	..	..	1,35,21,471	1,05,73,851
Portuguese East Africa	1,08,30,398	45,93,967	40,25,130	27,47,961
Italian East Africa	..	..	94,25,130	74,55,216
United States of America	19,11,94,097	18,39,52,183	27,60,18,142	40,28,52,036
West Indies	..	..	1,46,91,981	2,37,11,295
South America	..	..	4,20,17,618	6,34,70,966
Hawaii	..	..	3,13,865	..
Other Foreign Countries	1,13,16,092	67,86,350	56,16,407	4,51,77,951
Total Foreign Countries	49,19,07,113	61,84,22,314	61,82,03,401	70,69,64,624
Grand Total	1,10,44,57,020	1,18,85,35,243	1,87,63,36,976	1,99,20,36,904

SUMMARY OF INDIA'S SEA-BORNE TRADE—IMPORTS AND EXPORTS

(1941-44)

	1941-42 Rs.	1942-43 Rs.	1943-44 Rs.	Increase or decrease in 1943-44 compared with 1941-42 Rs.	Increase or decrease in 1943-44 compared with 1942-43 Rs.
Exports of Indian Merchandise (private)	237,55,26,601	187,63,36,978	199,20,36,904	—38,34,89,697	+11,56,99,926
Re-exports of Foreign Merchandise (private)	15,33,20,989	7,06,64,769	10,96,18,909	— 4,37,02,080	+ 3,89,54,140
Total Exports	252,88,47,590	194,70,01,747	210,16,55,813	—42,71,91,777	+15,46,54,066
Imports of Foreign Merchandise (private)	173,14,82,062	110,44,57,020	118,85,35,243	—54,29,46,819	+ 8,40,78,223
Balance of Trade in Merchandise (private)	79,73,65,528	84,25,44,727	91,31,20,570	+11,57,55,042	+ 7,05,57,843

SUGAR POSITION

For Season (1943-44)

Producing areas.	Production upto 22-6-44.	Despatches during the period 16-6-44 to 22-6-44.	Progressive total of despatches upto 22-6-44.	Percentage of progressive despatches to production.	Physical stock as on 22-6-44.
C.P.	7,27,350	10,094	3,12,121	42.9	4,15,229
Bihar	2,12,809	2,555	1,07,993	50.7	1,04,816
Bombay	81,394	1,171	40,743	50.1	40,641
Madras	41,698	617	20,313	48.7	21,385
Punjab	11,162	224	5,986	53.6	5,176
Bengal	13,477	297	6,702	49.7	6,775
N.-W.F.P.	6,253	46	3,855	61.7	2,398
Orissa	1,690	145	942	55.7	748
Indian States	123,033	2,145	66,525	53.4	56,503
Total	12,18,856	17,274	5,63,180	46.2....6,55,676	

Balance stock of 1942-43 sugar as on 22-6-44 was 2,584 tons.

MONTHLY IMPORTS AND EXPORTS

1943-44

	Imports. Rs.	Exports (including Re-exports) Rs.	Excess of Imports over Exports (—) and of Exports over Imports (+) Rs.
April	9,37,06,956	16,13,63,710	+6,76,56,754
May	7,91,06,537	16,74,36,664	+8,83,30,127
June	8,67,86,167	18,36,37,711	+9,68,51,544
July	7,64,95,300	13,82,39,813	+6,17,44,513
August	9,36,01,988	17,30,20,788	+7,94,18,800
September	8,22,70,023	15,48,82,200	+7,26,12,177
October	8,32,80,611	21,06,66,252	+12,73,85,641
November	9,72,16,894	22,00,95,128	+12,28,78,234
December	12,04,46,976	23,18,57,758	+11,14,10,782
January	11,36,57,809	17,20,20,788	+5,83,62,979
February	11,72,12,314	15,72,30,788	+4,00,18,474
March	12,25,67,724	16,20,09,788	+3,94,42,064
Total	118,85,35,243	213,16,35,313	+94,31,00,070

would otherwise be the case despite Lord Keynes' attempt to make the metal less tyrannical.) The quotas to Russia and China are bigger than would be warranted by their gold and exchange holdings and foreign trade, and are based on 'potential' post war trade, while judging by either of the two criteria India is entitled to much more than $100 million or 1.5 per cent. which has been allotted to her.

The representation on the executive of the Fund is also uneven and unjust, being derived from the quotas. The big five, the U.S.A., U.K., Russia, France and China, are to get a place each. When the last two in particular are represented, why should not India be given a permanent place? It is significant that no politically dependent country is on the executive. Two of the remaining seven directorships are to go to the Latin American Republics while the other five will be filled by election. The chances of India being elected are slender if we might infer from the behaviour of the majority on the question of sterling assets. Sir A. Ramaswami Mudaliar, recently talked in bold terms on behalf of the Government of India that they would press the utmost for a seat on the directorate of the Fund. Let us wait and see how Government are going to take the reverse. It is disingenuously suggested that representation on the executive is not a political, but technical economic issue. Few will be taken in by such talk. High economic policies of the Fund will be determined by the executive body and power on it has been distributed in a political pattern convenient to the dominant powers to claim representativeness and economic purism and disclaim political bias.

If the political foundations of the Fund are vicious, its economic promises are innocuous and trifling. Even when the new plan was published towards the end of April last we commented that it was very restricted in scope and concerned only with the current account of a nation's external balance sheet which did not cover the fundamental causes of disequilibrium. We still adhere to that view, with, however, graver doubts of its success even in the restricted purpose. At the time we inclined to the view that the aggregate credit facilities of $3 billion might suffice to meet current deficit. It would now seem that if the accumulated sterling debts of Britain should be settled within a reasonable period of time in *real* terms through multilateral channels the credit facilities are quite meagre. The Indian delegate to the Conference, Mr. A. D. Shroff made this quite clear. It is like "sending jelly fish to tackle a whale."

On such purely economic fundamentals as what criteria should be used in deciding the original exchange parity of member countries and in giving permission to vary it and to what extent the Fund will take cognizance of national economic policies without defeating its own purpose, discussion seems hardly to have proceeded or agreement reached. There again political rather than economic considerations are likely to prevail as in the case of the franc rate. In any case the member countries will assume the obligations of the Fund only after an indefinite period of transition and it will be time enough then for them to quarrel, fall out and quit the Fund. It will also be then that the incompatibility of controlled trade and exchange as in socialist Russia or planning Britain or India, and the provisions of the Fund for the abolition of exchange control will become a live issue. Meanwhile the Fund will remain an innocuous monetary mechanism.

Another commission of the Conference is now considering the project of the World Bank and the Mexican delegate M. Suarez has a proposal to set aside half of the Bank's resources for loans to backward countries like India. But from the text of the plan it is clear that the Bank is going to be a very conservative body. Private international investments will be the rule, but the Bank will guarantee them or will itself make the loans under stringent conditions as to the security of the capital and commercial profitability of the project for which they are intended. India can entertain no hopes of having her foreign assets released through the Bank. The Bank will not lend to Britain for the purpose. The other alternative, *i.e.*, that of India taking loans from the Bank, while our own claims are blocked, must be distressing and unwelcome.

Thus from the point of view of India, the Monetary Conference is a dismal failure if not a costly farce. India is unrepresented on the executive, and cannot get even part of her credits released. The Indian Delegation have done well in expressing disappointment and notifying reservation. They are, of course, right in not withdrawing from the Conference. When participation involves no commitment, why withdraw? But they should certainly be no party to "unanimous" decisions, as for example, on the quotas, as reported. Their further participation does not imply that India should join the Monetary Fund.

The task before India is now to work out an agreement with Britain on the release of sterling assets. A bilateral agreement is now inevitable. But, as we argued last week, multilateral clearing of the large amount in real terms of goods and outside the sterling area is also inescapable. We must now get down to the job of hammering out the terms of such an agreement and see how far it can be integrated with the Fund. The statement of the British Chancellor of the Exchequer that he is hopeful of orderly liquidation is the first indication that Britain means repayment. Let us still hope that our sterling assets will not wither away.

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***Head Office:* The Mall, LAHORE.**

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Britain's External War Finance

THE British Budget White Paper, the latest issue of which (cmd. 6520) is now available in this country, has been providing for four years a remarkable picture of Britain's war economy and is indeed a unique document of its kind. It provides in a simple and neat way Britain's national account and gives some of the basic raw materials for the study of the economic, financial and social impact of the war in Britain. At present, however, we may single out the aspect of Britain's war economy which relates to external finance, to which Lord Keynes made an emotional reference last month and, again, very recently at the International Monetary Conference at Bretton Woods.

Before the collapse of France in June 1940 there was an agreement under which the resources of the British Empire and the French Empire were pooled for common war effort. This, together with the sterling area arrangements, considerably reduced British requirement of foreign exchange resources. With the elimination of France and the coincident necessity to step up vastly the war effort from a stage of comparative unpreparedness, Britain's need for external finance continued to increase very rapidly and the pressure was not eased until with the advent of Lease-Lend help from the United States. The Lease-Lend aid which Britain received amounted to $886 mn. between March 11, 1941, and April 1, 1942, and $2,230 mn. between April 1, 1942, and April 1, 1943. In the following year also it was running at nearly the same rate. As against this, we have to set the reverse Lease-Lend aid extended by Great Britain and also the Lease-Lend aid to other allies. All these, as also the Canadian contribution of $1,000 million, are excluded from the calculations in the British Budget White Paper, and only resources obtained by borrowing are included. Keeping this in mind, we can compile the following table from the White Paper showing the relative position of external finance in the British war-economy.

(£ mn. at market prices)

	1938	1939	1940	1941	1942	1943
Government expenditure ..	837	1,279	3,061	4,232	4,655	5,236
Private expenditure on consumption ..	4,138	4,244	4,376	4,624	4,925	5,049
Private net domestic investment ..	305	362	109	—82	—140	—175
Private & Government net investment abroad ..	—55	—230	—756	—797	—635	—655
Net national income ..	5,225	5,655	6,790	7,977	8,805	9,455

All these figures are at market prices, but they bring out, subject to the reservation about Lease-Lend aid, the place of foreign resources in British war economy. At the outbreak of the war, Great Britain was, compared to Germany, lagging in the degree of war preparedness. In the early phase of the war, thus, Great Britain by her ability to make immediate drafts on overseas capital, was able not only to gain time to expand her total production, but also to reduce her consumption more gradually. Comparable coefficients are difficult to find to allow for the price changes and reduce them to "real terms" and the White Paper itself utters warnings on this point. Nevertheless, a tentative effort would show that Britain's war effort in 1943 was equivalent to about 60 per cent. of her "real" national income in 1938; and this was met to the extent of 25 per cent. by increase in national income, by reduction in consumption to the extent of 18 per cent. and by domestic and overseas disinvestment to the extent of the remaining 17 per cent. Rather more than half of the disinvestment in 1943 was in respect of foreign resources. If we regard the increment in Government expenditure in any year over that in 1938, as war expenditure, while increment of foreign disinvestment as disinvestment due to war, an examination of the table above will show that foreign resources covered as much as 39.5 per cent. of total war cost in 1939, 31.5 per cent. in 1940, 21.8 per cent. in 1941, 15.2 per cent. in 1942 and only 13.6 per cent. in 1943, which is nearly the normal "proportion of external finance" or "propensity to import" for Britain. These figures become even more striking, as illustrative of the essential function of foreign disinvestment in the acceleration of British war effort, if we convert them into "real" terms. The percentages then become 50 in 1939, 33 in 1940, 24 in 1941, 16 in 1942 and the "normal" 14 in 1943. On the contrary, the reduction of consumption necessitated by the increasing tempo of war effort was nil in 1939, about 10 per cent. in 1940, 15 per cent. in 1941 and 1942 and only 18 per cent. in 1943, after 4 years of total war fought "without counting the cost," as Lord Keynes asserts.

In the White Paper the figure for net domestic investment is got as a residual item and is therefore liable to wide margins of error. On the other hand, the figures for capital disinvestment abroad are the result of independent estimates. It is not, however, publicly known how these aggregate figures are allocated not only geographically but also as amongst gold and various forms of securities. Nevertheless, from figures communicated to the U.S. Senate and those published in Canada and other estimates, it is possible to reconstruct the probable composition and territorial distribution of this sum. Up to the end of 1942, loss of gold was probably of the order of £400 mn. and loss of foreign exchange £250 mn. Today it may be permissible to assume that Britain's stock of gold in the Bank of England or the Exchange Equalization Fund is practically nil. Blocking of sterling balances in London was indeed nothing but Great Britain's effective mechanism for empire Lease-Lend. Outside empire countries, only Argentine has allowed large accumulation of blocked sterling balances, although against a gold value parity clause. Argentine's holding of sterling is increasing at the rate of about £3 mn. a month. These balances are held in cash, bills and securities and the latest known position is as follows:—

		£
India	now	750 mn.
Egypt	now	250 „
Argentine	Dec., 1943	42 „
Canada	now	153 „
Eire	Dec., 1943	133 „
Australia	Jan., 1944	74 „
New Zealand	Nov., 1943	31 „
South Africa	April, 1944	14 „
Malaya and Colonial Currency Boards	Mar., 1943	103 „
	Total	1,550 „

This is inclusive of the pre-war normal currency reserves and working balances of £250 mn. The market value of Britain's foreign assets was probably about £5,0000 mn. before the war. Outstanding loans from the U.S. Reconstruction Finance Corporation are £81 mn. Total foreign disinvestment up to date since the outbreak of the war has been probably near £3,400 mn. Excluding £400 of gold, £1,300 of sterling accumulations and £100 mn. of non-empire loans, Great Britain has sold off securities, etc., to the extent of about £1,600 mn. during the war. Consequently, she still must be holding much more than half of her pre-war overseas assets. Disinvestment in 1943 comprises almost wholly of the growth of the foreign sterling balances and presumably so also in 1944. Once Germany is defeated, both Great Britain and the United States will undertake partial demobilization, because the war with Japan alone will not make even half the demand on the resources of the two countries. Thus with the defeat of Germany, Britain's draft on foreign resources and foreign loans will almost entirely vanish. On such assumptions, it would therefore be probably safe to estimate that Britain's foreign indebtedness need not grow by more than £500 mn. during the remainder of the war. Thus at the end of the war, Britain's sterling debt, above normal balances and reserves of foreign countries, is unlikely to exceed £2,000 mn. at the maximum as against holdings of foreign securities of probably over £3,000 mn.

Britain's position is not nearly so bad as it is often painted. When Lord Keynes said that "blocked balances" would approach 12 billion dollars by the end of 1944, he was clearly exaggerating a situation, the main features of which are undoubtedly appreciated. On another occasion Lord Keynes said that Britain incurred staggering war debts because she wages the war without counting the cost "with fanatical single-mindedness." The reasons why so much of Britain's war cost was covered by foreign disinvestment are: (a) under the unrealistic leadership of Chamberlain Britain remained fantastically unprepared till the crisis of Dunkirk and until production could be stepped up, foreign disinvestment on a large scale was inevitable; (b) great effort was made to keep up the general standard of living and it was allowed to fall only very gradually; (c) a more fundamental cause is probably that in resources Great Britain is much behind the United States, Germany or the Soviet Union. Thus her foreign policy, always conducted on the basis of a Great Power, leads her to commitments exceeding her economic capacity, so that her war effort through current output has to be made up by massive overseas disinvestment. This only lends point to the plea of the London *Times* that Britain should realize hr position in the context of the bigger Powers like the United States and the Soviet Union, and adjust her foreign policy so that her commitments might not exceed her economic capacity. The reasons why Britani had to make such large drafts on her capital resources during the war have to be analysed and understood, and not simply referred to with a righteous intonation in the manner of Lord Keynes.

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IMPERIAL BANK BUILDING, BANK STREET, FORT, BOMBAY

The Week's Notes

A MULTILATERAL SOLUTION

The Bretton Woods Conference has rejected the Indian proposals that the Monetary Fund should help the multilateral conversion of "abnormal war balances" either in whole or in part. It is difficult to see how any post-war international monetary organization could at all work if it ignored the problem of orderly adjustment of these vast balances which will undoubtedly constitute the knottiest and biggest single international monetary problem after the war. It is also clear that if these balances have to be settled through bilateral arrangements, the post-war period would open with the dice heavily loaded against any reasonable prospects for revival of the multilateral trading system. But is there no way in which the multilateral conversion of the sterling balances could be effected outside the Monetary Fund Scheme and yet reconcile the vital interests of both India and Great Britain? Let us jot down the premises and objectives. *First*, India wants to use the sterling balances mainly to purchase equipments, etc., from abroad to strengthen her basic economic structure, *as quickly as possible*, say, over five or ten years. *Second*, Britain will have great problems of economic adjustments at the end of the war; these adjustments will require time, consequently Britain would like to have repayment *spread out over time* as far as possible. The proposal made by many responsible financial quarters in Britain is that the balances should be funded and paid off with an annual quota as sinking fund *plus* current interest charges. But this will take about 30 years for full repayment and India with her pressing needs cannot wait so long; moreover, she wants access to non-British markets as well. Now, at the end of the war, Britain would probably find herself, as shown in a leading article this week, with a sterling debt of £2,000 mn. at the maximum, as against holding of foreign securities much above £3,000 mn. at market prices. We must assume that Britain accepts this position and has no intention to repudiate her sterling debts, on which she is ready to pay current interest *plus* relatively small sinking fund charges per annum. As long as Britain does not sell off her foreign securities, the only benefit she derives from them is the annual payment of interest, dividend, etc., amounting to an average of 4 per cent. If she hands over £2,000 mn. of her foreign securities to India and her other creditors in settlement of her debt, she no doubt loses her overseas income from these at 4 per cent., but she has no interest to pay on her sterling debt which would be funded and at the same time the annual sinking fund charge of about £50 mn. or £60 mn. is also got rid of. Thus current burden on Britain is actually lightened, while India and other creditor countries can also sell those foreign securities in foreign markets and achieve *immediate* and *multilateral* conversion of their balances. There is also no pressure on the £ sterling or on any other currency by such massive multilateral conversion. Britain, instead of being given a long time to repay, is given a long time—as much time as she wants—to re-build up her foreign resources and, what is more, current burden on her is *reduced* by the elimination of the sinking fund charge. Britain is far from being a bankrupt and she should not assume the postures of one. It should also be remembered that India wants multilateral conversion of only a fraction of her assets.

THE INTERNATIONAL BANK

The scheme of the International Bank now under discussion at Bretton Woods is in many important details similar to the Stabilization Fund, and India is for that reason unlikely to secure recognition of her status or needs. It is already reported that borrowing from the Bank on a large scale to be repaid over a period of time from the blocked sterling assets will not be possible, even though there is a provision to permit it. The quotas established for the Monetary Fund are to serve as guide to the relative position of various nations in the bank proposal, in which case India's quota of 4.5 per cent. of $10 billion will be $450 mn. Thus participation in the world monetary and capital funds will entail India raising an amount of $850 mn., which, even if entirely payable in our own currency, must be deemed a considerable figure if we remember that domestic plans for reconstruction would require a very big capital outlay and not all our external reserves are going to be immediately available. Nor is the management of the World Bank going to give India fair representation. The administration of the Bank will be vested in a Board of Directors composed of one director and one alternate appointed by each member country. The director or alternate of each member country shall be entitled to cast 1,000 votes *plus* one vote for each share of the stock held. Thus a government owning one share shall have 1,001 votes while a government having 1,000 shares shall have 2,000 votes. Of course, no country can have more than 25 per cent. of the aggregate votes, but this does not reduce very much the dominant position of the U.S.A., which, according to the formula based on national income and foreign trade of the member country, shall contribute approximately one-third of the capital. This is further strengthened by the device by which the Board of Directors shall choose an Executive of nine members with some extra weight of authority to the creditor nations. The scheme is so conservative and the terms of lending are so rigid that not much hope can be pinned on the Bank for the economic reconstruction and development of backward countries.

AVIATION AND AIRCRAFT INDUSTRY

Sir Frederick Tymms is of opinion that the prospects for an aircraft industry in this country are none too bright at present. To those who ask for the establishment of a full-fledged aircraft industry he would say that industrially there are many more profitable things to do in supplying India with the common things she wants, *e.g.*, pins. He would also point to other difficulties. A country which wishes to start aircraft manufacture must first learn to use them, create the market and then make the planes. He would even deter private entrepreneurs from thinking of the venture because "a new industry cannot hope to compete in the export market with the aircraft manufacturing industries of America and Britain, nor indeed in the home market in India." All that Sir Frederick can look forward to is for this country to be content with the existing two repair shops and to approach the problem in stages, (1) repair, overhaul and servicing, (2) assembly and partial construction and (3) production of an indigenous design of a small aircraft, all these stages to be spread, presumably, over some decades. We emphatically dissent from these views. We wonder whether Sir Frederick would have dared to air these views in a country like Russia or Britain. The lessons of modern warfare have apparently been lost on him. We would say that the very difficulties, mentioned by Sir Frederick, the technical ones greatly exaggerated, are a powerful argument for vigorous State action. The establishment of an aircraft industry is no matter for an economic debate, but a dire need dictated by high strategy, which cannot be postponed. The needs

of civil aviation cannot be considered by themselves apart from the needs of national defence. This must be made quite clear. But even in relation to the needs of civil aviation the case for starting the industry is quite overwhelming, considering the scope for expansion and the share to which India is entitled in external air services. Geographically India is the true Middle East and is on the highway of all international services. The straight way to secure her due share in the external air services is to start the industry, not to plead technical difficulties and surrender external and domestic service rights to foreigners. the civil aviation needs of Britain are only 2,000 planes and Britain has an aircraft industry for external services. So have Dominions like Canada and Australia, and India's rights should be no less. If men of Sir Frederick's views should have their way, India would have neither an aircraft industry nor due participation in external services, but would be just borrowing some fifty planes from abroad and flying them from one inland centre to another.

THE PAPER CONTROL ORDER

Sir Akbar Hydari does not apparently believe in gradualness. The sudden and severe impact of his Paper Control Order on the press and publishers literally stunned the interests concerned. We all have to suffer in varying degrees in war-time, but that is no reason why the suffering should not have been cushioned off by inflicting it in stages as was done in the case of newsprint consumers. If the over-all cut of 70 per cent. had been spread over a period of, say, six months, it would have left some breathing space for readjustment, To the suggestion that the enforcement of the Order should be postponed to September, 1944, Sir Akbar was unsympathetic, as, according to him, it would only create complications and favour those who had chosen to disobey the Government order. The concessions that were actually conceded to all the very vocal demands made at the conference held last week in Bombay were of minor importance, and the Government's main scheme of drastic reduction in civilian consumption of paper was not altered by a comma or dot. Whether this success for the Government was due to the recognition of the necessity of drastic economy at the present time or only to the fact that in war-time the public must put up with draconian orders of utmost severity without question, it is difficult to say. But on one point the public have a just and legitimate grievance, and unless it is remedied without delay the intensity of feeling is bound to grow.

The wastefulness in Government's consumption of paper is notorious and was adverted to by more than one speaker at the conference. The waste is not confined to one or two departments, but is fairly general. Yet, in the face of this well-known fact, the Government scheme has been framed on the basis that all the economy should be imposed only on civilian consumption and that not a pound can be taken out of the 70 per cent. of output reserved for Government consumption. "Impose drastic control on private economy, but let us go on merrily," would seem to be the motto of Government. If they believe that they have done all they could, we would only answer in Sir Hydari's own citation, "I beseech ye in the bowels of Christ, think! perchance ye may be mistaken." Unless Sir Akbar follows up his control order by arranging to impose at least a 25 per cent. cut in the scale of Government's consumption, a sense of injustice would be rankling in the minds of the consuming public who have been mercilessly treated by the all-powerful war-time bureaucratic administration.

LIVESTOCK IMPROVEMENT

If the Indian cattle and other livestock are poor, it is not so much on account of lack of knowledge as to the best methods of improving them as of indifference and absence of a compelling sense of rural welfare. We have had enquiries and commissions galore. In recent years the Royal Commission on Agriculture had made elaborate recommendations and suggestions. But the implementation has been not only pitifully weak and halting, but policies are pursued inimical to progress. The slaughter of prime cattle which has been going on despite official denials, indifference to pastural area, incompetent veterinary organization, these and many others are gravely imperilling an already bad situation. The latest to offer advice is an American expert, Dr. Ralph W. Phillips, of the Bureau of Animal Husbandry, Washington, who after severely criticizing the present organization of agriculture and husbandry has pointed out the urgency of deciding and enforcing a sound cattle policy in regard to the single or dual-purpose animal, the selection of proper breeds, etc. All this has been heard time and again. What is wanted is some definite action which will be equal to the magnitude of the task. We welcome, however, Mr. Phillips' denunciation of the present policy pursued in respect of horse breeding as seen from the reported statement that "while a race-horse may be an interesting plaything for wealthy individuals, a utility horse is more important from the average farmer's standpoint." It would be difficult for the average Indian to find proper language for condemning the war Transport Department who have had no scruples in permitting liberal transport for horses to be moved from one corner of India to another when millions of human beings were dying for want of foodgrains which could not move for lack of transport. It shows the scale of values prevalent in this unfortunate country. We are not unaware of the sort of arguments used in support of this mischievous policy of allowing horse racing to go on unchecked even in the most difficult times of the war. When the history of the Bengal famine and the distress in other parts of India comes to be written, the manner in which scarce railway transport was apportioned between foodgrains for human consumption and horse racing to satisfy the epicurean desires of the wealthy few would constitute an unedifying record of the Government's Tranport Administration.

AGRICULTURE AND RAINFALL

The Indian rainfall is unequally distributed over the country and through the seasons. There are areas which suffer as much from excessive rain as others suffer from its dearth. Since no means of precipitating rains from the clouds at will has so far been devised, these have to be taken as and when they come. This uncertainty of the rainfall introduces a serious element of precariousness in our agriculture. In the Deccan districts of Ahmednagar, Sholapur and Poona, in Bijapur and in some other tracts of the Bombay Province, the peasants are constantly threatened by the prospect of reaping nothing from what they have sown, thanks to the vagaries of the rainfall. In consequence, partial or even complete failures in these tracts are a recurring and persistent phenomenon. That is not all. The concentration of rainfall precipitation during a few months instead of comparatively more evenly throughout the year, and its sudden and torrential character result in further damage to agriculture. Firstly, it leads to enormous losses by soil erosion. No accurate estimate has been made of the total loss which India has to suffer annually in this manner. But an idea of its enormity may be had from the following conclusions of Dr. Gorrie. In the Punjab, he has shown, 46 inches of rain which fell on 32 rainy days carried with it 8.2 tons of soil per acre. More striking and startling are his findings at the Dry Farming Station at Sholapur where 115 tons of soil per acre were lost as a consequence of two precipitations of 3.5 and 4.3 inches respectively. Over and above this loss of the fertile portion of the soil carried away as silt, the land has to suffer from the actual wastage of the water itself with all its latent crop-producing powers.

THE BOMBAY DRY FARMING SYSTEM

In view of these, methods of better utilization of monsoon water and the prevention of these damaging consequences have long been under examination at many dry farming stations. Such scientific research has been carried on at the Dry Farming Research Stations at Sholapur and Bijapur during the past nine years. The result of these investigations has established that with simple and inexpensive modifications in the present methods of cultivation the danger of recurring crop-failures, in years of scanty or badly distributed rainfall, can be obviated to a large extent. These modifications and improvements for "scarcity" tracts comprise the "Bombay Dry Farming System" which aims, in the main, at conserving as much as possible of the available rainfall in the soil so that it will help crop-growth and not lead to soil erosion—which is such a common feature of the "scarcity" tracts of the province. This is a valuable addition to our knowledge of agricultural possibilities, and the Bombay Government's Agricultural Department owed it to the province and the country to carry this information to every hamlet and demonstrate its advantages to each village. Instead of doing this clear duty, they have announced that it would be a great pleasure for the staff of the Government stations or sub-stations where this "system" is being practised to hlep those cultivators who wish to "see things for themselves." The Bombay Government should take more helpful measures in propagating these new methods and modifications.

THE FOOD MEMBER'S REVIEW

Opening the proceedings of the first meeting of the Central Food Advisory Council, Sir J. P. Srivastava gave a short review of the food position in the country and the Government's efforts to tackle it. His speech was somewhat drabber than it need have been and one could even detect the undertone of diffidence. Speaking about the Government's great efforts to increase internal production, he added: "But it is no light task to secure within a short space of time an increase in volume to overtake the increase in population, reduced dependence on external sources of supply, and make possible the holding of reserves." To plead for more time towards the end of the fifth year of war, is hardly calculated to make much impression on a public which is yet to be assured that this fall will not cause recurrence of far worse happenings than during last year. Almost exactly one year ago also the then Food Member pleaded that "it is not possible within a period of few weeks or even a few months to neutralize the effects of all the (adverse) factors or set up any effective machinery to deal with these problems fully." This renewed pleading for time cannot therefore be reassuring and there are indeed definite and ominous symptoms betokening that the situation is not completely in control. Danger signals in Bengal like a rising trend in prices or steady return of destitutes to Calcutta are again reappearing. The Government are no doubt, so far as administrative machinery goes, considerably better equipped now than last year and the instituting of rationing in 226 cities and towns with a population of 35 million is satisfactory. But the Food Member himself was explicit about the many glaring defects in organization which still remain. Above all, substantial import of foodgrains at this crucial stage provides the key to a very difficult situation which will probably be on us in a few months. Judged by past experience, the Food Member's assurance that he accepts the Gregory Committee's figures for import requirements and that he "will not rest till he gets it" can have re-assuring effect on the public only when they actually see the imports arrive.

POPULATIONAL BALANCE

Both the Italian and the German Governments had pursued a positive population policy with a view to rapid growth, but the success attending has probably been not very marked. After the last war, we often heard about a "lost generation" in Germany, France and Britain. But Russian war losses were even higher then, and during this war, even before the generation had hardly time to recuperate, her losses have again been colossal—many times higher than those of her other allies. The British Government have already appointed a population committee, and recent reports show that the Soviet Government are also determined to make up war losses by a great new population drive. In a sweeping decree passed about a fortnight ago, the Soviet Government have placed motherhood in the forefront of national life in the country. A graded system of tax and premium has been devised to encourage fecundity. All these measures gain added significance when placed against pre-war populational trends in these countries, quite apart from war losses. The League of Nations published in February last a study of "projected populations" of Europe and the U.S.S.R. in 1940 and 1970, based on vital trends in the inter-war period. The 1940 data show for North-Western and Central Europe a population facing incipient decline. While Southern and Eastern Europe has still some potentiality for population growth, the U.S.S.R. is booked with continued rapid population growth for a long time to come. The "projection" shows that on the basis of pre-war vital trends, that between 1940 and 1970, active man-power would increase by 1.4 million in Germany, and decrease by half a million each in France and Britain. Population will continue to increase in the Netherlands, Czechoslovakia, Denmark, Finland, Hungary, Ireland, Latvia and Norway; it will decline in Austria, Belgium, Estonia, Sweden and Switzerland. In Southern and Eastern Europe very considerable increases in man-power are shown. Population increase indicated for the U.S.S.R. is no less than 35 million, being only 20 million for the rest of Europe. This, of course, excludes considerations about the impact of war on vital factors But before the war the population of the Soviet Union was increasing by about 3½ million per annum. Especially with the new population drive, war damage will be speedily repaired and the populational balance will tilt steadily eastward.

NOT MUCH WOOL

At the first meeting of the Central Consumers' Council, held recently in New Delhi, discussion centred mainly round the working of the several controls relating to civil supplies, such as cotton textile control, drugs control, iron and steel control, newsprint and paper control, etc. The working of the Hoarding and Profiteering Prevention Ordinance also came in for detailed examination. It is reported that the Council made certain suggestions for the improved working of the control measures; more adequate enforcement machinery, better publicity for control prices and for convictions against hoarders and profiteers were some of the steps recommended. While such discussions may have their value, they cannot be expected to lead to results, which can be termed satisfactory in the context of the current grave shortage of consumer goods. Basic to the problem is the need of increased production for the civilian market and of a sane import policy, which will augment essential supplies, without harming the permanent interests of our industries. It is unfortunate that this

problem did not receive the attention that is its due. We hope the consumers' representatives will take up this question in right earnest at the next meeting of the Council

HELP FOR THE EDUCATED UNEMPLOYED

Our defective system of education turns out, from year to year, a large number of young men who cannot but look to services, Government or private, as the only source of earning a living. The number of those who demand these jobs is constantly increasing, while there is no proportionate increase in the absorbing capacity of the services. In consequence, there is a large number of educated young men all over the country who do not have work to do and constitute our intellectual proletariat. The existence of any considerably large number of young men who, even though they have the capabilities, given the necessary training, to help in the country's economic development have to remain idle and exist as parasites, is not only unfortunate from the economic point of view but also aggravates social instability. It is, therefore, gratifying to learn that the Mysore Government have framed laws for the grant of loans to educated young men for the purpose of setting up industry for which they have prepared themselves through undergoing the necessary training and also for purposes of expanding existing ones. The grants, half of which are to be treated as interest-free loans repayable in instalments, spread over not more than five years, commencing after 18 months of the grant of the loan, shall not ordinarily be allowed to exceed Rs. 1,000 with an abslute maximum of Rs. 2,000 which will not be exceeded in any case. The remaining half will be considered as a subsidy. These grants will not be ordinarily recurring, though in special cases subsequent grants after the initial grant may be allowed for two or more years. The money so advanced will be allowed to be spent on the purchase of technical equipments and will be inclusive of the cost of erection and expenditure on items which would be necessary to tide over the difficulties in the early stages of the project and for meeting small initial losses likely to be incurred before the industry begins to run on sound commercial lines. While these efforts are laudable in themselves, it must not, however, be forgotten that industrialization on a very big scale alone can solve the problem by absorbing the educated in the technical jobs. In the matter of industrialization indeed, Mysore has a proud record, but future programmes must necessarily be conceived in far larger terms.

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Head Office: LAHORE

BALANCE-SHEET AS ON 30-6-44

(Subject to audit)

LIABILITIES		ASSETS	
Paid-up Capital	15,00,000	Cash, Bank balances, Govt. securities and other liquid assets	2,52,21,000
Reserves ..	1,18,000	Loans & Advances ..	1,88,72,000
Deposits ..	4,07,08,000	Bank site ..	1,36,000
Loans from Banks ..	20,10,000	Safe, Fixture & Furniture etc. ..	1,24,000
Bills for collection ..	12,39,000	Bills ..	12,39,000
Profit ..	1,73,000	Misc. Assets ..	1,56,000
	4,57,48,000		4,57,48,000

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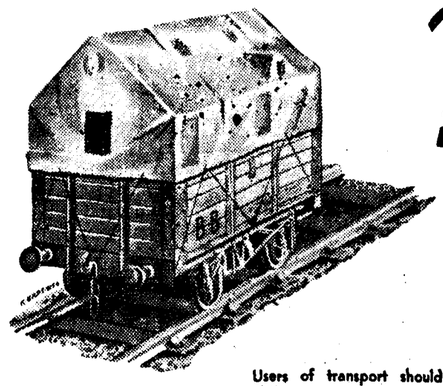
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SPECIAL ARTICLE

Planning in the Indian States

By P. S. Narayan Prasad

THE work of Post-War Planning is supposed to be in full swing in most of the Indian States. At least one of them has brought out a report; others have set up Committees or Conferences or entrusted to officials the task of drawing up blue prints. Much of the enthusiasm for the work of planning is due, no doubt, to the constant exhortations of the Government of India on the one side, and the endeavours of the Princes Chamber on the other to awaken in the State administrations a desire to modernize themselves and develop their resources on systematic lines. With all that, however, this planning work may go off at cross purposes, unless, alongside of planning by individual States some conscious efforts are made (a) to have a clear view of the ends of planning in a general way and (b) develop such plans in a spirit of co-ordination both between groups of States on the one hand and the States and British India on the other. In this article it is proposed to draw attention to some of these aspects and offer suggestions which may contribute towards the building up of an integrated economic plan between the States and the rest of the country.

Planning in the States is subject to certain peculiar handicaps. Save in the case of a very few, the meaning and significance of economic planning has yet to be properly appreciated. In many cases, the units for which plans have to be drawn up are too small geographically as well as economically. Their administrations in most cases are very far from being efficient and even if good plans are drawn up that alone would not necessarily ensure proper execution. The people whose co-operation in large-scale planning is always indispensable are, compared with those in British India, likely to be far more passive or indifferent, if not even hostile, to rapid reform schemes—even if purely economic reforms. Between various States, particularly the ones which are contiguous, there is an excess of overt, sentimental parochialism which bars their effective co-operation even on programmes of common benefit. Sometimes it is amusing to find so many of them thinking of industrializing themselves on a lavish scale or contemplating most of their economic programmes as though they have isolated economies, with a China wall round of them.

Further the States as a whole possess some common characteristics. Except the few advanced States (some of which are even ahead of the provinces in their degree of economic development) most of them, compared with the provinces, are far behind. In a general way, their land systems are still unsettled; the means of communication are far less developed; there are hardly any statistical or other data which could light the paths of planners; they retain, many uneconomic appurtenances of sovereignty like independent currency systems, post offices, customs cordons etc. which all act as hindrances rather than helps in economic development. The populations are educationally backward and have not, in general, caught up with that spirit of discontent that spurs them to greater effort.

In view of these common handicaps and characteristics, it is good to realize that though action by individual States, may be useful, something more is really necessary to ensure the best results from planning, which would be systematic and perfect only, if they keep in mind at least three objectives. Firstly, it should be their endeavour to fix a rough target for their planning—say in the next five years or so—to achieve equality in economic development with the adjoining British Indian provinces: Secondly, both in view of the many common problems and drawbacks, they should endeavour, as far as possible, to co-ordinate their plans and workout "group plans" on a regional basis; and thirdly the plans should be inspired, from now on, by the awareness of the States being a part of the country and should, therefore, be designed to fit into the larger plans of the country

With regard to the first objective—that of equalizing economic development in States with that in the provinces—it may be contended that this is not necessary for some of them. Indeed, in States like Mysore, Travancore and Baroda the proportion of expenditure on development heads compares favourably with the provincial counterparts; and, in particular instances, as in regard to expenditure on education some of the States (e.g. Cochin and Baroda) are even ahead of the most progressive of the provinces. But taken as a whole, the States have yet a lot of leeway to make up before claiming equality with the work in the provinces. There are pretty big States, for instance, in the year of grace 1944, which have yet to make a beginning with the co-operative movement which is nearly half a century old in British India! In matters like the development of tax resources, legislation relating to labour, money lending and rural indebtedness, the facilities available for agricultural improvement, the provision of facilities for marketing, etc. a great many things could be incorporated almost overnight into the legal and institutional framework of the States as, indeed, they should be.

But the one respect in which reform in the economy of the States is direly needed is in equalizing the development of land systems with those in British India. Of course, land tenures in British India are themselves very far from perfect and are in crying need of reform. If this be so, the land systems in a number of States (with many honourable exceptions, no doubt) are still some four centuries behind even these imperfect British Indian models. The characteristic features in the land economy of a large number of States are the concentration of land in the ownership of faudatory chiefs and the consequent conditions of unstable peasant holdings; a general absence of anything that resembles settlement and a State of beautiful vagueness which makes rack-renting and the levy of numerous extractions super-imposed over this, incredibly easy; a more or less complete absence of occupancy rights for the tenants leading to an absence of a spirit of attachment to land and a lack of desire to plan for its best development etc. The ethical aspect of the matter apart, the incidence of these outworn systems rests largely on the agricultural economy of the States themselves. In my view of the many common features, it may be to the advantage of the States conjointly to set up a Land Revenue Commission which would help formulate principles, which with necessary local variations might be made the basis of the revenue systems in the States. As a result of such efforts, if the land revenue position in the States is brought within a maximum period of five years in time with the existing temporary settlements in British India, it would be no mean achievement for the cause of Indian Agriculture. Of course, for the progressive States which have already made these changes no such target would be necessary.

As regards the second objective—of working out "group plans" on a regional basis—their desirability is as indisputable as their adoption in practice might prove difficult. In the administrative sphere, examples of co-operation by the smaller States are to be seen in the joint institutions of law recently set up by some Central Indian States. Co-operation for a wide range of economic activities, even by States which are apparently large is an idea full of promise. As at present many of the States run railways, whose excessive overhead charges compel inefficiency in their operative sections; they maintain departments of co-operation, industries, irrigation, etc., none of which could be anywhere even approximately near the optimum size. As between several adjoining States even the distribution of resources is such that co-operation alone would transform their common penury into conjoint prosperity. A customs union between several States may gain in economy what might be lost in revenue for individual States. The pathetic spectacle of small States pretending to maintain directorates of industry, agriculture, forests, fisheries, and what not, could be replaced by large single efficient departments which could really mean business. In plans for absorbing the demobilized such co-operation possesses great potentialities. Even in matters of education—particularly technical education and research—it would be common folly not to recognize the advantages of group planning. As between units all of which are protected by the same paramount power, if little jealousies sustained by folklore and ballad songs could be sublimated into fellow feeling and friendship, the most rapid economic progress of the States could be planned out. Yet there are difficulties—of tradition, of want of perspicacity and the inherent resistance of vested interests. But under the paternal guidance of the paramount power and the compelling logic of the economic environment what seems to be idealistic might after all not prove to be so idealistic at all!

In the third place, for any complete scheme of national planning, such co-operation is desirable not only between States adjoining each other but also between the States and Provinces and the States and the Centre. Integration with provincial plans in matters affecting common needs like irrigation and hydro-electric development have been worked out to mutual advantage by Mysore and Madras and possibilities exist elsewhere for further co-operation of this type. If any scheme of planning were to work efficiently, perhaps no distinction could be made between States and the neighbouring provinces, without endangering such plans. Plans for making particular regions (including States and Provinces) self-sufficient in, say, food matters may be perfectly sensible, but the drawing up of self-sufficiency plans for individual States, even if they are large, would be another name for waste. So also in any set of measures which may be adopted for maintaining prices of agricultural products success would be necessarily limited by the extent of such co-operation.

In matters affecting the Centre also, State plans and the Central plans must be properly dovetailed into a national plan. Nor is such co-operation unnecessary in matters affecting labour legislation or social security or insurance plans or legislation affecting control of capital. An economic regime in which industry might be conveniently perambulated between States and British India does not augur well either for the States or British India or even industry itself. All this will require co-operation at many levels and from many quarters. With a view to achieving such many-sided co-operation, the following suggestions may probably be considered.

Firstly, there should be, in the various States, a cultivated desire to extend economic co-operation with neighbouring States and provinces. Investigations which are now being conducted should not be confined to developing the States' resources alone but within limits of possibility they should also be extended to finding out lines of possible co-operation—particularly between the numerous smaller States as between themselves or the smaller States and the adjoining larger ones. A group of States may have, for themselves, a university, or a customs union, or a common department for public works, irrigation, communications, agriculture, co-operation, industries, etc. In the absence of such co-operation the smaller States will be never able to have many of these departsments, while even some of the larger ones may have them only on an inefficiently organized pattern.

Secondly, it is not enough if a State appoints a Reconstruction Committee which draws up a plan and dissolves itself. There should be permanent planning committees or departments which continually investigate facts on the one side and readjust the plans from time to time. This is necessary because planning is necessarily work of a fluid character and unless some expert advise is continually available to government executives—usually imperfectly educated in economic matters—the best of plans is likely to founder. It is only such permanently constituted bodies that can, from time to time, investigate possibilities of co-operation with alertness and system and make economic planning the dynamic thing that it really is.

Thirdly, to the machinery set up for post-war planning in the provinces must be attached representatives from similar bodies from the States within or adjoining the provinces and which may have common problems with them. Such association would stimulate uniform thinking on post-war problems and is indispensable to the promotion of co-operative planning between the disparate units.

Fourthly, there must be some central expert organization available for consultation by the States and to direct co-ordination in investigation as well as planning. Many of the States do not possess either the intellectual or material resources necessary for undertaking economic and statistical investigations and economic planning of a useful variety; and the extent of their dependence on guidance from the Government or the Princes Chamber is simply colossal. The Secretariat of the Princes Chamber has some organization; but in relation to the scope of work, its size is limited and hence its effectiveness small. On the various Committees set up by the Reconstruction Policy Committee of the Council there are representatives of the States' Governments. But if planning in the States has to be organised with efficiency this is not enough. A separate committee devoted entirely to the task of helping the States to prepare their plans and act as an agency for cultivating co-ordination between State and Central plans is necessary. Probably, this organization might also be helpful in suggesting possible lines of co-operative planning to the States and in organizing such groups of States as are willing to improve their standards of economic administration and achievement.

Jaipur.



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THE WORLD ABROAD

Tackling Reconversion Problems

(From Our Washington Correspondent)

WASHINGTON, July 17. (By Cable).

BUSINESS men acted through two influential media today to record their policies on remobilization for peace-time production. The United States Chamber of Commerce representing 700,000 business men has made public a 12-month programme for winning the war and facilitating reconversion through the combined efforts of Government, Industry and Labour. The Committee for Economic Development have issued book-length analysis of the three most important reconversion problems, namely, the disposal of surpluses estimated at 60 billion dollars, the disposition of Government-owned plants valued at 33 billion dollers and facilities for the termination of outstanding war contracts estimated to be from 80 to 100 million dollars in value, "if war should end tomorrow." The Committee's "statement on national policy" is considered highly significant as it is taken as the expression of views of thousands of business men throughout the nation. The Committee for Economic Development, which was organized more than a year ago for the main purpose of preparing business to be able to meet reconversion problems, includes the nation's top-most business men among its members. Its programme is "grassroots" in nature organized as it is largely on a small community basis.

Both statements are optimistic despite caution regarding the enormity of remobilization problems. These demonsrate business men's belief that a post-war deflation can be avoided. They insist on the widest degree of private competitive enterprise as opposed to monopoly or Government subsidy to submarginal producers "merely to provide employment" The Committee considers it necessary that post-war production should be 40 per cent greater than 1940 if there is to be satisfactory employment. It concludes that only 5 billion dollars of Government plants can be converted to peace-time use which "represents only about two years' normal investment in plant expansion. Thus the end of war will find us face to face with overall excess plant capacity but rather under-equipped." The Committee says that the remaining plant is in military installations, shipping and aircraft plants regarding which unfortunately it makes no recommendations. They point out that of the surpluses located abroad only an amount worth 15 billions will be merchantable; the other half represents only two months' normal retail sales. Thus, it concludes, careful disposal will prevent interference with business readjustment. The Committee feels that the area of dispute regarding the question of the termination of war contracts covers probably an amount of only 1½ billions. The Committee have emphasized the need to protect small businesses under policies outlined by the Congress. It concludes "stakes for which we shall be playing in the post-war battle against unemployment will be as great as those of the War and the time factor will be no less important.....It would be idle to pretend that the liquidation of war production is not one of the most complicated economic tasks which the nation has had to face, but, large as these magnitudes are they do not justify a defeatist attitude." The Chamber of Commerce emphasizes that the nation must "prepare for the resumption, to the maximum extent possible, of exchange of goods and services between countries through normal trade channels working in co-operation with Governments and with business men elsewhere, with special attention to problems of foreign exchange and work for the establishment and development of co-cperative arrangements among nations looking forward to the "elimination of wars." The Chamber calls for the reduction of the size and the scope of war-time Government as soon as possible and has urged for encouragement for opening up new frontiers of opportunity for capital investment and expansion of business activity.

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Money Markets

Withdrawal of Funds to Pay Taxes—Bulls Dominate Bullion Market Gilt-edged Firm.

(From Our Correspondents)

BOMBAY, July 16.

VERY little business has been passing in the inter-bank call money maket. Rates for deposits are unchanged, but banks have been ready acceptors of deposits which, after a brief setback during the turn of the half-year, are again mounting up sharply. The increasing resources of banks are reflected naturally in the week's Treasury Bills results. For Rs. 4 crores of Bills, the amount tendered on Tuesday was Rs. 8.44 crores, a crore higher than in the previous week. The average rate was a pie lower at Rs. 0-7 8 per cent. Maturities have been small being only Rs. 1.13 crores on July 14, and Rs. 2 crores for the two weeks thereafter. The net outgo from the market of Rs. 3 crores this week, and the possible outgo of Rs. 2 crores for two subsequent weeks, would, however, hardly affect the short credits position. A reduction in the tender limit is unlikely.

Scheduled Banks

The Scheduled Banks' statement for the week ended July 7, shows a significant decline in Time liabilities from Rs. 182.32 to Rs. 180.61 crores, while demand deposits have risen from Rs. 565.11 to Rs. 566.8 crores, suggesting that deposits which mature are put in current accounts. From now on, tax payments will increase in *tempo* and withdrawals from banks will be increasing though they would be masked by the influx of fresh money into banks, thanks to inflation. In fact, the process is taking place already. As a rule, Advances and Bills are shrinking steadily every week. The money from them and from the fresh deposits is automatically turned over to investments in gilt-edged. And thus latterly, the securities market has been deriving considerable support from banks. Interest-free balances with Reserve Bank are rising again. In the week ended June 30, one saw unusual changes Advances of banks contracted sharply by Rs. 2.8 crores, of which the Imperial Bank accounted for a like amount. Probably, the Imperial had called in some of its Advances just before the end of the half-year. In the week ended July 7, Advances show an unusual jump from Rs. 211.47 to Rs. 214.81 crores, contrary to the usual trend. They may be related to the large bull position in the bullion market. It is unlikely that there has been any demand for bank accommodation from trade or industrial quarters.

Reserve Bank

The Central Government balances with the Reserve Bank shows a decrease from Rs. 65.25 crores to Rs. 57.84 crores. They had been steadily above Rs. 60 crores for nearly a month and this fall of nearly Rs. 7.4 crores is surprising. Beginning of the month disbursements are not a sufficient explanation of such a marked decline. The Scheduled Bank with the Reserve Bank have risen from Rs. 94.35 to Rs. 98.43 crores in consonance with the rising trend of bank deposits. Other Government balances are unchanged at Rs. 16.9 crores. During that week, Government of India Treasury Bills discounted by the Reserve Bank declined significantly from Rs. 259.33 to Rs. 47 lakhs. For a long time now, this item had remained at this high level and its virtual disappearance suggests that these Bills had matured during the past week. Presumably, they were Treasury Bills issued late in March or early in April, when the money market had experienced certain stringency and, as will be recollected, the authorities had to refuse the Treasury Bills tenders offered that week. Some of the banks and others who had held these Bills must have gone to the Reserve Bank then to rediscount them. Balances Held Abroad have risen from Rs. 173.74 to Rs. 174.46 crores. This figure should include the dollar balances which have accrued to this country since the Finance Member's announcement that the export surplus proceeds resulting from trade with the United States would be set apart and not merged into the sterling pool as was happening previously. One has, however, no means of assessing the dollars which are thus held to the credit of this country.

Gild-edged

Enquiry for 3½ per cent. Rupee Paper tended to taper off at the close of the week, with the result that the quotation came down to Rs. 99-7-6 at the close. There are, however, very few sellers. Although banks and insurance companies are reported to be investing a substantial portion of their funds in the medium and short-dated securities, the gilt-edged market was a trifle easy. The only loans in which a good amount of business was seen were the 3 p.c. loans. The 3 p.c. 1951-54 loan was a shade better. The Funding Loan (3 p.c. 1966-68) was firm at the present selling rate of the Reserve Bank. Among long-dated loans, the 4 per cent. 1960-70, was quoted slightly higher. The 5 per cent. 1945-55 loan (tax-free), is meeting with good enquiry, for in view of its maturity next year, it is virtually a short-term security of a ear's duration giving an yield of 1.6 per cent. tax-free at the current level of Rs. 104-12-0. Provincial and Municipal loans are in good demand and higher prices are restrained only by the scarcity of stock. The 3 per cent. Bombay 1955-56 loan changed hands at Rs. 100-3-0, while enquiry for 3 per cent. Madras 1955-56 resulted in the price moving upto Rs. 100-3-0.

Bullion

The Bullion market witnessed considerable fluctuations in prices, particularly in the Silver section. On Tuesday the 11th July, which was the last day for covering open transactions, the silver price moved upto Rs. 134-8-0 as a result of bears preferring to square up their commitments rather than carry forward by paying high backwardation charges. The market received further impetus from the statement of Mr. Bernstein, Executive Secretary to the American Delegation at the International Monetary Conference at Brettonwoods, in which he had categorically stated that the 100 million ounces of silver lend-leased to this country by the United States was for coinage purposes. Next day, the Government of India came out with a denial in which they reaffirmed their attention to sell silver as an anti-inflationery measure if conditions demanded it. The market developed a weak tone with the price sagging to Rs. 129-8-0 on Thursday. Certain false peace alarms and the arrival of about 800 bars from upcountry added to the bearish sentiment. This, however, was short liver. The market, however, is entirely dominated by the principal bull operator who bought substantial quantities at the lower levels. With bears well nigh despairing of official sales of silver ever materializing, the bulls are in a position to rig up the market at their sweet will and hence the silver price has again resumed the upward trend and at the close was quoted at Rs. 134

on Saturday. Ready silver of .999 fineness is quoted at Rs. 3 over settlement delivery price. Mr. Bernstein has issued a second statement in which he practically goes back on his earlier statement. He now says that though the first shipment was for coinage purposes, the later shipments of silver to India were intended to enable the Government of India to carry out official sales in the open market if they so chose. It almost looks as if the American official had blurted out the truth in the earlier statement and was subsequently persuaded by the Government of India to issue a correction which, to say the least, seems somewhat unconvincing. Anyway, the bulls in the silver market are determined to put the official statements to the test and are pushing up the market, thereby almost challenging the Government to become a seller. The bears are absolutely helpless, and in fact, even in worse predicament than they were a fortnight ago when they appealed to the authorities to intervene. They are dreading the possibility of again being dictated to by the bulls as regards the penalty for carrying over their open positions, and prefer to cover now, thereby helping in the upward trend of prices. The stock is estimated at 500 bars, arrivals upcountry at the same amount, while daily offtake is 90 bars.

The gold market has been less stormy than silver. Last Monday (10th) the Ready rate was quoting 5 annas over forward and the scarcity of ready stock obliged dealers to go to the Reserve Bank which sold about 1,26,000 tolas at Rs. 75-4-0, but would not sell even 2 annas below that level. In mid-week, the weakness in silver caused the market to weaken and settlement delivery went down to Rs. 74-8-0 on Thursday. On Friday, the premium on gold Ready at first rose from 5 to 8 annas over the settlement price, but went down again to 4 annas. There was a steady demand for gold estimated at 45,000 tolas, and even on Friday with the stock at 75,000 tolas, it was anticipated that the market would move up again. In fact, Saturday saw the rate jumping upto Rs. 75-6-0 in sympathy with the firmness in the silver section. It looks as if the bazar will be going to the Reserve Bank to purchase fair quantities on Monday, to supplement the stock position. It is expected that large tenders will be submitted. When war news is so favourable and peace reports are also coming through, it is really strange that the bullion market should be so firm. Current prices reflect only the manipulations of bull operators.

Measures to Curb Stock Exchange Speculation—Continued Firmness in All Sections.

Bengal Letter

CALCUTTA, July 17.

EXCITED trading in the past two weeks and considerable delay in effecting deliveries have been responsible for the decision of the Committee of the Calcutta Stock Exchange to restrict trading on the floor of the Stock Exchange to one and a half hours every day, that is, between 12 non to 1-30 p.m. Members have been asked to square up their existing transactions as early as possible. There are three delivery days in the week.

The decision to restrict the hours of business came into force early this week. The immediate effect of the decision was a slight decline in prices as it was generally expected that the pressure of deliveries and the curbing of speculative activity would result in a general fall in values. But the subdued tone of the market did not persist for long and the upward trend was resumed. Even with a substantial rise in prices for the popular leaders there has been small increase in selling pressure from genuine investors. There is a heavy short position in some of the counters so that the rise in prices for these is more pronounced than others.

Compared to the rise in prices in the Bombay market, it should be said that locally there has been a sharp appreciation in values for no valid reason. The market is in the grip of strong jobbers and unless the technical position is adjusted there will be no appreciable decline in prices. The great improvement in the war situation on the north-east frontier has been very favourable to bulls.

After earlier hesitancy there was a warming up in activity in mid-week until the highest prices for the week were again touched on Friday. There was some week-end selling but there was no appreciable 'give' in the markets.

Coal Shares

Coal shares continued firm, though the rise in prices has not been general. The purely speculative shares like *Samla, Parasea* and others have been neglected, but the bigger collieries have been in good enquiry. Thus *Bengal* improved to Rs. 680 from Rs. 670, while *Equitable* were sharply higher at Rs. 70-2 against Rs. 65-12. A large amount of business has been put through in *Burrakur* and the quotation was moving in rather wide limits. After the rise in the quotation to Rs. 43 there was a setback to Rs. 40-6, but buying and covering at the lower levels caused a fresh rise in prices. On Friday there was a jump in the quotation to Rs. 45-4. The close is only slightly easier at Rs. 44-10. *New Beerbhoom* were relatively quiet at Rs. 41-4 in the early days but there has been a rise to Rs. 43-4 in the latter half of the week. *Bokaro* and *Ramgur* have been rather neglected at Rs. 44-8. *South Karanpura* were as high as Rs. 26-12 against Rs. 24. They are now Rs. 26-4.

Jute Shares

Jute shares have been generally steady, though there has been a sharp appreciation in the quotation for *Howrah* to Rs. 85-4 due to technical reasons. Among other shares which have recorded a good rise in prices are *India, Kamarhatty* .and *Anglo-India.* Howrah were last quoting Rs. 80. They were done up to Rs. 85-4. The close is easier at Rs. 83-8. *Clive* were in good request, being one point further higher at Rs. 47-8. *India* were Rs. 720 against Rs. 680.

Other Scrip

Both *Indian Iron and Steel Corporation* have been active among Engineering shares. The rise in *Steel Corporations* has been more pronounced. *Indian Iron* moved up to Rs. 43-1 from Rs. 40-4 last week, but there has been a setback to Rs. 41-14. *Steel Corporation,* on the other hand, have been very firm and the gains have been fully held. The close at Rs. 36 is four and a half points higher on balance. The rise in price has been purely technical. It is, however, felt that *Steel Corporation* has an assured future as the capacity for production of steel has vastly increased and the capital at charge is very small in relation to the production capacity. There are no other features. *Burn & Co.* being Rs. 435, *Bhartia Electric Steel* Rs. 2 and *National Iron and Steel* Rs. 15-4.

Sugar shares have firmed up in the last three days. *Belsund* have been in special favour, the quotation being nearly three points higher at Rs. 19. *Carew* have suddenly turned active and there has been more than a two-point rise to Rs. 32-12. *Cawnpore* were

Rs. 13, but the close is easier at Rs. 42. *Cammagger* are one point higher at Rs. 166.

Tea shares have been firm, but business was very restricted. *Tcoopore* were a shade better at Rs. 20-12, while *Hasimara* were dealt in at Rs. 764.

In the Miscellaneous section, *Indian Copper* are higher at Rs. 3-9 after being sticky for a long time at Rs. 3. *B.I.C.* were again sticky at Rs. 6-10, while *Calcutta Trams* were freely purchased up to Rs. 47. There was reaction to Rs. 45. Even then there is a gain of five points on balance. There is considerable speculation regarding the break up value of the shares which it is generally agreed is not less than Rs. 53 per share. *Midnapore* have registered a rise of a further 20 points to Rs. 200. *Dalmia Cement* were a shade better at Rs. 20-12, while *Alkali and Chemical* were unchanged at Rs. 38-7. Paper shares were inclined to be easier after the publication of the report of the Titaghur Paper Mills Company, Limited, for the half-year ended March, 1944. Net profits for the half-year show a decline of as much as 50 per cent. Increase in working expenses and a reduction in output due to the shortage of coal were mainly responsible for the lower level of earnings. The dividend on the A and B ordinary shares has been maintained at eight annas per share and the bonus at four annas per share.

Raw Jute

The raw jute market has been definitely quieter in the past week. Mills have taken very little interest in the market as it is reported that the restriction on the supply of energy to the electrically driven units and the possibility of a further decline in coal supplies would result in a lower mill output. With larger jute arrivals in up-country centres sellers have been anxious to do business. Prices for old crop varieties are lower by four annas per maund with the exception of Supervised Jute while for new crop District were four to eight annas less per maund. Some business was reported in Supervised Jat Middles alone at Rs. 13-8 per maund.

Business in the export market has been on a larger scale, though prices are easier in sympathy with the loose jute section. Old crop Dundee Tossa 4's were Rs. 80 per bale with new crop one and a half points higher. Short Group Dundee Daisee, new crop, were Rs. 87 per bale and Long group Rs. 77-8 per bale.

The jute manufactures market is very firm. The uncertain immediate outlook has compelled mills to keep quiet and very little fresh business is reported. The improvement in the shipping position has resulted in a large offtake during June and it is feared that it would not be possible to complete the orders on U.S. account in time. Quotations are nominally at maximum rates.

In the heavy goods section there are very few sellers. Only a small business in standard goods has been reported.

The local stock figures for the month of June reveal that there has been a big decline over May and that stocks at the end of the first half year were at the lowest level for two years. The decline in stocks of hessian and sacking is as much as 25,131 tons. Total hessian stocks were 81,346 tons against 93,307 tons and sacking 114,569 tons against 127,739 tons. It is significant that the decline is more pronounced in the case of hessian and sacking on commercial account, the decline being 17,000 out of the total of 25,000 tons. In the absence of the production figures, it cannot be said as to how much of the decline is due to short production and how much to increased shipments. But it is generally reported that shipments have been heavier during the month.

"HUKUMCHAND JUTE MILLS LTD."

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Forty-ninth half-yearly General Meeting of the Shareholders will be held at the Registered Office of the Company, 4, Clive Ghat Street, Calcutta, on Thursday, the 3rd August, 1944, at 4 p.m. for the following purposes:

(1) To receive and pass the Directors' Report and Audited Accounts for the Half-year ended 31st March, 1944.
(2) To declare Dividends.
(3) To elect Directors.
(4) To transact any other business that may be brought before the Meeting.

Dividends, if declared, will be paid to Registered Shareholders only on application.

The Share Transfer Register of the Company will be closed from the 25th July, 1944, to 3rd August, 1944, both days inclusive.

By order of the Board,
RAMDUTT RAMKISSENDASS,
Calcutta, 14th July, 1944. *Managing Agents.*

DRAFT ADVERTISEMENT

Control of Capital Issues

COMPANIES OUTSIDE BRITISH INDIA

Applications for consent or recognition to issues of capital by companies incorporated outside British India must supply the following information in addition to that prescribed in the standard questionnaire:—

(i) Full amount of issue, whether issued to persons in British India or to persons outside British India;
(ii) Details of any concessions, particularly as regards total or partial exemption from taxation, granted by the Government within whose jurisdiction the company is incorporated; and
(iii) If the company is incorporated in an Indian State the Government of which has introduced its own control of capital issues, whether application has been made to the State Government for consent to the issue in question and if so, with what result.

A. H. LLOYD,
Examiner of Capital Issues.

RESERVE BANK OF INDIA

CENTRAL OFFICE, BOMBAY.

8th July 1944.

NOTIFICATION

It is hereby notified that the tenth Annual General Meeting of the Bank will be held on Monday, the 7th August, 1944 at the Reserve Bank of India, Mint Road, Bombay, at 3-30 p.m. (standard time). The following business will be transacted:—

(a) The balance sheet as on the 30th June 1944 and the Profit and Loss Account of the Bank for the year together with the Auditors' Report will be read and considered.
(b) The Auditors will be elected and their remuneration fixed.

C. R. TREVOR,
Deputy Governor.

The Feast of Shiraz

SHEIKH SAADI OF SHIRAZ, the celebrated poet of Iran, once visited a rich merchant in another town, where he was lavishly entertained. After meals, he frequently sighed and said "Ah, Dawat-e-Shiraz" (Ah, the feast of Shiraz). The merchant, scenting dissatisfaction, redoubled his efforts to provide fare worthy of his distinguished guest. But always after a meal it was the same "Ah, Dawat-e-Shiraz," and after three days the poet left. Later the merchant visited Shiraz and he determined to call on the poet and find out what made the feast of Shiraz so much better than his own fare. He was surprised, and even angry, when he received a modest meal. "This is but simple fare and costs so little that you may stay, if you like, for a year," said the poet. This, he explained, was true hospitality—embarrassing neither to the host nor to the guest. We, too, can prove ourselves good hosts by giving our guests simple food. We can make every meal "The Feast of Shiraz." Food is in short supply and it is the poor who suffer most. Now, more than ever, is the time to follow the advice of the wise poet of Iran.



AAA. 786

food for all
..but none to waste
Issued by the National War Front

THE BUSINESS WORLD

OUR TRADE WITH OCEANIA

THE group of countries that goes by the name of Oceania includes Australia, New Zealand and some minor Pacific islands. Of Oceania's foreign trade, Australia represents two-thirds, and New Zealand over a fourth. The two British Dominions export chiefly foodstuffs (wheat and wheat flour are exported only from Australia, while both countries export meat and dairy produce) and wool. The United Kingdom is the chief customer, and in the case of meat and dairy produce almost the sole customer, while wheat and wool have a wider market. Three-fourths of Oceania's imports are manufactured goods, although Australia possesses a highly developed manufacturing industry, based largely upon domestic raw materials (iron ore, hides, wool, etc.). The main supplier is the United Kingdom, thanks partly to imperial preference, with the United States coming next in importance. In 1938, these two countries, along with continental Europe, accounted for 68 per cent. of Oceania's imports and 81 per cent. of her exports. Such heavy concentration means, naturally, little room for other countries in Oceania's foreign trade. India's share has been particularly poor before the war. In 1938, she, along with Burma, Ceylon and South East Asia, accounted for only 10 per cent. of Oceania's imports and absorbed 4 per cent. of the exports. Conversely, in 1938-39, Australia's share in our imports was only 1.6 per cent. and in our exports 1.8 per cent.; the share of New Zealand was even less considerable.

The war, however, gave a new significnace to our trade relations and an appreciable expansion has taken place in our commerce, particularly with Australia. In 1938-39, our imports from that country were valued at Rs. 2.4 crores and our exports at Rs. 2.9 crores, whereas by 1942-43, the corresponding figures have increased to Rs. 3 crores and Rs. 16 crores respectively, giving us a favourable balance of Rs. 13 crores. The improvement in our import trade is negligible, although in 1941-42 it stood at Rs. 4.9 crores, but the export trade has indeed expanded considerably. The leading item among our exports to Australia both before and during the war has been jute manufactures. In 1938-39, about 66 million gunny bags and 31 million yards of gunny cloth together valued at about Rs. 2 crores were exported. The demand for these goods rose sharply due to the war, and this is reflected in Australia's inceas ed off-take in 1941-42 of nearly 85 million gunny bags and 53 million yards of gunny cloth together valued at Rs. 4.75 crores. But the most spectacular expansion has taken place in cotton textiles. Until the outbreak of the war, the United Kingdom and Japan were the chief suppliers and our share in the trade was negligible. But, when Britain began organizing for total war, her exports stopped or became negligible, while the Exchange Control Regulations, restricting trade with now sterling countries, had caused Australia, even before Pearl Harbour, to look more and more to India for the textiles, which Japan had supplied previously. Japan's entry in the war only completed this shifting of custom. Thus, India came to replace the United Kingdom and Japan and her exports, mainly of piecegoods, amounted in 1941-42 to 75 million yards, valued at about Rs. 3.5 crores. Exports of tea also showed a remarkable improvement from 1.3 million lbs. valued at Rs. 9 lakhs in 1938-39 to 8 million lbs. valued at Rs. 73 lakhs. in 1941-42. During the same period, shipments of linseed rose from 21,000 tons valued at Rs. 29 lakhs to 40,000 tons valued at Rs. 61 lakhs.

With regard to our imports from Australia, the war has not, on the whole, caused any very great change either in the composition or in the magnitude of the trade. Some minor changes may, however, be noted. In 1938-39, the largest item of imports was wheat, of which 151,000 tons valued at Rs. 1.1 crores were imported, while raw wool came next in importance with 4.4 million lbs. valued at Rs. 36 lakhs. Three years later, by 1941-42, raw wool has become the chief import, with 18.6 million lbs. valued at Rs. 2.4 crores, while the wheat imports amounted only to 18,000 tons valued at Rs. 25 lakhs. (Since then, however, wheat exports have appreciably increased due to the difficult food situation in India.) During the same period, the import of tallow and stearine had increased from 107,000 cwts. valued at Rs. 16 lakhs to 183,000 cwts. valued at Rs. 39 lakhs, and the value of provisions imported rose from Rs. 13 lakhs to Rs. 89 lakhs.

From the foregoing account, it is clear that India has achieved appreciable gains during the war years. But the question is to what extent they may be expected to endure in the years after the war. In other words, is our trade with Oceania likely to be more important after the war than it was before? The expansion has taken place under abnormal circumstances and is partly a direct consequence of the establishment of the Eastern Group Supply Council to pool for the common war effort the resources of the Allied countries east of Suez. With the return of normalcy, our trade with Oceania will perhaps tend towards a different equilibrium, which may have more in common with the state of affairs before the war than during it. Any extravagant hopes, built on unstable war gains, are therefore to be discounted. This, however, is not to argue that our trade with Oceania, particularly on the export side, should necessarily shrink back to its pre-war dimensions. On the contrary, it is possible and desirable that much of our war gains should be consolidated and promoted in the post-war period. Cotton textiles offer a promising field and, although it is probable that Lancashire will make a determined effort to capture the market, there is no reason why we should not manage to compete successfully at least over those ranges of cotton textiles., which formerly came from Japan. The currently introduced regulation of the price and quality of our textile exports should go a long way in removing the irritation which the malpractices adopted by certain unscrupulous sections in the export trade are reported to have caused to importers in Australia. Nevertheless, it is incumbent on our cotton mill industry to rationalize production and reorganize the export trade so that the competitive power of our exports may be strengthened and permanent gains secured through the opportunities created by the war. In this connection, it is suggested that the industry should consider the desirability of setting up a central organization to study the particular requirements of our export markets. Such special efforts are undoubtedly necessary if the industry is to hold its new-found markets against the assaults of established suppliers. As regards our imports from Oceania after the war, they are not likely to be very much different from or very much more than what they were in the years before the war. There is, however, this possibility; during the war years, Australian industrialization has proceeded far and fast, and it is possible that the technical efficiency and, consequently, the competitive power of the manufacturing industries in Australia may have greatly improved in the process. In that case, India may find it profitable to import some of her requirements of manufactured goods, especially machine tools, from Australia.

In discussing future possibilities, it should not be overlooked that the very fact of closer commercial relations during the war has liberated forces, which are pregnant with fruitful results. Already, businessmen on either side have begun to take a greater interest than ever before in developing trade contacts. Firms in India have begun to seek markets in Australia and New Zealand for a wide range of commodities, which includes, in addition to staple items, such articles as brassware, bristles, buttons, incandecent lanterns, musical instruments, sports goods, scientific glassware, surgical instruments, etc., etc. Enquiries have also been coming from Australian and New Zealand importers for bicycles, buttons, crockery and cutlery, drugs, heavy chemicals, leather goods, glassware, porcelainware and pottery, essential oils, scientific and surgical instruments, gold and silver tinsel goods, tanning materials, novelties and curios, etc., etc. All this is, indeed, a happy augury for the future.

NOTES

THE EXPORT-IMPORT BANK

Financial experts in the U.S.A. foresee that the activity of the Export-Import Bank may be considerably increased after the war. There are many reasons for the view. The Bank, it is held, can, with its background of experience, help the restoration of trade in Europe. Should the Monetary Conference result in failure or even in only moderate success, the Bank has a chance of playing a key role in the relations between central banks. Especially because the blocked war balances have been left out of the Monetary Fund and the Capital Bank, the Export-Import Bank might help to clear them by granting credits and to that end might ask Congress to increase its capital. But it is doubtful whether such credits will be given for non-commercial purposes. The history of the Bank is interesting. It was started in February 1934 principally to stimulate U.S. trade with Soviet Russia. But little trade of that kind grew and the Bank subsequently turned its attention to the Latin American Republics with whom a great volume of trade has since been developed. It has also extended substantial credits to China. The scope for its increasing activity after the war would seem to lie less in the extension of loans for long term than in the financing of foreign trade in which it has built up a name and experience.

CARTEL IMPERIALISM

A recent article in the *Statist* gives details of how I. G. Farben, the leading chemical combine in Germany, has pursued its vigorous policy of industrial penetration in every continental country in the wake of Nazi military advance and tried to establish an undisputed German monopoly of the industry in Europe. As early as the autumn of 1940, shortly after the fall of France, I. G. Farben negotiated an agreement with the leading chemical concern in France whereby a new company was formed with a capital of 800 million francs. Fifty-one per cent. of the shares went to I. G. Farben, which also acquired control of the whole group of aluminium and electrical industries in France. In South Eastern Europe also, I. G. Farben has gained a controlling interest in all vital industries, partly by taking over French interests, partly by taking shares and partly through its affiliates. Hungary, Yugoslavia, Rumania, Bulgaria—all these countries are in the grip of the company or its interests or patents. In Eastern Europe too, its activities have spread by control over the Polish State Chemical Works, Danish Sulphuric Acid and Superphosphate companies and Finnish nickel deposits. "What makes this domination by the I. G. Farben more comprehensive and more dangerous than simple transactions by way of share purchases is that it is based not only on financial interests, but on actual technical control and dependence. By adapting entire plants and production processes to its requirements and methods, the I. G. Farben has systematically aimed at tying whole plants and in fact branches of production in other countries, to the I. G. Farben proper, in the hope of rendering impossible for the undertakings affected to regain independence." One cannot but be struck by the appropriateness of this description of the operations of the German Cartel to the activities of its British cousin in this country.

BANK PROFITS

The statements for the financial half-year ending June 1944 of some of the scheduled banks reveal an all-round rise in their profits. The net profit of the Imperial Bank of India amounted to Rs. 46,02,200, which represents an increase of Rs. 77,200 over the corresponding half-year of the previous year and together with the sum brought forward from 31st December, 1943, of Rs. 47,30,500 makes a total of Rs. 93,32,700. The Central Bank of India's profits including the sum brought forward from last year's account amounts to Rs. 46,96,410 (subject to audit). The Bank of India made a net profit of Rs. 19,33,189 which together with the sum brought from last year's account totals Rs. 29,19,017. The Bank has, incidentally, registered the largest percentage rise. The total profits of the Bank of Baroda (the present half-year's profit being subject to audit) including the sum brought forward amounts to Rs. 15,21,360. The Imperial Bank have declared a dividend of 12 per cent., the Bank of India 11 per cent. and the remaining two 10 per cent.

SHIFTING OVER

A significant item among recent news from the United States is the report that the War Production Board has decided to authorize and actively aid a substantial shifting over of manufacturing capacity to civilian production. This is striking evidence of the urgency and importance of organizing here and now the smooth transition from war to peace economy in the industrial field. In India, itself, the problem is likely to prove particularly difficult in view of the large number of new war industries. Some of these are totally dependent on war orders for their existence and are liable to die unwept with the first sign of dwindling war demands. But there are others, which are able to pay their way now because of the temporary cessation of exports. It is clearly undesirable to allow these industries to become the first casualties in the coming peace. It should be possible for a great many of them to function, after some reorganization, as reasonably efficient units in the post-war industrial structure. The Government have a clear and definite responsibility towards them, as it is largely to help the war effort that they came into being. In his recent presidential address to the Association of Indian Industries, Capt. J. D. Kothawala has drawn pointed attention to the subject and rightly pleaded that these industries should be progressively released to cater for the civilian market so that they may contribute to ease the difficult consumer goods position and also adjust themselves to peace production in the process. His further suggestion that the Department of Planning and Development should take these industries under its particular care and set up the requisite machinery to study the problems peculiar to them, watch over their interests and help them in adjusting themselves to the change-over from war to peace production, deserves to be implemented. and presumably so also in 1944. Once Germany is

FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, July 14.

CERTAIN schemes to irrigate thousands of acres of arid land and to develop hydro-electric power in Madras Presidency and the adjoining States have now been finally approved. The first is the agreement reached by Madras with Mysore and Hyderabad regarding the utilization of the waters of the Tungabhadra. Having come to this agreement, the Madras Government have decided to take up the construction of the Mellappuram Reservoir in conjunction with Hyderabad. The cost of the scheme, which is expected to be completed in about eight years, has been estimated at about Rs. 10 crores. Preliminary work is to begin immediately and the actual construction work early next year. Water to irrigate about four lakhs of acres in Bellary and Kurnool districts is expected to be made available in about six years. At the site of the dam, hydro-electric power will be generated by Madras and Hyderabad. The power developed by Madras is to be made available for the industrial advancement of the Ceded Districts. The construction work will be undertaken jointly by Madras and Hyderabad and the cost equally shared. The Mysore Government is planning to build an anicut across the Tunga river (which flows into the Tungabhadra). This is expected to cost Rs. 57 lakhs and will benefit 70 villages in the Shimoga district irrigating 27,000 acres. It has been proposed to construct another anicut across the Bhadra for irrigating 1,30,000 acres and for the generation of hydro-electric power at a cost of Rs. 5 crores.

Irrigation Projects

The Periyar Project scheme, which is mainly for the development of hydro-electric power, has been agreed upon by Madras and Travancore. Both the Governments have decided to investigate the power possibilities of the Periyar-Cardamom Hills and the Vaigai. It has been agreed that the investigation should be a joint effort and completed within six months by a joint Engineering Board of Madras and Travancore, the cost to be mutually shared. The results of the investigations will be considered by the Governments concerned and final decisions reached as to the joint initiation of the power schemes. It has been provided that this agreement is not to affect the Travancore programme of harnessing the water power resources of the Mudirapuzha river, lower down in the Pallivasal area.

Simultaneously with the construction of the Tungabhadra dam, the development of fisheries is to be taken up by Madras. When constructed, the dam will form a permanent barrier to fishes. If the movement of fishes in the river for breeding purposes is checked, the fish population not only in the Tungabhadra but also in the Kistna would be depleted in course of time. It is, therefore, considered that a fish ladder, consisting of a flight of stepped pools, should be provided to the proposed dam to assist fish from below the dam to go up the river. When the dam is constructed, an extensive reservoir of about ten square miles will be formed. The establishment of a fisheries station and fish farm near the dam is also contemplated.

Bombay Letter

BOMBAY, July 15.

THE Provincial Food Council which met recently condemned the proposal to differentiate between ration fixed for big cities like Bombay and Ahmedabad and that for the rest of the province. There is a move in official quarters to fix the quota of ration at 2 lbs. of foodgrains per week per head, and the Council has done right in protesting against this move. As a matter of fact, there is already a lower ration for sugar in the case of rural districts as compared with that for urban areas. A constructive suggestion was made by the Council in its resolution urging the popular Food Committees in the districts to organize co-operative institutions of various types with a view to claiming from Government active participation in the management of all food problems. Another resolution was passed to the effect that the best method of securing the supply of foodgrains from the producers was to base the Government's demand on the marketable surplus left with the holder after his actual production and requirements are assessed.

Greater Bombay

The decision of the Bombay Government to give effect to the Greater Bombay Scheme after September will be generally welcomed. The population of the city has increased considerably since the war, and the suburbs have accommodated a great deal of this increase. The introduction of this scheme will mean that the judicial and police jurisdiction of the Bombay city will be extended to the suburbs from the present limit of Mahim to Andheri and Versova on the B.B. & C. I. Railway and Kurla and Ghatkoper on the G.I.P. Railway.

Cultivation in Broach

In response to the representations from Broach cultivators that it will be very difficult for them to comply with Section 4 of the Growth of Foodcrops Act which requires that they should not grow cotton on more than one-sixth of their holding the Government have now given permission to put one-fourth of a cultivator's holding under cotton and tobacco in the Broach subdivision. This permission, however, does not do away with the requirement that two-thirds of the holdings should be under foodcrops and that no holder may place this year a larger proportion of his holding under cotton than last year. In giving this permission, however, the Government have drawn the attention of the cultivators that looking to the possible transport difficulties next year and the fact that the Bombay Government are not guaranteeing the price for cotton, it would be advisable to grow as much food crops as possible as the foodgrains price will be guaranteed. The best incentive to grow more foodcrops at present would be the announcement of the guaranteed price now instead of at the time of the harvest as it is proposed to do.

Bengal Letter

CALCUTTA, July 15.

BENGAL has made considerable progress in the manufacture of glass, porcelain, enamels, pottery, etc. In fact, she holds the leading place in this line of manufacture in India. But there is considerable scope for further progress in glass-manufacture, which, however, would depend to a great extent on the advancement of technical knowledge which is so essential to the glass industry. This has come to be appreciated by the Government of India who have decided to set up a Glass Research Institute. There was a controversy for a time as to the venue that should be chosen for the establishment of the Glass Research Institute, and ultimately the choice has fallen on Calcutta. The Bengal Glass Manufacturers' Association has taken a considerable initiative in this matter and has agreed to contribute substantially towards the construction of the building and laboratory of the institute. The Calcutta Corporation has been approached successfully for the grant of a site for the location of the Institute.

Jute Industry

The coal supply for the jute mills has deteriorated during the last fortnight. Whereas the mills require about 75 wagons a day, it is found that during last two weeks the arrival of wagons gradually dropped from 48 per day to 42 and from 42 to 28. The consequence of this is that most of the steam-driven mills have stopped operations. This has reacted upon the jute trade. The purchase of jute by mills has fallen off; practically there is no purchase at all. Despite the demand for manufactures, the mills are not in a position to commit themselves in regard to forward deliveries. The electrically-driven mills are of course better off, but they are already burdened with considerable commitments. Besides, the talk of rationing of electricity has made them somewhat cautious. A gratifying feature of the jute industry in recent weeks is the considerable reduction in its stock of manufactures. At the end of June the stocks stood at 195,915—the lowest for many months. This is attributed to increased shipment of jute goods. It is also noteworthy that the preliminarly jute forecast for some districts has been published. It shows an increase of jute acreage in the current year, but trade circles maintain that it gives no clue to the actual sowings.

Punjab Letter

LAHORE, July 17.

THE deadlock in the Amritsar cloth market continues. The retailers complain that the wholesalers are disposing of their stocks in the black-market, while the latter say that they are not getting supplies from Bombay where the procurement agency of the Punjab Government is not functioning well. One allegation of the retailers of Lahore and Amritsar, is, however, substantiated by facts that most of the cloth stocks of these two cities, have either been taken to the black-market or to the mofussil markets where the new-rich zemindars buy them at all prices, leaving a very small margin for the poorer consumers. The District Magistrate, Amritsar, recently sealed about 450 bales of cloth. Out of this stock he has allotted a quota of 112 bales of cloth to Lahore. This quota is considered quite insufficient for the big population of the capital, where the retail stocks are already barely sufficient for 5 per cent. of the population. The authorities had encouraged the idea of a syndicate of retailers but the retailers have now dropped the idea because the wholesalers refuse to supply goods to them direct and only recognize them through the middlemen their own creation to reap a good harvest. While this conflict is going on amongst various interests, the poor consumer suffers and asks: "Is there a cloth famine in Lahore?" The same is true of other cities in the province.

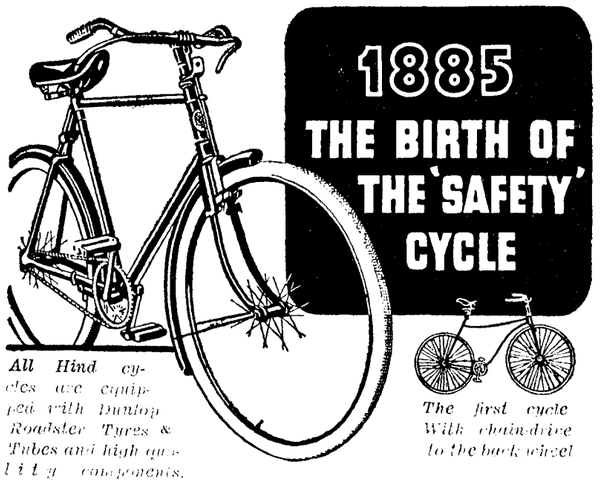
Rationing

While Amritsar consumers seem to be satisfied with the arrangements, the consumers in Lahore are somewhat suspicious of the smooth working of rationing. The criticism levelled against the syndicate the storing agency—set up in Lahore, and the authorities' refusal to allow monthly rationing of wheat and to take the public into confidence—show which why the wind is blowing. Various representations were made to the authorities that the existing channels of trade should be utilized for the purposes of rationing, that the syndicate should not be of 16 monopolists but should be representative, so as to accommodate the 1,700 wholesalers and retailers of the grain merchants' Association, that the petty shopkeepers should be allowed to keep monthly accounts and not daily accounts, the big zemindars compelled to disgorge their stocks and the Kisan Committees utilized for procurement of wheat. The Development Minister's warning to the stockists not to interfere with the procurement plans has not much perturbed the Unionist big zemindar stock-holders.

Wheat For The Frontier

The disquieting reports about a virtual famine in the Frontier Province have stirred the Punjab Government to action. Out of the quota of 10,000 tons of wheat, some 5,000 tons have already been dispatched and more is being rushed to the needy province. Meanwhile, the Punjab Government have raised the maximum wholesale price of wheat fixed for the headquarters of all districts other than the principal surplus ones. This will hit hard the poor on whose behalf searching questions were asked by the press representatives at a recent conference but Government showed no inclination to alter their arrangements.

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THROUGH VICTORY ... TO FREEDOM

S.A.A. 1019

COMMODITY MARKETS

COTTON

(From Our Correspondent)

BOMBAY, July 18.

THE local market was dominated by rumours about the probabilities of the lowering of cotton floors and ceilings. On these, I.C.C. September touched the low level of Rs. 412, but later on the market advanced on peace rumours and on expectations of the nearing of the end of the war. Since then, on the 15th instant the Textile Commissioner announced the Government of India's decision in respect of the floors and ceilings. The floor for Jarilla ¾" staple which is the basic quality of the Indian Cotton Contract has been lowered from Rs. 400 to Rs. 350, but the range this time has been kept up to Rs. 200 limit so that the ceiling will be Rs. 550. As regards the floors for other varieties, a fundamental change has been made this time. No longer will the floors be dependent on the Futures contract touching a certain level, but the floors are to be definite and fixed floors, independent of each other and independent of the Futures contract. This is a great improvement on the scheme of last time, but the present scheme has many glaring defects. Taking Rs. 350 for Jarilla as the basis, the premia for other varieties have been fixed up at random and in fact the Government have picked up the lowest premia that prevailed during the year; and what is more important still, they have deducted Rs. 50 from that.

"Floors" And "Ceilings"

This illogical and summary way of dealing with the premia for other varieties is to be very greatly deprecated as it will mean a handicap to the better staple cotton of which India is in so much need and which has cost the country several crores to put various schemes into operation. The Indian Central Cotton Committee has spent the better part of its life in improving the seed, variety and the staple of Indian cotton and the premia fixed by the Textile Commissioner show scant respect for the tremendous work which the Indian Central Cotton Committee has done during the last quarter of a century. An examination of the floors will show that the floors this time are reduced by anything from Rs. 150 to Rs. 220 from those prevailing last time. Why the premia should have been so summarily reduced is not explained in the lengthy memorandum that accompanied the Textile Commissioner's decision. Another defect of the scheme is that the Government will buy only a definite grade of the crop. If the floor is meant for the protection of the greater part of the crop, then the Government should buy at certain stated discounts and premia the acceptable grades of the crop; otherwise what will happen is that cotton which is just a shade too low for the Government classification will be selling at a very heavy discount under the floor level. In this connection, one may point out the experience in America that when under the 9 cents loan, 7|8ths cotton was given 9 cents loan, the Futures contract went down to 7½ cents and remained under the 9 cents level for the greater part of the season, the cause being that both the higher and the lower grades pressed heavily on the market.

Criticism By Industry

Strong objection was taken to the lowering of the premia for the better cottons by the leaders of the mill industry themselves like Sir Padampat Singhania. He pointed out that the lowering of the premia would mean a definite encouragement to switch over either to short staple cotton or to mix. He went on to say that Punjab 289-F best grade was a very good substitute for Kampala and that he had been running his mills on Punjab 289-F saw-ginned cotton for full 36's warp. The Government decision to keep the 289-F Punjab at such a heavy discount under the prices of foreign cottons like AR Kampala which is Rs. 940 or like AR Mwanza which is Rs. 890 takes away from the producers the benefit that might have accrued to them from the import duty on cotton. In fact the Textile Commissioner's decision to beat down the premium for long staple cottons such as Punjab 289-F nullifies absolutely the beneficial effects of the import duty. This side of the question has been lost sight of in fixing the floors and the ceilings for staple Indian cotton.

Piecegoods

In this market we have still to report the usual story of demand from upcountry far exceeding the supply. This is rather surprising in view of the recent statement of the Chairman of the Textile Control Board that "the bubble of cloth scarcity is pricked." The explanation probably lies in the fact that scarcity is felt only in the particular types of cloth required. Secondly, the market is denied supplies from the mills whose production is controlled and directly distributed by the Government. This arrangement of the Government is now complete and it is expected that requirements will be satisfied. There was good export enquiry and Australia, South Africa and the Middle East countries are reported to have purchased substantial quantities. Under the new Ordinance for the control of cloth exports, there will be qualitative check as well as ceiling prices. There will be ceilings fixed on the basis of 30 per cent. above the ex-mill price. As other countries will now be able to buy Indian cloth within these limits, it is quite possible that there may be a huge demand and it is to be hoped that the limit fixed for total cloth exports at 600 million yards will not be allowed to be exceeded by the Government. In the local market, values are around ceiling prices *plus* profits allowed. The scarcity of cloth leads to black marketing which as yet is not eradicated.

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CURRENT STATISTICS

BANK RETURNS

RESERVE BANK OF INDIA

Comparative Statement as on 7th July 1944.

ISSUE DEPARTMENT

(000's omitted)

	July 7 1944	June 30 1944	June 23 1944	Sept. 1 1939
Held in the Banking Department ..	11,29,44	12,02,09	13,22,59	35,04,49
In Circulation ..	9,31,92,53	9,31,37,44	9,25,17,66	1,82,12,17
Total Notes ..	9,43,21,97	9,43,39,53	9,38,40,25	2,17,17,55
A. Gold Coin and Bullion ..	44,41,43	44,41,43	44,41,43	11,41,45
Sterling Securities ..	8,28,32,89	8,28,32,89	8,22,83,96	59,50,11
Total of A. ..	8,72,74,32	8,72,74,32	8,67,25,39	1,03,91,57
B. Silver Coin ..	12,63,80	12,81,42	12,82,15	75,87,11
Rupee Securities ..	57,83,85	57,83,79	58,32,71	37,38,99
Silver Bullion under Coinage ..	..	..	..	..
Percentage of Reserve to Liabilities ..	92.582	92.511	92.418	63.149

BANKING DEPARTMENT

(000's omitted)

	July 7, 1944	June 30 1944	June 23 1944	Sept. 1 1939
Cash ..	11,52,24	12,30,34	13,31,02	35,15,27
Balances held abroad ..	174,46,05	173,74,45	177,32,83	10,03,33
Investments ..	11,10,54	11,10,50	11,02,56	6,81,34
Bills discounted:—				
(a) Internal ..	..	..	..	..
(b) External ..	..	..	..	..
(c) Government of India Treasury Bills ..	46,96	2,59,33	2,39,85	1,15,67
Loans and Advances to the Government ..	63,00	72,00	70,00	31,00
Deposits:—				
(a) Government ..	75,40,92	82,83,17	78,05,91	14,29,43
(b) Banks ..	98,42,92	94,35,14	101,25,50	26,91,43
(c) Others ..	9,49,37	3,44,54	3,72,06	1,24,37

BANK OF ENGLAND

(000's omitted)

	July 12 1944	July 5 1944	July 12 1943	Aug. 30 1939
Total Bullion ..	1,224	1,244	1,192	263,700
Public Deposits ..	10,300	10,100	5,300	31,100
Other Deposits ..	246,300	238,300	209,500	129,100
Of which Banker's Deposits ..	190,300	230,400	161,500	90,100
Govt. Securities ..	239,200	280,000	154,500	113,100
Other Securities ..	15,200	15,100	17,000	31,000
Of which Discounts and Advances ..	4,900	3,500	41,000	6,400
Notes and Coins ..	15,200	17,100	48,300	34,200
Notes in Circulation ..	1,136,100	1,134,100	952,900	529,500
Ratio of Reserve to Liabilities ..	5.91%	5.74%	23.45%	25.45%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	July 13 1944 $	July 6 1944 $	July 15 1943 $	Aug. 31 1939
Resources:—				
Total Reserves ..	19,225,000	19,240,000	20,555,000	14,660,610
Total Bills Discounted ..	45,000	22,000	10,000	6,190
Bills bought in open market ..	..	..	..	550
Total U. S. Government Securities	14,816,000	14,738,000	7,645,000	2,426,190
Liabilities:—				
Federal Reserve Notes in actual Circulation ..	18,959,000	18,972,000	14,094,000	4,609,280
Deposits — Member Bank Reserve Account ..	12,849,000	12,987,000	12,260,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note-liabilities combined ..	56.02%	56.5%	72.3%	86.9%

IMPERIAL BANK

Weekly Statement of Affairs as on 7th July, 1944

(000's omitted)

	July 7 1944	June 30 1944	July 9 1943	Sept. 1 1939
Fixed deposits, savings bank, current and other accounts ..	228,19,39	226,91,56	130,53,24	87,26,24
Govt. securities ..	125,38,51	123,44,16	133,83,30	51,02,78
Other investments ..	3,05,27	3,07,10	2,09,82	95,27
Loans ..	13,49,94	13,48,31	10,03,96	7,66,38
Cash credits and overdrafts ..	46,35,01	44,57,91	24,20,03	19,76,06
Bills discounted ..	4,22,70	5,82,91	3,11,01	2,94,74
Cash in hand and with the Reserve Bank and with other banks	47,44,05	46,06,33	28,82,78	14,68,87

SCHEDULED BANKS

(In thousand Rupees)

	7-7-'44	30-6-'44	9-7-'43	1-9-'39
Demand Liabilities in India ..	566,30,27	565,11,88	423,72,74	134,36,49
Time Liabilities in India ..	180,60,56	182,31,82	133,30,61	102,24,34
Cash in India ..	30,42,77	30,73,47	18,98,08	6,69,92
Balances with Reserve Bank ..	96,50,65	95,98,12	53,02,89	25,17,19
Advances in India ..	214,80,77	211,47,37	146,04,89	101,52,16
Bills Discounted in India ..	9,25,91	8,53,09	4,46,32	3,57,29

TREASURY BILLS

WEEKLY TENDERS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Intermediates	Sold in favour of Issue Dept.
April 11	1,18,00	1,13,00	0 13 0	..	2,27,50
,, 78	3,62,00	2,00,00	0 12 9	..	2,97,00
,, 25	6,01,00	2,00,00	0 12 0	..	2,05,00
May 2	12,14,50	4,00,00	0 10 11	..	2,35,00
,, 9	13,18,75	4,00,00	0 9 0	..	3,35,00
,, 16	15,22,75	4,00,00	0 8 0	..	1,37,00
,, 23	13,39,00	4,00,00	0 6 10	..	3,85,00
,, 30	12,40,75	6,00,00	0 5 11	..	55,00
June 6	11,09,75	6,00,00	0 6 3	..	90,00
,, 13	9,42,00	6,00,00	0 7 8	..	1,95,25
,, 20	9,66,75	6,00,00	0 8 4	..	14,05
,, 27	8,03,25	6,00,00	0 8 0	..	2,79,50
July 4	7,42,25	4,00,00	0 7 9	..	1,67,25
,, 11	8,44,25	4,00,00	0 7 8	..	7,85,00

MATURITIES

Date of Maturity	Amount (000's of rupees)	Date of Maturity	Amount (000's of rupees)
17th June 1944 ..	4,56,00	15th July 1944 ..	400
18th ,, ,, ..	25	21st ,, ,, ..	1,84,75
25th ,, ,, ..	4,00,00	22nd ,, ,,	15,25
30th ,, ,, ..	3,97,75	27th ,, ,, ..	8,25
6th July 1944 ..	80,25	28th ,, ,, ..	1,82,75
14th ,, ,, ..	1,00,00	29th ,, ,, ..	200

INDUSTRIAL DISPUTES IN BRITISH INDIA

	(1939-44) 1939 (a)	1940 a)	1941 (a)	1942 (a)	1943 (a)	1944 (b) Jan.	Feb.	March	April	May
No. of stoppages ..	406	322	359	694	639	48	66	58	52	77
Stoppages due to wages ..	232	202	218	359	392	23	44	33	28	31
Workers involved ..	4,09,189	4,52,539	2,91,054	7,72,653	3,63,936	48,629	50,610	66,970	43,852	99,066
Man-days lost ..	49,92,795	75,77,281	33,30,503	57,79,965	13,41,963	1,28,196	2,09,003	1,70,331	78,754	17,01,806
Successful ..	63	86	75	117	85	7	10	8	7	13
Partially successful	144	80	111	169	196	8	4	7	6	7
Unsuccessful ..	185	150	168	378	188	14	27	27	18	37
Indefinite ..	..	..	..	17	45	8	6	5	9	13
In progress ..	14	6	5	13	124	6	18	10	9	5

(a) Indian Labour "Gazette" February, 1944.
(b) Indian Labour "Gazette" July, 1944.

WORKING CLASS COST OF LIVING

(Base: August 1939=100)

	May 1944	April 1944	March 1944	May 1943	May 1942
BOMBAY:—					
Bombay .. 224	220	215	216	135	
Ahmedabad .. (a)	278	282	256	141	
Sholapur .. 267	284	275	234	142	
Jalgaon .. 277	265	268	283	(a)	
UNITED PROVINCES					
Cawnpore .. 315	316	294	319	155	
CENTRAL PROVINCES:—					
Nagpur .. (a)	271	273	317	145	
Jubbulpore .. (a)	320	320	309	158	
PUNJAB:—					
Lahore (a)	292	292	278	155	
MADRAS:—					
Madras .. 206	205	205	177	123	

(a) Not available.

RURAL RETAIL PRICE INDEX NUMBERS FOR MAY, 1944

(Base: January 1943=100)

Name of Centres.	Cereals.	Pulses.	Other articles of food.	All articles of food.	Fuel and lighting.	Clothing.	Miscellaneous.
EASTERN ZONE							
Bamra ..	137	194	150	155	179	129	207
Malbang ..	159	154	213	200	105	134	337
Rajapur ..	160	168	198	191	127	121	334
Shankargarh ..	166	151	116	140	87	90	168
Sonaili ..	180	141	164	163	98	138	156
NORTHERN ZONE							
Multapi ..	143	118	127	126	111	114	240
Nana ..	106	102	90	95	128	106	161
Salamatpur ..	143	100	101	108	80	139	189
Shujabad ..	107	137	106	111	104	114	182
Guzar Khan ..	103	138	117	123	157	110	160
SOUTHERN ZONE							
Krishna ..	127	102	115	116	106	89	120
Ladh ..	112	99	119	114	121	136	168
Malur ..	140	147	136	139	88	110	186
Muniguda ..	143	158	109	121	86	91	138
Kudchi ..	..	118	120	120	108	123	263

SUGAR POSITION

For Season (1943-44)

Producing areas.	Production up to 30-6-44.	Despatches during the period 23-6-44 to 30-6-44.	Progressive total of despatches upto 30-6-44.	Percentage of progressive despatches to production.	Physical stock as on 30-6-44.
U. P. ..	7,27,401	11,647	3,23,768	44.5	4,03,633
Bihar ..	2,12,809	3,179	1,11,172	52.2	1,01,637
Bombay ..	81,648	1,260	42,023	51.5	39,625
Madras ..	41,830	1,098	21,411	51.2	20,419
Punjab ..	11,162	221	6,207	55.6	4,955
Bengal ..	13,477	406	7,108	52.7	6,369
N.-W.F. P. ..	6,253	38	3,893	62.3	2,360
Orissa ..	1,890	50	992	58.7	898
Indian States ..	1,23,109	2,493	67,016	54.4	56,091
Total ..	12,19,379	20,412	5,83,592	47.9	6,35,787

Balance stock of 1942-43 sugar as on 30-6-44 was 2,332 tons.

INDUSTRIAL DISPUTES

(Total for five months)

	1940	1941	1942	1943	1944
A—BY INDUSTRIES:—					
Cotton woollen and silk mills ..	18	15	16	19	14
Jute mills	..	..	5	2	17
Railway including military workshops	..	..	3	3	11
Engineering and mines ..	7	8	7	1	4
Miscellaneous ..	23	19	23	23	31
Total ..	48	42	54	48	77
B—BY PROVINCES:—					
Bengal ..	11	22	18	10	38
Bombay ..	19	12	24	22	33
C. P. and Berar ..	5	1	6	8	1
Madras ..	8	5	3	2	3
Punjab and Oudh ..	2	..	2	1	1
C. P. ..	3	2	1	5	1
Total ..	48	42	54	48	77

RAILWAY STATISTICS

April 1, 1944 to June 20 1944

GROSS EARNINGS

(In lakh)

Railways	1942	1943	1944	Increase (+) or decrease (—) in 1944 compared with 1943 Amount	%
B and A. ..	2,27	3,37	4,79	+1,42	+42.1
B. N. ..	3,08	3,64	3,32	— 32	—8.33
B. B. & C. I. ..	4,21	4,42	4,63	+ 21	+4.75
E. I. ..	6,32	7,64	8,35	+ 71	+9.29
G. I. P. ..	5,91	6,79	7,72	+ 93	+13.7
M. & S. M. ..	2,36	3,02	3,34	+ 32	+10.6
N. W. ..	5,63	7,04	7,65	+ 61	+8.66
Oudh & Tirhut ..	1,27,	1,49	1,35	— 14	—9.40
S. I. ..	1,96	2,15	2,36	+ 21	+9.77
Others ..	18	20	21	+ 1	+5.00
Total ..	33,19	39,96	43,92	+3,96	+9.91

WAGON LOADINGS

(In terms of 24-wheelers)

	Tons 1943-44	Tons 1944-45	Increase (+) or decrease (—) in 1944-45 over 1943-44 (%)
Broad Gauge ..	999,580	983,507	— 1.61
Metre Gauge ..	509,274	542,837	+ 6.59
Total ..	1,508,854	1,526,344	+ 4.98

DETAILS

	1940	1941	1942	1943	1944
(i) Coal and coke for the public and for foreign railways ..	250,511	236,268	— 4.89		
(ii) Grams and pulses ..	164,353	145,432	—11.50		
(iii) Oil seeds ..	34,999	33,237	— 5.04		
(iv) Cotton ..	27,239	25,373	— 6.12		
(v) Miscellaneous smalls	207,834	147,695	—28.7		
(vi) Miscellaneous full wagons ..	730,926	827,945	+13.3		
(vii) Home line stores and materials ..	73,790	108,644	+15.8		

TONNAGE LIFTED

(CLASS I RAILWAYS

	1943-44 Tons	1944-45 Tons	Increase (+) or decrease (—) in 1944-45 over 1943-44 (%)
Broad gauge ..	16,200,170	15,813,976	— 2.39
Metre gauge ..	3,206,011	4,054,585	+ 2.9
Total ..	20,206,181	19,868,971	— 1.6

STOCKS AND SHARES

BOMBAY	This week Rs. a. p.	Previous week Rs. a. p.
GOVT. SECURITIES, (JULY, 16)		
3½ (1946)	102 7 0	102 4 0
3% (1949-52)	101 7 0	101 6 0
3% (1951-54)	101 1 0	101 3 0
3% (1966-68)	98 4 0	93 4 0
3½% G.P. Notes	99 7 0	99 7 6
4½ 1960-70)	112 10 0	112 9 0
TEXTILES, (JULY, 18)		
Ahmedabad	490 0 0	490 0 0
Bombay Dyeing	1,922 8 0	1,925 0 0
Central India	425 0 0	425 0 0
Indian Bleaching	197 0 0	192 0 0
Kohinoor	637 0 0	628 0 0
Century	900 0 0	910 0 0
Colaba Land	231 8 0	223 0 0
Phoenix	647 8 0	640 0 0
Simplex	256 0 0	257 0 0
Swadeshi	557 0 0	559 0 0
Vishnu	503 13 0	550 8 0
Gokak	327 8 0	332 0 0
Finley	318 0 0	..
Morarji	681 4 0	..
MISCELLANEOUS, (JULY, 18)		
Bombay Burma	480 0 0	490 0 0
Alcock	500 0 0	497 8 0
Belapur Sugar	252 0 0	245 0 0
Bombay Tramway	155 8 0	153 4 0
British Burma Petrol	3 10 9	3 11 6
Andhra Valley	1,897 8 0	1,905 0 0
Shivaraipur	60 0 0	59 0 0
Tata Power	1,907 8 0	1,910 0 0
Tata Chemical	28 8 0	..
Tata Oil	80 0 0	..
Tata Hydro	205 8 0	205 0 0
Tata Steel Ordy.	430 8 0	429 0 0
Tata Steel Defd.	2,271 4 0	2,280 0 0
Associated Cement	232 12 0	230 12 0
Indian Iron	41 10 0	41 4 0
Indian Copper	3 9 0	3 2 6
Tata Steel 1st Pref.	228 4 0	226 0 0
Tata Steel 2nd Pref.	168 12 0	169 0 0
Bombay Burma New	162 8 0	171 4 0
Premier Construction	229 0 0	229 0 0

	This week Rs. a. p.	Previous week Rs. a. p.
BANKS		
Central	85 4 0	81 0 0
Imperial (F.P.)	1,950 0 0	2,025 0 0
Imperial (P.P.)	506 4 0	513 12 0
Reserves	139 8 0	138 0 0
India	185 8 0	182 0 0
New India Insurance	81 12 0	81 0 0
CALCUTTA (July 18)		
JUTES		
Ang'o-India	484 0 0	493 0 0
Barnagore	228 0 0	234 0 0
Howrah	84 12 0	82 6 0
Presidency	11 9 0	11 7 0
STEEL & ENGINEERING		
Indian Iron	43 1 0	40 5 0
Stee Corporation	27 4 0	32 8 0
TEXTILES		
Cawnpore Textile	14 6 0	13 11 0
New Victoria Pref.	9 0 0	9 1 0
Kesoram	19 14 0	16 0 0
COALS		
South Karanpura	26 14 0	21 10 0
Bhalgora	18 15 0	18 12 0
Burrakur	49 2 0	41 7 0
Equitable	70 0 0	67 0 0
MISCELLANEOUS		
Titagarh Paper	30 4 0	30 0 0
Dalmia Cement	20 0 0	..
SUGAR		
Champaran	47 12 0	40 0 0
Samastipur	24 8 0	..
Belsund	20 10 0	17 2 0
Carew	35 0 0	30 6 0
TEA		
Teipur	21 0 0	19 14 0
East India	..	16 14 0
Bishnauth	..	41 4 0
Naga	..	20 8 0

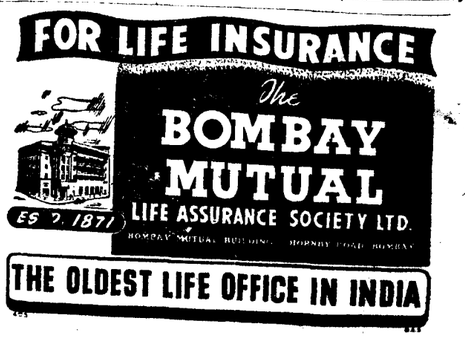
NEW FOOD INDEX

Base: week ending August 25, 1939=100

April 1, 1944	231.8
„ 8 „	235.1
„ 15 „	239.8
„ 22 „	232.2
„ 29 „	230.3
Average for April	233.8
May 6, 1944	231.4
„ 13 „	225.7
„ 20 „	228.2
„ 27 „	227.9
Average for May	228.3
June 2, 1944	227.9
„ 10 „	228.4
„ 17 „	233.8
„ 24 „	238.5†
Average for June	232.1
July 1, 1944	236.9

†Rise due owing to the increase in the price of 'Gur.'

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Multilateral Liquidation of War Balances

ALTHOUGH the Bretton Woods Conference did not agree that the machinery of the International Monetary Stabilization Fund should be directly charged with the function of facilitating orderly and multilateral liquidation of the vast mass of balances which have accumulated in different countries during the war, it was generally agreed that the world problem of "abnormal" indebtedness will be one of the most intractable of the international monetary problems which would beset the world economy at the end of the war and which would require "co-operative action toward a solution." Over 15 nations are directly affected by this problem, quite apart from the occupied countries which have acquired "balances" against enemy nations. However, judged by the volume of balances, India's problem of orderly liquidation easily tops that of any other nation; the problem has also acquired utmost urgency for her by reason of the fact that such orderly liquidation forms the essential pedestal for any post-war planning with which it has to be co-ordinated and synchronized.

The Bretton Woods Conference, while negativing the proposals for using the machinery of the Fund for liquidation of "blocked balances," merely put forward that such a decision does not preclude future international consideration of the problem, but there was no indication as to the stage or the manner in which the question would be taken up. Indeed, there were even suggestions that these questions should be settled by bilateral arrangements. It must be evident that unless the orderly liquidation of these vast balances could be effected, the strain imposed by these balances would be sufficient to disrupt any international monetary stabilization scheme which we might set up. Secondly, if these vast balances have to be settled, through bilateral arrangements, the pressure of these huge transactions would [illegible] the world economy askew and decisively prejudice the resuscitation of the world multilateral trading system. It is, therefore, to the interests of not only India, but of the healthy functioning of the world economy in the post-war period, that the problem of the "abnormal" balances should be tackled on an integrated international basis.

There can be no doubt that the International Monetary Fund itself would have provided the most

convenient machinery for the multilateralisation of the indebtedness. But as this machinery has been ruled out, either an *ad hoc* machinery has to be set up or the problem has to be linked and solved with the general problem of international investment. Thus the International Bank itself could take up the problem. Although it was held that the plan of the International Bank would not, except in an emergency, permit India to borrow foreign exchange, which would be repaid over a period of time from the sterling account, there was nothing in the plan to prevent the debtor, Great Britain for example, from borrowing from the Bank and utilizing the proceeds to repatriate her sterling obligations. To her creditors this means immediate multilateral convertibility of the "blocked balances," while to Britain it involves no additional burden, one foreign debt being substituted by another. The Bank may even provide a temporary reduction of current burden, in so far as the International Bank proposal would provide a way wherein debtor nations can for limited periods pay both servicing and amortisation of their loans in their national currency. The question is merely whether the International Bank, instituted for providing productive capital for reconstruction and development purposes, would agree to make such loans for debt settlement purposes. But this point may be legitimately waived, because although the money thus borrowed is used by the immediate borrower for debt settlement purposes, it is passed on to countries like India which use the money for reconstruction and development purposes. Here Great Britain is merely using her "personal" credit to borrow on behalf of India. If, therefore, Great Britain uses her good offices and influence in the management or the Board of the Bank to secure a substantial direct loan for India, naturally India's sense of urgency of the immediate and multilateral conversion of the sterling balances becomes attenuated. It is true that in such case India will have to pay interest charges on this loan, but she would also be receiving equivalent interest charges on her sterling balances which would be funded.

On the contrary, it is entirely feasible to arrange for multilateral convertibility of the sterling obligations, at any rate of Great Britain, outside either the International Monetary Fund scheme or the International Bank scheme. If we take all the Allied, neutral and enemy countries which are interested in problems of "abnormal war balances," the very number and diversity of these countries provide ample scope for *ad hoc* machinery for multilateral integration of this structure of indebtedness. Thus debts and assets expressed in Chinese dollars, German marks, French francs, British pounds and U.S. dollars could all be conveniently exchanged against one another at the margin. However, sterling indebtedness probably forms by far the greatest part of the total indebedness, and as both Chinese and German economy will emerge after the war in a state of considerable devastation and as dollars balances accumulated are comparatively minor, aside from the question of Lease-Lend repayment, the problem of sterling balances will easily be reckoned as of primary importance.

Nevertheless, it must also be recognized that the British economy will also have to make substantial adjustments, especially in its international aspects. It must be made clear at once that fundamentally there is no reason why Britain should emerge poorer after the war. In spite of bombing attacks, which in its severest form actually lasted only a few months, capital equipment of British industries has much increased rather than diminished during the war, while her man-power is also substantially intact and, at a pinch, is also capable of intensive mobilization, as war experience has shown. Indeed, there has been a notable technological advance in Britain during the war, as a result of which technical efficiency has increased by over 25 per cent. Consequently, there can be no question about the long-term ability of Britain to honour and repay her obligations. The only question is that she should be afforded sufficient time to make the necessary adjustments during the initial five or ten years. But this is precisely the period when the needs of countries like India would be most urgent. Can there be no way of reconciling the vital interests of both India and Britain?

Firstly, rapid economic development of such vast undeveloped areas like India is to the direct long-term and medium-term interests of Britain. For, with her international economic position deteriorated during the war, Britain's post-war prosperity essentially hinges on an expanding system of international trade and prosperity, and rapid development of the backward areas is the only sure way to it. Nevertheless, the question is to reduce the current burden on Britain in the short period, without prejudice to the rapid and multilateral convertibility of the balances to countries placed like India.

Now, as we pointed out last week, Britain's position at the end of the war, would be that she would possess foreign securities valued at much above £3,000 mn. at market prices as against an excess sterling debt of £2,000 mn. which might seek conversion. The suggestion put forward to reduce the current burden on Britain in the immediate post-war period is that the debt of £2,000 mn. should be funded and Britain would pay current interest services and an amortisation quota of £50 mn. or £60 mn. with a view to paying off the debt in 30 or 40 years. It is to the interest of both Britain and her creditors that instead of such a course, Britain should liquidate her sterling indebtedness by handing over £2,000 mn. of her holding of securities of selected foreign countries to her creditors. Her net position would then remain unaltered and what current income she loses on her foreign assets, she gains on the saving of the interest services on her funded sterling obligations; in addition she has not to bear the current burden of £50 mn. or £60 mn. of amortisation quota. On the contrary, her creditors also could dispose of these foreign securities in the international market to secure immediate and multilateral conversion of their balances. As for India, she would be satisfied with the multilateral convertibility of only a fraction of her sterling balances, if, for example, Britain hands over only 10 or 15 per cent. of her foreign security holdings; for, undoubtedly, Britain with her excess stock of equipments and machine tool capacity, built up during the war, would be able to supply a large part of India's post-war requirements.

The essential factor is that, given goodwill on all sides, the "abnormal war balances" could be assimilated into the multilateral world economy, without prejudice to the essential short-term and long-term interests of any country concerned. Even though the machinery of Stabilization Fund has refused to be saddled with this function, it could be facilitated equally by the International Bank or by an *ad hoc* machinery. Indeed, Britain's international debt position is so far from being bankrupt, that the problem could very simply be solved, to the benefit of both Britain and her creditors, if she agrees to go back towards her *net* creditor position by repaying a part or whole of her obligations with a fraction of her foreign security holdings. Proposal for funding of sterling obligations does not reduce the current burden on Britain. As for repudiation, it would indeed be a very short-sighted policy for Britain, for not only will she thereby be deprived of the definite and direct benefits which rapid economic development in countries like India would bestow on world trade in general and British trade in particular, but she would also have lost the goodwill and commercial reputation she has built up for centuries; a goodwill which, presumably, has always given her a measurable cash value.

Disposal of War Surpluses

THE question of the disposal of surplus war materials has been under consideration by the Government for some time now, and the Member for Supply has been making occasional statements of policy. But those utterances, while unexceptionable in the very general and vague terms in which they are expressed, lack that concreteness and clear-cutness on vital points without which they are worse than useless. In the first place, what is the magnitude of the surplus problem in relation to the needs and potentialities of the entire economy in the post-war years? In the second place, what is the policy and who is the authority to determine it? In the third place, which is the best machinery to execute it?

While these matters stand in urgent need of definition, the Government have already begun their disposals and are arranging to sell battered trucks and other goods as they come up. Who has decided the policy? There is a Reconstruction Policy Committee on Disposals and Contracts. Has it met at all, how often has it met, and what are its decisions? If it has not so far met, what was the object in creating it? There seems to be an assumption that because the Supply Department has been concerned with the mobilization of war supplies, it should rightly be the organization also to determine the policy in regard to disposals. Yet questions of policy are not the concern solely of the Supply Department. The Industries and Civil Supplies Department is concerned in so far as important issues of industrial policy are going to be involved; and the Planning and Development Department will have among its tasks the framing of suitable policies to protect the productive capacities developed during the war as well as foster new ones. In fact, the *policy* in regard to disposals is preeminently within the jurisdiction of the Planning Department, while the Supply Department may, no doubt, be a suitable agency for executing the policy, until the Planning Department creates its own machinery to deal with the disposals. It is stated that a Disposals Board is going to be created to take decisions on major questions and generally guide the work of the Director General of Supply and that the Industries and Civil Supplies Department will be represented on it and will be associated with the day-to-day work of disposals. This is inadequate. We suggest that the best method of disposals would be for the Planning Department to take it over completely, evolve a policy in consultation with trade and industry and devise suitable machinery to execute such a policy.

Nor are commercial and industrial interests uninterested in the matter. Advisory committees are contemplated for various important categories of goods with trade interests represented on them. But the example of the committees in regard to the sale of trucks is not the right one. Those committees are only technical advisers without any voice in policy. It is essential that the experience and knowledge of trade and industry are utilized in policy-making as well.

For the present there is no adequate machinery for disposal. The formation of a Director General for Disposals under Planning Department is a necessity, but the Director General (Supply) is at present performing those functions with the help of a Deputy Director General (Disposals), while regional organizations in charge of Deputy Directors have been set up in Calcutta and Bombay, and in other areas Controllers of Supplies are performing the task. In the War Department, sectional offices have been established to receive information regarding surpluses from the Defence Services and to ensure their best utilization.

But when the liquidation of surpluses gets into full stride, the present machinery will prove unequal to the task. What appears to us, however, to be even more important than the institution of additional Government departments is the devising of suitable forms of business organization to deal with the emerging surpluses. There would be left over large quantities of hundreds of articles of civilian consumption, which might conveniently be taken over by a joint stock private corporation to be formed for the purpose. In the initial stages the corporation might be a distributive organization, but when as its stocks are gradually sold out and the needs of the domestic market become assessable through experience gained in distribution, it can become a producing company also. One big corporation might be formed to deal with a wide assortment of goods or where the volume of trade warrants it, a company might be started to deal in each particular commodity. To cite only two instances, boot-making and garment-making are excellent developments in war-time mobilization suited to adopt the kind of organization suggested here. There must be innumerable other examples of war-time mobilization of resources and employment, especially in the smaller and cottage industries, which can be saved from deflation and death only by similar organization or by a chain of co-operative establishments to protect the small producers.

Some countries have planned, not a private, but Government corporation. In the U.S.A. it is proposed to set up a Government corporation to undertake the largest decentralized merchandising operation, with branch offices in various countries to dispose of the surpluses. In Canada too, the disposition of assets is to be assigned to a newly-created Government company, War Assets Corporation Ltd., with a capital of $5 million, operating under the supervision of the Cabinet. But its board of directors will "represent a cross-section of the Canadian economy" and will represent trade, manufacture, labour and other interests. But unless Government have an intention of continuing in the trade for ever even in peace, we do not see any advantage in a Government corporation which will be started for liquidating surpluses and will itself be liquidated when that is done. On the contrary, if the essence of transition from war to peace economy consists in the switching over of demand from public to private channels, the demands of Government are bound to decline and private corporations and co-operatives must be encouraged to fill the gap caused by Government withdrawal and keep up employment. This is particularly important for a country like India, threatened with shrunken Government demands and deflation after the war. Moreover, a Government corporaiton will be suitable in the sphere of foreign rather than domestic trade.

So much for the machinery of disposal. But the first and fundamental requisite is to assess the magnitude of the problem in the light of which only the scale of the machinery can be visualized. Surpluses for disposal will fall into certain well-defined categories—land and buildings, plant and machinery, motor transport, raw materials of industry, numerous finished articles of consumption, and salvaged goods. Government should first take the concrete measure of making estimates of the surpluses likely to arise in each of these categories of goods. It is easy to advance the pretext that there are great difficulties in the way and that such estimates cannot be made

except in the light of the post-war defence needs and economic plans. But this cannot be accepted. Such estimates have been possible in America, where Government plants are put down at $30 billion, other materials at $60 billion and outstanding war contracts at $80 billion, and in Canada, where Government investment in plant alone is estimated at $821 million. From the figures of Defence capital expenditure and other figures the Government of India should be able to get at their investments in plants, while from their war orders and stocks held they could deduce the surpluses likely to emerge at any time the war ends.

Most if not all the surplus stores, for example consumption goods, belong to H.M.G. and these may easily be of the order of about Rs. 200 to Rs. 250 crores. In liquidating them, the policy of the Government should be (1) not to dump them on the market, bringing down prices, dislocating trade channels, and injuring growing industries, and (2) to sell them at prices which while bringing fair return to the Exchequer and relief to the consumer starved during war will not hamper production. A proper disposals policy should be such as may be effectively employed for securing an improvement in the standard of living of the people by selling fairly cheaply and at the same time arranging for cheap mass production.

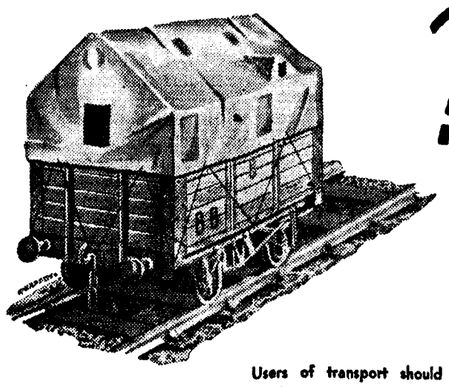
In the disposal of plants owned by the Government of India, at any rate, there should be no difficulty in determining which of them can be converted to peace-time work, which should be kept in a stand-by condition, which should be scrapped and which made over to private enterprise; to work out the terms of transfer to private enterprise so as to encourage their most productive utilization and to define the nature and extent of financial, technical and other aid which will be given in re-converting them. In terms of the Financial Settlement the Government of India by agreeing to pay H.M.G. 50 per cent. of the cost have become sole owner of the factories, plant and equipment put up in India for war purposes. The disposal of plants and machinery received under Lease-Lend is subject to negotiations with the U.S. Government which, according to existing terms, will have a continuing claim on the ownership and the Lend-Lease capital goods. It is doubtful if this arrangement is fair to India which has also been supplying reciprocally large quantities of consumer goods which, of course, do not last long. The Government of India should try to acquire such of the Lend-Lease assets as might be useful in peace either for working them themselves or making them over to efficient producers.

Another important aspect of disposals is to work out suitable provisions for the termination of war contracts. When reductions in demand occur and the break clause in the contracts has to be operated, there should be readily available a definite statement of principles to be followed in the determination of costs in respect of cancelled contracts, and simple and prompt procedures for the making and settlement of claims, on which the commercial community could depend. Acceptable formula will have to be devised as to the rights and obligations of Government in regard to contracts in which costs had already been incurred by the contractors.

The question of timing is also very important. How many years will the disposals and contract terminations be spread over? In the U.S.A. stocks are proposed to be disposed of in two years of peace. How can Government in this country decide the rate of liquidation unless they have an idea of the quantities involved? In India it might take even five or six years.

The problem of disposals is thus complex, and many-sided and calls for different kinds of policy and types of machinery. But nothing can be done without the basic factual data and without a clear enunciation of the principles involved and the setting up of *machinery* adequate to its solution.

Wagon or warehouse ?



Users of transport should not treat wagons as warehouses. Prompt unloading will send the wagon back where it is most needed.

Help the war effort...

KEEP WAGONS MOVING

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The Week's Notes

IMPORT OF FOODGRAINS

The Central Food Advisory Council did well in expressing in the strongest language possible its dissatisfaction with the Government's food import programme during the year. To quote its resolution: "The Advisory Council expresses its strong dissatisfaction with the quantity of foodgrains which, according to H.M.G.'s statement, may be expected to be imported in the current financial year by the end of September, 1944, and urges the Government to recommend urgently to H.M.G. that an assurance should be given in the clearest terms that at the earliest possible moment shipments of foodgrains to India will be made of ½ million tons to constitute a reserve and at least 1 million tons annually to cover part of the absolute deficit of foodgrains in this country until normal conditions are restored." This is a rap on the knuckle of the Hon'ble the Food Member who, despite all his brave words, showed a tendency to be self-complacent and meekly submissive to H.M.G., which means the omnipotent Secretary of State. It will be remembered that the Gregory Committee definitely recommended—a recommendation accepted by the Government—that the Government should (a) press for imports to create a Central Foodgrains Reserve which should not be less than 500,000 tons. Such a quantity is absolutely necessary to prevent a breakdown of the machinery of the procurement, rationing and price policies outlined in the report. It is not a substitute but a complement to more vigorous administrative action in other fields, and (b) press the United Nations to arrange for imports each year for current consumption of 1 million tons. In making the above recommendation the Committee stressed on the following: that the area most likely to be involved in military operations is also the area most hard pressed as regards food supplies, that owing to the very low per capita standards of consumption in India the degree to which subsistent levels can be cut is considerably less than in more fortunately situated countries and that India should have the assurance of certainty and consistency in respect of the arrangement for import. Since the above was written in September last, the total import of foodgrains has been only 400,000 tons and yet the Food Member had no scruple in giving himself a certificate of competence and unflagging zeal. It is, however, futile to complain. The Food Member as well as the Government of India is equally helpless; for the decision in this as well as in every other matter rests with the Secretary of State who certainly is not responsible to the people of this country nor answerable for his actions. In war, unlike in peace, priorities and allocations rest with the Government, not with private enterprise. Where the Government is irresponsible and its sense of relative urgency and priority varies so widely (as in India) from that of the people, it is not surprising that the people have to suffer without any prospect of relief or remedy. The economics of a dependent nation in war-time is a subject which has been sadly neglected by our academic economists. Since the above was written, we note that the Food Member has used the categorical imperative that the British Government must arrange for the supply of 1½ million tons of foodgrains and that without this quantity coming in, he would not be responsible for the food situation in the country." As if either Britain or India minds his responsibility!

FOOD PURCHASES BY THE FORCES

It has been generally recognized that the Army's food purchase policy has been in some measure responsible for the famine conditions in many areas. Their purchases have often been made with no consideration for the stock position of the affected regions and have, therefore, resulted in creating deficits in regions of meagre surpluses and in aggravating the difficulties of normally deficit districts. Again, they have not been spread over time, but have generally tended to come in massed bulks and at irregular intervals and so have caused avoidable dislocation of the market and violent price fluctuations, which have worked to the grave distress of civilian consumers. The Army have also been known to have built up unduly high stock by encroaching on the limited supplies. Further, the military purchase officers have been very liberal in their terms to the contractors, thus enabling the latter to secure supplies at fancy prices, often in disregard of statutory control rates. It is obvious that such a chaotic state of affairs cannot be allowed to continue and that the Army purchases should be made to conform to the requirements of an over-all food policy for the country. Those requirements are clear. As much as possible of the requirements of the Army should be secured from the surplus areas in the Allied bloc, notably Australia. A great deal of what cannot be imported should be specially grown, e.g., the vegetable farms that have been started recently for providing supplies to the American forces. Where market purchases are inevitable and indispensable, they should be made only through the procurement agencies of the Government and not by the Army officers direct or through contractors. For this purpose, the various Commands should intimate their requirements to the Food Department, who may then arrange with the appropriate regional procurement authorities for securing the supplies. It is unfortunate that the Central Food Authorities have not yet taken any action in this direction. In this vital matter at least, the civilian officers of the Government should, for once, shake off their wonted diffidence and inferiority complex and firmly press upon the Army officers the need for abandoning their harmful food purchase policy and entrusting the civilian authority with the purchase of their requirements without encroaching upon the people's food. It is true that co-ordination committees have been set up by the various commands to effect co-operation between civil and military authorities in purchasing foodstuffs. But, such devices are not enough. First, as much as possible of the Army's food requirements should be secured from abroad and, secondly, the Army should surrender to the Food Department the procurement of essential supplies.

INDIAN DELEGATION YIELDS

A slave or dependent country cannot afford to be generous. Generosity is the hallmark of the strong and independent nations. When a country like India gives in on an essential point, even if it be in a spirit of genuine co-operation and goodwill, it will be understood only as an act of weakness in the face of pressure from the strong. It has been reported that following the appeal of Lord Keynes, Chairman of the British Delegation, the Indian Delegates to the Monetary Fund withdrew their previously registered objections and signed without reservation. These objections had been based on the ground that the quota was too low and that the gold contribution fixed for India was too high. Nothing has happened since to persuade the Delegation to withdraw their objections except an appeal from Lord Keynes. But look at the behaviour of the Delegates from Russia

and France whose grievances had less substance. They definitely moved that their objections be retained in the Conference, which means that their case would again be reconsidered at a later date. Why the Indian Delegates should not have followed the example of these countries passes understanding. At one time some of them talked bravely, even hinting at the possibility of withdrawal. But now they have completely surrenedered. Between withdrawal and signing without reservation there is a large middle ground. We await with interest the explanation of the Indian Delegation for this surprising change of front until which the country will be glad to suspend its judgment.

INTERNATIONAL CURRENCY AGREEMENT

The Bretton Woods Conference has concluded and the draft of the world's first agreement to stabilize currencies has been issued. Mr. Henry Morgenthau, President of the Conference, who had laboured more than anyone else for its success, claimed for the agreement that "it has erected a signpost pointing down a highway broad enough for all men to walk in side by side." But it is doubtful if India can reach the signpost from which she can walk alongside of the United States and other countries. The Conference has been a success undoubtedly if judged within the framework of very limited objectives set to it; but success has been at the expense of shutting one's eyes to more fundamental issues. Not until the latter, *e.g.*, sterling balances, are successfully solved can this machinery for exchange stability and freer international trade survive for long. The setting up of the permanent machinery decided upon at the Conference will, however, depend upon the approval of the legislatures and peoples of the participating countries. As far as India is concerned, public opinion will not let the Government of India to ratify the agreement, if it can help it.

The full details of the Agreement are not available. But the joint American-British scheme framed at the technical level has come out unscathed with only minor modifications. The par value of the currency of each member is to be expressed in terms of gold as the common denomination or in terms of U.S. dollar. The Fund provides machinery for changing the par value of a member's currency only on the member's proposal and after consultation with the fund. An initial 10 per cent. change and a further change of 10 per cent. in the par value of the currency are permitted, and on changes not within these levels member countries have a longer time to declare their attitude. It is this freedom to vary exchange rates within broad limits that constitutes the main difference between the old goldstandard and the present standard also linked to gold and dollar. Sanctions may be evoked against members for making unauthorized changes in par value. An important part of the Fund's operation is the system of fees of a sizeable amount designed to discourage continuing unbalanced flows of currencies into the Fund. Regarding scarce currencies, the Agreement provides for borrowing them from the countries concerned or from other countries having them, or buying them for gold. Provisions are incorporated designed to prevent member countries from imposing restrictions on current payments or resorting to discriminatory currency practices. Power is given to the Fund to get all essential information, *e.g.*, holdings of gold and foreign exchanges, etc., movements of capital, buying and selling rates for foreign exchanges, exchange controls, etc. Members have the right to withdraw from the Fund at any time by giving notice at any time. It is also provided that the Agreement will come into force when it is signed on behalf of the Governments having 65 per cent. of the total quota, but in no event before May 1, 1945. In other words, not until the big three, the U.S., the U.K. and Russia, agree and ratify will the Fund be actually set up. India's ratification or non-ratification will not make much difference one way or another, and this is not to be surprised at, considering our political position.

QUOTAS IN THE MONETARY FUND

The final result in the allocation of quotas in the $8,800 million Monetary Fund is as follows (in million dollars): U.S.A. 2,750; United Kingdom 1,300; Soviet Russia 1,200; China 550; France 450; *India* 400; Belgium 225; Canada 300; Australia 200; Netherlands 275; and South Africa 100. The other quotas include (in million dollars) Iraq 8; Iran 25; Greece 40; Iceland 1; Egypt 45; Ethiopia 6; Ireland 1; and Liberia ½. The share of the important countries as percentage of the total $8,800 million works out as follows: U.S.A. 31.25; U.K. 14.8; Russia 13.6; China; 6.25; France 5.1; India 4.5; Canada 3.4; Belgium, 2.6; Australia 2.25 and S. Africa 1.1. On the political significance in the determination of the quotas we had commented last week.

BLOCKED STERLING BALANCES

The following table on the balances held in London of Sterling Area and Latin American countries, reproduced from the June Monthly Bank Letter of the National City Bank of New York, must prove interesting in view of the widespread discussion of the question and criticism of its exclusion from the scope of the Monetary Fund at Bretton Woods:—

LONDON BALANCES OF STERLING AREA AND LATIN AMERICA

(In Millions of Pounds Sterling)

	Dec. 1939	Dec. 1941	Dec. 1942	Dec. 1943
Sterling Area:				
India: Reserve Bank ..	86	207	358	644
Canada: Interest-free loan	*	44	159	159
Eire: Currency, Commercial and Irish Banks	75	100	125	147†
Malaya	*	60	60	60
Australia: Commonwealth Bank	35	48	63	82
New Zealand: Reserve and Trading Banks ..	13	20	33	35
South Africa: Reserve Bank	8	..	1	13
Palestine: Currency Board and Trading Banks	5¶	10¶	23¶	67
West Africa: Currency Board	12‡	15‡	17‡	23‡
East Africa; Currency Board	3‡	4‡	9‡	16‡
Egypt: National Bank ..	22	53	83	106
Iraq: Currency Board ..	6	12	22	32†
Total Sterling Area ..	265	573	953	1,384
Other Countries:				
Argentina: Central Bank	*	*	19	54
Brazil: Banco do Brasil	*	*	*	30§
Uruguay	*	*	*	4
Grand Total ..	265	573	972	1,472
Dollar Equivalent ..	1,060	2,292	3,888	5,888

*Not availble. †September 1943. ‡As of the middle year. ¶March 1940, 1942 and 1943 respectively. §Estimated.

AN INTERNATIONAL ECONOMIC CODE

A sub-committee of the British National Committee of the International Chamber of Commerce has recently brought out a "plan for world trade based on a sound moral foundation and backed by an international economic code of good neighbourly conduct among nations." The Report is "written by business men for business men," and what it contemplates is not national or super-national authoritative control of international trade but the evolution of an ethical framework of Hayekian rule of law so that international trade may be freed from the shackles of monopolistic interferences and guided along channels of comparative costs under "fair" competition and private enterprise which is enterprising. This Guiness sub-committee envisages regular friendly international consultation on all matters of mutual economic interests and even an international tribunal to adjudicate on conflicts in matters of international commercial practice. Already before the end of the war there are enough evidences to show that commercial interests, particularly in Great Britain and the United States, are preparing for a desperate scramble for markets. There is, therefore, a particular danger that the vital economic interests of weaker nations and particularly politically subordinate nations like India may go under, in that terrific struggle. Dumping of unwanted goods and unfair competition, particularly when associated with remote political control, is something of which India has reasons to be afraid of and the evolution of such an "international economic code" may be welcome to us. Nevertheless, when this "international code" is framed and administered mainly by the more advnaced industrialized countries, the danger to the more backward countries is transferred but hardly attenuated. This will be apparent if we examine the sub-committee's recommendations about "principle of tariff," international investment commission and the "right of every international trader to fair treatment on the same basis as that accorded to the national." If the "international economic code" is to be acceptable to us, it must take clear cognizance of the essential long-term economic interests of the comparatively backward countries. The Report, nevertheless, contains nuggets of salutary home-truths, and we would especially like to emphasize the conclusion reached in a supplement to the Report that "the broad line to be followed for the United Kingdom's exports after the war should not be the self-defeating one of trying to enlarge the United Kingdom's share of world trade by the use of political weapons but by the maximum expansion of world trade and opening of the world's markets to the competition of the United Kingdom goods on their merits."

COMMONWEALTH RELATIONS

The presence of considerable differences of opinion among the members of the British Commonwealth with regard to their mutual relations after the war was revealed in Mr. Curtin's recent speech to the Australian Parliament. He expressed his disapproval of the Canadian complacency regarding the present unco-ordinated and spontaneous nature of imperial co-operation that has come into being after the progressive abdication of leadership in Commonwealth affairs by Britain. He thinks that the Commonwealth must have a machinery for full and continuous consultation and suggests the method of periodical conferences of Prime Ministers and officials to facilitate trade and communications among other larger objectives. This difference between the Australian and Canadian opinion which possibly conceives imperial connection to be even less exclusive than an alliance is easily explicable. Canada sheltered under Monroe doctrine and within the natural orbit of dollar does not share the Australian and South African anxiety and enthusiasm for re-creating an imperial entity with close economic ties in which the Dominions will have the larger share of leadership. In close proximity to Asiatic countries whom she is not prepared to treat on equal terms, Australia has much to worry about her population which at the present rate of increase will ever remain inadequate for her defence and development. Like South Africa anxious to maintain a racial ascendency, she is thrown upon advocating a closer imperial unity. The actual course which Commonwealth relations may take during the period following the war is hard to predict. A Britain unwilling to export her men may be less interested in the Dominions, and may possibly take a more inclusive view of the imperial connection than what a Churchill or Curtin may advocate.

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SPECIAL ARTICLE

Investment Trust Companies and Unit Trust

(Contributed)

THE purpose of this article is to trace the development of Investment Trust Companies and Unit Trusts and to examine whether there is scope for their activities in India.

The development of Investment Trust Companies and Unit Trusts has been confined up to date to Great Britain and the U.S.A., who alone have possessed the surplus capital necessary to keep the movement going. While the formation of Trusts in both these countries has been motivated from the same source the pressure of surplus investors' capital seeking fresh outlets the development has varied considerably in different trade cycles not only in rate of growth but also in the system of trust organization. There is also an appreciable difference between the activities of British and American Investment Trust Companies.

The earliest Investment Trust Companies appeared in the '80's. Many of these developed from Mortgage Companies whose business was to lend money on mortgage to farmers in America and Canada. When new mortgage business declined and old mortgages were paid off, these companies reinvested their funds in Railroad Bonds and foreign loans or, generally speaking, in fixed interest securities abroad giving a higher rate of return than could be obtained in the home market.

The most rapid cycle of Investment Trust flotations was in the 1925-30 period when the attraction of rising common stock prices in Wall Street and the high yields on new issues of foreign bonds was responsible for the flotation of a large number of new Investment Trusts and a great expansion of the old ones. The slump in stock market prices which started with the Wall Street crash of October, 1929, caused an abrupt cessation in Investment Trust Company issues which have not been resumed since.

An Investment Trust Company is capitalised on the normal basis of public companies. Share capital is invariably divided into Preference and Ordinary, and most companies have permanent borrowing powers, that is, powers to raise long-term debenture stocks, equal to the issued share capital.

Typical capitalisation or "set-up" of a British Investment Trust would be—

	£
Ordinary Capital	200,000
Preference Capital	300,000
Debenture Stocks	500,000
	1,000,000

The proportion of ordinary capital to total of share capital and debenture debt issued in the above example is only 20 per cent.—this is usually referred to as "marginality" or "gearing." The effect of this gearing is to increase the fluctuations of earnings on the Ordinary, a factor which makes them attractive for the speculative buyer.

Preference and debenture stocks of Investment Trust Companies rate high among fixed interest investments, and in England and Scotland a large proportion of these stocks are held by insurance companies. A British Investment Trust Company usually holds a portfolio of several hundred investments spread over a wide variety of industries. This dispersion of assets is the principal safeguard of the fixed interest holder, and in the 1931 depression there is no record of any Investment Trust having defaulted on its debenture debt.

Investment Trust Companies issue their Share Capital by the normal method of prospectus issue; once shares have been subscribed the holder has no call on the company to redeem them but must get his stockbroker to find him a buyer in the market.

The principal role of Investment Trust Companies has been to furnish the investor and especially the small investor with the opportunity to invest overseas. The arguments advanced in favour of this method of investing are that small investors can only hope to invest profitably overseas by combining together in a group where with the pooled resources they would be able to employ the best agents in the foreign markets and have also the specialized knowledge of directors and managers looking after their investments.

It follows, therefore, that Investment Trust Companies' development in Great Britain has advanced by spurts when prospects overseas looked particularly attractive.

The Unit Trust or the Fixed Trust movement sprang up during the recovery from the 1931 slump. British investors who had been putting their money into Wall Street had been badly "burnt," foreign bonds were going from bad to worse and the revenue of many Investment Trust Companies owing to defaults on their overseas investments was still falling. Prices of ordinary shares in leading British industrial companies, on the other hand, looked undervalued in 1932 considering trade recovery had already started in Britain. The first Unit Trusts which were subscribed to in that year gave the small investor, who bought a hundred units, the privilege of spreading his capital over a list of 15 or more ordinary shares in leading British industrial companies.

The Unit Trust is a pool of shares in a number of public companies—usually only those having a wide market and large turnover on the Stock Exchange. To start a Unit Trust the promoters would require with their own capital or with the aid of temporary loans from their bankers, to buy up a round holding of shares in companies which they think would form an attractive unit for the investor.

For example assuming they bought	Total Cost £
10,000 A. B. Tobacco Co. Ltd. at £2 ..	20,000
10,000 B. C. Breweries Co. Ltd. at 30/-	15,000
5,000 C. D. Distillers Ltd. at £8 ..	40,000
5,000 D. C. Millers Ltd. at £4	20,000
Expenses of formation, managers' and trustees' fees	5,000
	100,000

To balance their expenditure they would now require to sell 100,000 units at £1 each of, say, the First AB.C.D. Unit Trust Ltd.

The original holdings of shares in the A.B.C.D. companies would be registered in the name of a Bank acting as trustee, and John Smith who bought 100 units for £1 each would obtain a certificate showing him to be the registered holder of 100 units in the First A.B.C.D. Unit Trust. If John Smith wants to sell out his holding, he does not require to do this through his stockbroker, but he may instruct the managers of the Trust that he wants to realize his units. The Trust managers will then require to find a buyer for Smith's holding or alternatively tell the bank acting as trustee to sell enough of the underlying securities to pay John Smith out. The price that John Smith would receive for the sale is calculated in either case from the market price of all the securities held by the Unit Trust.

The differences between these two types of British Trusts may now be summed up. Investment Trust Companies are associations of investors primarily formed to invest capital overseas. Shareholders are divided into classes of Ordinary and Preference and power is given to the directors to borrow money on long-term debenture debt. A shareholder may know what the policy of the Investment Trust Company is and in what countries its investments are distributed—he may see a detailed list of investments—but he may not withdraw his money by asking the directors to realize part of the Trust's investments. His shares must be sold in the Stock Exchange to any buyer who can be found and the price paid by that buyer may not correspond to the value of the combined investments of the Trust.

A Unit Trust is a pool of certain specified shares. Each unit holder knows exactly what shares of public companies the units he has bought represent. He may at any time instruct the managers of the pool to pay him out his units by giving him the exact price—less expenses of realization—of the proportion of all the investments composing the pool which his units represent.

Investment Trust Companies in America were mainly floated in the pre-1930 boom era. Capitalization is similar to British Investment Trust Companies, but the proportion of ordinary or common stocks is usually higher.

Investment policy of American Investment Trusts has been largely confined to the home market. The average American investor buys common stocks looking for capital appreciation and not dividend income. Leading American Investment Trust Companies have followed the same policy where in the wide Wall Street market during active periods they have rapidly turned over or "traded" large blocks of leading industrial common stocks, with the object of making capital profits. Dividend distribution of American Investment Trust Companies has consequently been far more erratic than has been the case with British Companies.

Unit Trusts have not so far been developed in the United States. The word "Trust" in American Finance is most commonly used with reference to a company holding a controlling interest in a large group of industrial or public utility concerns. This form of Trust does not come within the scope of this article.

In examining the conditions for development in India, the following are the major considerations:—

Investment Trust Companies, British Type. Does the Indian investor wish to invest outside India either in industries which are well established such as gold mines, oil shares, Rhodesian coppers, or by taking an interest in the development of neighbour countries such as Burma or Malaya where capital will be required after the war? The Indian investor has so far shown a strong preference for keeping his money in India and despite the high level of Indian security prices, it does not look likely that this preference will weaken.

Unit Trusts and Investment Trusts, American Type. These institutions limit their activities to dealing in leading securities with wide markets. The number of these available on Indian Stock Exchanges is very limited and the intervention in the market by Trust managers buying and selling large blocks of shares would increase fluctuations while they were operating and reduce the liquidity of the market at other times owing to a large proportion of the shares formerly available being "locked up" in a few large holdings.

Assuming India after the war is left with a large surplus of financial resources awaiting investment, the problem will be to find outlets for money seeking investment which will stimulate production and development of Indian industry without forcing up any higher the current level of stock market prices.

In Britain, to assist industrial development since the 1931 slump, the new types of financial organization have been created. The Bankers' Industrial Development Company was started by the Bank of England in co-operation with the large joint-stock banks to afford medium and long-term credits to industry. Similar corporations financed by groups of Indian banks would enable these banks to find new outlets for surplus funds and give direct support to industrial expansion.

Industrial estates companies constitute a second new development. The object of these companies—some of whom have been assisted by the British Treasury—is to erect and lease small factories on industrial estates. The preference capital and debenture debt required to finance this type of company would make suitable investments for Indian insurance companies.

In both these new types of financial corporation a large proportion of the ordinary shares could be sold to the public. They would make a suitable investment for the small man anxious to spread his money over a variety of industries.

PRESS NOTE

The Textile Commissioner will shortly issue a new series of licences for the sale of dyes to authorized dealers. No applications for licences will be entertained under the Cotton Textiles (Dyes and Chemicals) Control Order, 1944, unless the applicants can establish that they were regularly dealing in dyes throughout the three calendar years 1941-42 and 1943 or during any period of three consecutive years prior to December 31, 1943. All concerned are informed that no dye licence will be valid after August 31, 1944, if it does not bear the new series of licence numbers prefixed with CX2(4)DD or CX2(4)DR.



EVERY RUPEE SAVED NOW...

will buy more when the war ends. With prices as high as they are today it is plain commonsense that you are getting bad value for your money. Besides, remember that prices are falling. Compare the prices of cloth, foodgrains, medicines etc. a year ago with prices today. The wise man saved his money and can now buy cheaper than before. The wisest thing of all however, is to save all you can now in order to get twice as much for your money when peace returns.

Be sure that the money you save is safely invested. Jewels, Land, buildings, manufactured goods and commodities are bad investments these days. Their prices are abnormally high and you will certainly find one day that they are coming down.

For security and fair return put your money into Government Loans, National Savings Certificates, Insurance, Co-operative Societies, Post-Office Savings Bank or a Savings Bank Account

SAVE ALL YOU CAN AND INVEST ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1113

THE WORLD ABROAD

Prospects of Bretton Woods Agreement

(From Our Washington Correspondent)

WASHINGTON, July 23, 1944 (By Cable).

WHETHER there will be successful International Stabilization Fund and Bank for reconstruction is now a question for decision by legislative bodies or other appropriate authorities of individual nations represented at Bretton Woods. Although the United States delegates appeared pleased with the documents finally agreed upon by the Conference, the indications in Washington and New York were that many pitfalls lie in the path leading to the approval of the Fund and the Bank by the Congress. It is expected that the same arguments that were used against the Fund at Bretton Woods will be repeated when the measure is presented to the Congress for consideration. The criticisms take this line: The United States in both the Fund and the Bank undertakes to support weak currencies and debtor nations and risk large loans without commensurate guarantees that economic reforms will occur in areas needing them, or that essential readjustment of trade arrangements will be forthcoming. Critics contend for some kind of unilateral action by the United States or joint action with Britain aimed at the elimination of economic warfare which is admittedly disastrous to countries employing it, removal of prohibitive tariffs, import quotas, currency depreciation, exchange controls and blocked currency restrictions on capital exports. They concede some of these objectives in the Bretton Woods Agreement, but claim that the net effect in the weak currency areas would be merely to encourage exploiting borrowing to the fullest extent and to delay reforms. The bankers' representatives in the Congess may be expected to urge that the United States should end deficit financing, balance the budget and stabilize dollar in terms of gold, plan private long-term credits when the worthiness of borrowing is demonstrated, and thereby set the example for other countries. The *New York Times*, which speaks the opinion of many bankers and foreign traders, commented: "America agrees in advance to lend to each of the more than 40 other countries up to certain fixed amount of dollars, whether or not there is any reasonable prospect of repayment, regardless of the internal economic policies of each country, or what it does with the money." Similar view was expressed by the *New York Herald Tribune*: "Instead of compelling the debtor nations to put their affairs in order as the price of participating in its benefits, this so-called Stabilization Plan merely provides them a breathing spell similar to that provided by the ill-fated loans of 1924 to 1928." Those who answer these arguments stress that Stabilization and Bank propositions are merely two of the many agreements that must be worked out multilaterally if the world trade is to be expanded in a peaceful society of nations. The *Washington Post*, one of the widest read newspapers among the Congressmen, and owned by a successful financier, said: "Good deal of the criticism of the Stabilization Plan resulted from failure or refusal to consider it as a part of a much more comprehensive series of accords relating to the financial and commercial policy." It further commented that some provision must be made, for instance, for long-term capital advances to develop the production in the war-devastated areas, and Bank must be approved if the Fund is to succeed. It concluded: "Finally, the success of both the Fund and the Bank proposal is contingent upon the adoption by participating countries of comparatively free systems of trade." In the meantime, the Bretton Woods Conference settled two important problems by ignoring them, namely, the blocked balances and silver, which are delayed for later consideration. Observers here regarded, perhaps, significant that each nation made blanket reservation about the entire Stabilization document and will present it to its Government without recommendation.

Post-War Economic Policy

LONDON, June 27 (By Airgraph).

THE three days' debate in the House of Commons on "Employment Policy after the War" was characterized by the almost unanimous approval of the aims and intentions of the Government as laid down in their White Paper. Government speakers did not, however, enlighten the House on points of detail. The White Paper, they explained, was not, and was not intended to be, a cut and dried scheme. It was rather in the nature of a preliminary outline of the problems to be faced and the main points of policy as envisaged by the Government. The debate had the purpose to show the Government how far the House agreed with them and thus would enable them to prepare legislation for which there would be a large measure of support in Parliament and in the country. There were a few solitary voices that would have nothing to do with the "spendthrift" methods suggested in the White Paper. There were criticisms on individual points. Some speakers expressed the view that the Government were not going far enough and that the White Paper did not give a clear enough indication of the actual method of application; but, on the whole, Parliament expressed itself favourably.

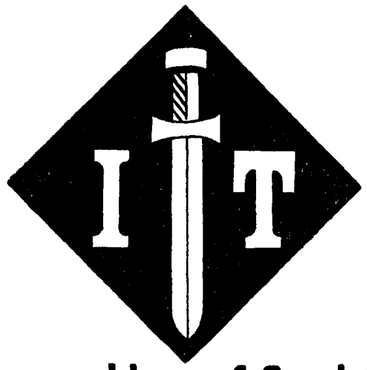
The main point made by Mr. Bevin, the Minister of Labour, was that it was not enough to budget on purely economic lines. The human point had to be taken into consideration. He, as well as Sir John Anderson, the Chancellor of the Exchequer, stressed the point that, compared with pre-war thought, a radical change in outlook had taken place and that change was clearly reflected in the Government's proposals. This, perhaps, is the most interesting fact to chronicle. It is of very great importance. During the inter-war period the idea of orthodox budgeting was still predominant. The country, it was said, had to cut its coat according to its cloth. The universal and almost solitary measure to correct economic disequilibrium was thought to be "economy"; to cut down public expenditure, to cut wages, to reduce price levels. The present Government will have nothing of this any more, and in this they have the support of Parliament and country. It may be said that, in fact, the public has led its leaders. Public opinion in favour of a new outlook has largely been responsible for the change in outlook amongst political leaders. A good deal of credit for this is due to the untiring work of economic reformers, even of those who clearly were wrong in many of their contentions. But, as Dr. Einzig points out in his book *Currency After War*, they had the right idea on the most fundamental point, namely, that the economic and political machines were there to further the well-being of the people and not

the reverse. When, after the last war unemployment grew and public works policies were forced on the Governments of the day the main idea was to "create" work. Skilled technicians were made to do unskilled work, draining marshes, doing work for which there was no economic necessity. The idea that fallow labour could be put to useful work by Government assistance and thereby the national economy helped to regain its footing, was considered entirely heretical. That the monetary machine could be adjusted to the new circumstances was hotly denied by those who governed it. Slowly but surely these views changed when in 1931 Great Britain was forced off the gold standard. First the new conception gained currency in the monetary field and the era of cheap money was inaugurated under the Chamberlain regime. Whatever and how much there is to be recorded against the policies of Neville Chamberlain the fact that it was under his authority that the new orientation in monetary policy took place must be booked to his credit.

There is still a great deal of confusion as to how far and in which way the State should take a hand in industry and commerce or, to put it in different words, how exactly the State should exercise "control." There is the question of State enterprise *versus* private enterprise. In reality, there is no such problem. At least it is not a fundamental problem as the socialists think. There are infinite advantages in private enterprise and there are enterprises which, because they are bound up with political problems, can best be conducted as State or municipal enterprises. In between there are the many opportunities for co-operative and mixed undertakings. These matters have to be decided on their individual merits. But there can be no question as to the necessity to guide, and when necessary to direct the policy of private enterprise. To some extent this view has some support in the White Paper on Employment Policy, not so much, it is true, because the fundamental nature of the problem is clearly seen by the authors of the White Paper than because private enterprise is accepted as a fact and any intention of abolishing it would inevitably endanger the position of the Coalition Government.

The public works policy should be co-ordinated with the other factors of the national economy and that expenditure on such works must be designed to raise, or at least to hold, the standard of living, was particularly stressed by two Government spokesmen. In other words, the aim must be to utilize to the fullest possible extent the resources of the country in human labour, raw materials and tools.

A somewhat curious view was voiced by at least one speaker in the House of Commons. He advanced the view that too much consideration was paid to exports. Why not step up, instead, home production. To this Sir John Anderson promptly and correctly rejoined that exports and imports were essential to a high standard of living. If, he pointed out, we were to (for instance) produce from coal all the petrol and by-products of raw oil, the cost would be such that labour would become virtual slavery. It appears to the present writer that though the position of international trade must remain nebulous until some time after the end of the European war, and will not be entirely cleared until the war in the East, too, is ended, there is altogether too much pessimism abroad. The great problem during the transition period is likely to be that of supplies. Even most of the exporting countries (as far as machinery and tools are concerned) will have shortages to fill up and, for some time at least, will have to cut down home supplies in order to satisfy at least in part the large requirements elsewhere. What is more, some of the devastated countries will want to be given time to pay. Once the transitional period is over, however, international trade is likely to increase by leaps and bounds, though constant changes in the type of goods for export will become necessary with the growth of industrialization in countries such as India and China. But it is a fact that even before the two wars the largest share of international trade was carried by the highly industrialized nations.



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Money Markets

Better Demand for Funds—Continued Firmness in Gilt-edged & Bullion

(From Our Correspondents)

BOMBAY, July 23, 1944.

MONEY has been slightly more usable during the week, though the quoted rates are still ¼ per cent for call and up to two months, ½ per cent. up to five months, ¾ per cent. up to 11 months and 1¼ per cent. for 12 months. It is too early to expect anything like stringency to develop in a market which has such an abundance of short credits. Still, one cannot overlook the fact that quite a lot of surplus money has been drawn off the market, partly through the new capital issues of which there has been a good crop lately, partly by way of substantial investments in gilt-edged and, lastly, through increasing tax payments. Added to these is the curious phenomenon of rising Bank Advances and Bills discounted, although the cotton season is now over and so must be the demand for financing the movement of the crop. According to one finance broker, these forces are in an inchoate stage, but he looks forward to steadier, if not exactly dear, money conditions soon. As it is, currency expansion cushions the effect of these forces on the market.

Treasury Bills

The last Treasury Bills auctions lend support to such a view. Bills for Rs. 4 crores were on offer, and total applications amounted to Rs. 9.07 crores against Rs. 8.44 crores in the previous week, but the average rate was actually higher by two pies at Re. 0-7-10 per cent. indicating banks' apparent reluctance to bid cheap. Moreover, maturities were only Rs. 2 crores during the week against Rs. 4 crores of offtake. Maturities increase to Rs. 4 crores only from August. It remains to be seen whether the authorities will reduce the tender limit, considering that Central Government's balances have risen sharply to Rs. 72 crores. The Assam Government is coming on the market next week for Rs. 1 crore. The current money indices point to that Government's being obliged to pay a couple of annas more than the Central Government.

Scheduled Banks

The Scheduled Banks' and Imperial Bank statements for the week ended July 14 are revealing. Total deposits of the former were actually Rs. 5 crores higher over the previous week's, but banks have apparently put them to good use, for their cash fell from Rs. 30.4 to Rs. 28.1 crores, while their deposits with the Reserve Bank also went down from Rs. 96.5 to Rs 92.69 crores. Further, advances went up from Rs. 214.81 to Rs. 215.18 crores. Thus, against Rs. 5 crores of new funds from deposit, banks had increased advances by Re. 1 crore, while their cash was lower by Rs. 6.3 crores. Evidently, they have increased their investments by Rs. 10 crores in that week alone. The Imperial Bank's statement for that week shows a similar trend. Deposits were down by a crore at Rs. 227.45 crores, cash also down by Rs. 5.8 crores, while advances rose by about a crore at Rs. 65 crores and investments by Rs. 1.7 crores higher at Rs. 130.17 crores. These figures suggest that while withdrawals of deposits are taking place, advances are improving, and investments in short-term and long-term securities are being increased in anticipation of higher returns being realized on them. In the week just ended, these trends have received further emphasis.

The Reserve Bank statement dated 14th July is notable for an unusual jump of Rs. 14.4 crores in Central Government's balances standing at Rs. 72.27 crores. In the light of the foregoing analysis of banking figures, this increase of Rs. 14.4 crores would seem to have been derived from the following sources: (1) investments in gilt-edged to the tune of Rs. 10 crores; (2) net intake of Rs. 2 crores through Treasury Bills; (3) tax collections since bank deposits in some cases are lower. Balances held abroad have increased by Rs. 8.5 crores to Rs. 182.97 crores, and a part or the whole of this may represent sterling receipts of the Government of India. The increase of Rs. 14.4 crores in the Central Government's balances is presumably the net results of these receipts less the war expenditure for that week. Ways and Means advances taken by Provincial Governments have been reduced from Rs. 63 to Rs. 18 lakhs. Banks have reduced their deposits from Rs. 98.43 crores to Rs. 92.13 crores.

Gilt-Edged

Steady conditions in the gilt-edged market continue, but business was on a smaller scale compared to last week. The same tendencies noticed in earlier weeks have been in evidence, particularly as regards switching from long-dated to medium and short-dated securities. Rupee Paper improved in the course of the week to Rs. 99-8, at which level the yield works out to 3.51 per cent. In view of the increasing assumptions of an early peace, it seems very likely that Paper touches par very shortly. In the nature of things, the long-term rate of interest should decline, and would be duly reflected in higher prices for the undateds. Enquiry during the week was specially directed to 3 per cent. 1946 quoting an anna higher at Rs. 102-7-0 (yield 2.32 per cent.), besides 3 per cent. 1963-65 quoting Rs. 99-1-0 (yield 3.06). Some holders of 3 per cent. 1953-55 showed an inclination to effect a switch into other loans. Thus, 4½ per cent. 1950-55 was in good demand at Rs. 110-13-0, while 4½ per cent. 1955-60 appreciated by two annas at Rs. 116. Other loans remained unchanged at previous levels. The news from Germany pointing to an early conclusion of war might conceivably bring about a halting trend in the course of gilt-edged prices. For the possibility of appreciation in securities as a result of the end of the war has to be weighed against the likelihood of banks being faced with demand for accommodation from sundry sources. It remains to be seen whether the spurt in advances noticed in the last fortnight is a mere flash-in-the-pan.

Bullion

The Bullion market has been alternating between firmness and easiness throughout the week. The undertone is definitely easy at the close as a result of the political developments in Germany. But it is worth noting that, even after the reports of Hitler being placed under arrest, there has been no slump in prices. In fact, although the long-term outlook for the metals is definitely bearish, there is no sign of nervousness in the market, thanks to the firm hold of the bull chokseys. On Monday last, clever manipulation by the bulls took the silver delivery rate up to Rs. 133-12-0, at which level a certain amount of profit-taking by bulls was seen. A downward trend set in on Tuesday, when peace rumours came through. By Wednesday, the rate went down to Rs. 131-12-0, when it was announced in the House of Commons by

a member that details of German surrender were being worked out. In spite of these however, substantial bull support was forthcoming and there was a recovery in the market. With the bears inclined to be very cautious, and with one or two powerful bulls owning 500 bars which comprises most of the local stock, no wonder the market does not weaken. Demand for ready silver is however slowly falling off, and with increasing arrivals from up-country, the spread between the spot and the forward rates has narrowed down to Rs. 2-12-0 as against Rs. 3-4-0 two days ago. At the close yesterday, the rates were: Ready Rs. 134-8-0; Delivery Rs. 131-12-0.

Prices in the gold section were more or less in the wake of silver. Early in the week, gold settlement rate touched Rs. 75-4-0, but as the Reserve Bank sold at Rs. 75-4-0 a small quantity, there was no incentive for operators to take up the rate higher still. When peace psychology was sweeping the markets on Wednesday, the settlement rate dipped o Rs. 74-13-0. With the demand falling to nearly 20,000 tolas daily and as a result of the latest German news, the rate declined to Rs. 74-9-0 as a result of selling pressure. The Ready rate is quoting at a premium of 5 annas. Though the market witnessed only a moderate setback, bull traders are not anxious to increase their commitments. Those who anticipate a sudden Peace as in the last war are perhaps guilty of wishful thinking, and the bullion markets may not perhaps see any serious debacle for some time more.

Early Peace Prospects Check Bullish Trend

CALCUTTA, July 24.

BULLISH trend in the Calcutta Stock Exchange was rudely checked by the damatic developments in the war situation in the past few days. In the early part of the week the upward movement was uninterrupted, and with the continued difficulty in respect of deliveries the popular speculative counters recorded further gains. *Barrakurs* crossed Rs. 50 mark for a time, while *Indian Iron* were as high as Rs. 43-12 and *Steel Corporation* Rs. 37-12. *Howrah* were rushed up to Rs. 87-4. The strength of the leaders was reflected in the Cotton and Sugar sections. *Cawnpore Textiles* sharply recovered to Rs. 15-2 while in the Sugar section shares belonging to the Begg Sutherland group were several points higher.

But the story was different after Wednesday afternoon. As the rise in prices earlier in the week was purely on technical grounds bears took advantage of the early peace prospects to depress prices. They got some outside support and the bottom was knocked out of the boom. In the heavy selling that followed *Burrakur* came down to Rs. 44-12. *Indian Iron* to Rs. 40-4, *Steel Corporation* to Rs. 34-8 and *Howrah* to Rs. 82-12. Closing prices are at the lowest levels for the week.

But it would be wrong to expect, however, continued fall in prices. The recent buying has been by operators wanting investment opportunities. Unless they find alternative avenues of investment, scrips would not be freely available. The decline in prices can be only gradual and the rise in some sections is well maintained.

The giltedged securities section has been very firm though only a restricted business has been put through. 3½ per cent., Paper quoted Rs. 99-12. Terminable loans were unchanged.

There was a sharp recovery in mid-week in the Cotton section as it was pointed that Calcutta cotton shares were relatively undervalued. *Cawnpore Textiles* recorded a rise of over one point to Rs. 15-2. The close in all cases in this section was higher than last week's rates though lower than the highest levels for the week. But coal shares on the other hand, except in the case of *Barrakur* showed little rise in general during the early part of the week and met with sharp fall towards the close.

Contrary to expectation peace prospects depressed jute shares as well. *Howrah* dropped five points to Rs. 82-12. *Anglo-India* were fifteen points lower at Rs. 465.

Among Engineering shares *Indian Iron* were quiet at Rs. 40-4 with *Steel Corporation* at Rs. 34-8. *Jessop* were 12 annas lower at Rs. 26 while *Kumardhubi Engineering* were Rs. 12-14. There was heavy speculative buying of *Steel Corporation* at the beginning of the week and it was expected that the quotation might touch Rs. 40. Deliveries are not still coming in. *Indian Irons* are now quiet at Rs. 40-4 and Jessop is slightly better. Bright outlook for the industry even with the war's end has supported. Sugar shares. *Balrampore* was done up to Rs. 23-12, a rise of three points. Cawnpore Sugar improved to Rs. 46 from Rs. 42.

Tea shares have been steady with Hasimara at Rs. 77, Hattikhira at Rs. 32-8 and Tezpore at Rs. 21-8.

Raw Jute

With the satisfactory reports regarding the condition of the crop, and the reports of further requisitioning there was an anxiety to do fresh business on the part of sellers. Mills, however, were not inclined to enter into fresh commitments as they expected a further decline in prices. Hopes of peace, however, have encouraged holders as it is pointed that there would be a large increase in exports of raw jute in the event of peace. With the possibility of an increase in local mill production, there would be a good demand. The close is steadier with an increase in mill buying.

Not much of business was done in loose jute. Supervised Middles, new crop, came down to Rs. 16-4, per maund earlier in the week, but there has been a recovery to Rs. 16-4 per maund. District Jute was relatively firm. New crop European *Middles* and *Bottoms* were bought at Rs. 16-12 and Rs. 1312 per maund respectively on Saturday. Export business has been concluded at last rates, *Dundee Daisee* 2|3 being Rs. 77-8 per bales, *Short Group* Rs. 85-8 and *Crack Daisee* Rs. 87-8 per bale.

Jute Goods

The jute manufactures market has been very firm. While the production figures for the month of June have been better than expectations there is the increasing fear that with the further improvement in the shipping situation local stocks would be greatly depleted if there is no increase in mill production. About this, however, there is no possibility as there is no end of requisitioning. Only recently one more mill has been requisitioned. Sellers are, therefore, very reserved and fresh business is not possible.

In spite of the interference to production there was only a decline of 3,439 tons in mill output to 93,987 tons. Goods manufactured on Commercial account are again higher, the total production on Government account being only 7,158 tons. With the reduction in local stocks at the end of June, referred to last week, the offtake has, therefore, been as much as 119,028 tons, the highest in recent months.

A DELHI DIARY

"If Wavell means to conciliate the Congress, Hallett and I will have to leave India before the Congress returns to power." For a considerable time past this statement circulated in political quarters in New Delhi as having emanated from Mr. R. F. Mudie while he was acting Governor of Bihar. Whether he said it or not, it is characteristically Mudian. True to his name "Frank" (as he is called by his friends), Mr. Mudie does not hide his feelings and revels in telling his exploits.

When Lord Wavell appointed Mr. Mudie his Home Member in preference to the galaxy of secretariat talent represented by Sir John Thorne, Sir Richard Tottenham, Mr. Conran-Smith, Sir Francis Wylie and Sir Gilbert Laithwaite, the Viceroy indicated his decision to have no truck with the Congress. For, judged by traditional standards, Mr. Mudie was not the man for the job. He had been tried and discarded over a decade ago, first as a special officer in the Railway Board and later as Joint Secretary in the Home Department. The Secretariat pundits found his style pedestrian, his brain waves impractical and his power of speech faulty.

On his return to the U. P. Mr. Mudie lay low for a while, Cawnpore's worst communal riot which he had handled as a District Magistrate alone providing the background to his service career. But Mr. Mudie could hardly cash on this credit under the Congress Ministry. He therefore worked hard to prove his worth as Revenue Secretary helping Mr. Rafi Ahmed Kidwai, Minister, and Mr. A. P. Jain, Parliamentary Secretary, in preparing the biggest measure of tenancy reforms piloted by any Ministry in India. Mr. Mudie's 'socialism' and pliability to the Congress Minister's influence upset certain high quarters who openly proclaimed their distrust in "Mudie's brain waves." Mr. Mudie openly talked of his 'admiration' for his Congress Chief.

The Ministry resigned and Mr. Mudie became the Chief Secretary to the U.P. Government under the Governor's regime. Soon his old Chief was put in jail as the 'most dangerous Congress brain in the U.P.' And even today Mr. Rafi Ahmed Kidwai is in jail sick and ailing. Mr. Mudie is not the die-hard type of bureaucrat, nor is he sun dried. He is almost native to India's climate. He makes friends among Indians as easily as among British provided they join 'the den'. He is really a modern version of the Imperialist. He adjusts himself to circumstances with the ultimate objective of retaining power in British hands. His *modus operandi* is to find 'friends' in the "enemy's camp."

One of his first brain waves on becoming Chief Secretary was to 'discover' Mr. M. N. Roy. He is reported to have initiated correspondence with the ex-Communist telling him that while there was much good in communism there were also good points in imperialism and that at any rate both could meet and talk things over. They two met, and ever since an understanding has grown whose repercussions can be seen in so many directions.

His second brain wave was to make friends with the Muslim League. Chaudhry Kaliq-uz-Zaman's weekly or fortnightly visits to Mr. Mudie became a regular feature of political life in Lucknow. The Chaudhry's Hindu counterpart was Sir J. P. Srivastava. Both these protagonists of communal politics found comfort by confiding in the Chief Secretary.

Mr. Mudie found full field for his talents when the August disturbances occurred. A characteristic of the Hallett-Mudie regime was its undisguised contempt for the Central Government's circulars and directions. They were generally ignored, or Delhi was told that Lucknow had already thought ahead and provided a remedy for food crisis or protection of railway lines and what not! Perhaps the only time the U.P. Governor and his Chief Secretary quoted the Government of India Act was when they insisted that they were an autonomous regime and that Delhi could not interfere with the working of provincial autonomy! And they got away with the argument!

Mr. Mudie installed as the Home Member of the very Central Government he despised makes news. But the real significance of the appointment is that it is indicative of the trend of the Viceroy's thought on Indian politics. Technically, constitutional reforms do not come under the Home Member's portfolio. They are the direct responsibility of the Viceroy who consults his Reforms Commissioner. The pretence of the Home Department disavowing responsibility for constitutional problems has been practised to the length of the Leader of the House in both Chambers of the Central Legislature being asked to answer questions and reply to resolutions on reforms. The fact remains, however, that the Home Department is the real power inside the Government to determine the pace of constitutional advance on the strength of its responsibility for law and order. Except for the three years the Congress Party governed in provinces the Home Department's influence against political advancement has never diminished. Its archives are full of quotations from writings and speeches of leaders to subserve the bureaucratic ends.

Sir Reginald Maxwell's advice presumably made the Viceroy precipitate the crisis in August, 1942, and thereby cause a deadlock. It is the Home Department which influences Government opinion by telling the various high functionaries and departmental chiefs as to how public opinion is reacting to the various official measures.

The Home Member is the custodian of the Civil Services' rights and since bureaucracy is India's real ruler the Home Member is expected to strengthen rather than weaken the Services' hold on Government. A remarkable illustration of this is the official confirmation of the story published recently that 300 British and an equal number of Indian Army Emergency Commissioned officers are being drafted to civil jobs. This decision means that Indianization of the civil services alone will take another 30 years and that self-government in a shorter period is against the Home Department Manual!

ARGUS.

THE BUSINESS WORLD

RAYON INDUSTRY IN INDIA

BEFORE the thirties of this century, rayon and staple fibre production was not of much significance in the textile world, but the years that followed saw a phenomenal development in the production of rayon, particularly in Germany, Japan, U.S.A. and Great Britain:—

PRODUCTION OF RAYON
(In Metric Tons)

Countries	1932	1933	1934	1935	1936	1937	1938	1939	1940	*1941
Canada	3,325	3,330	4,785	5,995	6,180	7,485	6,215	6,438	8,908	8,850
U. S.	61,086	96,843	94,494	116,827	125,937	145,914	116,859	149,064	176,936	204.666
Japan	31,641	44,360	70,432	101,749	125,314	152,395	95,496	108,569	102,000	..
U. S. S. R. .	2.600	3,900	5,430	*6,000	*6,200	*7,000	7.250	*7,700	8,000	9,000
U. K. (1)	31,697	36,305	40,315	50,948	55,985	54,294	48,285	54,450	45,360	..
Italy	28,267	33,277	38,905	38,880	39,011	48,331	45,996	53,610	52,754	..
Germany ..	26.825	28,823	39,011	44,806	45,424	57,193	65,800	73,600	80,000	..
Austria	408	440	878	850	850	1,000				
Total World Production	235,220	301,040	351,938	427,270	465,330	545,500	450,950	521,000	525,000	..

From these figures it is clear that, if we discount the effects of the 1937-39 depression, there is noticeable a constant upward tendency in the production of rayon, for the individual countries concerned as well as the world as a whole. Indeed 'this rayon development', as Hayes has pointed out, 'was one of the outstanding accomplishments of post-war (1914-18) industrialization. It had hardly begun before 1910 and it assumed large proportions only after 1920.' During the post-war period, it is instructive to note that, "while the world production of cotton gained only slightly, that of artificial silk (or rayon) multiplied a hundred-fold—moving from 6 millions lbs. in 1910 to 600 millions lbs. in 1933." The post—1933 story of its growth in volume is adequately told by the statistics of production quoted above. To this growing industry a further impetus has been given by the present war and development has been most marked in the United States, Great Britain, Germany and Japan. In the latter two countries, the cessation of natural fibre imports has been a major factor in expansions. In the post-war period, the natural fibres will have to meet close competition from their synthetic cousins, more especially because the manufacturers of artificial textiles comprise some of the wealthiest and the most powerful undertakings in the world.

These prospects confront the Indian textile industry with a menace and at the same time afford a new field of activity. Rayon is an expanding industry, not only because its introduction has made possible the production of a large variety of finer types of cloth, but also because rayon can be blended with the natural fibres in textile manufacture. Not only has the use of rayon been increasing in the world, but Indian textile mills themselves have been increasingly importing rayon to undertake the manufacture of finer qualities of textile cloth. The following figures of imports of rayon in this country clearly bring this out:—

IMPORTS OF ARTIFICIAL SILK OR RAYON IN INDIA
(In 1000's of lbs.)

Year	Import
1924-25	1,171
1931-32	9,963
1939-40	30,794

This enormous rise in rayon imports may be viewed from two view-points. In so far as it indicates the development of finer types of cloth manufacture in India it is undoubtedly to be welcomed. But there is another and less satisfactory aspect, viz., the exclusive dependence on the part of our textile industry on foreign sources for one of its increasingly important raw materials, and this is "not only an unhealthy sign for the future of the industry, but also, definitely detrimental to the general economic stability of the country" as the sudden stoppage or even partial curtailment in the supply of raw materials caused by an emergency will place the industry in jeopardy and cause a wholly avoidable unemployment and hardship, as has been evidenced during this war. India has also been importing rayon piece-goods from abroad and these must be added up to imports of rayon yarn to give us a complete idea of the total consumption of rayon in this country. The figures are:—

Year	Yards	Value (Rupees)
1934-35	68,489,000	1,88,02,000
1935-36	72,999,000	1,87,08,000
1936-37	99,259,000	2,32,95,000
1937-38	91,953,000	2,28,63,000
1938-39	29,616,000	1,04,36,000

Converted into lbs., on the basis of an average of 5 yards to the lb., the import of piecegoods in terms of yarn, in 1937-38, amounted to 18,390,600, which, added to the figure of yarn imports for that year makes the colossal amount of 50,000,000 lbs., which is the Indian consumption during that year. There is no reason why indigenous production should not be undertaken, more especially when a big market at home is assured and this development would enable the country to share in the profits of a growing industry.

So much for the need, then. What are the prospects? It is instructive in this connection to study the experience of Japan. "In 1930 Japan's production was only 9 per cent. of the world's total output, but in 1932, by surpassing France, Japan came next to Germany, Italy and England. In 1933, she had already left behind these three countries, her production coming very close to that of the U.S.A." Owing to the raising of the import duty on rayon yarn from £87.90 to £125.00 per 100 kin, in 1925, some of the spinning companies and importers felt the necessity of producing their own supplies, and thus was laid the foundation of her rayon industry. What factors helped its growth? Japan started late and hence she was able to make use of the most uptodate equipment and thus she has been able to produce at the lowest cost in comparison with other countries important for the manufacture of rayon. In this connection the following comparison of international costs in the manufacture of rayon, taken from the Mitsubishi Research Bureau's' "Japanese Trade and Industry," would be of great interest.

* Estimated figures.
(1) Including artificial straw.

INTERNATIONAL COMPARISON OF COST OF PRODUCTION
(In Yens per 100 lbs.)

Items of cost	U.S.A.	G. Britain	Germany	Italy	Japan
Pulp ..	11.0	11.0	11.2	11.4	11.4
Chemicals ..	38.8	33.2	35.0	29.9	18.6
Wages ..	54.3	49.3	36.5	17.6	10.8
Motive power ..	23.3	22.8	17.3	20.2	11.4
Working charges ..	28.0	27.0	25.0	8.8	7.3
Total ..	155.4	148.3	125.0	87.9	60.0

These figures clearly reveal that Japan's chief advantage has lain in her cheap labour cost. India shares to a great extent in this advantage, at least in comparison with the European countries and America. Cheap electricity is another advantage that Japan enjoys over the other countries mentioned. Even now the location of our rayon industry in some part of the country where hydro-electric power can be utilized will give it cheap electricity and as the enormous dormant sources are utilized this advantage would tend to increase. Nor need the supply of requisite chemicals, "in view of the development of large chemicals industries in our country, made feasible by the present war and in view of the possibility of large quantities of chemicals being imported into this country.....present any serious difficulties." The raw materials, position is also very satisfactory. The main constituent of the raw material for the manufacture of rayon is cellulose. By experience and experiment in the U.S.A. and Europe, it has been bound that cotton which has a 99 per cent. cellulose content as compared with wood-pulp's 50 per cent. and thus has an advantage over the latter (used by most European manufacturers), can be utilized in this country in the manufacture of rayon, staple fibres, etc., as India has a large supply of short staple cotton. Then there are several alternative raw materials available in the country such as cotton linters, Bagasse and Spruce which scientific research might place at the industry's disposal. Even if India has to import wood-pulp from Canada or elsewhere, this need not greatly impair her competitive capacity as some of the leading rayon manufacturing countries have also to depend on imports for wood-pulp.

We may conclude, then, that the need for the development of rayon manufacture is great and, on all available evidence the industry has a fair chance. of turning out to be profitable. Any corporation started for the manufacture of rayon must have a fairly large capital of, say, a crore of rupees. For "synthetic rayon production, requiring as it does a high degree of modern chemical research and technique can never be carried to full advantage. The smallest unit of production is estimated at 20 tons per day which requires about Y300,000 per ton initial outlay. It is instructive to note that the majority of Japan's rayon manufacturing firms had a daily output ranging between 35-40 tons, though one even manufactured 5 tons only, and the paid-up capital of the chief companies, in 1935, amounted to 125,500,000 yens. Government should also come to the industry's aid by encouraging technical research in the problems of the industry and ensuring reasonable tariff protection and tax exemption in the initial period.

NOTES

THE FUTURE OF RUBBER

It has been announced that the United States' Government and rubber industry representatives are visiting London, to confer with British and Dutch officials on the future of rubber. The Japanese seizure of the main natural rubber producing regions of the Far East has directly led to the development of synthetic rubber in the United States. In the context of these altered circumstances, the old International Rubber Regulation Scheme, which was essentially a restrictive machinery dominated by the British and Dutch plantation interests, had to be given up and attempts are now being made to set up a more suitable international machinery in its place. It is clear that the United States will play a dominant role in any organization that may be set up both as a leading consumer of rubber, natural and synthetic, and as a major producer of the latter. It is also clear that, in the future, natural rubber interests cannot seek to safeguard themselves through restrictionist devices as the synthetic rubber industry of the United States may reasonably be expected to refuse to fall in with suggestions that would, in effect, deny it the advantages of large-scale production. Difficult times, therefore, seem to lie ahead for the plantation interests. It is often assumed, without argument, that in the immediate post-war period, demand would greatly exceed the supply both of natural and synthetic rubber although there may eventually be a world surplus. This may, indeed, turn out to be true if an immense reconstructionist as well as expansionist drive is launched, but in the absence of such an all-out effort, the problem of a surplus may have to be faced even as early as in the years immediately after the war. It is significant that American tyre companies have reported that the synthetic surplus is already piling up despite the fact that the monthly off-take of synthetic at 50,000 tons plus the use of natural rubber at 10,000 tons aggregate a bigger consumption than that of the best pre-war year. Another ominous portent for natural rubber interests is the steady technical improvement that is taking place in the manufacture of the synthetic product, the adequacy and efficiency of which for use as a substitute or in combination are fast increasing; heavy truck tyres now made with 70 per cent. synthetic are about 80 per cent. as long-wearing as the all-natural type, although till very recently the synthetic product was proving very unsatisfactory for heavy tyres. The need for a new outlook on the part of the pantation interests is obvious. They should agree to give up their pre-war coolie economics of rubber production, carry out a large measure of rationalization of plantation management and collaborate with the synthetic industry in promoting an expanding world market.

ROLLING STOCK FOR RAILWAY

The standing Financial Committee for Railways has sanctioned Rs. 60 crores for rolling stock for 1945-46. This figure is to be compared with the amounts provided in the Railway Budgets for the past few years since the outbreak of the war: Rs. 5 crores for 1940-41, a little over Rs. 4½ crores for 1941-42, Rs. 6¼ crores for 1942-43, Rs. 12½ crores for 1943-44 and about Rs. 34¼ crores for 1944-45. This series of figures is eloquently denunciatory of the very irregular programme of replacement, involving epileptic jumps, worked out by the Railway Board during recent years. The fact is clear that the Board have failed to take full account, sufficiently early, of the prospective effects of the accelerated wear and tear of rolling stock due to the strain of war traffic, the mounting burden on the Railways and the short-sighted policy of sending rolling stock abroad and draw up a balanced long-range programme. It is also evident that the diffi-

culties in securing adequate and timely imports of locomotives wagons from overseas and in stepping up production in the few existing Railway workshops have lead to heavy arrears in replacement, which would, in part, account for the irregularity in the replacement schedule. If only the Government had taken up large-scale manufacture in India at the beginning of the war itself, this difficult situation could have been avoided largely. We note that the Standing Financial Committee has emphasised that in executing the replacement programme, indigenous resources should be fully exploited in the first instance and that orders for imports should be placed only thereafter. But, such a recommendation will have no practical value unless the Government become much more sincere and energetic than they have hitherto shown themselves to be in organizing large-scale manufacture of locomotives and boilers within the country itself. In so far as imports are absolutely necessary to fill the gap before local production commences or to supplement it, orders should be placed with such countries as are in a position to effect the earliest delivery. This is important in view of the fact that inadequacy of rolling stock has come to be to some extent responsible for the bottleneck in railway transport. Viewed in this light, the recommendation of the Committee that the orders should be placed with the United Kingdom in preference to any other country, on the ground that the United Kingdom market is financially more favourable to India seems to us to be a case of wrong emphasis. It is also doubtful whether the Committee had comparable data regarding costs from other countries, such as U.S.A. and Canada, before jumping to its conclusion. In any case, judging from results, the Standing Financial Committee has been serving recently only as rubber stamping machinery for the anti-national policies of the Railway Board.

CLOTHING INDUSTRY

One of the important industries which have been brought to a high degree of organization and mobilization for purposes of war is the clothing industry. In 1940-41 the output of clothing was about 7 million garments a month and in 1941-42, it rose to 10 million while in the year ended June 1943 it exceeded even that figure per month, totalling 375 million yards being made up into tailored items. There are now nine clothing factories linked with a large number of tailoring contractors employing about 100,000 men in all. Will this war-time mobilization be allowed to go to the wall when with the armistice the army contracts for garments cease? Surely the war-time record is a fine achievement in standardized clothing on a mass scale which should be continued and developed in peace if low-priced finished garments are to be made available to the common man; and yet this cannot be done if Government demands stop all of a sudden without other agencies being set up to keep the trade alive. The essence of transition from war to peace economy is the switching off of the demand from public to private channels and perhaps the most suitable method of effecting the change-over would be through encouraging co-operative combinations of individual establishments in manufacture and marketing. This task should be the charge of the Industries and Co-operative Departments in the Provinces. In any case this and similar other trades represent a mobilization of industrial employment which can be allowed to relapse into chaos only with grave deflationary results and social distress.

MICA CONTROLLER

It is gratifying to note that the Bihar Government has appointed a senior Indian officer of the Bihar Civil Service as the Mica Controller. This will help to set at rest certain apprehensions regarding the sincerity of the purpose of the recent measures of control. The officer will be called upon to remedy a difficult situation in the industry and will have to face the sectional interests with determination. The fact that the officer is not a mining expert need not be a handicap to the fulfilment of the purposes of the control. The issues that confront the industry are not merely technical mining problems. What is needed is the regulation of the industry in all its diverse aspects to prevent wasting of the national asset, and an officer with long administrative experience has certain advantages over the technical expert. The delay in the nomination of the Advisory Committee contemplated under the recent measures is unfortunate, particularly because the officer appointed lacks technical knowledge of the industry. The Government will be ill-advised to shelve the matter indefinitely and leave totally unfettered the controller's arbitrary authority.

MANUFACTURE OF DRY CELLS

Dry batteries have a multitude of uses, the major ones being in motor vehicles, radios, telegraph and telephone services, etc. In the pre-war years, India had depended on imports to the tune of about Rs. 20 lakhs annually, although the main components required for manufacturing dry cells are available within the country or can be produced with indigenous materials. It is, therefore, satisfying to note that the Council of Scientific and Industrial Research have developed a process for the manufacture of carbon rods for dry cells and entrusted its commercial exploitation to a private concern under the usual terms.

LABOUR MOBILITY

Laissez faire economics has always stressed the immobility of labour and sought to magnify the difficulties of planned location of industries, transference of agricultural workers to industrial centres in the process of rapid industrialization and even of the much simpler problem of easing the difficulties of 'distress areas' through large-scale emigration. Soviet experience, of course, has done much to dispel the traditional doubts and fears. Even before the War, large-scale transferences of the population from the villages to the towns and from old industrial centres to the new ones in the east have been proceeding there with the smoothness and definition of a planned economy. The exigencies of a total war and particularly of a scorched earth policy occasioned by the earlier surge of the Nazi invaders only gave an opportunity for the dramatic exhibition of labour mobility in a planned economy. In our own country, a demonstration of labour mobility has occurred recently, which will be encouraging to our planners. In the Mysore State, the supply of electricity has been curtailed and there has consequently been a partial cessation of mining operations in the Kolar Gold Fields, resulting in the enforced idleness of thousands of miners. These workers, through their Labour Associations, offered to take up temporary employment in other mining areas. This offer was accepted by the Labour Department of the Government of India, who have arranged to employ 3,000 of them in the Talcher Coal Mines in Orissa and the Bermo Coal Fields in Bihar. The first batch of 1,500 miners have already left for their destination by special train. When the large-scale planning of this country's economic development is taken in hand, it may be expected that there will be many calls for such exhibitions of labour mobility.

austerity

in the houses of the rich

prevents want

in the homes of the poor

THERE was a time when we loved to entertain lavishly—in fact, it was a sign of a large heart and a generous disposition. Indian hospitality was one of our greatest traditions which was cherished in thousands of well-to-do homes. But that time has now passed. Rationing, and all-round good management, are helping to relieve the food situation, but every extra economy still eases the plight of some hungry man, woman or child somewhere in India.

THIS is no time for feasts, and even in everyday life we can reduce the number of dishes served at each meal. We can economise in rice and bread, and substitute fruit, vegetables, meat, fish, eggs and so on—according to whatever diet we follow. This is our definite obligation to the less fortunate. By preventing waste in our homes we are doing something really useful. Let us intensify our efforts from to-day.



A.A.A. 7/44.

food for all

..but none to waste

Issued by the National War Front

FROM THE PROVINCIAL ANGLE

U.P. Letter

(From Our Correspondents)

CAWNPORE, July 24.

Cloth Shortage

ACCORDING to the latest estimates, there is a shortage of 360 million yards of cloth in the United Provinces. The shortage is chiefly confined to the finer qualities. The Provincial Government have under examination proposals for rationalization of exports, that is, placing some check on the goods that can be exported by the manufacturers and others from the U.P. to other areas, including the free zones for the province. It is felt that owing to handsome prices available in other areas, a larger quantity of the U.P. cloth is sent out than would be the case in the normal circumstances.

Sales Quotas On U.P. Mills

As the mills in the U.P. have been selling their entire production to their selling agents, it was argued that clause 18-A, which specifically uses the word manufacturer, did not apply to such mills as instead of mills the selling agents had been dealing with the dealers. The Textile Commissioner, on a reference being made by the U.P. Government, has now informed that "the correct legal position is that manufacturers are bound to comply with Clause 18-A of the Order, whether they sell directly or through selling agents. A sale put through by a selling agent acting on behalf of the mill is, nonetheless, a sale by the mill and such a sale, if it be in contravention of Clause 18-A, renders the mill liable to penalties." Under this order, therefore, mills in Cawnpore have been asked to fix quotas for dealers based on their purchases in the basic years. Where the mills had been dealing through commission agents, the Textile Commissioner has held that an *Arhatiya* is only an agent for the time being of the buyer and the sales made by a mill could not be regarded as sales to *Arhatiyas*. In fact, they were sales to dealers who were the principals of *Arhatiyas*. The mills should be told that they should continue to make sales to the same dealers as those for whom the *Arhatiyas* bought from the mills in the years 1940-41-42. If for any reason it is not possible for the *Arhatiya* to furnish the mills with the names of these dealers, it would be open to the company to submit for Textile Commissioner's approval a list of genuine dealers who were regularly in the cloth trade in 1940-41-42 to whom the company wishes to sell, along with the quota proposed for each dealer. The commission agents should be cut out altogether unless they give figures for their distribution to dealers of mill cloth in 1940, 1941 and 1942 and continue to distribute it to the same dealers and on the same terms as in those years."

Improved Indian Sugar

In spite of the shortage of essential materials, such as sulphur, required in the manufacture of sugar, the quality of sugar produced by Indian factories during the last season shows a marked improvement over the quality in previous years. This interesting information was supplied to the Advisory Committee of the Bureau of Sugar Standards which met on July 13 under the auspices of the Imperial Institute of Sugar Technology, Cawnpore. The improvement is attributed to the rule made by Government last year requiring factories to grade their sugars on the basis of the Indian Sugar Standards and to mark the grade on every bag. The Committee confirmed its previous year's decision that grading for grain size should be based on visual comparison only, disputed cases being referred to the Bureau of Sugar Standards for arbitration.

Record Crushing Season

The crushing season for U.P. sugar factories in the year 1943-44 that has ended just now is the longest on record. The last of the factories to stop crushing operations was the Dhampur Factory which worked till June 21, 1944. On May 31 as many as eight factories were working. The total U.P. production, according to the latest figures, amounts to 7,27,254 tons which is 67,250 tons better than the previous record production achieved in 1939-40. The duration of the season has been 148 days as against 133 days in 1939-40 and 140 days in 1936-37. It is possible to exceed even this latest record production and achieve the target indicated by the rated capacities of factories. The total production of the factories that are members of the Indian Sugar Syndicate thus amounts to 9.4 lakh tons in 1943-44. In Bihar the season was disappointing and the crushing operations lasted only 107 days.

Sind Letter

KARACHI, July 21.

REPLYING to an address of welcome presented to him by the Karachi Corporation on the occasion of his visit to this city in connection with the Sind Journalists Conference, Mr. Devadas Gandhi took the opportunity to refer to the economics of cow slaughter. He deplored the indiscriminate waste of milch and draught cattle being killed for consumption by the military. It had not only accentuated the problem of mal-nutrition by reducing the supply of milk and milk products to civilians, but had affected the rural economy disastrously. He desired a direct intervention, if necessary, by President Roosevelt to stop this rot. It was a happy coincidence, however, that a day or so after Mr. Davadas Gandhi made these plain remarks, an agreed formula for the prevention of cattle slaughter was announced from Delhi as the result of a conference between the Government and the military authorities. Measures of a similar nature have also been subsequently announced by the Government of Sind. These include a ban on the slaughter of cattle below three years of age; of male cattle between three and ten years which are used as or are likely to be used as working cattle and of cows over ten years of age, which are pregnant or in milk.

Post-War Agriculture

In connection with the Government of India's Ten-Year Plan for the development of agriculture, the Sind Government have received a communication, asking them to proceed with the training of subordinate agricultural experts and develop indigenous sources of manure forthwith. The Centre will bear a part of the expenditure incurred by the Provincial Governments in this connection. Provincial Governments have also been asked to intimate the Government of India their requirements of agricultural implements

necessary to strengthen the grow-more-food drive. But the achievements so far of Sind in this movement are officially stated to be not satisfactory. A scheme for the distribution of good seed to the agriculturists was launched with an allotment of Rs. 40 lakhs, but only Rs. 20,000 have so far been spent. This poor utilization of funds is attributed not to the apathy of agriculturist to benefit by the amenities provided by the Government, but to the non-availability of good seeds, the difficulties of transport and other abnormal conditions created by the war.

Assessment Compromise

A short summer session of the Sind Assembly is meeting since yesterday. The question of adopting new rates of land assessment in respect of Karachi district, which had been left out at this time last year when the assessment battle was fought on the floor of the House, leading to the Governor enforcing the new rates on his special responsibility for the Barrage areas, passed over without any storm or protest from the Opposition, as the Government accepted a compromise formula proposed by a prominent Ministerialist. The formula implies Government's readiness not to enforce the new rates for a year to come, as well as to vary the scale of assessment for each taluka in the district. A move to postpone the new rates until the construction of a second Barrage for Lower Sind was, however, lost.



Book Review

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CONTROL OF CAPITAL ISSUES

COMPANIES OUTSIDE BRITISH INDIA

Applications for consent or recognition to issues of capital by companies incorporated outside British India must supply the following information in addition to that prescribed in the standard questionnaire:

(i) Full amount of issue, whether issued to persons in British India or to persons outside British India;

(ii) Details of any concessions, particularly as regards total or partial exemption from taxation, granted by the Government within whose jurisdiction the company is incorporated; and

(iii) If the company is incorporated in an Indian State the Government of which has introduced its own control of capital issues, whether application has been made to the State Government for consent to the issue in question and if so, with what result.

A. H. LLOYD,
Examiner of Capital Issues.

Company Note

TATA IRON AND STEEL COMPANLY LTD.

The Tata Iron and Steel Company had a highly satisfactory working during the year 1943-44 despite increasing coal supply difficulties. The steel output was the second highest on record being next to that achieved in 1941-42. The production of tools was the highest on record. Steel by the perrin process was made on a fairly large scale for the first time during the year, and wagon building and production of special steels and alloys made considerable progress. The success is manifest from the year's sale proceeds which amounted to Rs. 20.40 crores compared to Rs. 16.02 crores of the previous year. The gross revenues amounted to over Rs. 27.44 crores. Wages and salaries amounted to Rs. 3.62 crores compared to Rs. 3.07 of 1942-43, and the subsidized distribution of foodstuffs was considerably larger. Provision for taxes are Rs. 3.99 crores compared to Rs. 2.92 crores, managing agents commission Rs. 52 lakhs compared to Rs. 46 lakhs and the appropriation account is Rs. 4.06 crores compared to Rs. 3.97 crores of the previous year. The appropriation is as follows: Depreciation Rs. 1.20 crores, bonus to employees Rs. 44 lakhs, reserve fund Rs. 57 lakhs, and dividends Rs. 2.08 crores. The appropriation during 1942-43 was as follows: Depreciation Rs. 1.25 crores, bonus Rs. 52 lakhs, reserve fund Rs. 35 lakhs, and dividends Rs. 2.09 crores. Apparently, the provision for compulsory excess profits deposits for reserves has decreased the disbursement as bonus to employees. The dividends per share are to be as follows:

Shares	Dividend	Paid up per share.	Present quotation.	Approximate present yield.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	%
First Preference ..	9 0 0	150 0 0	226 4 0	4
Second Preference	7 8 0	100 0 0	168 0 0	4.5
Ordinary ..	23 0 0	75 0 0	421 0 0	5.5
Deferred ..	129 8 9	30 0 0	2,222 8 0	6

Owing to rise in stock prices the yields are lower than last year.

Hardly much need be said regarding the general financial position of the Tata Steel Works. The Company has against a total paid-up capital of Rs. 10.47 crores the gross block account including collieries of Rs. 32.73 crores. The depreciation fund account stands at Rs. 17.71 crores, so that the net block is Rs. 15.02 crores. Out of the paid up capital of Rs 10.47 crores, no less than Rs. 7.68 crores are interest bearing involving a charge of no more than Rs. 56 lakhs. Loans secured and unsecured were Rs. 2.22 crores against Rs. 3.25 last year. Thus the block account against the liabilities is highly satisfactory. There are particularly no capital liabilities for the Company. Investments in securities amount to Rs. 1.78 crores. The accounts for the year make an impressive reading.

AGRICULTURE

A Post-War Plan for Fisheries

INDIAN fishery resources may be broadly classified into inland and marine. India has a long coastline of 3,500 miles, and the sea is an immense store of a large variety of fast-multiplying food fishes. The deltaic regions of the Ganges, the Godavari, the Indus and others offer great scope for fishing. Then there are the numerous ponds and pools with which the country abounds, which, if exploited properly, will make considerable additions to the total fish-supply of the country. Figures for the total annual catch from the inland sources of fish-supply are not available. But the quantity marketed is about 220,000 tons. It is probable that this is a very small fraction, as the practice is very common in the country for individuals and for a village collectively to reserve ponds, etc., for personal use or for the consumption of the village concerned. The total marine fish supply is about 450,000 tons. An idea of the value of sea-fish in money terms may be had from the fact that in the pre-war years nearly 54,000 tons of fish used to be caught in the Malabar coast alone valued at £400,000.

India affords a sad contrast to the more progressive countries such as the U.S., Japan or Europe. While in these countries sustained efforts at scientific exploitation have yielded great fruits, in India only a very small fraction of its resources has been pressed into social service. Pisciculture has been practised in Bengal and some other parts of the country since time immemorial, but there has not been any improvement worth mentioning, in the methods employed for the purpose. Deep-sea fishing is conspicuous by its absence. Estuarine fishing is carried on under crude methods without organized or scientifically planned effort. Vast expanses of the sea are simply allowed to go to waste. Madras, for instance, has a coastline of 1,750 miles, which is margined by a "shallow water area within the 100 fathom-line of 40,000 square miles outside of the mere fringe inshore," but this vast expanse is allowed to lie idle and continues to be unproductive. Inland fishing has no better tale to tell. This is badly organized. "Only when the streams shrink to pools and the tank to puddles, do the owners or the lessees of the fishing rights turn out to catch fish." The reasons for this unhappy state of affairs can be easily recounted. First of all, there is the fact that the industry is almost in its entirety in the hands of low-caste fishermen who are steeped in ignorance and prejudices. Then they are also without the financial means to adopt better and more scientific ways. Higher-caste capitalists have, as a rule, considered it below their dignity to participate in a profession of the lowly. In these circumstances, the initiative for any betterment must needs have come from the Government. The development of fisheries has been a provincial subject and Provincial Governments have been almost forced, by sheer inadequacy of resources, to give the problem less of their attention than it deserved and have contented themselves with halting and half-hearted measures, with the consequence that the industry has been relegated to the background. Furthermore, "in the absence of regular Government machinery at the Centre, the matter has usually rested with the enthusiasm of individual officers and so there has been lack of continuity of effort."

The marketing aspect of the fishing industry similarly is very unsatisfactory. In regard to inland fisheries, it can be said generally that it is from start to finish entirely the concern of the disorganized and scattered fishermen throughout the country. They work in isolation and, being unaware of the supply that is forthcoming on a particular day and in the absence of any storage or refrigerating facilities, have to accept any price which would take off the entire supply from their hands. Indeed, they suffer from all the handicaps which our agriculturist sellers have to experience with the additional difficulty that the ware in which the former deal, fish, is a highly perishable commodity and practically no organization on any scale exists to solve even a portion of their difficulties. The absence of facilities for landing catch, packing, sale and despatch to different centres handicaps the development of deep-sea fishing. In regard to estuarine fishing also, the position from the point of view of the fisher population is highly unsatisfactory because it is greatly exploitative. It is particularly true about Bengal where "the fishermen are so completely in the hands of a powerful ring of middlemen to whom they owe money, that improvements in marketing are not feasible, except in so far as they help the middlemen themselves." In these disheartening circumstances of sale, it is not open to reason to expect that there can be any material development for the better, unless arrangements for sale are made satisfactory for the growers. In fact, it may not be far from the truth to say that in regard to fishing the main problem is that of marketing.

Fish is an article of human diet and constitutes the raw material for quite a number of medicinal and industrial oils, bones, soaps, etc., and the importance of developing our fishery resources has long been realized, in theory. The Royal Commission on Agriculture pointed out, in 1928, that "fish forms a specially valuable addition to a diet the staple of which is rice," as it provides for the deficiency of protein, and remarked that "the development of inland fisheries in Bengal should be regarded as one of the urgent measures of rural amelioration." They made similar recommendations in regard to Madras, Orissa, Punjab, etc., and obseved that "improvement in the cultivator's diet holds out such promise of improvement in his general health and the addition of fish to his diet impresses us as being so much the most promising way of providing it over large areas of the country" that they felt justified to err on the side of optimism in their recommendations on the subject.

But the case for the development of our fisheries does not merely rest on the consideration of a balanced and nourishing diet for our people. The need is further emphasized by the possibility of the fisheries and the fishing industries absorbing a large number of our people. Even in the present depressing conditions, on the west coast alone, 138,294 persons earn their living by fishing. In Bengal 1.6 per cent. of the population is engaged in fishing and its connected trades. 490,865 persons subsist by fishing, and experts have estimated that if deep-sea fisheries are fully utilized, our fish food demand can be fully met, and the increased supply of fish will make the establishment of factories for fish canning, fish oil, etc., feasible and profitable. But this can only be possible if India has fleets of steamers, trawlers, drifters, liners and cutters. And all this is sure to provide employment to a vast mass of our people. The exploitation of the possibilities of crop-farming and fish-culture, either simultaneously as in the case of paddy and jute crops, which require water almost all the time during the season, or alternately with short-term crops, on a co-operative basis, moreover, affords, as Dr. Sunder Lall Hora, Director of Fisheries, Bengal, has pointed out, a profitable spare-time employment to our agriculturist

population and the addition of a string to the bow of our rural population is so important a consideration. Development of inland fisheries, such as tanks, etc., offers similar promises. Sir K. G. Gupta has estimated that a tank (50' x 50' x 10') big enough to hold 500 fish of 1½ seers each can yield a minimum annual income of Rs. 70. It may be, as Dr. Hora feels, that it is an underestimate, but even this, in the present circumstances of the Indian village, is a considerable sum.

In view of these overriding considerations and the fact that throughout the Empire planned exploitation of the food resources of the sea has begun, the attempt, in the Kharegat memorandum, to evolve a plan for a rational exploitation of the Indian seas and our inland fisheries comes at an opportune moment and is welcome. But the first pre-requisite is complete understanding of the sea, the fishes, the catching methods, etc. And the memorandum rightly stresses that the first step in this direction is to have a regular organization. It recommends the constitution of a Fisheries Research Station, in charge of a Director of Fisheries Research, with the object of "deepening and widening of the basis of practical utilization of the fish resources in India." The Station will operate in two parts, one for marine fisheries, the other for estuarine and inland fisheries, and its functions would be (1) to attend to the research on the ecology and the bionomics of Indian fishes, (2) to conduct an investigation into the present state of commercial fisheries in India with a view to opening and developing new grounds and new objects of fishery, (3) to carry out research into the technological aspects of the fishing industry. The memorandum recognizes the importance of improvement in the marketing of fishes and the necessity of ensuring training of research and development personnel, and both these tasks have also been included in the functions of the Station. The memorandum lays down a comprehensive programme of research on all problems relating to fisheries and rightly stresses that the primary object of any planning of fisheries should be to rehabilitate the fisher population. Dr. Baini Prashad, Director Zoological Survey of India, in his memorandum on Post-War Development of Indian Fisheries, has made valuable recommendations on more or less similar lines. But he has favoured a five-year plan of development and has clearly outlined in detail the progress to be achieved each year. It is gratifying to learn that Government have no intention of putting these recommendations into cold storage and the establishment of the Central Fisheries Research Institute is already engaging their attention. It has been decided that the part of the Institute dealing with fresh-water fisheries will be located in Bengal while the portion dealing with the marine section is to be set up in Bombay.

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YODHRAJ,
General Manager.

COMMODITY MARKETS

Wheat

HAPUR, July 25, 1944.

HAPUR wheat and other grain markets showed only small changes during the week under review. The ocal stocks of wheat, gram and barley remained unhanged at 34, 16 and 25 *khattis* respectively. The rrivals of wheat were poor and the growers are unilling to market their produce. The similar condiions prevail in other markets of the Western U.P., hile in the Eastern U.P. the problem of non-availbility of wheat is gradually becoming serious and onsumers have been experiencing hardships. The nief factors for the small arrivals of wheat are rstly, the heavy rains nad active *Kharif* crops operaons, and, secondly, the fact that according to the uality and nutritive value and price parity, the conol rates of wheat are considered to be lower than hose of gram and barley. To divert the attention of he farmers from withholding wheat, it is suggested hat the control rates of wheat should be increased, nd of coarse grains decreased.

The following are the latest quotations of wheat nd gram in various mandis of the U.P. and the Punab: Lyallpur: Wheat Rs. 9 to Rs. 9-4, Gram Rs. 6-13.)kara: Wheat Rs. 9-1 to Rs. 9-5, Gram Rs. 6-6. Naraul: Wheat Rs. 8-8 to Rs. 9-2. Lahore: Wheat ts. 8-14 to Rs. 9-2, Gram Rs. 7-1. Kasur: Wheat ts. 9-3. Hapur: Wheat Rs. 9-9, Gram Rs. 8-3-3. Aligarh: Gram Rs. 7-9-9. Kosi: Gram Rs. 7-4.

Pulses

The local Urad and Moong markets were very ctive due to purchases by Punjab traders during the arly part of the week. But towards the close the rices suddenly collapsed on speculative liquidations nd stopless sellings prompted by rainy weather and he reports that the U.P. Government are contemplating to fix the statutory prices of pulses. The prices f the main pulses, *i.e., Urad* and Arhar, at the crop eason throughout the U.P. were Rs. 9 to Rs. 10 and s. 8 respectively. It is stated that the statutory prices o be fixed will be in consonance with the current rices of these pulses in order to check undue rise in rices by hoarding and speculative activity. *Urad Magh* opened at Rs. 12-7-7½ closed and Rs. 12-3 ouching the highest and the lowest at Rs. 12-10-3 and s. 12-2-0 respectively.

More than 30 years ago, Japan took Korea from China. Koreans have no citizen rights at all; they can hold no position of responsibility in their own Government; all business is in the hands of Japanese firms. This is Japan's idea of 'freedom' and 'co-prosperity'.

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PAID-UP CAPITAL ... ... RS. 21,42,405

(Dividends paid on Preference shares @ 5½%, on Ordinary shares @ 6% and on Deferred shares @ 7%)

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2. Mr. SHAMBU LAL PURI,
3. DR. GANESHI LAL AGARWAL,
4. L. MEGH RAJ MAHAJAN,
5. MR. M. R. KOHLI,
6. Seth JHABARMAL CHOKHANI,
7. R. S. L. LABHA RAM SETH,
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Buildings, The Mall,
LAHORE.

M. R. KOHLI,
M.A., F.I.B., (LOND.),
Managing Director.

CURRENT STATISTICS

BANK RETURNS

RESERVE BANK OF INDIA

Comparative Statement as on 14th July, 1944.

ISSUE DEPARTMENT

(000's omitted)

	July 14, 1944	July 7, 1944	July 16, 1943	Sept. 1, 1939
Notes held in the Banking Department ..	11,03,44	11,29,44	10,60,16	35,04,49
Notes in Circulation ..	9,32,22,05	9,31,92,53	7,37,41,97	1,82,13,17
Total Notes	9.43,25,49	9,43,21,97	7,48,02,13	2,17,17,66
A. Gold Coin and bullion	44,41,43	44,41,43	44,41,43	44,41,46
Sterling securities ..	8,28,32,89	8,28,32,89	5,70,78,87	59,50,11
Total of A	8,72,74,32	8,72,74,32	6,15,20,30	1,03,91,57
B. Silver coin	12,67,22	12,63,80	14,39,95	75,87,11
Rupee securities ..	57,83,95	57,83,85	1,18,41,88	37,38,98
Silver bullion under Coinage	..	..	..	..
Percentage of Reserve to Liabilities	92.525	92.528	82.244	63.149

BANKING DEPARTMENT

(000's omitted)

	July 14, 1944	July 7, 1944	July 16, 1943	Sept. 1, 1939
Cash	11,29,63	11,52,24	10,73,68	35,15,27
Balances held abroad ..	182,96,84	174,46,05	93,12,66	10,08,33
Investments	11,12,71	11,10,54	7,39,22	6,81,34
Bills discounted:—				
(a) Internal	..	..	..	..
(b) External	..	..	..	..
(c) Government of India Treasury Bills ..	46,96	46,96	..	1,15,67
Loans and Advances to the Government ..	18,00	63,00	22,00	31,00
Deposits:—				
(a) Government ..	87,30,97	75,40,92	25,21,21	14,89,43
(b) Banks	92,12,97	98,42,92	63,55,68	26,91,43
(c) Others	4,00,24	3,49,37	3,12,78	1,24,37

BANK OF ENGLAND

(000's omitted)

	July 19 1944	July 12 1944	July 21 1943	Aug. 30 1939
Total Bullion ..	1,236	1,224	1,264	263,700
Public Deposits ..	16,700	10,300	6,400	31,100
Other Deposits ..	226,900	246,300	223,200	129,100
Of which Banker's Deposits ..	170,400	190,300	147,400	90,100
Govt. Securities ..	224,400	239,200	180,800	113,100
Other Securities ..	14,600	15,200	16,600	31,000
Of which Discounts and Advances ..	4,900	4,900	4,700	6,400
Notes and Coins ..	17,700	15,200	45,300	34,200
Notes in Circulation ..	1,133,600	1,136,100	956,000	529,500
Ratio of Reserve to Liabilities ..	7.25%	5.91%	1972%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	July 20 1944	July 13 1944	July 22 1943	Aug. 31 1939
	$	$	$	
Resources:—				
Total Reserves ..	19,164,000	19,225,000	20,536,000	14,660,610
Total Bills Discounted	39,000	45,000	9,000	6,190
Bills bought in open market ..	..	..	..	550
Total U. S. Government Securities ..	14,556,000	14,816,000	7,577,000	2,426,190
Liabilities:—				
Federal Reserve Notes in actual Circulation ..	18,981,000	18,959,000	14,145,000	4,609,280
Deposits — Member Bank Reserve Account ..	12,754,000	12,849,000	12,319,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note-liabilities combined ..	56.5%	56.2%	72.6%	86.9%

IMPERIAL BANK

Weekly Statement of Affairs as on 14th July, 1944.

(000's omitted)

	July 14 1944	July 7, 1944	July 16, 1943	Sept. 1 1939
Fixed deposits, savings bank, current and other accounts ..	227,45,20	228,49,39	195,00,46	87,26,24
Govt. Securities ..	126,94,48	125,38,51	136,30,42	51,02,78
Other investments ..	3,22,52	3,05,27	2,09,57	96,27
Loans ..	13,44,06	13,49,94	9,87,24	7,66,38
Cash credits and overdrafts ..	46,24,61	46,35,01	23,84,83	19,76,06
Bills discounted ..	5,41,39	4,22,70	2,41,96	2,94,74
Cash in hand and with the Reserve Bank and with other banks ..	41,68,12	47,44,05	31,08,24	14,68,87

SCHEDULED BANKS

(In thousand Rupees)

	14-7-44	7-7-44	16-7-43	1-9-39
Demand Liabilities in India ..	569,71,76	566,80,27	427,92,83	134,36,49
Time Liabilities in India ..	182,43,99	180,60,56	133,62,95	102,24,34
Cash in India ..	28,07,91	30,42,77	17,80,38	6,69,92
Balances with Reserve Bank ..	92,69,54	96,50,65	62,57,87	25,17,19
Advances in India ..	215,18,28	214,80,77	143,03,92	101,52,16
Bills Discounted in India	9,63,35	9,25,91	3,94,72	3,57,29

TREASURY BILLS

WEEKLY TENDERS

(In thousands of rupees)

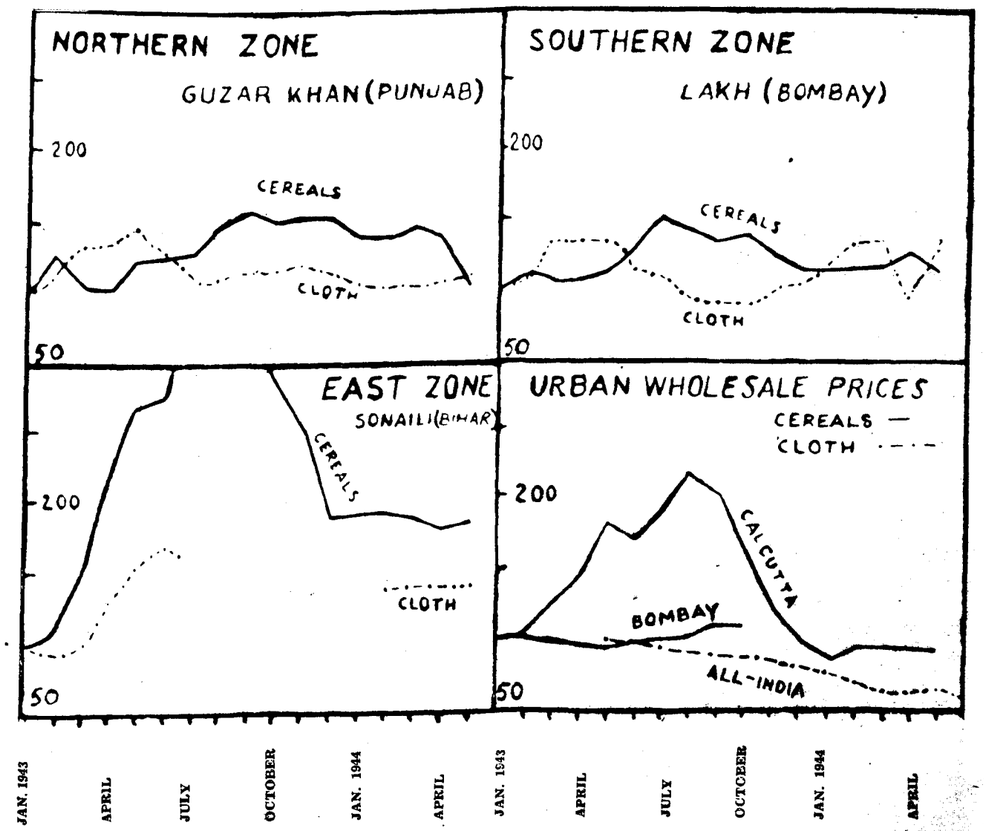
Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Intermediates	Sold in favour of Issue Dept.
May 2	12,14,50	4,00,00	0 10 11	..	2,35,00
,, 9	13,18,75	4,00,00	0 9 0	..	3,35,00
,, 16	15,22,75	4,00,00	0 8 0	..	1,37,00
,, 23	13,39,00	4,00,00	0 6 10	..	3,85,00
,, 30	12,40,75	6,00,00	0 5 11	..	55,00
June 6	11,09,75	6,00,00	0 6 3	..	90,00
,, 13	9,42,00	6,00,00	0 7 8	..	1,95,25
,, 20	9,66,75	6,00,00	0 8 4	..	14,05
,, 27	8,03,25	6,00,00	0 8 0	..	2,79,50
July 4	7,42,25	4,00,00	0 7 9	..	1,67,25
,, 11	8,44,25	4,00,00	0 7 8	..	7,85,00
,, 18	9,07,25	4,00,00	0 7 10		3,76,00
,, 25	12,43,00	4,00,00	0 7 9		1,42,00

MATURITIES

Date of Maturity	rupees) Amount (000's of	Date of Maturity	Amount (000's of rupees)
15th July 1944 ..	400	27th ,, ,, ..	8,25
21st ,, ,, ..	1,84,75	28th ,, ,, ..	1,82,75
22nd ,, ,,	15,25	29th ,, ,, ..	260

RURAL RETAIL PRICES

Since January 1943, rural retail prices have been collected at 15 wayside railway stations distributed all over India, except over Madras presidency. A study of price trends in three of the centres, one in each zone, is revealing. The base for these centres is the disquietingly high prices prevailing in January, 1943. The graphs show that although in all cases there is a decline after the peak attained about August 1943, the prices are still above those in January in most centres. Fluctuations in most centres are over 50 per cent., and in the eastern zone as much as 200 per cent. which must be regarded too great for a period of a year and a half. The eastern zone shows unusual rise in cereal prices which is easily explained by the famine conditions that prevailed. Comparing Lakh to Bombay wholesale cereal index, which has been reduced to a 1943 base, one finds a greater rise and fluctuation



in prices in the rural centre. The same is true with regard to cloth as well. With control prices in June as 100, the all-India wholesale price shows a persistent downward trend. But it appears that the rural centres follow their own peculiarities of demand and supply conditions and are largely unaffected by the control. No doubt the rising trend in cloth prices stopped abruptly with the control, but there is little to show that any progressive lowering in prices has been effected. In the eastern zone centre cloth did appeared from the market soon after control and has reappeared only at a level substantially higher than that in January, 1943. Normally one finds greater fluctuation in the wholesale prices than the retail which is naturally cushioned against them by the wholesale dealings. But here is an instance where the reverse is the case owing to the ineffectiveness of controls in the rural areas.

STOCKS AND SHARES

	This week Rs. a. p.	Previous week Rs. a. p.
BOMBAY		
GOVT. SECURITIES (JULY 23)		
4½% (1955-69)	116 0 0	
3% (1948)	102 7 0	102 7 0
3% (1951-54)	100 6 0	101 1 0
3½% G.P. Notes	99 8 0	99 7 0
4½% (1950-55)	110 13 0	..
3% (1963-65)	99 1 0	..
TEXTILES (JULY 24)		
Ahmedabad	490 0 0	490 0 0
Bombay Dyeing	1,856 4 0	1,922 8 0
Central India	411 0 0	425 0 0
Indian Bleaching	182 0 0	197 0 0
Kohinoor	616 0 0	637 0 0
Century	875 0 0	900 0 0
Phoenix	647 8 0	647 8 0
Colaba Land	218 0 0	231 8 0
Simplex	241 8 0	256 0 0
Swadeshi	536 0 0	557 0 0
Vishnu	490 0 0	503 13 0
Gokak	314 0 0	327 8 0
Finley	306 0 0	318 0 0
Morarji	682 4 0	681 4 0
Sholapur	7,135 0 0	..
New Great	404 0 0	..
MISCELLANEOUS (JULY 24)		
Swan	325 0 0	..
Apollo	4 1 0	..
Sasscon	15 3 0	..
Poddar	388 12 0	..
Bombay Burma	477 8 0	480 0 0
Alcock	487 8 0	500 0 0
Belapur Sugar	247 0 0	252 0 0
Bombay Tramway	156 0 0	155 8 0
British Burma Petrol	3 11 0	3 10 9
Andhra Valley	1,890 0 0	1,897 8 0
Shivarajpur	59 0 0	60 0 0
Tata Power	1,900 0 0	1,907 8 0
Tata Chemical	28 0 0	28 8 0
Tata Oil	80 4 0	80 0 0
Tata Hydro	205 0 0	205 8 0
Tata Steel Ordy.	421 0 0	430 8 0
Tata Steel Defd.	2,222 8 0	2,271 4 0
Associated Cement	232 0 0	232 12 0
Indian Iron	39 8 0	41 10 0
Indian Copper	3 5 0	3 9 0
Tata Steel 1st Pref.	226 4 0	226 4 0
Tata Steel 2nd Pref.	166 0 0	168 12 0
Bombay Burma New	167 8 0	162 8 0
Premier Construction	226 0 0	229 0 0
BANKS		
Central	82 4 0	85 4 0
Imperial (F.P.)	1,985 0 0	1,900 0 0
Imperial (P.P.)	506 4 0	506 4 0
Reserves	138 8 0	139 8 0
India	184 0 0	184 8 0
New India Insurance	81 8 0	81 12 0
CALCUTTA (July 24)		
JUTES		
Anglo-India	461 0 0	484 0 0
Barnagore	216 0 0	228 0 0
Howrah	80 12 0	84 12 0
Presidency	10 15 0	11 9 0
Ganges	545 0 0	..
Kamarhatty	660 0 0	..
STEEL & ENGINEERING		
Nuddiah	129 0 0	..
Indian Iron	39 1 0	43 1 0
Steel Corporation	34 14 0	37 4 0
Braithwaite	9 2 0	..
Kumardhubi	41 6 0	..
TEXTILES		
Cawnpore Textile	14 1 0	14 6 0
New Victoria Pref.	9 5 0	9 0 0
Kesoram	19 9 0	19 14 0
Elgin	67 8 0	..
COALS		
Bheerbhoom	37 10 0	..
Dhalgora	17 0 0	18 15 0
Burrakur	42 14 0	49 2 0
Equitable	65 0 0	70 0 0
Bengal	646 0 0	..
MISCELLANEOUS		
Titagarh Paper	29 14 0	30 4 0
Dalmia Cement	19 9 0	20 0 0
SUGAR		
Champaran	44 4 0	47 12 0
Samastipur	22 8 0	24 8 0
Belsund	17 4 0	20 10 0
Carew	31 2 0	35 0 0
Darbhanga	37 2 0	..
TEA		
Tejpur	21 6 0	21 0 0



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War Economics of Dependent Nations

IT was the late Justice Ranade, who by his emphasis on the relativity of economic doctrines gave a new direction to economic thought in India. Since then despite criticism and even obloquy Indian economists never ceased to emphasise the truth that economic theories depended for their validity—not merely applicability—upon premises and conditions which in themselves differed over time and place. They have refused to import wholesale for internal consumption British principles which were themselves the result of conditions peculiar to Britain and often mere convenient slogans to further British interests at the expense of those of other countries. In the sphere particularly of agricultural, fiscal, trade and monetary policies Indian economists have set up a respectable code of principles at variance with those held abroad, thereby rendering no small service to the country. Unfortunately during the war when the need for reorientation of war economics in the light of our own condition had been more than ever urgent, they have not shown the same awareness of the fundamental differences of war economy between a dependent country like India and other independent countries with the result that some of their proposals, sound in the context of some situations, have been exploited and used out of their contexts by the Government of India for their own ends. For example with the zeal of a new convert the Finance Member and the Provincial Governments began to adopt any and every wrong measure in the name of anti-inflation and claimed the implicit support of the economists who had rightly warned the country against the perils of inflation.

It is, of course, a truism that in war economic resources should be diverted to military purposes, after reserving the minimum for essential civilian needs. But this implies two assumptions. One is that all available resources should be utilized for total mobilization of resources in men and material. Secondly, the minimum required for civil consumption should be such as would not impair strength and vitality. Again another axiom of war economics is that resources being scarce, there should be a system of allocation and priorities to ensure that they are utilized for the fundamental purpose of the war, namely, the winning of victory as speedily as possible. Here again is implicit the assumption that the authority to allocate and decide on priorities is one

responsible for the people or at all events is single-minded in its devotion to the welfare of the people of the country, and that mistakes in allocations would only be just human mistakes which any one may commit, but not those resulting out of a conflict of national interests.

It would be clear from the mere enunciation of the above assumptions that in India not one of them holds good. Total mobilization of economic resources has never been the objective of the Government of India, who at the direction of the Secretary of State or of other vested interests in Britain and India were interested in developing only such industries as would not compete with British industry. Even before the first gun was fired, the securing of proper post-war economic positions for themselves was the object of British economic policy in India. Right through the various stages of the war despite popular cry and willingness of India to make the necessary efforts at industrialization, nothing was done to make India a real bastion for operations near at home and abroad, lest the competitive power of British industry should be impaired. The scrapping of the Grady Report was, of course, the outstanding illustration, but a whole array of evidence is available to show not so much the incompetence of the Government as their unwillingness to act. Right until 1942, every Provincial Government regarded its function as one of transmitting resources to Britain so that the province may have the unique satisfaction of a few fighter planes named after it. That was the sum and substance of India's war economy in the early years of the war. Did not the Commerce Secretary say early in 1941, that Government had no intention of encouraging ship-building industry as a part of the war effort? Nor would the Government give even a guarantee that they would purchase motor vehicles manufactured by a proposed Indian company on the astonishing ground that the military refuse to use trucks and cars of a new pattern. To this day it remains true that India has not mobilized and is not allowed to mobilize all available resources for the purpose of the war. Hence the assumption that in war time countries plan for total mobilization does not hold good in respect of subject countries.

From this follows that the mere diversion of resources to military purposes in a community which has always suffered from insufficiency and want would only spell disaster. Even richer countries whose margins of reserve were high have attempted a very large increase in total output so as to divert the maximum possible for war effort. The national income of Britain increased between 1939 and 1943, from £4,604 millions at factor prices to £8,172 million; that of U.S.A. from $74,100 million to $157,000 million; that of Canada from $4,300 billion to $6,000 million that of India from Rs. 2,500 crores to only about Rs. 3,000 crores. According to Dr. Rao the per capita income since 1931-32 has increased from Rs. 65 to Rs. 69 in 1943. The index of production has increased in Britain by over 50 per cent.; in Canada 160 per cent.; in U.S.A. 120 per cent., but in India not even 15 per cent. With a population which has been increasing at the rate of 5 million annually the need for meeting the extra requirements caused by the war by increasing the total productive effort was greater than in other countries, and yet it was the one problem which has been wholly neglected, and this is not surprising in the context of the economy of a dependent country which has only to supply to the orders of the sovereign power.

The method of financing the war provides the most telling illustration of the economics of a subject nation in war-time. The symbol of dependence is the linking of the currency of the subject country to that of the sovereign power. It is an irrelevant fact that often it may serve the best interests of the dependent country. What is significant is that in situations when the link would be definitely harmful there is no freedom to break the link nor choice of any alternative. The transmission of inflation to India through the rupee-sterling link is now too well known to need stress here. But unfortunately some of our economists with notable exceptions have in their nostrums against inflation omitted to point out that no amount of taxation or loans or borrowings even by the British Government could afford relief to a poverty-stricken country unless the resources in the country were increased so that increased demand from the military whether in India or abroad could be met from increased production. The *Economist* (London), has been pointing out that the injurious effects of inflation in India could be better distributed over the country if the entire war expenditure now currently borne by India is actually debited to the Government of India; for the the latter by resorting to and adopting the various expedients suggested by the anti-inflationists would have tried to balance current expenditure and current money income. In truth this is simply not practicable. As has been found in the case of occupied territories, inflation can do the trick with ease and without creating political and other troubles. Only a free and independent country can avoid inflation by imposing and administering rigid controls; and the people would accept controls cheerfully, fortified by the knowledge that all that can be done to increase production and ensure minimum standards of consumption has been done by its own Government. No subject countries have escaped inflation in war-time as has been illustrated by the experience of the countries of the Middle East and all the advice of Indian economists is just futile. Have the Government of India bestowed the slightest thought on the essential minimum requirements of the people in respect of food, clothing and a number of other things? Export of food in the face of grave deficits went on unchecked till 1943; also that of cloth; and many other essential goods were allowed to go out unchecked. Internal production of steel, cement and a number of other articles was appropriated by the Government. On the other hand, in respect of imports a severe check was imposed without reference to the basic needs of consumption and economic development. Foreign exchange was controlled so as to ensure that Britain's capacity to import what she regarded as essential was not impaired. Had the country enjoyed independence, she would have utilized the dollar balances for importing essential consumption goods and for building up a war potential of irresistible strength.

Above all, the economics of a dependent nation are revealed in clearer light when viewed from the point of view of allocation of scarce resources; for this is the crux of the matter. Allocations and priorities are based ultimately upon the judgment of the Government which can truly reflect the varying needs of the people and the marginal demands of the civilian and military departments. But this is not the case with a subject country where priorities are decided by an authority which, to use Mahatma Gandhi's words, "cannot get behind the Indian skin and know the real disease." India knows—she has sufficient intelligence to know—that shipping is scarce; internal transport is scarce; plant and equipment in U.S. and Britain are scarce. But she is also aware that a different order of priorities and allocations would have prevailed, were she not a subordinate branch of the British Government or were a National

Government in power. The Foodgrains Policy Committee had said: "It is incorrect to say that next to the war the food problem is the most serious issue which faces this country. This is wrong: the food problem is a part of the war-effort. Its settlement is as urgent as any that confronts the country in military terms." And yet when the people are dying in their thousands for want of food, Mr. Amery still goes on reiterating the scarcity of shipping space. Shipping space is found for all kinds of articles which to an Indian at any rate seem to be absolutely unnecessary, *e.g.*, wedding dresses from U.S. to U.K. Internally, railway transport is not only avoidably scarce but is used for purposes which are thoroughly unjustifiable in war-time, *e.g.*, horse-racing. No, it is no use condemning the actions of the Government of India or of the British Government. They cannot be expected to assign the same order of preference to Indian needs and urgencies as to British, American and Russian needs or even to those of neutral countries whom they had to woo for friendship by agreeing to supply, despite great scarcities of all kinds, their requirements in consumers' goods and military equipment. But India's resources can be drawn upon without having to argue about. Why? a subject country should have no independent economics in war-time, even if some concession may be made to it in the more spacious days of peace!

The Task Before Sir Ardeshir

THE creation of a new Department of Planning and Development, the choice of Sir Ardeshir Dalal as its Head, and the central place it is expected to occupy in the Gohvernment of India afford evidence of a frank recognition of the importance of planning in New India and mark a victory for all those who believe firmly that the future of this country depends upon sound planning. But whether the creation of a Department will constitute an epoch in the history of economic planning or at least mark a milestone in the progress towards it will depend upon the fulfilment of certain conditions which cannot be safely assumed. In the first place, there should be a wide and well-defined set of agreed objectives to the securing of which the Department must plan. Much confusion is sought to be produced by persons and groups inimical to economic development who revel in opposition and destructive criticism. When the country talks of the urgency of industrialization, they would speak of agriculture; when it cries for agricultural development, they would talk of cottage industries; when it asks for motor-cars and aeroplanes, they would talk of pins. Sir Ardeshir should beware of such advisers. India has given these wiseacres 150 years to improve her agriculture; nothing much has been done; and now when she sets out to embark upon a vast scheme of economic improvement in which agriculture will occupy not an inconsiderable place, they seek to confuse the issue as if industrialization up to a point were not a necessary condition of agricultural improvement but on the contrary were inimical to it. In the second place, success will be conditioned by the amount of genuine co-operation which the Executive Council as a whole is willing to give to the new department. It would not be an exaggeration to say that at no time in its entire history since the Indian elements were introduced therein has the Executive Council been so lacking in unity of purpose as now. Each department works in its own way, and Indian members lack the sense of *common* purpose and *common* devotion to the country's welfare, although each individually may perhaps strive to the best of his capacity. That way does not lie success and achievement. Unless the members of the Government of India recognize that the Planning and Development Department is their spearhead and are willing to subordinate personal ambitions and narrow departmental interests, nothing but disappointment would be our fruit. The fault of the present system of government in which individuals have been selected who have had no bond of sympathy for any specific aims or purposes is too patent to need emphasis here.

In such an environment lacking unity of purpose and common objectives, the first task of the new member would be to secure an assurance of inter-departmental co-operation for the ends of planning. We have before us the Bombay Plan; there is also what may be called the Government plan made up of a number of unco-ordinated plans put up by the different departments. It would be a mistake to think that the two are contradictory to each other or mutually exclusive. The emphasis is differently laid. Indeed, we may so far concede this to the Government plan that even if that is honestly executed with speed and drive, the results would be beneficial. What we should resist strongly is the putting up of alternative proposals not with a view to implementing them but primarily with a view of negativing everything. In planning as in other spheres it is not a case of all or none; industry or agriculture; roads or irrigation; locomotives or cycles; motor-cars or pins. It is all a case of how much of each.

The essential functions of the Planning Department are two: (a) It should plan, frame policies and be responsible for all decisions in respect of all economic problems in which policies are involved; and (b) it should ensure that the plans framed and agreed upon are also executed with celerity and in conformity with the principles underlying the plans. These two functions require different types of machinery, but it is essential that the Planning Department should have an administrative section which, while not itself executing the plan, will hold itself responsible for the co-ordination of the various administrative departmental organizations of the Government. Planning personnel is the lynch pin of the planning section. If Sir Ardeshir means business, he should be able to get together a team of workers whose outlook and equipment are very different from those of the average I.C.S. and depatmental officers. The defects of the old and routine type of civilian administrators, accustomed to handle files in a leisurely manner, going from precedent to precedent, unwilling or afraid to take bold decisions or break fresh ground, have now become the common place of bureaucratic administration. It is no reflection on their ability or talents to say that new problems of planning and administration of economic policies require different types of ability. To be able to secure a combination of the high general ability of the civilian with specialized knowledge and experience of business conditions is no easy task. But provided the net is cast wide and not confined to Government Departments, it should be possible to select the requisite number of the right type of men. We hope that Sir Ardeshir will have unfettered freedom to select his own personnel. His staff should be very large and commensurate with the tasks involved.

Planning without data is like trying to making bricks without straw. Yet the Government equally

with the Bombay planners have been guilty of this. We have already in a previous article referred to the urgency of constituting a central statistical organization under the Planning Department without which no planning is possible. We shall revert to it next week. But it cannot be too often or too much repeated that Sir Ardeshir's first task would be to survey the gaps in the existing statistics and fill them up in the quickest possible time. To the central statistical section should be linked the various existing departmental statistical branches including the Department of Commercial Intelligence and Statistics; and the place of the Office of the Economic Adviser to the Government of India should be clearly defined.

The present system by which each department plans for itself must be changed. It is no use having the Planning Department as a merely co-ordinating organization. If that be the object, we need not have a high sounding planning department. An inter-departmental organization would have served the purpose. The *raison d' etre* of the department lies in its ability to take an entire view of the picture and to constitute itself as the Economic General Staff of the Government. But before any policies are to take final shape the department concerned will have the right of consultation with a view to agreement. Where there are unresolvable difference they should be taken to the Executive Council which will have the determining voice. It is this inherent power of the Cabinet as a whole (to use a name constitutionally inappropriate) to be responsible for decisions in the last resort which makes one doubt whether the atmosphere of the present Government of India is really congenial to planning. We can only wish Sir Ardeshir the best of luck and hope that he will be able to get a majority at least to take a helpful attitude in all circumstances.

The Planning Department can have the advice of the various reconstruction committees constituted piecemeal and functioning irregularly. But if the advice is to be at all useful, they must be reconstituted. Some of the committees have never met; others meet to register the prior decisions of the departments. There is also the General Policy Committee supposed to review and make recommendations concerning the proposals emanating from sub-committees. All these committees are, to put it bluntly, just empty formalities serving no useful purpose. The Consultative Committee of Economists is another futile body. Convened by Government at its own sweet will and pleasure, often with no clear agenda before it, its meetings have been singularly barren of results, and the economists more than anyone else would be glad to see its end. There should be only one General Advisory Non-official body to which economists must be added in adequate numbers. The present practice of getting economists just to debate and excluding them from the committee to shape policy helps nobody.

Whatever be the non-official body set up to advise the planning authority, planning itself should be the function of a Central Planning Committee, the agenda for which will be prepared by the Economic General Staff of the Planning Department. Its composition on right lines is the key to success. The Member in charge of the Department must be its Chairman. It should be small, but large enough to include two or three other members of the Executive Council and a good leavening of the non-official element. The non-officials will, of course, be bound by secrecy and should be not only representative men but also capable of giving sufficient time for this all-important task.

The Week's Notes

BOGEY OF BIG BUSINESS

At a time when the country has been feeling a sense of frustration in the political and economic sphere and when it has missed all industrial opportunities which the war afforded, the speech of the Hon'ble the Supply Member at Madras that what we should be afraid of is not poverty or low standard of living but big capital and big business comes as an anti-climax. One should like to know how many new big businesses have been established during this war and with the active support of Government. Even such industries like bichromates, calcium carbide and others as were definitely given assurance of protection and support have had a sorry fate. In such a context the warning of the Supply Member is not only wholly superfluous but is likely to have undesirable and even harmful results from the point of view of public investment. He is reported to have said: "We were fast coming to a stage when big trusts and combines were being formed in this country, when big capital was going to play a 'big' part in industrialization..... Very soon a time would come when we would have to criticize and cavil not against foreign capital but our own big trusts and combines. He would give them a warning that it was high time to think of that stage.' Apart from the fact that this sort of criticism is of the type which says that India should be more afraid of Indian Executive Councillors than British, Sir Ramaswami Mudaliar is not, we fear, correct in thinking that there are combines and trusts in this country. Where are they, we would ask. According to him, of course, British combines and trusts like I.C.I., Imperial Tobacco, etc., operating in India need not cause anxiety. Only Indian business should. The biggest Indian businesses, however, like Tata Iron and Steel, Tata Power, and Bengal Iron and Steel, are nothing compared to the big businesses of Britain, not to mention America. Nor are they trusts in any sense of the term. We give below the capitalization of a few British companies, from which it will be clear that India will have to traverse a long, long road before she can boast of or feel upset over (according to one's predilections) big Indian businesses.

	Issued Capital. £
1. Imperial Tobacco	50,420,985
2. Cable & Wireless	30,000,000
3. Shell Transport & Trading ..	40,945,633
4. British American Tobacco ..	33,257,761
5. International Nickel Co. of Canada	27,627,825
6. Imperial Chemical Industries	23,801,482
7. J. & P. Coats	20,250,000
8. British Oxygen	18,461,102
9. Vicars	14,521,549
10. P. W. Woolworth	12,500,000
11. Burmah Oil	17,736,513

SIR JOGENDRA'S APOLOGIA

The "Grow More Food" campaign has justly been criticized on the point that what has been achieved is not adequate in view of the very critical food situation in the country. Sir Jogendra Singh, speaking to the Central Food Advisory Committee, undertook to exonerate the Central Government from

blame, by dwelling upon the difficulties in this connection. Recognition of the fact that there are serious obstacles to overcome is, we submit, implicit in the very demand of the Indian people that Government should intervene, or even take the initiative in augmenting India's food supply. Government have vast resources, large staffs and numerous other facilities at their command and the criticism of their record is based just on this that they have not shown that energy, that drive which was urgently required to save the country from disaster. Their record does not even bear out that they had a sense of urgency on this point at all in proportion to the needs of the hour. It is undoubtedly true that not all the area under cotton could be diverted to cereal production, for, as the Hon'ble Member said almost with a dramatically triumphant flourish, India needs cloth as well (as if, incidentally, they have satisfied our requirements in that connection, either). But does it constitute a real defence? Government have found it possible to divert 5,000,000 acres under cotton to the production of food and there is still possible—after four years of war, and at least two years of acute distress!—a reduction of 30% in the area under cotton. Why was not that done earlier? How does the Hn'ble Member explain this procrastination on Government's part? And what have they done to increase production per acre through intensive cultivation? It is interesting in this connection to recall that a query of Dr. Burns as to which three methods were considered most effective in increasing growth of food and in which order, put to eight Directors of Agriculture, elicited a reply which showed that measures involving seed supply were regarded as the most important. Then followed measures involving water-supply and manures. Regarding seed-supply, the Hon'ble Member informed the Committee that Provincial Governments had been given assistance to undertake the production of improved seeds. But why was not this work undertaken earlier? And certainly Government cannot seriously hope to meet the country's demand by these efforts alone; and imports of seed would have been useful. Their irrigation plans are yet in the process of realization! And instead of arranging imports of artificial fertilizers here and now in quantities adequate for the country's needs, the Government of India are busy with a survey of India's potentialities in this direction! And all this while in the country near-famine conditions prevail! Government have not—and the conclusion seems inevitable—felt that sense of urgency which could be said to be in conformity with the needs of the tempo of a war-economy.

BANKING PROGRESS

The growth of banking institutions in the year ending June 1944 is seen from some interesting figures given in the annual report of the Central Board of Directors of the Reserve Bank of India. The number of scheduled banks rose from 64 to 76, while the total number of offices of scheduled banks including head offices, branches and pay-offices rose from 1,607 last year to 2,141 on the 30th June 1944, an increase of 534 offices as compared with an increased of 202 offices in 1942-43. There has been an increase in the entire war period of 889 banking offices from 1,252 offices in September 1939. The growth in 1943-44 has been remarkable. The 13 new scheduled banks accounted for an addition of 155 offices, and there was a net increase of 379 in the number of offices of the existing scheduled banks. Eighty-eight new offices were opened at places which did not previously enjoy banking facilities offered either by a scheduled or non-scheduled bank, as compared with 18 in the previous year. This might indicate a more judicious extension of branch banking, but the entire development of branch banking in wartime is a field for scientific investigation and review both by the Reserve Bank and the proposed Association for Bankers. The number of non-scheduled banks was 530 at the end of 1943 as against 534 a year before and the Reserve Bank continued to keep in touch with them. The annual *Statistical Tables relating to Banks in India* for 1942 which has been held over due to scarcity of paper, it is said, will be issued combined with the tables for the year 1943 towards the end of July. We are already in August and hope the publication will soon be out.

RESERVE BANK AND RURAL DEBT

The effect of wartime rise in prices on the different classes of agriculturists in this country is a subject on which widely different views are held. Government propagandists justify all tax and savings measures on the assumption of general agricultural prosperity, while others argue that the bigger landlords have gained while the mass of labourers and small cultivators have not. Especially on the question of rural indebtedness there is a widespread impression that high prices have led to an extinction of the bulk of the debt, and the Food Member to the Government of India gave extravagant expression to it. All these are purely impressions or prejudices based on local or particular experience. Some farming cost and prices statistics available for certain areas in the Punjab can hardly justify a generalization for the whole of India. The matter is one for thorough investigation by an impartial agency under official auspices, and the Famine Commission which is just commencing its inquiries will do well to include this also within its scope. But the Reserve Bank of India, the Agricultural Credit Department in particular, has a special responsibility. The report of the Bank's Directors says every year that the Agricultural Credit Department continued to receive the careful attention of the Central Board. The Agricultural Credit Department, it is claimed, continued to study rural problems and in particular the question of the effects of the rise in prices on the working of co-operative societies with special reference to recoveries and the efforts made by them to promote thrift, and organize the supply and distribution of foodstuffs and other necessaries of life. What are the findings of the Reserve Bank? How is the country to know of the results of its investigations? At least some bulletins should have been published as in the first three or four years of its working, but nothing is being done. The matter is so important, and available information so meagre and unreliable, that the pretext of scarcity of paper should not stand in the way of publication of results. Not merely that; the Agricultural Credit Department should also widen its area of study and keep the public constantly informed.

THE FAMINE INQUIRY COMMISSION

We cannot congratulate the Chairman and members of the Famine Commission upon their decision to take all evidence *in camera*. No one will deny that in the case of some witnesses and some kinds of evidence it may be desirable to shut out the public from sharing the knowledge. But these will constitute only a small proportion of the total evidence likely to be tendered. The Commission would have done well, therefore, in letting the public into the evidence, oral and written, reserving the power to withhold from the public and the Press such as may have to be treated as secret or confidential. We hope that the Commission will even now reconsider their decision in the face

of the widespread criticism against their proposed procedure. The arguments advanced by the Chairman are not convincing. The reference to the acute controversy and recrimination of 1943 is irrelevant, as nothing but good will result from a public examination of the principles and procedure adopted which proved to be totally inadequate to meet the situation. Indeed, the decision not to let the public in when the enquiry is conducted may raise the suspicion that those responsible for acts of omission and commission are sought to be shielded from public comment.

We are glad to be assured, however, of the wide terms of reference which, according to the Chairman, do not place any limitation on the scope of their enquiry as regards the *causes* of the food shortage. The omission in the reference to the fixing of responsibility led "to the feeling in certain quarters that the Commission is fettered by the terms of reference," and we note that no such implication was intended. We hope that responsibility for the famine conditions and failure to afford relief in time will be fixed without fear or favour upon where it should be laid. It is also satisfactory to note that the Commission is not precluded from recommending, before the final report is ready, measures that may be considered necessary to prevent the recurrence of famine conditions which prevailed last year in many parts of India. Unfortuntely, the conditions of Indian States will not be the subject of enquiry by the Commission. India has a heavy price to pay for the limitations set by constitutional imperfections and niceties. Any enquiry which rules out Travancore, Cochin and other States from within its scope can at best be only a partial one.

THE SMALL MAN'S BIG PART

In Great Britain, the greater part of the purchasing power of the community, as it impinges upon ordinary consumer goods, has for some years been passing into the hands of persons of relatively small means. Thus, in 1942, £83 out of every £100 of all private incomes, at the disposal of individuals after deducting income-tax and super-tax were in the hands of persons with £500 a year or less. The task of the National Savings Movement has been to persuade these 45 million people to save and lend voluntarily. This organization was founded during the last war and had continued to function during the interregnum of peace and was, therefore, ready to hand in 1939. Since then, however, it has been developed and extended and today is able to count on the assistance of some 500,000 voluntary workers, acting under the guidance of 1,320 local Savings Committees and a considerably larger number of sub-committees set up in every city, town and hamlet. Over 18,000 people are today saving regularly week by week as members of 320,000 savings groups, which have been formed in connection with places of employment, schools and social organizations and in the Fighting and Civil Defence Services. Since the war began, the Government have borrowed not less than £6,746,000,000, of which some 40 per cent. has come from people of relatively small means. Some 17,500,000 people today hold Savings Certificates; 21,000,000 have active accounts in Savings Banks.

WHAT OF US?

In India, of course, the position is quite different. Inflation has rendered negligible the capacity to save of the lower income groups. Their contribution to war savings has been very poor and is about Rs. 950 crores only for the period since the outbreak of the war. No wonder the services of commission agents have had to be sought!

ORBITS OF WORLD POWER

It is now well recognized that in very recent years the international power relationship has undergone such profound changes as have immediate and direct bearings on the organization of world security and force a fundamental strategic re-alignment throughout the world. Thus some have urged that the British Commonwealth should be more firmly knit together, possibly with an Imperial secretariat, while others have urged that Britain should have a close alliance with the United States or alternatively, as Field-Marshal Smuts suggests, with the "European fringe." The latest proposal for a strategical re-alignment comes from Mr. Walter Lippmann. Starting with the dictum that a universal society can only be built up from existing national States and historic communities, he suggests a world organization on the basis of four strategic regional orbits, with an alliance between the United States, Britain, Russia and China as a nucleus around which order can be organized. Mr. Walter Lippmann's orbits are grouped around Russia, China, "a possible Hindu and|or Muslim world" and "an Atlantic community." The so-called "Atlantic community" is a miscellaneous assortment composed of the United States, Latin America, the British Commonwealth, the "European fringe" together with Switzerland, Liberia and Greece. It is difficult to see what can hold together this widely dispersed and heterogeneous "community," and the only consideration behind Mr. Lippmann's alignment can be the segregation of overwhelming strategic advantages and economic power as against Russia, China and "a possible Hindu and|or Muslim world." The usual practice is to recognize China as one of the Great Powers while regarding India as a minor limb of the British Empire, but Mr. Lippmann by mentioning the possibility of a major strategic regional orbit in the shape of a "Hindu and|or Muslim world," takes cognizance of the stupendous economic and political possibilities of this region. No doubt whether this region can gain a co-equal status with the other regions will depend on whether this region—India and the Middle East—can enjoy political integrity and a strong Government determined on rapid economic progress. The Muslim world is today politically fragmented and has probably not that degree of endowment with natural resources which is necessary for a powerful industrial state; while India's political integrity and ability to launch an ambitious, comprehensive economic plan, is still in the region of uncertainty. Without the essential political foundation, this region cannot be speedily developed into a major strategic orbit. But political nature abhors a power-vacuum, and in that case this region must sooner or later get absorbed into the orbit of Russia or China. The balance of power will then again tilt—this time against the "Atlantic community."

be a Host to the Poor

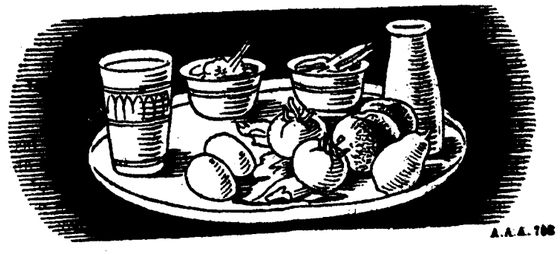
INSTEAD of acting as a host towards your friends and business acquaintances who are as rich as yourself, why not be a host to India's poor? You can do this, with very little effort, in these three ways:—

1. Stop entertaining lavishly. The tradition of Indian hospitality is now out of date in a country in which food has to be rationed. You can still be hospitable without incurring unnecessary waste.

2. Economise in your home by having less dishes served. That is, do not serve a large variety of dishes many of which are not likely to be touched.

3. We nearly *all* eat more rice and bread than is good for us. It is a habit worth breaking for the sake of our health, as well as for the poor who need all the rice and wheat they can get.

IN these ways we can save hardship amongst the poor, who look to us, in time of trouble, for just this kind of practical help and support. This *is* the new hospitality!



A.A.E. 706

food for all

..but none to waste

Issued by the National War Front.

SPECIAL ARTICLE

Full Employment

(By K. SANTHANAM)

IN its characteristically pragmatic fashion, the British mind is slowly groping its way towards an alternative to capitalism, which it finds itself increasingly unable to sustain and to full-blooded socialism, which it heartily dislikes. Since the great depression and the heroic attempts to deal with unemployment, two ideas have emerged which are bound to dominate the post-war economic policy of Britain. They are (1) social security and (2) full employment. The two are not necessarily connected, for a rich country like England or the U.S.A. can carry a fairly heavy load of unemployed and still finance social security including unemployment relief. But it is obvious that if full productive employment can be given to all adults, the burden of social security will be reduced to a minimum. Besides, large-scale unemployment, especially if it is prolonged for years, produces moral and technical deterioration with disastrous consequences. Full employment as the deliberate objective of State economic planning and control has, therefore, been proposed by many thinkers including Sir William Beveridge, the author of the social security scheme now under consideration of the British Government. It goes without saying that India is immensely interested in the idea. It should not be forgotten that cottage industries have a definite assignable place in our economy, at any rate in the initial stages of the Plan, for they are intended to provide full employment to our immense agricultural population, although at a low standard of living. It may be conceded that if this employment can be provided on a higher scientific level with extensive use of electricity and modern power machinery, the standard of life of the people can be raised to levels ocmparable to those of advanced countries which cannot be done under the Gandhian scheme. But any plan which forgets that all the time the entire working population of India should have productive work of one kind or another may only make matters worse by driving large numbers to pauperism while raising the level of a smaller number. I wish here to indicate some of the implications of a controlled economy which puts full employment in the forefront of its objectives.

Both the classical and the socialist theories assume that full employment will be naturaly achieved in the long run if their principles are fully adopted and enforced. The former argues that if the profit motive and free competition are given full play, wages and production will so adjust themselves that all the workers of the world will find employment except for brief spells of re-adjustment due to changing techniques and resources. On the other hand, the socialist plan of production for use assumes that there is no limit to the increase in the standards of life of any people and unemployment means merely defective social organization. The one and the other must provide for the relief of the unemployed, but neither starts with the assumption that employment should be provided whether or not any immediate use demands or the available equipment allows it. That periodic and large-scale unemployment is inherent in the capitalist system needs no proof. The fact that Russia had no unemployment during the depression of the last decade provides, according to many, the proof that there can be no unemployment under socialism. That decade saw the development of the vast resources of Russia, and the isolation of the U.S.S.R. from the capitalist world provided a great degree of immunity from the effects of the breakdown of international trade and national currencies. On the other hand, many argue that when Russia has come to a level of production equal to the U.S.A. and has built up an extensive foreign trade, it is doubtful if her immunity from trade cycles caused by failure of crops, technological changes and variations in exchange values will be great enough to avoid unemployment.

So the policy of full employment, if it is meant seriously, forms a new starting point altogether. To some extent, it is the Fascist policy. But Fascism took the obviously simple solution for unemployment by putting all unemployed on the highly unproductive work of armaments and military training. There is no logical limit to either, but armaments and military training inevitably lead to war, and the worst evils of unemployment are nothing compared to the scourge of modern war. Hence, the policy of full employment has to avoid such dangerous shortcuts and provide employment which will be truly productive.

At first sight, it may appear that the simplest way of full employment is to insist on each industrial unit to maintain its labour force intact by periodical readjustments of hours of labour, wages and overtime. Before the war the efforts of governments and trade unions were towards fixed wages and hours of work. By introducing elasticity in the laws and agreements concerning them, minor variations in production can be met without labour dislocations. Thus if the hours of labour can be fixed to be between 36 and 54 hours per week and discharge of labour is allowed only after the reduction of hours to the minimum while new employment is permitted only after the maximum hours have been imposed, the stability of employment will be ensured to the greatest extent possible. This will necessarily involve proportionate variations in wages.

When this elastic remedy has been applied to the limit, a judicious system of subsidies, a carefully thought out plan of building up national reserves when business is slack and wise control of foreign trade will be the natural other lines of defence. Each of these expedients has a limit, but their combined effect in keeping workers at their usual jobs may be considerable.

When unemployment becomes inevitable even after the fullest use of the above remedies, the State has to undertake the task of providing work. It is not an easy business, for it is not enough to provide some work or other. Such work as the unemployed are fit for has to be found. This can be done if a large sector of industry of various kinds is under State management. The work of these factories must be such as may be expanded or reduced and the products capable of long storage. Besides these, large schemes of public works should always be kept ready to be put in operation to relieve unemployment. There is always the danger that the relief of unemployment through public works may be wasteful. It also tends to intensify the bureaucratization of society with all its consequent blundering, red-tape and inefficiency. But there seems to be no alternative.

It is possible that for Great Britain, with her declining population, the policy of providing full employment may prove comparatively less intractable. In 1970, the population of England and Wales is expected to decline by no less than 4 mn. and by careful management of her foreign trade, it may not be difficult to enforce a scheme of full employment without materially altering the capitalistic structure except in some respects like mines and transport. But for countries with a rapidly increasing population, the dilemma created by increased productivity of the machine on the one hand and the pressure of growing population on the other may not be so easy to solve. Especially when the economy has to be changed from a primitive rural system to a modern structure based on power machinery, effect of the natural growth of population is likely to be intensified by the workers released by the change-over. There will be a real conflict of interest between those who want to keep the workers employed in the traditional fashion and those who want them to rise to a higher technical level.

In India, this problem will arise in an acute form when labour-saving machinery is sought to be introduced in the field of agriculture. Assuming that a peasant family has now five acres on the average, to the extent machinery reduces the labour necessary for the cultivation of these five acres and marketing of their products, it will create unemployment unless through intensification of the cultivation, fresh work on the same acres is created. It is not enough if the land is made to yield more in spite of reduced labour. Already the Indian peasant is underemployed and any further reduction of work will have the moral and social consequences which have been produced in the depressed areas of Britain. To absorb the increasing population in new industries and keep the present population fully employed on land are the fundamental conditions of successful post-war economy for India. In order to achieve the latter end, some measures should be taken even from now. During the war much land has been brought under cultivation which will become unremunerative if the present price structure is altered to any great extent. If this price structure is to be preserved, the various governments in India should be prepared to buy and stock agricultural produce. Storage accommodation and financial machinery must be created without any further delay. If godowns and warehouses to store one year's produce of Indian agriculture can be built on a systematic basis and the necessary banking arrangements are made, it will constitute an effective foundation for keeping up employment in our agriculture. Without this foundation, even beneficent schemes of irrigation and improved cultivation may only cause unemployment by making the less fertile lands unprofitable.

Secondly, in all programmes of improving transport system and building up of industries as also in our trade policy, their reactions on the present employment of the agricultural population have to be carefully allowed for. Thus motor lorries for agricultural marketing may be introduced where the cattle is poor and the profits of more efficient marketing and the ensuing intensification of agricultural production will be ample compensation for the loss of carrier-work for the bulls. A large-scale farm may not require less labour if through wells and irrigation works, two crops can be grown where one was grown before. It has to be remembered that even temporary unempoyment in rural areas may involve uprooting of whole families, who have neither education nor skill to turn their hands to other work. The policy of full employment in India may often come into conflict with the modernization of its economy, and the brains of our economists and the skill of our administrators will be strained to the utmost to reconcile the two.

New Delhi.

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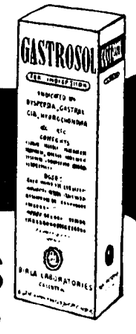


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THE WORLD ABROAD

Legislation for Reconversion

(From Our Washington Correspondent)

WASHINGTON, July 31 (By Cable).

CONGRESS, which before the recess treated post-war internal economic problems only casually, awoke suddenly this week in the wake of optimistic war news to the fact that the intensive job of legislation will have to be done if reconversion is to be planned by the time Germany is defeated. Some measure of legislation with respect to renewed civilian production, disposal of surpluses and demobilization of war workers and soldiers has been undertaken in a piecemeal way, but the urgency of laying out a master plan for reconversion has been apparent throughout to Government. Congress originally planned to hold only token sessions until September, although it reassembles on August 1. Senator Vandenberg stole a march on Democratic leaders by appealing to all Republican Senators to return to Washington immediately to consider the huge tasks which evidenced themselves in direct relation to Russian advances in the east, Anglo-American progress in the west, and German internal eruptions. The War Mobilization Director, Mr. Byrnes, then appealed to Democrats to proceed at once with reconversion legislation. It appears now Congress will launch immediately into consideration of several post-war planning bills and will give attention to little else until the work is finished. Machinery must be set up to demobilize 11 million fighting men and 20 million war workers, to dispose of surplus properties worth 50 to 100 million dollars, and to convert multi-billion dollar Government-owned industry to peace-time production in private hands.

This does not mean that Congress or the rest of Washington expects the war to end tomorrow or the next day, but they see Germany's star rapidly falling, nevertheless, and realize the long road ahead in preparing economy for post-war. No one thinks that the legislative job can be done at the earliest before the end of September. What is envisaged is a two-stage demobilization programme, the first part to take effect at the fall of Germany and the second after Japan has been whipped. Some estimates have placed the cut-back in war production after German defeat at 70 per cent. But conservatives feel it will be at least 30 per cent. It is needless to list the problems such cut-back will present in terms of contract claims, renegotiations of employment, etc. In the meantime, the executive branch is increasing its activities in reconversion field with two stipulations, namely, war comes first and, secondly, the most effective results can be obtained only after Congress lays down national policy.

Surplus War Property Administration, which was created by executive order, has issued a report which outlines the problems to be faced in regard to warehousing, merchant ships, military constructions, finished goods, Government stock-piles, manufacturers' inventories, etc. It states that sales of Government surpluses will make full use of sealed bids, auctions and negotiated sales and that sales will not be made without adequate market test to determine fair prices, and also stresses the need to release materials for civilian production rapidly consistent with war production. The War Production Board is already undertaking the latter on a limited scale under a four-point programme, firstly, it authorized non-priority purchase of 15 types of capital equipment including machine-tools manufacturing machinery; secondly, freed magnesium aluminium from restrictions; thirdly, authorized manufacturers to build single experimental models of post-war products to facilitate obtaining orders to tide over the transition period; and, fourthly, plans a list of items of which manufacture may begin on August 15. Further a report on Surplus Aircraft was issued this week, stressing that national policy must be set by Congress before it can be determined to what extent planes will be sold abroad, scrapped or otherwise disposed of. The Report emphasized the need to develop foreign markets for aircraft within the framework of national policy.

Concern also arose about available funds for reconversion in private industry. The working capital has increased by 69 per cent., but the *Federal Reserve Bulletin* cast doubts whether it will be sufficient. Washington this week appeared to agree with Senator Kilgore who sponsors important reconversion and demobilization legislation when he said that "Congress must enact comprehensive reconversion legislation now or gamble with economic disorganization."

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Money Markets

Short-dateds In Good Demand—New Provincial Loans In The Offing—Bullion Bullish

(From Our Correspondents)

BOMBAY, July 30, 1944.

THE strength of gilt-edged and the steady diversion of the ever increasing volume of funds into the securities market are the outstanding features this week. Conditions are eminently propitious for the flotation of new loans and it is rather a problem for the authorities to decide the type of structure of each new issue. One may detect already the faint beginnings of the adjustment of investing tendencies to the early end of the war. It is not entirely without significance that one sees quite a lot of conversions from long-dated securities into short-dateds even on the part of institutional operators.

Short-dateds Scarce

The demand for the latter is continuing accentuated. Thus, during the week, 4½ per cent. 1950-55 rose 2½ per cent. 1960-65 were in inquiry at Rs. 110-14 and Rs. 116-4, and scrip was very scarce. Likewise, the Second Defence Loan is now quoted, go annas higher at Rs. 101-8 (yield 2.68%). But the best performance was that of 3½ per cent. 1954-79 which rose by fully five annas over the week to Rs. 104-9 as a result of strong demand. The yield works out to 3.02 per cent. Three and a half per cent. 1947-50 was firm at Rs. 103-9. Among the long-dateds, 3 per cent. 1966-86 was in request at Rs. 93-4. The Defence Loans and the Funding Loan were somewhat in the background. The fact that 5 per cent. 1945-55 tax-free loan was in inquiry at Rs. 104-12 speaks for itself. There are many who expect Paper to touch par before long. Factors which retard such a development are, firstly, the casual sales by small holders who sell Paper to pay up taxes; and secondly, the general tendency in the market to go in for medium and short-dateds; thirdly, susceptibility to war news. It is only a question of time before the first and the last cease to operate, but the second factor is not one that can be gauged accurately. All that one can say is that as new money pours in fast, it will be put in Rupee Paper, but it will be equally liable to be disinvested. So far as investment in Paper is concerned, these sums may be said to be 'hot money.'

Provinces To Float Loans

The process of mopping up excess purchasing power continues thus, but by no means on a scale the Government would like to see, notwithstanding the claims made for the success of the anti-inflationary drive. Both in 1942 and 1943, the provinces have come out with medium-dated loans issued on a 3 per cent. basis. On September 15, 1942, the aggregate value of these loans was Rs. 7¾ crores repayable in 1955. The loans were these: Bombay for Rs. 350 lakhs issued at Rs. 98-8; Punjab Rs. 250 lakhs at Rs. 97; Madras Rs. 125 lakhs at Rs. 97-8; and Central Provinces Rs. 50 lakhs at Rs. 97. When the lists for the loans opened, only the Bombay loan was oversubscribed, and amounts for the other loans were obtained by transfer of options and a call on the underwriters for the balance. Again in September 1943, the Provincial Governments floated 3 per cent. 1956 loans for the following amounts: Bombay Rs. 350 lakhs at Rs. 100 per cent.; Punjab Rs. 250 lakhs at Rs. 99 per cent.; Madras Rs. 125 lakhs at Rs 99-8 per cent.; Central Provinces Rs. 50 at Rs. 99 per cent. The total was Rs. 7.75 crores. The object of these loans was to make advance payment of a part of the Province's consolidated debt to the Central Government under the Niemeyer Award. As a result of these repayments in 1942 and 1943, the total of debts owed to the Central Government has declined from Rs. 118.49 crores in 1941-42 to Rs. 105.86 crores now. It is extremely likely that the provinces will adopt this manner of repayment of their debt this year also. The state of the market, anti-inflationary policy and the Centre's requirements all point to such a probability.

Indeed, the market has been full of plausible rumours this week; the Bombay Government is said to be coming on for Rs. 344 lakhs, the Punjab for Rs. 270 lakhs, Madras for Rs. 110 lakhs, United Provinces for Rs. 350 lakhs, Sind for Rs. 200 lakhs and Central Provinces for Rs. 53½ lakhs. A repetition of last year's experience (when the Bombay and Madras Loans were subscribed fully only after a call on the underwriters to the extent of about a third in respect of the Madras Loan and about two-fifths in respect of the Bombay Loan) is not likely. With a little gingering up of the market through a bit of open market operations on the part of the Reserve Bank, it should be possible to make the issue of provincial loans a better job this time than last year. Notwithstanding their experience last year, Bombay underwriters seem to be quite enthusiastic about the new loans. The lists for the new loans may open within the next fortnight.

Easy Money Conditions

The Treasury Bills auctions on Tuesday reflected the extremely easy conditions in the money market, the total amount offered being as large as Rs. 12.43 crores. The average rate declined to Re. 0-7-9 per cent. per annum. Tenders for Rs. 4 crores of Treasury Bills are again invited for August 1. In view of the coming new loan flotations and also in view of the very high level at which Central Government's balances with the Reserve Bank are standing, one might normally expect a reduction in the Treasury Bills offered, if not a complete stoppage of the same for a week or two. However, this seems unlikely having regard to the fact that a sum of Rs. 4 crores drawn into Treasury Bills will not make much difference to the state of the money market in the first place, and secondly, that maturities are higher in the month of August. The Assam Government was able to obtain its Rs. 2 crores at an average rate of Re. 0-8-11 per cent. per annum. While the higher rate is a matter for regret, in view of the discrimination between Central and Provincial Governments which it implies, Assam is lucky in putting across its Treasury Bills at so economical a rate.

Bulls Dominate Bullion

While the equities market is tending downward in fear of an early end to the war, the bullion market is firmer than ever due entirely to the grip which the bull cliques have over the spot supplies. This is particularly the case with the silver market where the bulls continue to have the whiphand. Silver bars continue to be despatched to upcountry centres and there is an acute scarcity of stock in the Ready market. Bears have no encouragement to sell short and they have quite despaired of official sales ever coming to their rescue. Heavy bear covering on Tuesday last for squaring up their open positions pushed up the rate for settlement to Rs. 134-12 on Wednesday, with the Ready rate quoted at a premium of Rs. 5-4. Since Wednesday, there has been a regular tug-of-war between the bears and bulls, the latter trying to do away with the penalty of Re. 1 which now operates for non-delivery of the actual and for changing over of transactions, while bears want to reduce the penalty rate to below Re. 1. The bulls' tactics were to push up the Ready rate by heavy purchases so that the *badli* charges may be framed on that basis.

The Board of the Bullion Exchange met twice during the week to consider the representations made to it by both sections. It would appear that the Board is inclined to continue the present penalty rate for the non-delivery of the actual for a further period of ten weeks. The situation is somewhat confused, as the proposal of the principal bull operator and his supporters for raising the penalty rate seems to have been voted down by 8 to 4 on the committee. It is a ticklish situation in which one cannot say whether a member of the Exchange will be allowed to disobey a decision reached by a majority of the Board whose decision is binding in all matters connected with the trading on the Exchange. On Saturday, silver settlement was quoted at Rs. 135-8 and the Ready at Rs. 139. The bulls both liquidate at the high levels and purchase. In view of the settlement on Monday, both forward and spot gold are quoted at Rs. 75-5. Small amounts were sold by the Reserve Bank during the week. The undertone, however, is steady as a result of steady demand of 25,000 tolas per day.

Leaders Recover Lost Ground—Raw Jute Easy, Manufactures Firm

CALCUTTA, July 31.

ON the first day of the period under review the decline in prices persisted and there was an all-round fall. But with the decision of the Committee of the Calcutta Stock Exchange to increase the hours of business to three, *i.e.*, from 12 noon to 3 p.m., in view of the much easier position in regard to deliveries and the absence of further reports that peace was immediate, there was bear covering. Fresh buying also at the lower levels forced the rise in prices.

Investors Marking Time

The leaders have very nearly recovered their lost ground, but the less popular counters are relatively lower. On Monday last week *Howrah* declined to Rs. 80-12. They recovered to Rs. 86-2. The close was only slightly lower at Rs. 85-10. *Indian Iron* were as low as Rs. 39-6. There was a recovery to Rs. 42-8, the close being easier at Rs. 4-12. *Steel Corporation* likewise improved from Rs. 32-14 to Rs. 37-12 to close at Rs. 36-12. The predominance of sellers towards the close of Friday was due to the anxiety to realize profits as it was feared that with the long week-end it was not advisable to carry over commitments. The reopening on Monday morning has been quietly steady. Operators are inclined to be rather cautious, while investors would like to await further developments.

Giltedged securities have been very firm with 3½ per cent. Paper quoting Rs. 99-11. Business in terminable loans has been very restricted. Sellers are rather reserved as it is felt that with the possibilities of fresh loans at an early date values might be higher.

United Commercials' Fresh Issue

It is now clear that the recent sharp rise in the quotation for United Commercial Bank was due to the reports that there would be a fresh issue of capital. Till two weeks back the quotation for the shares was around Rs. 33 premium. There was a sudden rise to Rs. 44 premium. The quotation is now Rs. 41-8 premium. It is now reported that the Bank will be shortly issuing new capital of Rs. 1 crores in Rs. 100 shares at par to shareholders in the proportion of one share for every share held.

The special attention to Cotton issues in the last three days is not quite explicable. It was perhaps due to the fact that the earlier fall in prices was unjustified. Cawnpore Textiles have risen by one and a half points to Rs. 15, while *Elgin* are nine points higher at Rs. 75 ex-dividend.

Speculative activity in the Coal section has been on a smaller scale. The speculative counters have been rather neglected, *Talcher* being Rs. 11-10 and *Baraboni* Rs. 4-12. Among the better class shares, points to Rs. 668. *Burrakur* were done up to Rs. 46-14. *gal* improved by nearly twenty points to Rs. 668. *Burrakur* were done up to Rs. 46-14. They closed at Rs. 46-2.

But for the uncertainty regarding the immediate outlook jute shares would have been in greater favour. *Anglo-India* were Rs. 478 against Rs. 470. *Clive* Rs. 47-10 against Rs. 46-8 and *India* Rs. 726 against Rs. 668. *Kamarhatty* were 25 points higher at Rs. 685. Hukumchand Jute Mills Limited has paid off in full the arrears of dividends on the preference shares. There is still a debit of over Rs. 8 lakhs. This can be wiped off out of the earnings for the next year.

Engineering Section Looking Up

In the Engineering section *Indian Iron and Steel Corporation* have nearly recovered their lost ground, though there has been a marked tendency to cash profits at the higher levels. *Indian Standard Wagon* were steady at Rs. 92.

Sugar shares have been quietly steady. *Cawnpore* have been bought up to Rs. 45 and *Champaran* Rs. 48. *Carew* were fluctuating around Rs. 32.8.

Tea shares have been neglected and quotations are unchanged. Hasimara Tea Company is paying a dividend of 55 per cent. for 1943 against 65 per cent. for 1942.

There are no features of interest in the Miscellaneous section. The rise in the quotation for *Calcutta Trams* to Rs. 50-4 has not been held. The close has been weak at Rs. 45-12. *India Paper Pulp* were sharply higher at Rs. 245, while *Midnapore Zemindary* recovered to Rs. 194 from Rs. 187.

Small Business In Loose Jute

Reference was made to the existence of firmer conditions in the raw jute market last week on the hopes that peace might bring about a large increase in demand for raw jute. Mills, however, have not been eager buyers. Only a small business was reported in loose jute, Supervised Jat Middles being done at Rs. 16-8 and Rs. 13-8 per maund. The warning that coal supplies in the first half of August would be at a very low level and that the steam driven units would not be able to resume working has been responsible for the absence of buying by mills. Sellers have not been anxious to do business as there has been no pressure of arrivals in the mofussil and the tone of the export market has been good.

The jute manufactures market has been very firm with mills keeping out of the market entirely. There are keen buyers for positions near and forward. As it is said that only the foster mills would be able to continue working without any interruption, there is no tendency to sell further. It is rather unfortunate that no shipments to the Argentine have been possible. Quotations are nominally at maximum rates. Business is rather more difficult in hessian rather than in sacking at the present moment. It is reported that a new order by the South African Government for £5 million worth of goods has been placed with the Indian Jute Mills Association. It is very doubtful if the jute industry will be able to effect deliveries in time with the present rate of working.

A DELHI DIARY

ONCE again, high quarters have become nervous regarding the prospect of a political settlement. Some of Mr. Amery's "wise and patriotic" men are convinced that a settlement cannot now be avoided and that the members of the Congress Working Committee will have to be released within the next few weeks. This is the way they figure out this "dismal" prospect for themselves. The debate in the House of Commons shows that British public opinion has been aroused by Mahatma Gandhi's campaign to a realization that his gesture is substantial and that there is no justification for the stay-put pursued hitherto by the Government.

Even more disturbing to Delhi than the Commons debate has been the report from Moscow that the Soviet Press has featured the Indian problem for the first time and on the eve of the forthcoming conference in Washington between representatives of the four Allied Powers. It is likely that Mr. Churchill will be told to apply the Atlantic Charter to India. Formerly Mr. Roosevelt alone exercised pressure but found it difficult to move the British dictator from his anti-Indian attitude. Now Stalin's interest combined with that of Marshal Chiang is likely to produce better result.

In fact, the official quarters admit frankly that Gandhiji has, single-handed, beaten them on the propaganda front and that his appeal over their head has gained a world audience. Their plans for opening Information Bureaus in Moscow, Chungking and London have lost impetus in view of the success Gandhiji has achieved in putting across his ideas to the detached judgment of the peoples of the Allied nations.

Curiously enough, certain quarters which formerly used to lament the Congress failure to settle with Mr. Jinnah are now criticizing Gandhiji for having offered to talk matters over with the League leader. These quarters point out that Mr. Jinnah was fast losing his influence and that in another month or two the League Ministries in Bengal, Sind and the Frontier would have toppled over. These critics claim that it was their influence that had brought the Viceroy round to the view that India must remain a single entity and that the British policy should oppose partition of the country. The truth, of course, is that the powers that be have felt for some time that the Congress having been smashed there was no purpose in boosting Mr. Jinnah and that the British authority could be supreme in India only if the idea of partition was discouraged.

Political quarters feel, on the other hand, that Gandhiji has, by his gesture to Mr. Jinnah, strengthened the hands of certain unseen forces which are working for application of the Atlantic Charter to India. It is not a secret that Mr. Phillips told certain Congress leaders that they should concede the right of self-determination to Muslim majority areas and that once that was done the British opposition to India's political freedom would be effectively countered. The Rajaji formula has made the full concession in terms considered just by neutral opinion, and it is not surprising that the American influence is now being exerted in favour of a fresh move for a solution of the Indian problem.

Some observers here, indeed, go to the length of assuming that diplomatic talks have been held at Washington, Chungking and Moscow to bring about an understanding among the American, Chinese and Russian authorities as to the common line they should take in regard to India. This interest in Indian freedom is not, of course, prompted by any humanitarian motives. China feels that the security of Asia, especially in the south-east, depends entirely on India being a strong industrial nation. She does not naturally want white hegemony in the East as an answer to Japanese aggression in future. She would depend rather on a pact between China and India to safeguard future peace in Asia. Similarly, Russia believes that, imperialism being the root cause of wars, it should be rooted out of India. If India were to remain a British "possession," then the Middle and Near East would be kept in chains by the Western Powers on grounds of military strategy. Such a development might lead to a misunderstanding between Russia and the Western Powers. American finance wishes to have unfettered rights of trade all over the world and feels that the economy of abundance would not get a chance if the world were to relapse to imperial preference. India represents the test case for American notions of the post-war world based on President Roosevelt's Four Freedoms.

It is quite clear that Gandhiji has set into motion a train of thought among the Allied nations which should yield positive results in regard to India's claim for immediate independence. There is no doubt that the method chosen by Gandhiji is the only one capable of producing results. India is unarmed and in chains; her classes have proved their utter unfitness to win freedom by the manner they fell for jobs and supply orders which the war brought forth. The cause of India's freedom has thus to be based on a higher claim than the character and strength of her upper and middle classes. And Gandhiji has made that claim before the bar of public opinion.

I gather that since the war started the Supply Department alone has placed orders to the aggregate value of Rs. 740 crores. It will be interesting to know what part of the orders were placed by open tenders, what by single and what by negotiated tenders. It is certain that when facts are revealed it will be found that the lion's share of single or negotiated tenders went to the European engineering firms of Calcutta. But what interests the public more than the past mistakes or favouritism is the extent of surplus military stores. It is stated that in the category of woollen goods alone there is a surplus of 50% to be disposed of. Since these woollen goods were made for army needs, their absorption by civil market will not be easy. It is asked why the Government does not release manufacturing capacity for civil market instead of accumulating surplus military stores. The time has come for the Government to review the whole policy and make drastic cuts in orders irrespective of consequences on the vested Department.

The Woodhead Commission has begun its inquiry into the Bengal famine. The Commission has made a bad start by deciding "unanimously" to hold its sittings *in camera*. When the authorities ask why non-officials are preferred by the public over officials for such inquiries, the answer is that had non-officials been members of the Commission they would not have shown such utter disregard for the public. The feeling in commercial quarters is that the Commission should not only hold most of its sittings in public but should allow a non-official committee to lead evidence and cross-examine witnesses as happened in the case of the Hunter Commission. The tragedy which the Woodhead Commission is to investigate is not less terrible than that inquired into by the Hunter Commission. It is a pity that Sir John Woodhead and his colleagues have started with a distrust of the public. Perhaps they will reconsider their unwise decision and repair the damage already done to the cause entrusted to their care.

ARGUS.

THE BUSINESS WORLD

A CORPORATION FOR EXPORTS

THE representatives of Indian trade and industry will be meeting the officials of the Commerce Department towards the middle of September to discuss the activities of the U.K.C.C. and consider the proposal to start an Indian Commercial Corporation which has been urged on the Government by the entire Indian commercial community for more than three years now. It is reported that Government may be persuaded to accede to this demand, provided the proposed corporation is an entirely State-owned, State-controlled and State-managed concern.

What are the issues involved and which is the right solution? About the necessity for organizing our export machinery on a scientific basis, there can be no two opinions. As it is, our commercial organization on the export side is crude, unorganized and is full of men of small means who can neither undertake the task of improvement themselves nor will be in a position to face the organized export offensives planned by the more advanced countries. Where it is properly organized, our export trade is the entrenched monopoly of foreign merchanting houses, predominantly British and helped by British banking, insurance and shipping concerns. This state of affairs cannot go on in the difficult post-war years ahead.

What is, however, a more urgent cause for action is the fact that the U.K.C.C. and similar monopolistic corporations of foreign countries aided by their Governments are gaining a grip over the foreign trade of this country and elbowing out Indian traders who have been in the field for decades. The U.K.C.C. in particular has been purchasing many commodities at controlled prices in the Indian market and selling them at fancy prices in the Middle Eastern, Russian and other foreign centres, taking advantage of its own monopoly and other priority rights in shipping and exchange and of the conditions of scarcity in the receiving areas. Instances have not been wanting of countries which, despite their desire to deal directly with India, have been prevented from doing so by the U.K.C.C. and H.M.G. The explanations offered by the Government of India have, far from allaying Indian apprehensions, only confirmed them.

Now what is the real meaning of the Government attitude, as reported, that it should be a State-owned and State-controlled organization? It is not that the Government of India are now converts to communism or even anxious that whatever profits are earned by the corporation should go to the Indian Treasury and not to the merchants which will be the case if the corporation were private in character. No motive of the kind actuates the present Government. On the contrary, the real issue is, as in the case of the fertilizer industry, not a choice between State *versus* private enterprise, but Government-*cum*-British enterprise *versus* Indian enterprise, the political power of the subordinate Indian Government being used under the cloak of State enterprise to instal foreign interests in key positions. What guarantee have we that the present Government with an Amery at the top to dictate will not fill the directing offices of the corporation with persons having interests in other foreign concerns and therefore not loyal to India? Already we know by experience how India's industries have suffered by important posts in the Supply Department being held by erstwhile executives from non-Indian firms and by imported experts. We may not afford the risk of our export trade being made the happy hunting ground of henchmen with foreign principals. Did not the Secretary of State for India insist that participation by the I.C.I. in the fertilizer project was the key to the provision of British plants?

Those of us who have advocated a policy of bulk deals in the export field and restrictions on economic activity as essential to planning have always postulated that only a national Government with a mandate from the people and responsible to them can rightly impose those restrictions and ensure beneficial results; those others who clamour for all kinds of indiscriminate taxes and economic controls, overlooking altogether the political context in which those measures are used to national injury, are pseudo-economists without a sense of the realities behind economics. Therefore, the people's bias in favour of planning cannot be twisted to justify measures which in reality are intended to benefit foreigners only.

Obviously foreign experience cannot provide valid comparison. The U.K.C.C., which deals with the aid of the resources of the British treasury is no doubt a Government corporation and its Indian counterpart, it might be plausibly suggested, should also be a Government agency. But such attitude overlooks the facts that the British Government is responsible to the British people and the U.K.C.C. is displacing normal trade channels. As for the U.S.A., control over foreign trade has been systematised under the central body, the Foreign Economic Administration, which is likely to continue into peace, and already the U.S. Commercial Corporation, which is a subsidiary of the F.E.A., has been operating on behalf of the U.S. Government in all parts of the world with agencies in all important countries. But this 'super-sales' agency of the State will not displace traders, but help them. The full cooperation of the U.S.C.C. with private traders is assured and even during the war the F.E.A. has striven to restore imports and exports to private channels wherever possible.

Also the argument that the profits of the corporation should go to the treasury and not to private pockets has not much force. The era of easy profits in the export markets is almost coming to an end with the nearness of peace and what the post-war world would have in store for the corporation would not be easy selling and huge profits, but a struggle to retain the markets won during the war and possible losses, *e.g.* cotton textiles. A Government corporation lost in red tape and without imagination and initiative will be singularly ill-fitted to meet the contingency. Its operations will only involve the Treasury in greater and greater losses. On the contrary, if a private commercial corporation had been started in the early stages of the war, it would not only have established valuable direct contacts but also set aside resources to meet post-war difficulties. Unfortunately, this was not done. But even now it is not too late, considering what is at stake.

Even if the corporation were privately owned by the genuine trading and industrial interests of this country, it cannot divest itself of its public character and consequences. It will have to be subject to over-all controls and policies laid down by the Government, and one important aspect of them

will be to secure that the operations of the corporation do not injure the domestic producer or consumer. For example, reasonable supplies must be assured to the domestic consumer at fair prices before exports are allowed even at better prices; this is sought to be done at present in the case of textiles. If the corporation makes bulk purchases in the internal market, it can do so by a system of open tenders or allocation so as to give some share to the small producers, *e.g.* cottage industries. But all these safeguards are none too difficult to devise.

If the Government are really earnest about putting the export trade of this country on a stable footing, they should not resort to the subterfuge of a State-owned corporation to conceal the non-national purposes at the bottom, but take trade and industry into full confidence and help them to form an efficient corporation subject to necessary safeguards. The capital to be raised, the commodities to be dealt in and the markets to be covered are all matters which may be decided by further discussions.

NOTES

TRADE WITH LIBERATED COUNTRIES

Corresponding to the problem of reconversion of production from wartime to peacetime basis, there is in the field of trade the problem of reconversion from government to private channels. In particular, the restoration of trade in the liberated areas to private agencies is a difficult task governed by military considerations and by the political and economic conditions of those areas. It now appears that a technique for reopening liberated markets seems to be gradually evolving. Normally the first supplies for a liberated area are handled by the military authorities, later the U.N.R.R.A. assumes the task and subsequently private agencies might be permitted to resume trade. But there are considerable difficulties in the way. Most of the controls are likely to continue, and as in North Africa, which, being the first liberated area, typifies the kind of problem here considered, both the local Administration and the Allies might decide upon strong central governmental control restricting all non-essential trade to the greatest extent possible. Imports from those areas will undoubtedly be difficult to obtain because of military and local needs, both of them urgent and heavy; but exports must be possible subject to limitations of shipping and needs of the military in other theatres of war. How then American business men are to capture this trade is clear from a State Department announcement, according to which a special group, comprising U.S. Government officials and representative business men temporarily in Government service for the purpose, will conduct a survey in North Africa and possibly other areas to investigate the possibility of restoring trade to normal commercial channels. Four outstanding representatives of American firms with long experience in foreign trade have been deputed to review procedures to ensure the earliest possible restoration of private trade. As the Allied armies advance on the Continent, the liberated areas of Europe too will present a similar problem. India is vitally interested in African and European markets. Prior to the war we were exporting goods of the value of Rs. 30 crores to Europe alone, and we should not by any means fail to recapture the trade. But the Government of India have not even indicated their awareness of the need while other nations are already securing safe trade positions.

CENTRAL OILSEEDS COMMITTEE

A proposal to set up a Central Oilseeds Committee and the ways and means of financing it will be considered at a meeting of the Oilseeds Committee of the Imperial Council of Agricultural Research to be held in Bombay on August 4. The meeting will also discuss the question of export of oilseeds, with special reference to groundnuts and the intensification of oilseed crushing in the country. The main problems as regards oilseeds are three: (1) Increasing acreage yields, mainly through better seeds; (2) promoting oilseeds crushing in the country not only as a part of a programme of industrial development but also because this industry is basic to important expanding industries, such as plastics; (3) organizing the export trade on sound, progressive lines. A central authority to push through work on these lines has long been overdue and its constitution should not be delayed any further. A small cess on exports will be one good way of financing the work of the Committee. This may be supplemented by the proceeds from a modest excise duty on oilseeds products, such as Vanaspathi. There is already a central excise on Vanaspathi, and the Committee may rightly claim for a grant out of the revenue from this duty. The increasing utilization of oilseeds within the country is, particularly in the case of groundnuts, bound up with the fortunes of the Vanaspathi industry and in the case of linseed, with that of the paint and varnish industry. So far, the public as well as the authorities have not made up their mind on the attitude to be adopted towards Vanaspathi. It would, however, appear that this vegetable product has come to stay as a cheap substitute for ghee and its food value may be improved by the addition of vitamins. The best course would, therefore, be to encourage this industry under regulated conditions of manufacture. The proposed Committee should take up this question and formulate a policy. They should also promote research for designing simple, inexpensive and efficient oil-extractors. As regards the desirability of permitting exports of groundnuts at this juncture, it is obvious that large-scale exports are not in the interests of the country in view of the food value of groundnuts and the importance of the cake as manure and as cattle-feed. There is a good case for cutting down exports to the bone, or even stopping them altogether. A part of the U.K. demand may, however, be met by the export of oil.

AGRICULTURAL MACHINERY

It was recently announced that a conference of provincial representatives and importers will be held this month to review the position with regard to imported agricultural machinery and to determine India's requirements for 1945. What, indeed, is the position? The average ryot does not require imported equipment. The few simple and inexpensive implements that he habitually uses and can afford and for which only his small and scattered holding offers scope are supplied mainly by the village carpenter or black-smith, or failing them, by the many agricultural engineering firms, who have been in the business for some years and some of whom have developed equipment to suit local conditions. It is only in the relatively small number of estates and modern dairies and in the Government agricultural and livestock farms that imported machinery is used. The latter, thus, play only a very minor part in our agricultural production. The important problem is, therefore, not so much the importation of advanced mechanical equipment for the few farms, private or Government, but to render all help to the village artisans and local engineering firms in the manufacture of an adequate number of the common tools, which the ryot needs.

FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, July 28.

AT the Second Madras Provincial Conference of Consumers' Co-operative Stores, Sir N. Gopalaswami Ayyangar made a plea that the movement should spread to the countryside, where its advantages were most needed, since the poverty-ridden, half-starved villagers were eternally fighting a losing battle with the profiteering retail shopkeepers. The growth of the co-operative stores movement in this presidency during the war-period has been phenomenal. The difficulties in the supply and distribution of essential commodities, the public reaction against hoarding, black marketing and profiteering and the economic and price controls initiated by the authorities have in a large measure contributed to this growth. From 85 stores, having a total sales of Rs. 23.77 lakhs just before the war, they have risen to 1,184 with total sales amounting to Rs. 6.63 crores in the first eleven months of the year 1943-44. This was no doubt no mean achievement. The Registrar of Co-operative Societies, who participated in the Conference, was naturally pleased with such an expansion but was anxious that they should not become war babies to die when the war conditions which gave birth to them disappeared. That would certainly require the strengthening of the societies and a band of trained co-operators who know the business. It has been suggested that a beginning should be made with a Standing Committee of the Provincial Co-operative Union consisting of a carefully selected band of official and non-official co-operators having also a rich experience and knowledge of marketing.

Fertilizer Mission

"The Government of India have decided that so far as the nucleus factory or factories to produce 350,000 tons of ammonium sulphate is concerned, it should be State-financed and controlled." This was given out by the Fertilizers Technical Mission, which visited Madras some days ago. The members of the Mission had talks with the representatives of the Madras Government, various Chambers of Commerce, agricultural interests and the fertilizer trade interests. The members also toured the presidency and gathered information on the availability of raw materials, electric power and manual labour for the establishment of the fertilizer factory. While the Chambers expressed that private enterprise should not be ruled out in the establishment of the factory, there was an unanimity of opinion in regard to the starting of a factory in Madras province, which had ample resources. It was pointed out that if supplies were made available from a central factory situated elsewhere, it would lead to transport difficulties and increased cost.

Based even on the *per capita* consumption of milk in 1941, which was 3.2 ounces per day, Madras needs 38,300 measures of milk per day, and the present shortage is over 14,000 measures. To relieve this and improve the milk supply to the city, the Special Officer appointed by the Government sometime ago has recommended that at least 3,000 cows should be imported and steps taken to provide cattle food at economic prices under a system of rationing. In his opinion, the yield which is only 1.4 measures per day could be doubled with proper feeding of the cattle. The situation has indeed become serious with an increase in the population of the city by over two lakhs in recent months. The matter is engaging the immediate attention of the Government who have taken urgent measures to organize milk supply societies in the rural areas in the neighbourhood of Madras to augment the city's present inadequate supply.

New Flotations

This month has seen a large number of flotations, noticeably in the Planting section. The total amount involved exceeds Rs. 1.25 crores and the new flotations have received a very generous response due to the plethoric state of the money market and the large volume of surplus money seeking investment. Some more flotations are also in the offing and are bound to be supported. The opportunity has been availed of by some of the old and well-established planting companies to raise the capital in order to acquire new properties and to effect new improvements and additions to existing ones. A particular feature of the flotations has been the keen interest shown by the investors for the preference shares.

Bombay Letter

BOMBAY, July 29, 1944.

THE medicinal value of shark liver oil is now well recognized. In Bombay fishermen have been extracting shark liver oil, but the quality has been unsatisfactory. With a view to improving both quality and quantity, the Government have themselves undertaken to bottle and market the oil and have sanctioned a scheme for the manufacture, refining, standardizing, bottling and marketing of shark liver oil. As a result of the scheme, a product of approved quality and standard consistent with recognized therapeutic requirements will be available.

Vegetables

July of every year is a "scarcity" month for vegetables in the city. This year the scarcity is extreme and prices have gone up by 200 to 300 per cent., thus driving vegetables out of the diet of many people. Within a fortnight the position might improve when the new crop of vegetables moves into the city. However, there is one reason for scarcity which is not temporary and to which the Government's attention must be drawn. This is the competitive buying by Government agents at growing centres at much more attractive terms than what the merchants can afford. Thus what is left over by Government agents comes to the civilian market. The existence of this practice is surprising as the Government had announced about two months ago that they had made special arrangements with the contractors of the Defence Department to see that they did not enter the markets reserved for civilian population. Some sort of check will have to be put on this practice if civilian requirements are to be met fully.

Water Supply Scheme

As a result of a scheme called the Bhivpuri Scheme approved by the Bombay Municipal Corporation, the city will get an additional supply of 35 million gallons of water per day. A survey will be made by expert engineers who will also give an estimate of the cost of the scheme on the basis of pre-war, post-war and present prices. During the discussion of the scheme, the Municipal Commissioner said that it would not be beyond the scope of the municipal finances to raise a sum of Rs. 20 lakhs annually for the scheme.

Bengal Letter

CALCUTTA, July 20.

THE supply of adequate cloth is an acute problem for Bengal just now. Mr Krishnaraj Thackersay, Chairman of the Textile Control Board, said recently that considerable quantities of cloth were being sent to Bengal, but the provincial authorities had failed to bring about their proper distribution. To this Mr. Hamidul Huq, a member of the Textile Control Board, has replied that not all the cloth sent to Calcutta is meant for consumption in this province; a large part of it is re-exported to Bihar and other neighbouring places. Further, the total quantity of cloth available in Bengal has diminished due to a serious drop in the output of the handloom industry. Transport difficulties have also been a serious obstacle in the way of the distribution of cloth. Above all, says Mr. Hamidul Huq, the Bengal Government had so long been preoccupied with the food problem and could not give sufficient attention to the cloth problem. While there is some substance in these arguments, it cannot be ignored that the provincial authorities have rather made a mess of the whole business of distribution of cloth in Bengal. Black markets in cloth are a patent evil in this province; there is also considerable scarcity in the supply of cloth. Traders themselves maintain that this is due to serious defects in the distributive machinery. It is difficult for the public to understand who are really to blame in this matter, because the wholesalers and retail dealers are engaged in hurling charges and counter-charges against each other. In the final analysis, however, the fault is that of the Bengal Government. Why should they not be able to find out the real culprits and bring them to book?

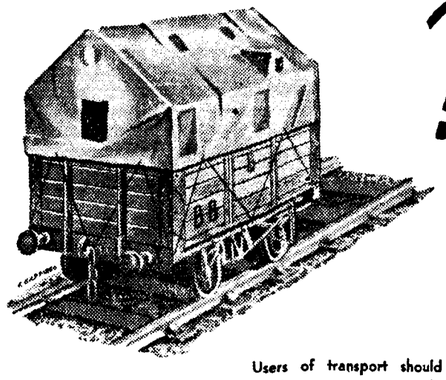
Prospects For Salt Industry

The Bengal Industrial Survey Committee recently considered at one of its meetings the report of its sub-committee that was appointed to investigate the possibilities of expanding the manufacture of salt in Bengal. According to this report, Bengal's salt requirements are of the order of 93 lakh tons. The quantity of salt that is produced by the salt factories of Bengal comes to 20,000 tons. The salt produced on the cottage-industry basis is about 9 lakh tons. The Committee arrives at the conclusion that meteorological and other conditions in Bengal are very favourable for the development and expansion of salt manufacture in the province.

A Move To Help Jute-growers

The Government of Bengal have decided to set up a new organization with a view to improving the conditions of jute-growers by enabling them to secure the highest prices for jute in parity with the maximum prices fixed by the recent Jute Price Control Order, 1944. The specific functions of the organization will be to disseminate information regarding prevailing jute prices to cultivators, to supervise jute grading parties, or organize jute sale societies and to set up warehouses in important jute-growing centres. Welcome as this move is, its success will depend on the earnestness with which the new organization will function.

Wagon or warehouse ?

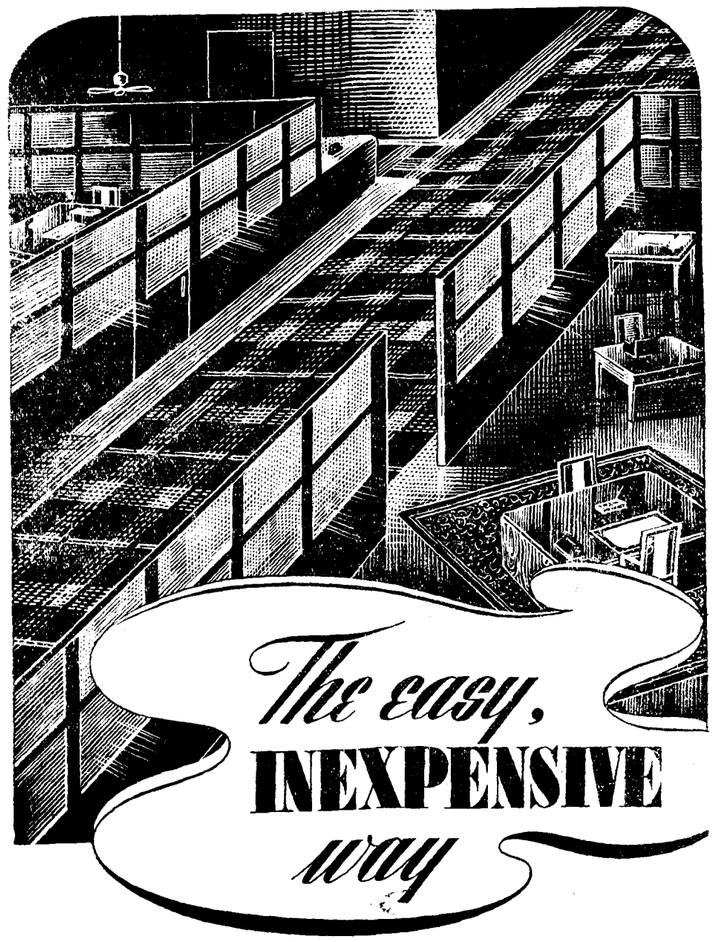


Users of transport should not treat wagons as warehouses. Prompt unloading will send the wagon back where it is most needed.

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LABOUR

Industrial Wages in India

A RATIONAL system of wage payments is wanted not only to eliminate the most recurring cause of industrial disputes and maximize the incentive to work, but also for higher social purposes. A high standard of living governs the productive efficiency of labour and in the long run determines the extent of industrial prosperity of a country. Wage rates thus can not be simply a matter of private negotiation between an employer and individual operative in an industrial concern or even a question concerning a group of employers and workers in an industry but it has a national importance and deserves to be treated as such.

It is the absence of well-defined principles of wage fixation which really accounts for the wide disparity in wages. Wages not only differ from industry to industry, from one centre to another, but they differ in different factories in the same industry and in the same centre. There are cases where wages and wage rates differ for the same job, either in the same factory or in two factories engaged on the same work, situated side by side and being run under a common management. What applies to wages and wage rates also applies to the allowances paid during the war period. No common principle seems to have been adopted. Employees have adopted bases for payment of allowances according to their choice and sweet will.

And these differences are not small and negligible. Differences in wages in the same centre and industry cannot be explained by factors like competitive position of a particular centre compared to other centres in the country and local conditions including even the demand and supply of labour. The differential productive efficiency may partly account for some variations in wages, but the actual range of variation is so wide that even the differential productivity fails to justify the disparity.

The Cawnpore Labour Enquiry Committee studied the earnings of the operatives in four occupations in Cotton Mills in Cawnpore in 1937, and found the following range of variations as shown on page 46 of their report.

Occupations	Monthly earnings. From Rs. to Rs.
Roving Tenters	From Rs. 13 15 0 to Rs. 37 2 8
Ring Siders	„ „ 12 6 0 „ „ 23 10 0
Grey Winders	„ „ 10 5 0 „ „ 27 0 6
(*Old Type*)	
Two Loom Weavers	.. 22 14 0 39 12 0

Though these earnings are not strictly comparable in the absence of detailed information regarding the allocation of work, the Committee opined that these existing disparities could not be explained on any rational basis. The Bombay Textile Labour Enquiry Committee (1938) also pointed out very wide disparates between the earnings of workers in the different centres of the industry and in different occupations in the same centre. They ascribed this disparity to the lack of cohesion among the employers and of bargaining strength among the employees.

This is one aspect of the question. The second aspect which is not less important is the comparison of wage rates for various jobs with each other, for instance, the relation between the wages for spinners, weavers, carders, and coolies in a textile factory in the light of their respective duties or the assignment of work. The Tariff Board on Cotton Textile Industry (1927) pointed out a great disparity between the wages of spinners and weavers in India, which is not to be found in other countries.

The discussion leads to the conclusion that wages and wage rates in India are arbitrarily fixed and there seem to be no rules or principles which govern the fixation of wage rates. The Royal Commission on Labour noted that, indirectly the absence of standardization played no small part in the series of strikes which for sometime threatened to paralyse a considerable section of the Jute industry in 1929. In the absence of common standards any employer can reduce his wage rates and enter upon an unfair competition with his rivals in the industry.

There is yet another aspect of the wage question which chiefly becomes manifest in labour disputes consequent upon the introduction of schemes of rationalization which are characterized by workers as different forms of intensification of work. The crux of the problems, again, is the absence of principles and the arbitrary decisions of the employers. Rationalization *per se* results in greater output per head. In other words, the contribution of the worker per head increases from what it previously was. Naturally, the workers expect a compensation for this increase in their output. The employers, on the other hand, contend that the additional output is due to efficiency methods and better mechanical devices and as such, the workers are not entitled to any increase in their wages. During the last depression, there were a number of labour disputes on this question of sharing the extra income due to rationalization and the settlement of such disputes depended mostly on the relative strength of the contending parties.

The question of industrial wages should thus be carefully and scientifically studied. Some attempts have already been made in the past to standardize wage rates in certain industries. These efforts should be intensified. The list of common nomenclature for various occupations in cotton textile mills prepared at Bombay should be adopted through out the country and similar lists should be prepared for other industries. Once this is done the practical difficulty in fixing standard rates of wages throughout the industry would be overcome. Of the three aspects, this admits of the easiest solution and can be worked out by a committee of industrialists themselves.

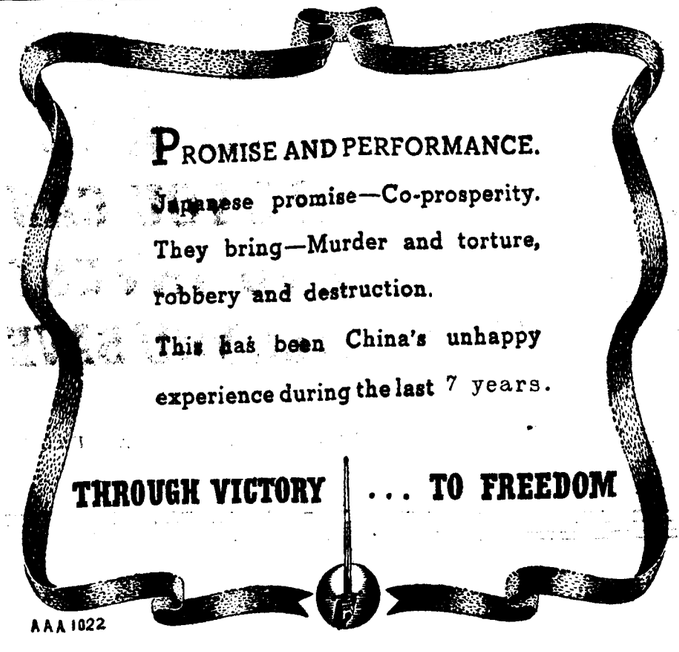
The second aspect namely fixing relative rates of wages for various jobs in an industry is more technical and difficult. A rational system of wages should be based upon the amount of skill, training and exertion necessary for each job. As production is carried on with the help of machines, it would be necessary to find out the degree of fatigue caused by working on different types of machinery in use. Thus 'fatigue study' should be the first step in finding out the relative onerousness of each process unit in a factory with all the different types of machines employed in different establishments. These "physical fatigue units" should form the basis of relative wage rates between different occupations. To these units, will have to be added an additional margin for the relative degree of training and education necessary to take up the job. For instance, comparing a cotton

feeder, a weaver and an electrician, it may be found that the physical strain may be the greatest for a feeder, but the degree of alertness and necessary training in the case of weaver and general educatives and scientific knowledge in the case of the electrician may more than counter-balance the differences in physical strain and may thus be responsible for a highre wage in the latter cases. Such studies have already been undertaken in certain industries in the U.S.A. as a par of schemes of scientific management.

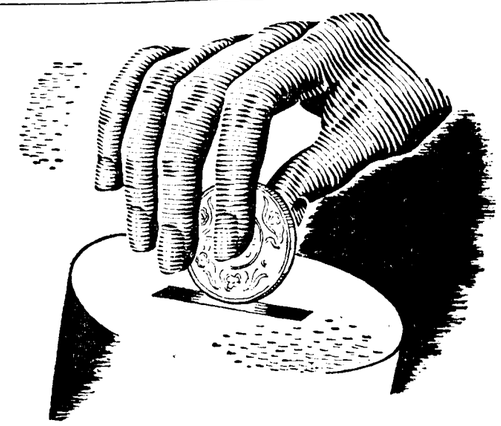
If this basis is accepted for fixing the relative wage rates, the third problem namely the adjustment of wages consequent upon the introduction of rationalization can also be solved. With the introduction of new machinery and redistribution of work in a department the variations in physical fatigue units can be calculated and wage relatives in fatigue units ascertained. The quarrel over "rationalization" and "Intensification" would thus vanish because the whole thing can then be determined with scientific precision. After paying the workers according to these standards, and taking out interest and depreciation on new capital for the employers, the balance can be shared in the proportion of wage bill to net capital as a common profit.

Our existing technical schools or the new technical laboratories which may be established, would be the fittest agency for carrying out such scientific studies for the industry as a whole. These results can then be circularized to all industrial establishments and their actual application checked by the factory inspectors. Such studies will help the employers in calculating the net profit from different types of machinery in use and thus help modernization. Further studies may be necessary to find out the comparative increase in the fatigue with a gradual wear and tear of the machines. A margin for this may have to be added to wages to compensate for this additional increase in strain caused by the wear and tear in machinery as years roll by till the machinery is finally replaced. This compensation is very necessary for piece wage workers who lose a part of their wages simple because the old machinery gives comparatively low output and is responsible for too frequent stoppages. The time workers have to bear an additional strain for the same wage. Thus the amount of depreciation charged on a machine should compensate both the capitalist for the loss of his capital and the labourer for the loss of wages.

If full provision for the depreciation of machinery is necessary to keep the dead capital in tact, there is stronger justification for recouping the loss of human capital. On this basis, the minimum physiological requirements of the body to compensate for the loss of human energy should be calculated by medical experts. The amount necessary to meet these requirements for a normal family is the bare minimum which must be paid to keep the labour in fit and healthy condition. This standard may be suitably modified to leave good margin for mental and cultural development and improvement in worker's efficiency. This then should be the basis for the minimum wage which should be guaranteed to all workers. This minimum may be increased in proportion to the wage relatives fixed on the basis of fatigue skill and training necessary for an occupation. Periodical adjustments in all cases should be made to adjust wages to the movement of cost of living index numbers, which should be scientifically prepared and maintained for each industrial centre. In addition to this, the workers should get a share in the windfall profits or profits exceeding the normal rates of dividend for the industry on a profit sharing basis. The simplest method is to distribute the surplus in the proportion of total wage bill to the net capital investment for the year.



LABOUR



EVERY RUPEE SAVED NOW...

will buy more when the war ends. With prices as high as they are today it is plain commonsense that you are getting bad value for your money. Besides, remember that prices are falling. Compare the prices of cloth, foodgrains, medicines etc. a year ago with prices today. The wise man saved his money and can now buy cheaper than before. The wisest thing of all however, is to save all you can now in order to get twice as much for your money when peace returns.

Be sure that the money you save is safely invested. Jewels, Land, buildings, manufactured goods and commodities are bad investments these days. Their prices are abnormally high and you will certainly find one day that they are coming down.

For security and fair return put your money into Government Loans. National Savings Certificates. Insurance. Co-operative Societies. Post-Office Savings Bank or a Savings Bank Account.

SAVE ALL YOU CAN AND INVEST ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1143

COMMODITY MARKETS

BOMBAY, July 29.

WITH the tightening of the control against the black market in cloth, this nefarious practice has now shifted to the yarn market. The result is that the handloom weavers are hard put to obtain their supplies at the controlled rates and the authorities will have to tackle this problem in right earnest. In the local piecegoods market supply still fails to catch up with the demand, with the result that black market persists. With a view to securing a fair distribution of goods, quota holders in the Bombay market are considering the formation of an organization. A Committee will be appointed to find out the exact need and requirements of the upcountry and local buyers. There is no doubt that this would largely prevent leakage of goods into the black market. Regarding export, there is an increasing demand which is being satisfied to a moderate extent. Leopard cloth and other greys are ruling on the basis of Rs. 1-11-6 a lb.

Cotton

The Government purchases of all varieties have stopped because with the ending of the ICC July and with the quotation for ICC September above the level of Rs. 410 the Government are not obliged to buy. This has brought down the quotation of ICC September from Rs. 425 to Rs. 411. In connection with Government purchases, it is stated that the 1943-44 cotton plan will operate up to September 25, 1944, after which the plan will cease so that the Government after that date will neither buy nor requisition cotton of the current crop. The 1944-45 plan will come into operation after the expiry of the 1943-44 plan. The market still awaits the Government's decision regarding Futures trading in the 1944-45 crop. The spot market was inactive except for some inquiry for Broach cotton. The main quotations are as under: Broach BD-8 Rs. 410/40; Kapadvanj Farm Rs. 330; Punjab 289-F S.G. Rs. 575; Old Crop NT Rs. 275; Old Crop Berar Deshi Rs. 175; Surat Farm Rs. 505; Hubli Jaywant Rs. 400 (upcountry delivery).

Seeds

Groundnut. The Ministry of Food is reported to have purchased during the past fortnight about 17,000 tons of groundnuts at prices gradually declining from £34 per ton to £33-12-6 per ton. Weather reports from upcountry indicate sufficient rains for sowing and the progress of sowing is very satisfactory. The quotations are as under: Khandesh quality Rs. 18; Bombay Bold Rs. 17-2.

Further seed quotations are: Castor seed Rs. 17-2 (Bombay delivery); CP linseed Rs. 15-12; Bold linseed Rs. 14-0.

HAPUR, August 1.

There is hardly any change in the wheat market position during the week under review. In spite of the stipulation that the sale of *gur* and *Bazhar* should be accompanied by the sale of wheat of one-fourth the amount of *gur* sold or one-half the amount of *Bazhar* sold, the flow of wheat has not substantially increased, but averages about 60 maunds daily. The present stock, entirely in the hands of the Government, is estimated at 29 *khattis* at the control rate of Rs. 9-10 to Rs. 9-12. Last year during the corresponding week the rate was Rs. 14-8, arrivals averaged 1,000 maunds and the stock was estimated at 225 *khattis*.

The following are the latest quotations of wheat Punjab: Lyallpur Wheat Rs. 9 to Rs. 10, Gram Rs. 6-14. Lahore: Wheat Rs. 9-1 to Rs. 10-2, Gram Rs. 7. Kasur: Wheat Rs. 8-13, Gram Rs. 6-10. Aligarh: Gram Rs. 7-7. Hapur: Wheat Rs. 9-10, Gram Rs. 8. Heavy rains, very beneficial to the standing *Kharif* crops, were received in the up-country centres this week. A good out-turn is expected.

Pulses

Futures in the local *Urad, Arhar* and *Moong* markets have showed a general tendency to fall. Active selling by manipulators, bull liquidations and better crop outlook are the principal factors for this tendency *Urad Maha*, having touched the highest level of Rs. 12-8 and lowest level of Rs. 11-8, is now quoted at Rs. 11-10-9. *Moong Bhadon* and *Maha* are today quoted at Rs. 9-12 and Rs. 11-2 respective. *Arhar Khatti* is now quoted at Rs. 7-7-0.

Gur

A huge stock of 2½ lakh maunds is still lying and exports average 1,500 maunds daily. Prices range between Rs. 5-12 to Rs. 7 according to quality

Cloth

For Efficient Banking

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Other Branches:

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Narayanganj Branch will be opened shortly.

BANKING BUSINESS OF ALL DESCRIPTIONS ARE TRANSACTED

Managing Director **MR. M. K. GUHA**

TODAY'S SAFEST YET
MOST EXCITING WAY OF SAVING

GOVERNMENT OF INDIA

Prize Bonds

Prize Bonds are absolutely secure, yet owners have a chance of winning large cash prizes. Rs. 100 can win as much as Rs. 50,000 and the chance to win persists twice a year for the currency of the issue. Meanwhile the capital retains its full value and is repayable at par on or after 15th January, 1949.

You can get either a Rs. 10 or Rs. 100 Bond. There is no limit as to holdings.

Prizes are drawn half-yearly, on 15th January and 15th July. All bonds purchased before the 17th December 1944 will participate in the next draw on the 15th January 1945.

PRIZES ARE

★

All prize money will be free of Income-tax, Super tax, Excess Profits tax and Corporation tax.

★

Each series of 1 lakh pieces of Rs. 100 Bonds		
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 series of 1 lakh pieces	Rs.	1,00,000
Each series of 1 lakh pieces of Rs. 10 Bonds		
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 series of 1 lakh pieces	Rs.	10,000

Available at:—Any Indian Office of the Reserve Bank of India, Imperial Bank of India, Government Treasury in British India or in an Indian State conducting Government of India Treasury Business.

Prizes will be paid at all the above mentioned places and also at sub-Treasuries on or after the 15th August or 15th February following the date of the draw. Every Bond remains eligible for prizes at all drawings up to 15th January 1949. Payment of Prize money of the Rs.10 series will be made in cash; of the Rs. 100 series, half in cash and the balance in Government Loans.

Winning numbers will be published in the Gazette of India and the Press, before 15th August and 15th February following the date of the draw.

ISSUED BY FINANCE DEPARTMENT, GOVERNMENT OF INDIA

AAA 964

CURRENT STATISTICS

BANK RETURNS

RESERVE BANK OF INDIA

Comparative Statement as on 21st July, 1944.

ISSUE DEPARTMENT

(000's omitted)

	July 21 1944	July 14 1944	July 23, 1943	Sept. 1 1939
Notes held in the Banking Dept. ..	17,85,27	11,03,44	9,32,52	35,04,49
Notes in Circulation ..	926,15,89	932,22,05	738,92,20	182,13,17
Total Notes ..	944,01,16	943,25,49	748,24,72	217,17,66
A. Gold Coin and Bullion	44,41,43	44,41,43	44,41,43	44,41,46
Sterling Securities ..	828,32,89	828,32,89	577,68,54	59,50,11
Total of A ..	872,74,32	872,74,32	622,09,97	103,91,57
B. Silver Coin ..	13,42,80	12,67,22	14,62,48	75,87,11
Rupee Securities ..	57,84,04	57,83,95	111,53,27	37,38,98
Silver Bullion under Coinage	..	..	..	..
Percentage of Reserve to Liabilities ..	92.450	92.525	83.141	63.149

BANKING DEPARTMENT

(000's omitted)

	July 21, 1944	July 14, 1944	July 23, 1943	Sept. 1, 1939
Cash	18,15,17	11,29,63	9,47,80	35,15,27
Balances held abroad	196,35,95	182,96,84	92,03,28	10,08,33
Investments ..	11,12,70	11,12,71	9,31,26	6,81,34
Bills discounted:—				
(a) Internal ..	..	..	..	..
(b) External ..	..	..	..	..
(c) Govt. of India Treasury Bills	46,96	46,96	9,98	1,15,67
Loans and Advances to the Government ..	..	18,00	36,00	31,00
Deposits:—				
(a) Government ..	100,14,81	87,30,97	30,02,56	14,89,43
(b) Banks ..	98,47,84	92,12,97	65,33,03	26,91,43
(c) Others ..	4,79,00	4,00,24	2,74,36	1,24,37

BANK OF ENGLAND

(000's omitted)

	July 26, 1944 £	July 19, 1944 £	July 28, 1943 £	Aug. 30, 1939 £
Total Bullion ..	1,261	1,236	1,547	263,700
and Advances ..	4,760	4,900	7,300	6,400
Public Deposits ..	7,700	16,700	6,600	31,100
Other Deposits ..	255,200	226,900	224,500	129,100
Of which Bankers Deposits	199,800	170,400	169,900	90,100
Govt. Securities ..	249,300	224,400	180,400	113,100
Other Securities ..	12,500	14,600	28,000	31,000
Of which Discounts				
Notes and coins ..	14,500	17,700	33,400	34,200
Notes in Circulation ..	1,136,800	1,133,600	938,100	529,500
Ratio of Reserve to Liabilities	5.49%	7.25%	14.46%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	July 27, 1944 $	July 20, 1944 $	July 29, 1943 $	Aug. 31, 1939 $
Resources:				
Total Reserves ..	19,115,000	19,164,000	20,519,000	14,630,610
Total Bills Discounted	37,000	39,000	13,000	6,190
Bills bought in open market	..	..	..	550
Total U.S. Government Securities ..	14,802,000	14,556,000	7,951,000	2,426,190
Liabilities:				
Federal Reserve Notes in actual circulation	16,995,000	18,981,000	14,228,000	4,609,280
Deposits — Member Bank Reserve Account	12,792,000	12,754,000	12,309,000	10,951,000
Ratio of total Reserves to Deposit and Federal Reserve Note-liabilities combined	56.3%	56.5%	71.6%	86.9%

IMPERIAL BANK

Weekly Statement of Affairs as on 21st July, 1944.

(000's omitted)

	July 21. 1944	July 14. 1944	July 23, 1943	Sept. 1, 1939
Fixed deposits, savings bank, current and other account ..	230,31,69	227,45,20	194,85,14	87,26,24
Government securities	127,50,02	126,94,48	133,85,93	51,02,78
Other investments ..	3,11,24	3,22,52	2,09,48	96,27
Loans	12,73,10	13,44,06	9,69,12	7,66,38
Cash credits and overdrafts	46,17,31	46,24,61	23,44,70	19,76,06
Bills discounted ..	4,49,44	5,41,39	2,83,63	2,94,74
Cash in hand and with the Reserve Bank and with other Banks	45,84,99	41,68,12	32,56,44	14,68,87

SCHEDULED BANKS

(In thousand Rupees)

	21-7-44	14-7-44	23-7-43	1-9-39
Demand Liabilities in India ..	571,22,94	569,71,76	341,34,81	134,36,49
Time Liabilities in India	183,78,49	182,43,99	134,31,23	102,24,34
Cash in India ..	25,64,03	28,07,91	17,44,33	6,69,92
Balances with Reserve Bank	96,47,75	92,69,54	64,53,49	25,17,19
Advances in India ..	215,53,46	215,18,28	140,57,35	101,52,16
Bills Discounted in India	9,34,38	9,63,35	3,93,34	3,57,29

TREASURY BILLS

WEEKLY TENDERS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Intermediates	Sold in favour of Issue Dept.
May 2	12,14,50	4,00,00	0 10 11	..	2,35,00
,, 9	13,18,75	4,00,00	0 9 0	..	3,35,00
,, 16	15,22,75	4,00,00	0 8 0	..	1,37,00
,, 23	13,39,00	4,00,00	0 6 10	..	3,85,00
,, 30	12,40,75	6,00,00	0 5 11	..	55,00
May	66,35,75	22,00,00	0 0 8 1-3 5		11,47,00
June 6	11,09,75	6,00,00	0 6 3	..	90,00
,, 20	9,66,75	6,00,00	0 8 4	..	14,05
,, 13	9,42,00	6,00,00	0 7 8	..	1,95,25
,, 27	8,03,25	6,00,00	0 8 0	..	2,79,50
June	38,21,75	24,00,00	0 7 6¾		5,78,80
July 4	7,42,25	4,00,00	0 7 9	..	1,67,25
,, 11	8,44,25	4,00,00	0 7 8	..	7,85,00
,, 18	9,07,25	4,00,00	0 7 10		3,76,00
,, 25	12,43,00	4,00,00	0 7 9		1,42,00
July	37,36,75	16,00,00	0 7 9		14,70,25

MATURITIES

Date of Maturity	Amount (000's of rupees)	Date of Maturity	Amount (000's of rupees)
15th July 1944 ..	400	27th ,, ,, ..	8,25
21st ,, ,, ..	1,84,75	28th ,, ,, ..	1,82,75
22nd ,, ,,	15,25	29th ,, ,, ..	200

CLEARING HOUSE RETURNS

Period	Bombay	Calcutta	Cawnpore	Delhi	Karachi	Lahore	Madras	Total	Progressive Total
Total 1941-42	1,046.77	1,230.09	30.35	11.35	33.50	25.61	135.31	2,568.66	2,568.66
.. 1942-43	1,221.05	1,061.83	35.14	62.53	78.63	47.26	126.04	2,773.03	2,773.03
.. 1943-44	1,363.21	1,716.11	109.41	91.05	192.84	78.32	200.02	4,348.50	4,348.50
1944-45									
April	163.24	147.28	9.35	10.80	8.43	6.53	15.35	360.06	360.06
May	151.06	148.37	8.35	9.21	9.93	6.62	15.31	439.86	799.92
June	211.21	203.62	11.38	10.84	11.60	8.14	21.18	483.17	1,193.09
Week ended June 2	38.65	33.92	2.27	2.19	2.37	1.84	4.53	90.49	890.41
.. 9	40.87	42.23	2.35	2.46	2.17	1.43	4.03	95.60	896.01
.. 16	41.38	42.63	2.14	2.18	2.27	1.99	4.04	97.15	993.48
.. 23	40.69	39.86	2.09	2.25	2.09	1.52	3.72	92.53	1,086.05
.. 30	40.42	44.99	2.22	1.91	2.57	1.66	4.27	107.04	1,193.09

ABSORPTION AND RETURN OF CURRENCY

(In lakhs of rupees)

Month	Increase or decrease in Note Circulation as on last Friday of the month: During Month	Progressive	Increase or decrease of Rupee Coin* in Circulation as on last Friday of the month: During Month	Progressive	Combined progressive increase or decrease of Notes and Coin in Circulation
1941-42		+ 152.49		+ 7.17	+ 159.67
1942-43†		+ 262.33		+ 46.09	+ 308.42
1943-44		- 338.91		+ 23.14	+ 262.05
1943-44					
April	+ 34.03	+ 34.03	+ 3.31	+ 3.31	+ 37.34
May	+ 36.50	+ 69.51	+ 3.56	+ 6.87	+ 67.40
June	+ 19.24	+ 79.77	+ 2.49	+ 9.36	+ 89.13
July	+ 17.03	+ 96.80	+ 97	+ 10.33	+ 107.13
August	+ 14.26	+ 111.06	+ 47	+ 10.80	+ 121.86
September	+ 5.04	+ 116.10	+ 13	+ 10.68	+ 126.78
October	+ 22.41	+ 138.51	+ 1.40	+ 12.08	+ 150.59
November	+ 12.28	+ 150.79	+ 1.37	+ 13.45	+ 164.24
December	+ 46.43	+ 197.32	+ 4.25	+ 17.70	+ 214.92
January	+ 12.68	+ 210.10	+ 2.41	+ 20.11	+ 230.21
February	+ 13.82	+ 223.92	+ 1.85	+ 21.93	+ 245.83
March	+ 14.99	+ 238.91	+ 1.18	+ 23.14	+ 262.05
1944-45					
April	+ 14.31	+ 14.31	+ 1.50	+ 1.50	+ 15.81
May	+ 13.52	+ 27.83	+ 2.09	+ 3.59	+ 31.42
June	+ 21.05	+ 48.88	+ 88	+ 4.47	+ 53.35

* Including Government of India one-rupee notes from July 1940. † Figures for India only from June 1942.

AVERAGE DAILY PRICE OF GOVERNMENT SECURITIES AND YIELD THEREON*

Month	2¾ Per Cent. Bonds, 1948-52† Price Rs. A.	Yield %	4 Per Cent. Loan 1960-70† Price Rs. A.	Yield %	3½ Per Cent. Paper Price Rs. A.	Yield %
1943-44						
April	99 2	2.86	110 7	3.22	94 0	3.72
May	99 2	2.86	110 7	3.21	94 0	3.72
June	99 4	2.84	110 7	3.21	94 0	3.72
July	99 6	2.83	110 12	3.18	95 4	3.68
August	99 9	2.81	111 3	3.15	96 10	3.62
September	99 9	2.81	111 4	3.14	97 1	3.61
October	99 11	2.79	111 11	3.11	97 7	3.59
November	99 12	2.78	111 14	3.09	97 9	3.59
December	99 12	2.78	112 0	3.08	97 9	3.59
January	99 13	2.78	112 8	3.04	98 14	3.54
February	99 14	2.77	112 10	3.02	98 15	3.54
March	99 12	2.78	112 10	3.02	98 15	3.54
1944-45						
April	99 0	2.89	111 3	3.13	97 6	3.59
May	99 7	2.83	111 12	3.08	98 12	3.54
June	99 11	2.79	112 8	3.02	99 3	3.53

* Yield to redemption.

† The earlier or later date is taken according as the price is above or below par.

PURCHASES STERLING

Month	Net purchases: Amount (000's of £)	Average rate of purchase s.	d.
Total 1943-44	105,309	1	6
April 1943-44	9,219	1	6
May	8,721	1	6
June	6,338	1	6
July	7,008	1	6
August	8,546	1	6
September	8,371	1	6
October	8,947	1	6
November	7,476	1	6
December	9,573	1	6
January	11,130	1	6
February	8,594	1	6
March	14,388	1	6
April 1944-45	8,783	1	6
May	4,855	1	6
June	6,934	1	6

WHOLESALE PRICES AND COST OF LIVING ABROAD

During 1943-44

Country	Wholesale price	Cost of living
South Africa Union	154 (xi)	123 (xi)
Egypt	291 (xii)	253 (xii)
Southern Rhodesia	..	119 (xii)
Canada	141 (*)	118 (*)
Newfoundland	..	143 (*)
Argentine	197 (xi)	177 (xi)
Mexico	167 (*)	111 (xi)
Chile	209 (ix)	220 (x)
Peru	209 (xii)	161 (xii)
Venezuela	118 (ix)	153 (xii)
Cuba	160 (xii)	132 (ix)
Uruguay	..	160 (xii)
China (Chungking) Manchuria	375 (viii)	111 (xii)
India (Hongking)	305 (xii)	6074 (vii)
	(Cal.)	233 (viii)
Iraq	692 (xi)	244 (ix)
Iran	505 (xii)	(Bombay)
Japan	144 (ix)	759 (xii)
Palestine	325 (xi)	135 (ix)
Germany	103 (xii)	293 (ix)
Bulgaria	232 (vi)	109 (xii)
Denmark	195 (*)	226 (viii)
Spain	191 (xii)	154 (xii)
Finland	251 (x)	195 (xii)
Hungry	283 (x)	197 (xii)
Norway	180 (xi)	243 (x)
United Kingdom	166 (*)	153 (x)
Switzerland	208 (*)	164 (1944 ‡)
Turkey	675 (viii)	412 (viii)
Sweden	179 (xii)	156 (xii)
Australia	138 (†)	165 (xi)
New Zealand	149 (xii)	110 (†)

Roman Numeral indicate the month of the year 1943 for which the latest figure is available.

* Figure for February, 1944.

‡ Figure for January, 1944.

STOCKS AND SHARES

	This week Rs. a. p.	Previous week Rs. a. p.
BOMBAY		
GOVT. SECURITIES (JULY 31)		
3½ % (1947-40)	103 10 0	..
3 % (1960-68)	98 4 0	..
2¾ % (1948-52)	99 12 0	..
3 % (1949-52)	101 8 0	..
3 % (1953-55)	106 7 0	..
4 % (1955-60)	116 4 0	116 0 0
3 % (1946)	102 8 0	102 7 0
3 % (1952-54)	101 1 0	100 6 0
3½ % G. P. Notes	99 10 0	99 8 0
3 % (1963-65)	91 1 0	99 1 0
5 % (1945-50)	104 12 0	..
TEXTILES (JULY 31)		
Ahmedabad	475 0 0	490 0 0
Bombay Dyeing	1 888 4 0	1,856 4 0
Central India	418 8 0	411 0 0
Indian Bleaching	182 0 0	182 0 0
Kohinoor	624 0 0	616 0 0
Century	900 0 0	875 0 0
Phoenix	626 0 0	647 8 0
Colaba Land	222 0 0	218 0 0
Simplex	254 0 0	241 6 0
Swadeshi	542 0 0	536 0 0
Vishnu	500 0 0	490 0 0
Gokak	322 0 0	314 0 0
Sholapur	6,900 0 0	7,135 0 0
MISCELLANEOUS (JULY 31)		
Bombay Burma	490 0 0	477 8 0
Alcock	492 8 0	487 8 0
Belapur Sugar	249 0 0	247 0 0
Bombay Tramway	158 0 0	156 0 0
British Burma Petrol	3 13 0	3 11 0
Andhra Valley	1,885 0 0	1,890 0 0
Shivarajpur	53 0 0	50 0 0
Tata Power	1,900 0 0	1,890 0 0
Tata Chemical	.. ..	28 0 0
Tata Oil	.. ..	80 4 0
Tata Hydro	205 0 0	205 0 0
Tata Steel Ordinary	425 8 0	421 0 0
Tata Steel Defd.	2,236 0 0	1,890 0 0
Associated Cement	231 0 0	232 0 0
Indian Iron	41 8 0	39 8 0
Indian Copper	3 8 0	3 5 0
[illegible] 1st Pref.	227 8 0	226 4 0
[illegible] 2nd Pref.	168 8 0	166 0 0
[illegible] Mysha New	.. ..	167 8 0
Premier Construction	223 0 0	226 0 0
BANKS		
Central	81 12 0	82 4 0
Imperial (F.P.)	1,976 4 0	1,985 0 0
Imperial (P.P.)	493 12 0	506 4 0
Reserves	135 12 0	138 8 0
India	181 8 0	184 0 0
New India Insurance	82 0 0	81 8 0
CALCUTTA		
JUTES		
Alliance	691 0 0	..
Champdany	253 0 0	..
Anglo-India	717 0 0	461 0 0
Barnagore	227 0 0	216 0 0
Howrah	85 12 0	80 12 0
Presidency	10 10 0	10 15 0
Ganges	.. ..	545 0 0
Kamarhatty	680 0 0	660 0 0
Kankinarah	575 0 0	..
STEEL AND ENGINEERING		
Nuddiah	.. ..	129 0 0
Indian Iron	41 11 0	39 1 0
Steel Corporation	36 12 0	34 14 0
Braithwaite	12 8 0	9 2 0
Kumardhubi	.. ..	41 6 0
Ather Butler	22 0 0	..
TEXTILES		
Jessop	26 0 0	..
Cawnpore Textile	14 9 0	14 1 0
New Victoria Pref.	9 12 0	9 5 0
Kesoram	19 10 0	19 9 0
Elgin	75 0 0	67 8 0
COALS		
Amalgamated	52 2 0	..
Kheerbhoom	.. ..	37 10 0
Enalgora	17 8 0	17 0 0
Baraboni	4 9 0	..
Burrakur	466 0 0	..
Equitable	.. ..	42 14 0
Bengal	.. ..	65 0 0
MISCELLANEOUS		
Titagarh	690 0 0	646 0 0
Dalmia	28 14 0	29 14 0
SUGAR		
Champaran	46 12 0	19 9 0
Samastipur	.. ..	44 4 0
Belsund	18 13 0	22 8 0
Carew	32 14 0	17 4 0
Darbhanga	.. ..	31 2 0
Balrampore	22 2 0	37 2 0
TEA		
East Indies	17 12 0	..

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity	Quality	Market	Unit	Latest Quotation Rs. a. p.
Rice	Basmati			22 0 0
Rice	Punjab Basmati	Amritsar	per md.	17 12 0
		Cawnpore	"	13 10 0
	New Common Milled Medium	Calcutta	"	
Wheat	Average	Amritsar	"	8 12 0
	"	Lyallpur	"	9 1 0
	Dara	Hapur	"	9 0 0
	"	Cawnpore	"	13 5 4
		Calcutta		10 7 0
Linseed	Ready Bold	Bombay	"	11 7 8
	"	Cawnpore	"	9 0 0
Mustard	Yellow	Cawnpore	"	14 4 0
Groundnuts	Bold	Bombay	"	11 15 0
Oils—Linseed	Ready	" ..	per qr.	10 4 0
Groundnuts	"	"	"	11 8 0
Copra	"	"	"	10 6 0
Castorseed				11 12 0
Potato	Desi	Cawnpore	per md.	9 12 0
Cotton	I.C.C. (Sept.)	Bombay	per candy (784 lbs.)	413 14 0
				1 7 9
Cotton cloth	Leopard V	"	per lb.	
	Grey unbleached	"		76 0 0
Jute Raw	First	Calcutta	per bale (400 lbs.)	(ex-godown 66 12 0
	New Lightnings			(ex-godown 81 0 0
	New B. Twills	"	100 bags	(Ready)
Jute cloth	8 oz.	"	100 yds.	22 2 0
	10½ oz.	"		29 0 0
Tea	Indian			
	Market	"	per lb.	0 10 0
Wool	"	Karachi	(82 lbs.)	71 0 0

SUGAR POSITION

For Season 1943-44.

Producing areas.	Production upto 15.7.44.	Despatches during the period 8.7.44 to 15.7.44.	Progressive total of despatches upto 15.7.44.	Percentage of progressive despatches to production.	Stock as on 15.7.44.
U. P.	7,27,403	18,667	3,52,650	48.5	3,74,753
Bihar	2,12,809	4,289	1,18,728	55.8	94,081
Bombay	81,685	1,374	45,383	55.5	36,302
Madras	42,235	1,890	24,178	57.2	18,057
Punjab	11,162	426	6,908	61.9	4,254
Bengal	13,477	341	7,711	57.2	5,766
N.W.F.P.	6,253	103	4,053	64.8	2,200
Orissa	1,690	43	1,035	61.2	655
Indian States	1,23,265	2,894	72,479	58.8	50,786
Total	12,19,953	29,297	6,33,105	51.9	5,86,856

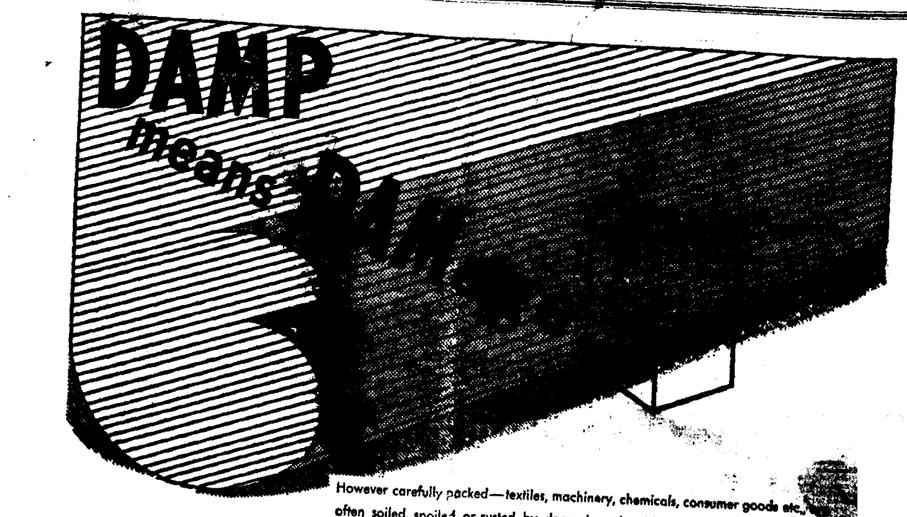
Balance stock of 1942-43 sugar as on 15-7-44 was 2,311 tons.

NEW FOOD INDEX

Base: Week Ending August 25 1939.

Average for April	233.8
Average for May	237.9
June 2, 1944	236.4
" 10 "	233.8
" 17 "	236.5†
" 24 "	238.4
Average for June	236.9
July 1, 1944	236.1
" 8 "	236.8
" 15 "	236.8

† Rise due to the increase in the price of 'Gur.'



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THE

EASTERN ECONOMIST

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War Expenditure And Taxation

EXPENDITURE for purposes connected directly or indirectly with the war makes up 90 per cent. or more of wartime budgets and cannot easily be disentangled from other outlays unconnected with the war. The total expenditure incurred by Governments during wartime may, therefore, be considered for all practical purposes as war expenditure. In 1938-39, the total expenditure of the Central Government stood at the comparatively 'low' level of Rs. 79.13 crores; in the budget estimate for 1944-45, the corresponding figure stands at Rs. 352.49 crores, an increase of 350 per cent. The annual stages of this amazing growth are shown in the table below:

Year	Total Expenditure of the Central Government (In crores of rupees)	Percentage Increase over the 1938-39 level
1938-39 ..	79.13	..
1939-40 ..	88.83	12
1940-41 ..	107.90	36
1941-42 ..	139.67	80
1942-43 ..	280.97	255
1943-44 (revised)	337.35	330
1944-45 (budget)	352.49	350

War expenditure had increased by 80 per cent. even before the outbreak of hostilities with Japan, but thereafter the tempo rose yet more sharply and between March, 1942, and March, 1943, there was a 200 per cent. increase, and expenditure in that year was 3½ times greater than that in 1938-39. The last and the current fiscal years have seen further high-jumps and the current budget estimate of Rs. 352.49 crores is 4½ times as much as the actual expenditure in the last pre-war year. If past experience be any guide, the budget estimate for this year is likely to be exceeded by the actual expenditure by a substantial margin and the increase in annual expenditure up to date may not be less than 400 per cent. over the 1938-39 level. This record is not very much behind what even Britain's "fanatical single-mindedness" has to show; from £1,013 millions in 1938, her expenditure had risen to £5,782 millions in 1943, an increase of 470 per cent. as compared with India's 330 per cent. for the period. If the comparison is to be in terms of the total diversion of resources to war purposes, as indeed it should be—then, Britain's performance is negligible beside India's. For, in that case, to the national estimate of expenditure of Rs. 337.35 crores [illegible] should be added the sterling assets to [illegible]

Rs. 414.14 crores, accumulated during the year, making a total of Rs. 751.49 crores, which is 850 per cent. more than the Central Government expenditure in 1938-39. It is interesting to note that Canada's expenditure during the same period rose from 550 million U.S. dollars to 4,100 million, an increase of only 645 per cent.

It is important to remember that in this country the colossal growth of war expenditure has not been accompanied by any significant expansion in output. Agricultural production has risen, if at all, only very slightly. The "Grow More Food" campaign, to the extent it has succeeded, has largely resulted in the substitution of food crops for commercial crops, but has led to no great increase in terms of agricultural output as a whole. None of the major agencies of agricultural expansion, such as, for instance, large-scale reclamation through irrigation, drainage, etc., introduction of modern scientific methods and mechanical equipment, extensive propagation of better seeds and intensive application of manures, has really been very much at work in our war-time agriculture, and it may, therefore, be safely inferred that agricultural production, as a whole, has not increased perceptibly. Things have gone better, comparatively speaking, with the volume of industrial production, but even here more optimistic estimates than 25 per cent. for the unorganized and 50 per cent. for the organized industry are apt to be wide of the mark. In the context of our predominantly agrarian economy, this slight industrial expansion cannot be expected to have appreciably levered up the gross national product, which may not, therefore, be much more than, say, 10 per cent. over the pre-war level in terms of constant prices. Other countries, however, have a different story to tell. In an article in the *Federal Reserve Bulletin* for January, 1944, it has been said that "the war has exploded traditional economic magnitudes of all kinds, but most dramatic has been the vast expansion in output—particularly in the United States, but also in Canada and the United Kingdom. The gross national product in current prices has more than doubled over its 1939-40 level in the United States; that of Canada has increased by 70 per cent., and that of the United Kingdom by 40 per cent. In part, this reflected a rise in prices, but the increase in terms of constant prices was still very great." Thus, while in countries, such as the United States, Canada and Great Britain, the burden of war expenditure on the community has been modified by expansion in production, this corrective has been operative to a negligible extent in India, thus necessitating a very high degree of restriction of civilian consumption.

Another feature of India's war finance, as striking as the colossal size of the war expenditure itself, is the extent to which tax revenue has helped to cover expenditure:

Year	Net tax revenue (including net revenue from commercial departments). (a)	Total net expenditure of the Central Government. (b)	Percentage increase in (a) over 1938-39 level.	(a) as a percentage of (b).
	(In crores of rupees.)			
1938-39 ..	70.06	79.13	..	89
1939-40 ..	80.80	88.83	15	91
1940-41 ..	85.50	107.90	22	80
1941-42 ..	115.39	139.67	65	82
1942-43 ..	143.68	280.97	105	51
1943-44 (revised) ..	215.99	337.35	208	64
1944-45 (budget) ..	274.04	352.49	290	78
1938-45 ..	985.46	1386.34	..	71

In the above table, the net revenue from Commercial Departments (the Railways and the Posts and Telegraphs) has been included in the tax revenue, as the former is largely the result of wartime increases and surcharge, which are in the nature of taxes. In the current year of the war (and the war is not yet over), tax revenue has increased by 290 per cent. over the pre-war level. In the absence of a significant expansion in production, which would have stimulated tax receipts, even without an extension in the base or change in the rates, the enormous growth of tax revenue has been mainly brought about by sharp increases in tax rates as well as by the imposition of new levies. It may be noted that throughout the war years, taxation has helped to meet the major portion of war expenditure and that, taking the period 1938-45, the total tax revenue comes up to 71 per cent. of the aggregate Central Government expenditure. This may be compared with the figures for other countries, shown in the following table:

Central Government Tax Revenue as Percentage of Expenditure.

Year	U.S.	U.K.	Canada	India
1938-39 ..	61	86	82	89
1939-40 ..	61	60	69	91
1940-41 ..	55	42	61	80
1941-42 ..	39	47	52	82
1942-43 ..	28	49	49	51
1943-44 ..	42	..	..	64

The portion of war expenditure covered by taxation has been consistently higher in India than in the United States, United Kingdom or Canada.

Almost a revolutionary change has occurred in the distribution of the tax burden between direct and indirect taxes as the following table reveals:

Proportions of Total Tax Revenue (excluding revenues from Commercial Departments) derived from Direct and Indirect Taxes in India and the United Kingdom.

Year	Direct Taxation %		Indirect Taxation %	
	India	U.K.	India	U.K.
1938-39 ..	21	55.6	79	44.4
1939-40 ..	20	55.6	80	44.4
1940-41 ..	28	57.3	72	42.7
1941-42 ..	37	61.4	63	38.6
1942-43 ..	60	62.5	40	37.5
1943-44 (revised)	65	64.5 (budget)	35	35.5 (budget)
1944-45 (budget) ..	67	..	33	..

The increase in the proportionate importance of direct taxation has been very much more rapid in our case. On the eve of the war, only one-fifth of the tax revenue was derived from direct taxation. In 1941-42, the ratio of direct to indirect taxation was still low and only a little more than one-third of the total revenue came from direct taxes. But, all this altered sharply in 1942-43, and direct taxation became the major partner, contributing 60 per cent. of the total revenue. It was in that year that expenditure jumped to Rs. 280.97 crores from its previous year level of Rs. 139.67 crores, the E.P.T. began to yield fat dividends and the Finance Member came out with his revision of the surcharges on income-tax and super-tax from a flat rate basis to a graded basis, with generally higher rates on the larger incomes and the increase of corporation tax from 1 anna to 1½ annas per rupee of corporate profits. The trend became emphatic in 1943-44 with the increases in the rates of income-tax and super-tax and the share of direct taxation rising to 65 per cent. It may be that to some extent the increase in the percentage from direct tax represents in reality receipts from the high

prices of consumers' goods, *e.g.*, cloth, and that E.P.T. is virtually an indirect tax collected from the consumers by industry for the Government. But the shift from indirect to direct taxation would remain, even if E.P.T. is excluded from the reckoning. Receipts from indirect taxes have also been increasing all these years, but they have increased less than in proportion. Their share in the total tax revenue fell from 80 per cent. in 1939-40 to 33 per cent. in 1944-45 (budget estimate), notwithstanding a whole series of excise impositions during the period, which increased the revenue under that head from Rs. 6.52 crores to Rs. 40.90 crores, thus more than making up for the fall in the customs revenue from Rs. 45.88 crores to Rs. 28 crores.

Three conclusions emerge from the foregoing account: (1) The additional expenditure borne by India as a result of the war has been heavy and substantial; (2) nearly three-fourths of the war expenditure has been covered by the tax revenue; and (3) about two-thirds of the tax revenue has been coming from direct taxation since 1942-43. Given the traditional poverty of the country, its poor national income and income *per capita*, its low standard of living and, above all, the marked failure of the Government to mobilize the productive resources of the country during wartime, it is evident that this all-out-tax effort could not have been achieved without impairing the productive incentive of industry or imposing crushing burdens on the masses.

Planning Department And Statistics

A GREAT deal has been said and written about the statistical deficiencies which confront any serious student of planning in this country, but actually so little has been done so far by the Government in the matter of rectifying these deficiencies that we feel we need not apologize for reverting to the topic. We have already touched briefly upon the question of setting up a proper statistical organization for planning purposes, and here we would like to add that the powerful centrifugal tendencies which have led to the establishment of highly compartmentalized Statistical Bureaus in various Government Departments are fraught with great danger in that they may result in a considerable amount of duplication and consequently worsen the present unsatisfactory state of things which is illustrated by the existence—as a rule rather than as an exception—of alternative and conflicting sets of figures under almost every head. In the circumstances, a vigorous step towards co-ordination is an urgent necessity, and we do not believe that any existing Department is so well qualified to take up this responsibility as the new Department of Planning and Development. The problem, however, does not end there.

Assuming that the necessary degree of co-ordination is attained in a reasonably short time, it will be obvious that other and equally important questions will begin to clamour for a solution. Prominent among these latter are

(i) the problem of improving the quality of the existing statistical material, and

(ii) the problem of increasing the quantity of the available material, *i.e.*, of closing the gaps in the existing set-up.

In regard to the first of the above problems, it will be seen at once that the chief difficulty is in the case of Agricultural Statistics. It is, however, a happy sign that the Education, Health and Lands Department of the Government of India is forging ahead with their schemes for the improvement of statistics of crop yields. It was recently reported that the results of scientifically conducted experiments concerning the yield of wheat in the Punjab disclosed a close degree of correspondence with the official forecast figures. This is very surprising in view of the widespread belief that the forecast figures are generally unreliable, but whether this happy experience is merely another instance of the Punjab's extraordinary luck or whether it is an indication, as Sir Pherozе Kharegat obviously believes, that the official figures of yield of crops in British India are *not* really so defective as they are made out to be, is a question which will have to await further examination. We would at this stage only point out that statistics of *area* under various crops are equally important from the point of view of planning, and measures designed to improve these statistics in permanently settled areas should also be expedited. But, however perfect the Agricultural Statistics of British India may ultimately become, it should not be forgotten that all this effort will have been wasted if no method is devised by which Indian States are compelled to fall in line with British India in the matter. This is clearly an urgent case for the careful consideration of the Political Department of the Government of India.

The case of livestock statistics is equally urgent, but here, apart from the inaccuracies arising from the indifference of Indian States, it is a sad fact that at every quinquennial census at least two or three provinces manage to keep out under some pretext or other. It is quite ununderstandable why uniformity should not be insisted on at least in regard to the British Indian provinces.

Nowhere has the existence of *two* organizations purporting to collect statistics under the *same* head worked more havoc than in the case of *forest* statistics. The figures furnished by the Forest Departments differ so fundamentally from the figures published by the Department of Commercial Intelligence and Statistics that we would urge that immediate steps be taken to remedy the situation.

When we turn to industrial statistics, we find that problem (ii) mentioned above assumes the more important role. The available statistics relating to industry are meagre indeed. It is astonishing but true that for an estimate of the number of workers employed in cottage industries one has perforce to rely on a report which is nearly fifteen years old, for even the not highly satisfactory occupational tables of the 1931 Census Report were mercilessly retrenched in 1941—what a retrenchment! In our opinion, this is the most serious handicap which the new Department of Planning must, for its own sake, try to remove at the earliest possible opportunity. Fairly accurate records are available in the case of factory employment, but it is really inexplicable how while the figures for British India have been permitted to become public property, similar information for Indian States is considered dangerous to the public.

Statistics of the volume of production of industries are woefully inadequate. Even the small list

which included hardly a dozen industries in peace-time has been further curtailed for reasons of security (?). When observed against the background of the imposing list of industries for which *employment* statistics are furnished, the number of heads for production statistics appears truly microscopic. It is difficult to understand on what grounds official statistics should continue to exclude important industries such as the soap industry—industries which had increased their output so greatly in recent years that even before the outbreak of the present war they were in a position to meet the entire requirements of the country by themselves.*

Before leaving the subject of industrial production statistics, it is necessary to comment on the complete absence of information on points like the *added value* of production, a defect which would seriously hamper any attempt at assessing the relative importance of the various industries from the point of view of the national dividend.

In sum,

(i) the new Planning Department will have to tackle the problem of co-ordinating the different parts of the existing statistical machinery of the Government at once and with great energy if the Department is not to be severely handicapped in its work which we believe to be of the utmost national importance.

(ii) While the crying need of agricultural statistics at the moment is an improvement in *quality*, the improvements, immediately needed in the field of industrial statistics are concerned with the *scope* of the statistics.

We shall be dealing with the remaining aspects of the existing statistical set-up in subsequent issues as occasion arises.

*The Industrial Statistics Act which has been lying dormant for two years now can be a great help if used wisely.

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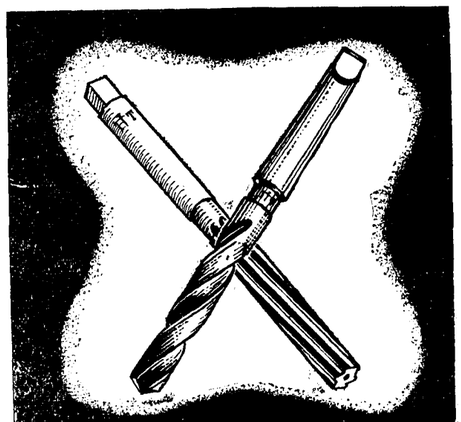
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The Week's Notes

NITROGENOUS INDUSTRY FOR INDIA

Sir Padamji Ginwala has just published a timely and instructive memorandum on the manufacture of fertilizers in India, wherein he makes certain very important points. He considers that the industry will benefit by being associated with the I.C.I. in the technical field and, indeed, goes so far as to say that, without such association, it would be difficult, if not impossible, to get the fertilizer project started early under the present conditions. We would hesitate to go with him the whole way in this view and, while we may not deny that some technical advantage may be gained through the participation of the I.C.I. with all its abundant resources, we still feel that the American plant manufacturers should also be consulted in that the costliest American plant is reported to be less than half as expensive as the British plant and an American plant has already been working satisfactorily in Mysore. At any rate, it cannot be denied that informed quarters have held that whatever may be the status of the I.C.I. in the world of chemical industries in general, their experience in the particular field of fertilizer production is by no means unique and not even very advanced. They have also claimed that any reputable firm, which supplies the plant, should itself be able to provide instructors, who would train Indian technical personnel in a reasonable period. Without going very deeply into a rather technical question, and assuming that the I.C.I.'s association at the technical level would be advantageous, we fully endorse Sir Padamji's suggestion that any agreement made with the I.C.I. "should be such as to preclude the possibility of its acquiring any control over the nitrogen industry, whether by transfer to it of the plant when Government decides to transfer it to private industry, or by competition from abroad, or by competition from within the country by any subsidiary of the I.C.I." He shrewdly observes that once the necessary safeguards are not insisted upon and the I.C.I. is allowed to arrogate to itself managerial and financial control during the early stages of the project, the Supply Member's suggestion that possibly later on "private industry may step in and take over production" would only mean the handing over of the industry, lock, stock and barrel, to the I.C.I. Such an apprehension is legitimate, especially in view of the Supply Member's self-advertised antipathy for Indian "big business." We agree with Sir Padamji that "the transfer, when it takes place, must be to wholly Indian capital and control," but would add that even now Indian business should be allowed some participation, with, if necessary, the I.C.I. playing the part of mere "consulting engineers."

LONG-TERM PROBLEMS

Sir Padamji has also discussed the problems, which the industry will have to face after the war. He rightly considers that the potential market for fertilizers in this country is vast, and is of opinion that sulphate of ammonia can be manufactured at competitive rates through the water-gas or thermal electrolytic process, while the employment of hydro-electricity would be very expensive. As, however, the world's production capacity for nitrogenous products is likely to be very great, he advises a heavy protective duty against unfair foreign competition. Great Britain, it should be remembered, built up the industry through 20 per cent. and 33-1/3 per cent. *ad valorem* duties on imports. Sir Padamji also makes a number of other valuable suggestions for encouraging as well as regulating the industry. He would have the Indian Army buy its high explosives and other ammunition requirements locally, thus permitting the industry to broad-base itself on a wide range of nitrogenous products. Another recommendation which he makes is that the Government should stabilize prices of fertilizers by acquiring sources of coking and steam coal to prevent fluctuations in its market price and by payment of a subsidy to consumers of fertilizers. He thinks it may become necessary to enact anti-trust laws and appoint a statutory commission to prevent monopoly practices and other anti-national activities on the part of the manufacturers. These suggestions deserve to be carefully considered; many, though not all, of them have an obvious validity.

Sir Padamji reminds us how "a very short-sighted Government rejected" without giving any reasons two recommendations which the Tariff Board, of which he was then President, made sixteen years ago to encourage a synthetic nitrogen industry both as an insurance against the demand of a future war for explosives and for promoting agriculture by providing it with nitrogenous fertilizers and to stimulate the manufacture of super-phosphate through a small bounty. Comment is needless.

THE TREND OF PRICES

Available price statistics of the Economic Adviser, with the exception of the new food index, are at least six months behind time. Thus in August 1944 we have detailed figures only of November 1943. But the latest report of the Central Board of Directors of the Reserve Bank gives some figures which show that, though a distinctly downward trend of prices is far from being discernible, there is at least a tendency to stabilization at levels lower than those which prevailed in the first six months of 1943. Even the Reserve Bank Report only claims that "the various price indices showed a tendency to decline." According to the Economic Adviser's index, food and tobacco, which had registered the most pronounced increase earlier having risen to the peak of 303 in June 1943, declined to 294 in the next month and showed a further downward tendency, though at the end of the year it stood at 300. Among other agricultural commodities, raw cotton prices recorded a continuous decline and dropped from 261 in June 1943 to 187 in June 1944, a decline of 74 points or about 28 per cent.; raw jute also declined during the year from 241 to 216, though in a much smaller degree. Under the group raw materials, the earlier upward trend was maintained and the index number rose from 175 in June 1943 to 189 in December and 204 in June 1944 mainly owing to the sustained wartime demand and consequent shortages, especially in some articles like coal. Among manufactures, cotton textiles showed a decline as against increases in other articles with the result that the group index number after an initial fall remained steady round about 251 up to March 1944, but it rose to 261 in the next month and stood at 259 in June. Chief articles of export recorded 244 in June 1943, declined to 233 in March 1944 but stood at 246 in June 1944. Even the recent food index, started in February 1944, shows no consistent downward tendency. With the week ending August 25, 1940, as the

it stood at 243.4 in February 1944, declined in the next three months until it touched 228.3 in May and is now near 240. It is clear from the above figures that neither food nor raw material, neither agricultural nor industrial prices were really brought down. Among manufactures, the only example of a reduction in prices is cloth which owes it to the scheme of control, while among agricultural commodities the decline is in raw cotton prices which has been effected in a manner which has not everybody's approval.

A MISLEADING INFERENCE

Reviewing the trade of the year and taking into account figures of nine months only, the latest report of the Central Board of Directors of the Reserve Bank of India says: "As regards exports, an outstanding feature, is the reversal in the war-time trend in respect of raw materials which show an increase of 29.8 per cent. from Rs. 31.09 crores to Rs. 40.24 crores. As against these, exports of manufactured articles showed only a small increase of about 3 per cent." This statement is misleading and incorrect. Taking the year ending March 1944 for comparison with the previous year, the following figures are relevant:

	1942-43		1943-44	
	Rs. Crores	%	Rs. Crores	%
IMPORTS				
Raw Materials ..	51.95	47.3	63.94	53.8
Manufactures ..	49.52	44.5	45.12	37.8
EXPORTS				
Raw Materials ..	45.21	23.1	53.71	25.6
Manufactures ..	98.34	50.3	105.90	50.4

Raw material exports have no doubt increased from Rs. 45.21 crores to Rs. 53.71 crores and from 23.1 per cent. to 25.6 per cent.; but the exports of manufactured articles also have gone up by an equivalent amount of about Rs. 8 crores, though in terms of percentage they still remain 50.4 per cent. In any case, there is no reversal of the war-time trend of increasing manufactured exports. In fact, the trend was in evidence even before the war, though the war greatly strengthened it. Again, on the side of imports the proportion of manufactured articles has declined from 60.8 per cent. in 1938-39 to 37.8 per cent. in 1943-44 and that of raw materials risen from 21.7 per cent. to 53.8 per cent. in the same period. But it will be wrong to see in this a measure of the country's industrialization, as reflected in an increase in the export of manufactured goods and import of raw materials. The export and import trades of India have been so completely dominated by the war needs and policies of the United Kingdom and the figures of private trade, leaving out the large volume of governmental trade, suffer from so serious a gap that they cannot warrant the sort of assertion made by the Reserve Bank. Even in regard to the review of available figures, the Central Board's statement leaves much to be desired in point of accuracy.

POST-WAR AVIATION TALKS

The Indian Government have accepted an invitation by the U.S. Government to participate in bilateral discussions on the question of post-war civil aviation to be held this month. These talks are reported to be of an informal and exploratory character, and a part of the series of talks initiated in October, 1943 when the representatives of the various constituent countries of the British Empire met to formulate an Empire Air Policy, followed, in April, last, by an informal exchange of views between representatives of the U.K. and U.S.A. It would indeed be an invaluable gain to post-war civil aviation, which is bound to assume an increasing importance in the post-war period, if the nations of the world could evolve an international agreement which would pay due regard to each country's rights and interests without any discrimination between the weak and the strong. But what shall be India's position in this regard? On that point we may not feel very sure in view of the recent experience at Bretton Woods. The Government of India have announced certain basic principles which they wish to achieve. They are in favour of an international agreement based on a fully reciprocal basis, they endorse the principle of freedom of flight and freedom to land for refuelling and other non-traffic purposes on a non-discriminating basis, sovereignty of internal air and reservation of 'cabotage.' One may not pick a quarrel on these 'principles' as such, and the assurance given by Sir M. Usman, in April last, that India's internal services would be developed with Indian capital and under Indian management is gratifying so far as it goes. But how far does it go? Can India be expected to compete with foreign countries, with developed aircraft industries, in international air services? To ask that question is to answer it. And if India cannot compete is not the provision to negotiate on a basis of 'reciprocity' in regard to the international services reduced to a sheer fraud? Even the internal services cannot be expected to render maximum service at the most economical rates unless India can manufacture aircraft cheaply and operational costs can be kept at the minimum, through technical efficiency and capable personnel. In this regard indeed the war has been a great help. But the need, pressing and urgent, in view of considerations, economic and strategic, is the promotion of an indigenous aircraft industry with State help and under State control. To go in for bargaining on terms of international operation of services is indeed a little premature.

RATIONING AFTER THE WAR

According to a Press message, the Government of India have informed all Provincial Governments that the machinery of food control will continue to operate for three or four years after the war. The fact that in recent years our population has been fast outrunning our food supply, has been brought home to us only by catastrophic happenings, and in the recent House of Commons debate emphasis was again and again laid on what might be called the elements of an acute Malthusian situation in India. The mere end of the war will not mean the end of our food problem; for, although the availability of shipping and possibility of importing foodstuff from abroad in the last resort will not allow the deterioration of the domestic supply and distribution position beyond a certain point, the tough problem of adequately feeding a rapidly increasing population in a stagnant agricultural economy will remain. Taking the average of the quinquennium before the last war as the base, the gap between the index of food supply (including net import) and the index of population was progressively narrowing down until in 1937-38 the index of food supply was actually 7 points below the index of population. The chronic underfeeding of at least 40 per cent. of the population even by any standard of bare subsistence, makes our "factor of safety" nil, and inflationary maldistribution of purchasing power, transport difficulties or hoarding by consumer, producer or dealer only provide the final push over the precipice. Until the population-food ratio is rendered more satisfactory by a planned drive to put our food economy on a sound basis, rationing would be deemed a desirable social policy—not for only three or four years after the war, but for at least a decade. But

even that would hardly be enough, unless the masses in the lowest income group are actually enabled to purchase their essential nutritional requirements. The enforcement of a national minimum with regard to nutrition will, therefore, probably require not only a continuance and extension of rationing but also a planned subsidization of essential nutritional requirements so that these may actually reach the masses. Only when the prosperity and education of the masses reach a certain point they could be relied upon to take care themselves of their essential nutritional needs without active efforts by the State.

A CONCESSION TO COMMONSENSE

The failure of the Government in mobilizing national resources in wartime is nowhere more clearly manifest than in the matter of food production. If their Economic Adviser did not tell them how very precarious situated this country of 440 million is in the matter of food supplies, the nation's accredited leaders did not fail to. As far back as in January 1942 Mahatma Gandhi sounded the warning note through the *Harijan*, "There is already scarcity in the land both of food and clothing. As the war progresses, both the scarcities must increase....." The Government had not even thought of their "Grow More Food" campaign then. When the movement did come to be launched, it took such namby-pamby forms that it soon became the butt of ridicule for the columnist and the cartoonist. It took the enormity of a Bengal famine to teach the Government that something more should be done than displaying posters in towns and cities to persuade an illiterate peasantry to grow more food. The gravamen of our charge, here, is not so much that they failed to put through revolutionary programmes of agricultural expansion as that they did not care to provide for even the few simple yet so very vital needs of peasant agriculture. For instance, it is only in the fifth year of the war that they can release some steel for agricultural implements and cart tyres. And yet, we have the world's second biggest iron and steel industry in our midst, while, most amazing of all, the Government have been actually choking off production in the re-rolling mills. It is triumphantly announced now that the Iron and Steel Control authorities are arranging, as soon as practicable, a more generous release of steel to help replenish stocks of agricultural implements and to arrest prices in rural areas. No credit is due, surely, to the Government for this belated concession to common sense. How they expected all this time the ryots to produce more without a new ploughshare to replace the worn-out one or market more without tyres to his bullock-cart, they only can explain. Even the measures which they contemplate at this late stage are not such as are calculated to achieve their professed objective. It is well known that the hardware market has become the happy hunting-ground of hoarders and profiteers and speculators, who have rigged up prices. The result is that the black market has swallowed the regular market and the village artisan cannot get any steel or the villager some much-needed implement unless at fancy prices. It is idle, in this context, to look to the "regular trade channels" to pass on scarce supplies at fair prices to remote rural parts. It is, therefore, suggested that the provincial agricultural departments should themselves take up the job of distribution of steel to village artisans and of factory-made implements to the ryots, making full use of its field staff, village revenue officials and co-operative institutions.

WATERLOGGING

Canal irrigation has played a considerable part in agricultural expansion in this country, especially in the Punjab and Sind. The area irrigated by canals is now about 30 million acres, but there are still many rivers and streams, which have not been harnessed. With the current emphasis on agricultural expansion, it is likely that a number of new projects will be taken up as a part of post-war agricultural planning. The Khareghat Scheme, one remembers, gives full importance to canal irrigation. But any substantial extension of canal irrigation brings with it problems as well as benefits. The most important of the former is how to prevent waterlogging, which is the consequence of a high subsoil water table, which, in turn, may be ended by heavy rainfall in low-lying areas (e.g., Eastern Bengal) or by the large-scale expansion of canal irrigation, as is the case in the Punjab. Water-logging interferes with plant growth in two ways: through the permanent flooding or saturation of surface soil, it prevents the free circulation of air among the roots and through the concentration of alkali salts, it renders the soil environment uncongenial. It is, therefore, important that when canal irrigation projects are taken in hand, the possibility of water-logging should be anticipated and appropriate preventive measures adopted. Mr. F. F. Haigh, President of the Central Board of Irrigation, therefore, did right in drawing pointed attention to this problem in his opening address to the Irrigation Research Committee, which met recently. Mr. Haigh suggested that water-logging in canal irrigated areas is due mainly to seepage from large canals and wet irrigation, particularly, of reclamation rice. Lining of canals and provision for proper drainage are, therefore, indicated both as remedies in areas already affected and as precaution in regions, where canal irrigation is sought to be introduced or expanded.

"MANPOWER, NATURAL RESOURCES, TECHNOLOGY"

The League of Nations' recent publication on "The Future Population of Europe and the Soviet Union," which is reviewed in another page in this issue, contains certain interesting observations on the pressure of shifting demographic balance on political relationships. Manpower, natural resources and technology, it points out, "occupy co-ordinate positions in determining the economic and political potential of nations." Undoubtedly, at any moment there is a margin of substitutability among these three determinants. Thus China's great manpower to a certain extent compensates for her lower technological level, while Japan's comparative poverty in natural resources is to a certain extent made good by her higher technological efficiency. On the other hand, under comparable social and political conditions, there is a tendency to the diffusion of technology and, especially with a planned economy, technological standards in different countries could be rapidly levelled up. Consequently, given the geographical distribution of natural resources, the underlying demographic factor as the determinant of manpower assumes a peculiar importance in this context, the findings of the League of Nations about the trend of manpower in the coming generation are indeed very revealing. They reveal a striking eastward movement of the weight of manpower; the movement is even more striking if we consider the weight of *prime* manpower only, *i.e.* the male population between the ages of 15 and 34. On certain assumptions about trends of vital rates and emigration, it is found that the gain of prime manpower in the U.S.S.R. between 1940 and 1970 would be over 13 million as compared with a loss of almost 5 million in Europe west of the Soviet Union—a gain which alone is larger than the 1940 prime manpower of Germany. Concurrently with this tilting of the demographic balance in favour of the Soviet Union, she is also undergoing a rapid technological revolution under a planned economy. Thus "manpower, natural resources and technology" combine to put the Soviet Union in a unique position in the world during the coming generation, and this would undoubtedly exert far-reaching "pressures on the maintenance of fixed political relationships." These far-reaching pressures could be neutralized or balanced only by rapid technological revolution in India and China which alone possess a comparable endowment with manpower and natural resources. This, in its turn, involves the enjoyment of full political status and economic unity in these regions. For it is futile to hope, for example, that an alien Government, not based on massive political support, could carry through an economic programme even half as ambitious as the Bombay Plan and, as we pointed out in our article on "The Balance of Power" in the issue of February 25 last, the Bombay Plan represents the *minimum* economic programme which could hope to restore the balance of power in the Old World.

SECURITY CONFERENCE

At Dumbarton Oaks in Washington on August 21 meets the fifth of the United Naions' wartime conferences to discuss the organization of security in the post-war world. It will be immediately concerned with devising ways and means to prevent wars. Its task will be to formulate a practical system of international co-operation which can put a stop to the colossal waste of human and material resources which wars and preparations for wars have been imposing on the present-day civilization. If, after all, a security organization for the world is perfected, the height of economic and spiritual well-being to which the modern world may attain is incalculable. The direct and indirect cost of the war of 1914-18 came to 337 billion dollars, and this means of settling international disputes cost the world 9 million dollars an hour. When the armistice was declared, the ordnance depot of the U.S. army, one of the minor belligerents, was consuming labour and material every month equal to the cost of the Panama Canal—a total which was equivalent to rebuilding New York once a year. During the uneasy peace that followed, Pigou calculated that Britain was sacrificing annually about 15 per cent. of her surplus over the barest physical needs of her population and the continental countries 30 to 50 per cent. of such surplus in military preparedness. The present war has been much more costly than the last and "Hamburging" Hamburg is estimated to have cost several times the expense of financing the Beveridge plan initially. When the real magnitude of destruction on either side is known, this war is sure to reveal an appalling waste of energy and resources. There would be reason for not regarding it as all labour lost if after this war the Allied victors evolve a just world order. But the Allies cannot be said to have set about the business in the right manner. The conference at Dumbarton Oaks, unlike the previous four conferences, is going to be a four-Power affair. Indeed the contrast this conference bears to the one at Bretton Woods is significant. While the proposals presented at the latter were initially prepared by technical experts and were submitted to a protracted international discussion before being put before the conference, little is known about the agenda before the ensuing conference. The vital problem of organizing peace is still regarded as the close preserve of secret diplomacy. The Powers cannot expect to inspire confidence in the leadership among the smaller nations whom they will invariably call upon to foot the bill for any organization they agree upon to set up through such a procedure.

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SPECIAL ARTICLE

Japan's Economic Burdens in Greater East Asia

By Russell Andrus

EVIDENCE is increasing that the conquest of South-East Asia has not been an unmixed blessing to the Japanese, from the economic standpoint. It was supposed that their conquest of some of the world's richest sources of materials would greatly increase Japanese strength, for it was presumed that the Nipponese would secure at least as great an output of oil, coal, iron ore, chrome, phosphates, etc., as South-East Asia produced during the 1930's. Had this expectation been realized, no doubt Japanese economy would have been rounded out in preparation for a long war.

The chief factor militating against the success of these plans, has been the activities of Allied submarines and bombers, preventing a free flow of bulky commodities like rice, and even petroleum, from going to Japan in the desired quantities. When goods have been produced or mined, they have not always been shipped, and Japanese inability to supply consumers' goods have likewise impeded operations, for there is little incentive for native labour and economic activity generally.

The Far Eastern Unit of the United States Commerce Department recently published an interesting study under the title "Principal pre-war Imports of Far Eastern countries from regions outside Japanese-occupied Asia." The chief conclusion driven home by trade figures of the 1930's, is that most imports of manufactured commodities, and even many imports of raw and semi-manufactured articles, came from outside "Greater East Asia." It is evident that the Japanese would have had greatly to increase their exports of manufactured goods to their newly-won dependencies, to maintain even the modest pre-war living standards.

The table which follows is a summary and condensation of the material in the Commerce Department study. It shows, for each of the major areas in Axis Asia, the percentage of imports of the country in question, from outside the zone to which Japanese trading activities are now (July 1944) confined. Several strategic and important commodities have been selected for this purpose. The difference between each percentage figure and 100%, represents the amount secured from other countries in Japanese-occupied Asia. Thus Japan received 95.8% of her cotton from the U.S.A., India, etc., and only 4.2% from China and other Far Eastern countries. The figures are as follows:—

PERCENTAGE OF IMPORTS FROM OUTSIDE JAPANESE OCCUPIED ASIA*

Commodity	Japanese Empire	Manchuria	China	Indo-China	Thailand	Malaya	Burma	Philippines	N.E.I.
Raw cotton	95.8	85.6	96.5	61	..	..	..	100	..
Jute	74.7	93.9	98.5	36	..	..	..	90	..
Petroleum	40.7 to 82.6	34.8 to 70.5	29.8 to 79.8	9 to 58	5 to 30	..	..	60	..
Chemical Fertilizers ..	70.0 to 100.0	34 to 62	90.0	57 63	75 to 96	86 to 100	78 to 98	85 to 90	
Soda ash	95.8	43.8	87.6						
Carbon black	100.0	..	..	28 to 96.7	93 to 50	99	95	94	81
Iron and steel ..	87.0 to 99.8	..	81.6	..	..	..	..	..	..
Ball bearings ..	100.0	..	..	81	11	..	..	89	..
Lead	82.0	..	84.8	100	95	..	..	97	..
Zinc	96.9	..	91.3	58	83	..	..	99	86
Copper	95.6	..	69.2	..	67	..	94	80	89
Aluminum	98.1	..	95.1	100	..	..	..	..	..
Nickel	100.0	33.9	95.8	99	40	99.5	99	100	97
Automobiles	100.0	..	97.0						84 to
Machine tools, etc. ..	100.0	..	82.2	100	65	84	87	97	94
Cotton textiles ..	..	..	31.3 to 93.9	72.5 to 95	9	54 to 86	72 to 87	27 to 64	64

Considerable care is necessary in the interpretation of the foregoing tables. Domestic production figures are not included, and in some cases they have been suppressed by the Japanese. Thus Japan produced a considerable quantity of iron and steel, and the proportion of "total consumption" imported from outside "Greater East Asia" was obviously far less than the proportion of "total imports" coming from that area.

On the other hand, the two great Far Eastern enterpots, Singapore and Hong Kong, were transshipment points for large quantities of goods from Europe and America which eventually found a market in China, Thailand, etc. The latter countries, therefore, were somewhat more dependent on distant sources for imports than the table would indicate.

An important "caveat" for the student of Japanese import figures of the 1930's is that stockpiling of metals, machine tools, iron and steel and ball bearings was taking place at a rate believed to be quite large in proportion to normal consumption. Thus the quantities imported, and probably the por-

* Figures for Thailand relate to 1930-40; for other countries to periods of three to eight years, since 1930. Blanks indicate that imports were negligible, or that nearly all the supply came from nearby sources. Defintions of commodities are not quite identical for different countries. Chinese figures are necessarily subject to a fairly wide margin of error. Prior to 1937 many figures relating to Burma were not separable from those of India.

tions imported from Europe and America, were inflated by the stock-piling process. Moreover, the stockpiles thus accumulated must necessarily have postponed the day of drastic shortage of those commodities in Japan.

The Commerce study also gives quantities of goods imported, and it is significant that they were much smaller than imports of comparable European countries. French chemical imports in the period 1934-37 were approximately six times as great as Chinese imports of similar items, while French petroleum imports exceeded Chinese recorded imports by a margin of eight to one. Doubtless smuggling was much more of a factor in China than in France, but was probably not sufficiently great to affect the picture materially.

The increased tempo of industrialization in Japan and adjacent areas of the continent in recent years must have called for a considerably increased volume of imports, had they been available. This factor has presumably been a partial offset to the Japanese stockpiling. It is believed that Axis submarines have made regular trips, as have a few blockade runners, but for their combined efforts cannot perceptibly relieve Japan's need for advanced types of machine tools, ball bearings, etc. German technicians in Japan may have been of help, along with drawings, models and formulae giving the benefit of German inventions.

There remains little doubt, however, that the chief recourse of the Japanese has been belt-tightening on a large scale, and the virtual elimination from the markets of many types of commodities. Further industrialization of the "Inner Zone" of Japan Proper, Korea, Manchuria and North China appears to have taken place, but the promised industrialization of South-East Asia seems to have completely failed. In fact, it is doubtful if the new mines and factories opened by the Japanese have been more than half as numerous as the old mines and factories which are no longer in operation, due to demolition operations, to bombing, or to shortage of machinery, technicians labour and raw materials.

Undoubtedly the greatest loss to consumers in Greater East Asia has been the cutting off of imports of textile fibres and of textiles. Cotton and jute were produced within Eastern Asia in small quantities only, and Chinese and Manchurian wool production was considerably less than Far Eastern consumption, Silk and Rayon could not offset in any way the loss of former imports of the other fibres. Japanese radio boasts of considerable plantings of cotton in areas in the Netherlands Indies, the Philippines, etc., where cotton would not be an economic crop in normal times, merely underline the desperate situation facing the Japanese as they are proving themselves totally unable to provide a bare minimum of clothing for their vast subject population. It is true, of course, that in the Southern Regions, the warm climate makes the wearing of clothing largely an aesthetic matter, but the psychological effect upon the people of the drastic clothing shortage is reportedly very great. In most of China and all of Japan warm clothing in winter is essential to health and even to survival.

The great majority of the populations in all Japanese-occupied areas (excluding Japan itself) are not far removed from the handicraft stage of economy, and there is reason to believe that the spinning wheel and other simple means of manufacturing household commodities have returned to use in many parts of the Orient. This trend should mitigate the suffering which the loss of imports from outside areas would otherwise involve.

A study of the imports of the other Far Eastern countries shows that Japan supplied most manufactured goods not originating in Europe or America. An implication of this fact for the immediate post-war period is that if the industries of Japan are ruined in the last-ditch defence of Island of Japan, a particularly great burden will fall upon the industries of western countries. They will need to supply not merely their former share of Chinese imports, for instance, but also the share formerly supplied by Japan, until such time as local industries are resuscitated or developed.

There is evidence that peace will bring a situation throughout Axis Asia, as in Axis Europe, where practically all consumption goods as well as machinery and raw materials will be very short in supply. It is this enormous contemplated "back-log" of demand with no ready exports of equivalent value which makes some students of the problem consider that relief and rehabilitation activities by outside agencies will be essential for an initial period which may not be very brief. All parties appear to expect that, at the earliest possible moment, private trade on a normal two-way basis will be restored. It has been pointed out that the low standard of living in the Far East, indicated by the relatively small imports of a country like China, compared to a European nation like France, suggested that a given sum of money spent by such an organization as the United Nations Relief and Rehabilitation Administration in the Far East will go much farther in saving life and restoring normal economic activity than would an equal expenditure in Europe. Judging by the pre-war pattern of India's trade with Burma, and other parts of South-East Asia, the restoration of peace will be followed as soon as possible by the import of considerable quantities of rice. One cannot be certain, however, that after two or more years of Japanese rule South-East Asia will be able, immediately, to export anything like the normal quantity of rice.

New Delhi.

COMILLA
BANKING CORPORATION Ltd.,

Head Office:*— COMILLA. *Estd. — 1914.

The Bank that always strikes a nice balance between aupidity and liquidity and both inland and overseas.

BRANCHES:—

Calcutta, South Calcutta, High Court, Burra Bazar, Bombay, Mandvi (Bombay), Delhi, Benares, Cawnpore, Lucknow, Cuttack, Dibrugarh, Jalpaiguri, Dacca, Nawabpur, Brahaman Baria, Barisal, Jhalakati, Chandpur, Puran Bazar, Hajiganj, Narayanganj, Netaiganj Bazar Branch (Comilla), Chittagong.

FOREIGN AGENTS:—

London Agents:—Westminster Bank Ltd.

American Agents—*Bankers Trust Co. of New* York.

Australian Agents:—National Bank of Australasia, Ltd.

Managing Director:—Mr. N. C. Datta, M.L.C.

THE WORLD ABROAD

Reconversion Legislation

(From Our Washington Correspondent)

WASHINGTON, August 6, 1944 (By Cable).

EXPECTATIONS of an early victory in Washington produced alarming trends throughout the war production machinery this week, and eminent military leaders soberly warned the nation that the consequence of a falling off in arms output just at a time when the Allies are in a position to deliver a knock-out punch may well be a still further prolongation of the war. Since the reassembling of Congress after the recent recess, this has been a week of the most intensive work which was devoted to the preparation of demobilization and reconversion legislation. The work was taken up all the more enthusiastically as the Allied advances in Europe had created great optimism—an optimism indeed which military leaders were constrained to describe as unjustified and dangerous. Washington worked overtime on the highest administrative level to arrest the decline in war production. One of the foremost difficulties in regard to man-power has arisen as many workers, according to official circles, are beginning to seek permanent peace-time jobs. The aim of Congress in preparing reconversion legislation is, firstly, to convince workers in jobs connected with the war that they would be protected in the interim period before the industries had time to effect the necessary reconversion and thus hold them on to war jobs; secondly, to plan beforehand orderly procedures for industrial reconversion so that manufacturers may not slack down in the production of war materials now on the mistaken theory that otherwise their future will be jeopardized. Mr. Donald Nelson, Chairman of the War Production Board, reported that only 48 per cent. of this year's $69 billion munitions programme had been completed by the mid-year mark and warned against "deluding ourselves that the job of producing for war was already finished." On specific items, however, the War Production Board is even more pessimistic stating, for example, that the nation needs an increase of 8 per cent. in aircraft production, 22 per cent. in combat and motor vehicle production, and 16 per cent. in the production of ammunitions. Lieut.-General Brehon Somervill, Army Chief of War Production, asked the nation to return to "the sense of urgency which people had last year." It is yet uncertain what effect these sobering facts will have, but it is true that on account of the undeniable progress of war in Europe general opinion is that munitions production should decline by about 50 per cent. after Germany is beaten. Mr. Churchill's speech in the Commons this week, although restrained, has had the effect here of accelerating reconversion planning and produced caution in trading at the Stock market in New York, because he forecast victory earlier than he once expected.

Congress has also in the meantime been debating in Committees whether reconversion operations should be provided for in piecemeal legislation or by one all-embracing Bill. Senator Kilgore has sponsored a Bill lumping together the problem of unemployment benefits—"the human side of the problem of demobilization"—the question of the disposal of surplus property and industrial reconversion operations. Senator George, Chairman of the powerful Finance Committee, on the other hand, favours separate legislation for each of these programmes and appears to be making considerable headway. Senator George's Bill on the first item has already been approved in the Committee and is expected to be debated on the floor of the Senate on Tuesday. It is opposed by Labour which favours the Kilgore Bill, perhaps because it is somewhat more liberal in respect of unemployment grants.

* * * * * *

The National City Bank, New York, this week drew attention to the fact that foreign countries have added during the present war a cumulative total of 6 billion and 350 million dollars in gold and short-term dollar resources over and above the American securities owned by foreigners and direct investments. The Bank stated that in 1941 the total foreign-owned gold and dollar banking funds were in excess of 14 billion and now may have reached 22 billion dollars with the prospect of further increases this year and added: "As our war effort advanced, payments to foreign countries rose rapidly. Imports of strategic materials for which we paid cash increased tremendously while our cash exports as distinguished from Lend-Lease shipments fell off as we converted to war production, thus turning the balance of trade in terms of cash against us. Building of naval and air communication lines added to the flow of dollars abroad as did funds lent to foreign countries, particularly Latin America, with a view to increasing the output of goods needed for war and replacing products lost to us by the Japanese conquest of South-East Asia."

INDO-COMMERCIAL BANK LIMITED

Registered Office: **MAYAVARAM.** ***Central Office:*** **MADRAS.**

Authorized Capital **Rs. 25,00,000**
Issued and Subscribed Capital **Rs. 21,25,000**
Paid-up Capital **Rs. 18,75,000**

Madras Offices:

China Bazaar Road, Mambalam, Mylapore & Triplicane

Branches:

Amadalavalsa, Anakapalle, Chidambaram, Conjeevaram, Erode, Karaikudi, Kumbakonam, Madura, Palghat, Pudukottah, Shiyal, Tadepalligudem, Tanjore, Tirunelveli, Tiruvarur, Trichinopoly, Vellore, Virudhunagar, Vizianagaram

Banking Business of every description transacted.

S. N. N. SANKARALINGA IYER,
Managing Director.

107, Armenian St., MADRAS.

Money Markets

Large Government Balances—Increase In Silver Coins—Deadlock In Silver Market.

(From Our Correspondents)

BOMBAY, Aug. 6, 1944.

THE statement of the Reserve Bank (Banking Department) dated the 28th July has as its outstanding feature the fact that the Central Government Balances stand at the record level of Rs. 102.08 crores, representing an increase of nearly Rs. 19 crores. Balances Held Abroad have increased by Rs. 9.2 crores and presumably so much of sterling has been credited to the Government of India. Since Scheduled Banks' Deposits with the Reserve Bank have fallen, there is every reason to presume a substantial amount of tax payments which are known to be gathering momentum. Apart from these receipts, it seems very likely that the Central Government has been the recipient of credits against the silver coin which it may have tendered to the Reserve Bank in terms of Section 36(2) of the Reserve Bank Act. We know from the Currency Report for 1942-43 that the Bank received from the Government of India on 7 different occasions during that year Rs. 35 crores under the above section against cancellation of *ad hoc* treasury bills and credits to the Central Government. The Directors' Report for 1943-44 states that the Bank received from the Government Rs. 10.06 crores of 'rupee coin' during the year under Section 36(3) and Rs. 5 crores under Section 36(2). Latterly, and particularly in the last two weeks, there has been put into circulation a large number of rupee coins presumably minted from the silver recently purchased from the United States through Lend-Lease. It is, therefore, likely that the Reserve Bank of India have exercised the option available to them under Section 36(2) to ask for rupee coin from the Government of India and that the latter have given them the necessary amount of silver coin.

Reserve Bank

Normally, the Reserve Bank's payment for the rupee coin so received from the Government would take the form of cancellation of the *ad hoc* treasury bills retained by the Bank in the Issue Department. Since, however, the rupee securities in the Issue Department have been remaining at the reduced level of Rs. 57.84 crores and since most of the repatriation of sterling has been effected long ago, it seems very unlikely that there were any *ad hoc* treasury bills of the Government of India waiting for cancellation in the Issue Department. If this interpretation is not wide of the mark, the Reserve Bank should have credited the Central Government's Balances with an amount equal to the rupee coin it would have received so far from the Government. Confirmation of this view is to be had in the fact that Rupee Coin in the Issue Department has increased from Rs. 13.43 crores to Rs. 14.40 crores. This item, it may be remembered, includes the silver rupee coins as well as the one-rupee notes. The actual addition of silver rupees may well be much more than the increase noted above, since in view of the receipt of silver, many of the old and damaged one-rupee currency notes may have been withdrawn from circulation to be replaced by the newly minted silver coin. (By the way, it is interesting to learn from the report of the Reserve Bank that in November last when 'rupee coin' was tendered by the Government to the Bank, sterling securities were actually transferred from the Issue to the Banking Department.)

Decline In Active Circulation

It is noteworthy also that there has been no expansion of currency against the receipt of any such rupee coin. On the other hand, while total notes in circulation have increased only slightly, notes in active circulation have been actually declining—to the extent of Rs. 6.1 crores in the week ended 21st July, and again in the week ended 28th July, by Rs. 4.2 crores. Thus, in the fortnight since 7th July, there has been a reduction in active circulation to the extent of Rs. 10.2 crores. During the same period, the Notes held in the Banking Department, i.e., the Reserve Bank's cash has been raised from Rs. 11.03 to Rs. 23.02 crores. Ordinarily, when the cash balance of the Banking Department requires replenishment, the Bank resorts to expansion of currency and transfers notes from the Issue to the Banking Department according to its requirements. In the present instance, apparently the authorities decided not to expand the currency but instead have transferred notes to the Banking Department. There is no reason why the Bank's till should require replenishment now, unless it be that payments to the Central Government are required to be made. It is also probable that the Government of India may issue more silver rupees to the Reserve Bank in future as more silver arrives in India and take corresponding credits.

Silver

As anticipated, the differences between the bull chokseys and the Board of the Bombay Bullion Exchange have reached a climax. Matters came to a head on Thursday when Messrs. Chimniram Motilal, the leading bull, moved the Bombay High Court for an interim injunction restraining the Bullion Exchange and its authorities from enforcing the resolution passed by them on July 27 last and from taking any steps against him on the ground of default. The deadlock in the silver market is due to the insistence of buyers on the fulfilment of the contract and the delivery of the actual by the bears. Despite prevention of forward trading under D.I.R., operators have been carrying it on renewing transactions daily. The oustanding deliveries amount to about 15,000 bars. Expecting fall in price the bulls want to realise their profits and refuse to carry forward contract. A series of meetings have been held by the Board, but the leading bull insists on delivery. The Board on Wednesday fixed the rates at Rs. 133-8 and Rs. 134-8 for the new and old settlements. This has evoked a protest from the bulls who point out that although silver was quoted at Rs. 139 for 100 tolas, the Board fixed the price at Rs. 133-8. There has been no business even in the new settlement and until this affair is cleared up, trading in silver will not continue in the normal manner. The case comes up for hearing in the High Court next Friday.

Gold

Gold has had a comparatively hectic week. On Monday there was a heavy demand which raised the settlement rate to Rs. 76-2. The bazar confronted the Reserve Bank with a demand of two lakh tolas. The Bank sold a fair amount at Rs. 75-4, then suddenly raised the rate to Rs. 75-6. This scared the dealers who were even more non-plussed when the Bank went on raising the rate progressively until sales were effected even at Rs. 76-2. There was heavy bear covering which pushed up the rate and quite a lot of business was done at the higher levels. Late in the evening however, the Bank announced resumption of sales by tenders from Tuesday. Tenders at Rs. 75-8 and over were accepted and about 32,000 tolas sold on Tuesday. On Wednesday, about 55,000 tolas at Rs. 75-6 and over were sold by tender, while on Thursday about 57,000 tolas were sold at Rs. 75-4 and over. Altogether a total of about 3½ lakh tolas were supplied by the Bank and by the end of the week the market had become normal. The premium of the spot rate over forward has disappeared. Stock is estimated at two lakh tolas. The undertone is steady thanks to the steady demand for the precious metal of 35,000 tolas per day on an average.

Fear Of Post-war Slumps In Shares—Firmness In Coal And Cotton Sections.

CALCUTTA, Aug. 7.

THE opening for the week was rather firm. Business was on a firmly large scale and the important counters recorded gains. But after Wednesday decline in prices started. Mr. Churchill's review of the war, Mr. Eden's references to the possibility of an early end of the war, and the news of successes on all fronts confirmed the opinion that the peace would come early. Some believe that the initial effect of the end of war in the West would be depressing and that with the fall in war demand and increase in normal trade there would be a diversion of funds from the stock markets. Others are of the opinion that for several reasons the increased demand for goods from Indian industries will continue and that with the boom in capital issues the established companies will be in an advantageous position.

Markets remained closed on Friday on account of a Hindu festival. The close on Thursday was rather quiet with the quotation for the speculative counters more than a point lower. As was pointed out some time back the peak levels seem to have touched. There is no fear of an immediate slump in prices but from now onwards the decline in prices will be gradual.

The gilt-edged market has been steady with the reports regarding the possibility of new loans. 3½ per cent. paper was quoting at Rs. 99-11. There were not many sellers for the terminable loans.

Cotton shares improved rather suddenly with Cawnpore Textiles being done upto Rs. 15-2 and Elgin Rs. 76. Kesoram were very steady at Rs. 20 and New Victoria at Rs. 9-7. The close was however in sympathy with other sections, Cawnpore Textiles losing almost all the gains. Elgin were Rs. 74.

Coal Shares

Coal shares were firm on reports that further concessions would be given to collieries increasing their output. Nothing is known in this regard so far. Amalgamated closed at Rs. 51 after being higher at Rs. 52. Bengal shed ten points to Rs. 679. Burrakur came down to Rs. 45-12 from Rs. 47. Rewa suddenly improved to Rs. 47 from Rs. 42. The close is at Rs. 45-12. Raneegunge on the publication of an encouraging report were done upto Rs. 55-12. The payment of dividend has been resumed with 5 per cent. for the half year ended March, 1944. The accounts make very satisfactory showing. The company sold 292 bighas of coal land for an attractive sum and the whole of this amount has been used to depreciate the value of the block.

Jute Shares

Business in the jute section has been rather restricted. There is anxiety to await the outcome of the proposals now being considered by the sub-committee of the Indian Jute Mills Association. There was a sharp rise in the quotation for Clive to Rs. 52 from Rs. 47-8. The quotation now is Rs. 50-8. Howrah were fluctuating around Rs. 85-12. They came down to Rs. 84 on Thursday. Nellimarla were steady at Rs. 34, Nuddea at Rs. 120 and India at Rs. 720.

Other Scrips

The chief speculative counters have been fluctuating in wide limits. Indian Iron were Rs. 42 earlier in the week. They came to Rs. 40-8 as the week progressed. Steel Corporation were Rs. 35-12 against Rs. 37-10. Burn and Co., were 424 and Jessop Rs. 25-6.

Sugar shares were quiet with Carew at Rs. 32 and Champaran at Rs. 47-8. There was some buying of Buland and Raza.

Tea shares have been quietly steady. The dividend of the Patrakola Tea Company Limited for 1943 was above market expectations. The distribution is 90 per cent. against 95 per cent.

Among Miscellaneous shares, Aluminium Corporation were steady at Rs. 23-4 while there was a sharp rise in B.I.C. to Rs. 7-2. Calcutta Ice were as high as Rs. 29-4. Indian Cable were steady at Rs. 32-14. Calcutta Trams receded to Rs. 44-12 from Rs. 47-2 while the interim dividend by the Midnapore Zemindary Company Limited of Rs. 4 per share for 1943-44 was not well received by the market.

Raw Jute

The raw jute market has been rather uninteresting. Earlier in the week a moderate volume of business was reported in loose jute but in the last three days mills have not taken any interest in the market. It is not known whether as a result of the new scheme the buying of jute would be pooled. The question of compensation to the affected mills and the effective utilization of available loom hours and coal supplies is under consideration. The whole aim is expected to maintain production at a high level. The absence of any large buying has not therefore scared sellers and with regarded as satisfactory in spite of the fact that-im- no tendency to discount rates. The general outlook is the scarcity of arrivals into mofussil centres there is mediately production might be adversely affected by the scarcity of coal supplies. The Government of Bengal in the meantime have warned speculators not to sell their stocks rather cheaply. Efforts are being made to disseminate prices in the mofussil centres and provide warehousing facilities.

European Middles and Bottoms were done at Rs. 17 and Rs. 14 per maund. Supervised Jat Middles and Bottoms changed hands at Rs. 16-8 and Rs. 13-8 per maund respectively. Not much of business has been done for export. Mills purchased Firsts at Rs. 83 and Lightnings at Rs. 79 per bale. There is eagerness to do business in Firsts.

The Jute manufacturers market has been very firm with few sellers. All available production is purchased by Government agencies and the private consumer has very little chance to get his requirements. Quotations are nominally at maximum rates.

THE INDO-COMMERCIAL BANK, LIMITED

Balance Sheet as at 30t June 1944.

LIABILITIES

	Rs. a. p.	Rs. a. p.	Rs. a. p.
CAPITAL			
AUTHORISED:			
10,000 A Shares of Rs. 100 each	Rs. 10,00,000 0 0		
10,000 B Shares of Rs. 50 each	Rs. 5,00,000 0 0		
*20,000 C Shares of Rs. 50 each	Rs. 10,00,000 0 0		
		25,00,000 0 0	
ISSUED & SUBSCRIBED CAPITAL FOR PAYMENT IN CASH:			
6,250 A Shares of Rs. 100 each	Rs. 6,25,000 0 0		
10,000 B Shares of Rs. 50 each	Rs. 5,00,000 0 0		
*20,000 C Shares of Rs. 50 each	Rs. 10,00,000 0 0		
		21,25,000 0 0	
CALLED & PAID UP:			
6,250 A Shares of Rs. 100 each	Rs. 6,25,000 0 0		
10,000 B Shares at Rs. 25 each	Rs. 2,50,000 0 0		
*20,000 C Shares of Rs. 50 each	Rs. 10,00,000 0 0		
		18,75,000 0 0	
			18,75,000 0 0
RESERVE FUND			2,25,000 0 0
CONTINENT FUND			25,000 0 0
PROVISION FOR TAXES			1,00,000 0 0
LIABILITIES:			
Deposits: Fixed, Current, Savings Bank Monthly Deposits, Cash Certificates, Staff Security, Provident & Gratuity Fund & other Liabilities			2,04,98,403 2 5
DUE TO BANKS			Nil
DIVIDENDS NOT DRAWN			2,904 8 0
BILLS FOR COLLECTION			10,66,178 9 6
BRANCH ADJUSTMENTS			3,76,566 6 8
DRAFTS & T. TS. PAYABLE			2,52,597 0 10
SUNDRIES			25,031 2 0
PROFIT & LOSS ACCOUNTS			
Brought forward	5,111 3 1		
NET PROFIT FOR THE CURRENT HALF YEAR	2,21,292 8 1		
			2,26,403 11 2
Entitled only to a tax free non-cummulative preferential dividend of 6 per cent per annum.		TOTAL	2,46,73,084 8 7

PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED 30th JUNE 1944.

Dr.		Cr.
To Depositors' & other Interest		1,91,128 14 10
Salaries, Bonus & Gratuity Fund		94,062 13 10
Directors' Fees		512 1 0
Managing Director's Honorarium		30,635 6 0
Auditor's Fees & Legal Adviser's Fees		1,500 0 0
Rents, Taxes & Insurance		13,830 7 4
Printing & Stationery		7,552 3 4
Communications		13,711 2 9
Remittance Expenses & Commission		15,097 9 8
Other Charges		19,222 8 5
NET PROFIT		2,21,292 8 1
TOTAL		6,08,545 11 3
By Interest		3,29,532 11 2
Commission, Discount & Miscellaneous Income		1,34,400 0 0
Interest on Investments (*Less difference on sales*)		1,44,613 0 0
		6,08,545 11 3

K. LAKSHMANAN, *Accountant.*

R. VISWANATHA IYER
K. SIVASWAMI IYER
Directors.

T. R. VENKATARAMA SASTRI, *Chairman.*

S. N. N. SANKARALINGA IYER, *Managing Director.*

AUDITOR'S REPORT:

I have audited the above Balance Sheet and Profit & Loss Account with the books of the Head Office, and all the branches in Madras and the certified returns from the other branches and sub-offices, verified the cash and securities at Mayavaram, and the Madras offices, and have obtained all the information and explanations I have required. I beg to report that the above Balance Sheet and Profit and Loss Account are, in my opinion, drawn up in conformity with the law, and that the Balance Sheet exhibits a true and correct view of the Bank's affairs as on that date, according to the best of my information and the explanations given to me and as shown by the books of the Bank and that, in my opinion, books of account have been kept by the Bank as required by Section 130 of the Indian Companies Act, 1913.

MADRAS,
27th July, 1944.

P. S. SUBRAMANIA IYER, B.A., C.D.A., R.A.,
Registered Accountant; Auditor.

CIAL BANK, LIMITED

at 30t June 1944.

ASSETS.

	Rs. a. p.	Rs. a. p.	Rs. a. p.
LOANS, CASH CREDITS, BILLS DISCOUNTED, BILLS PURCHASED, PROMISORY NOTES AND ADVANCES:			1,12,35,294 8 4
Particulars required under the Indian Companies Act VII of 1913.			
1. Debts considered good in respect of which the Bank is fully secured	77,82,273 5 8		
2. Debts considered good in respect of which the Bank holds:			
(a) Joint & several Pro-notes	12,22,358 2 0		
(b) Pro-notes by several persons singly	4,75,058 0 9		
(c) Bills and Drafts	17,03,730 1 8		
(d) No Pro-notes being temporary overdrafts	27,039 4 8		
3. Debts considered doubtful and bad	24,835 9 7		
4. Debts due by the Directors and other officers	Nil		
Loans and advances made to the Directors at any time during the period	Nil.		
BANK PREMISES AT COST	24,379 3 5		
Less depreciation written off up to 31-12-43	4,200 0 0		
			20,179 3 5
SAFES & FURNITURE at cost	1,01,424 4 7		
Add additions during the half year	1,007 1 1		
	1,02,431 5 8		
Less deductions during the half year	418 3 11		
	1,02,013 1 9		
Less depreciation written off up to 31-12-43	35,411 2 5		
			66,601 15 4
BOOKS & STATIONERY IN STOCK AT COST			45,020 5 4
BILLS FOR COLLECTION per contra			10,66,178 9 6
SUNDRIES			3,48,823 4 11
INVESTMENTS:			
*Government Promissory Notes of the face value of Rs. 448,74,500 at cost (market value Rs. 48,90,382-3-0)	48,64,297 11 4		
(G. P. Notes for the face value of Rs. 30,000 lost in transit. Duplicates have been applied for.)			
Shares of joint stock companies of the face value of Rs. 53,400 at cost (market value Rs. 47,880-0-0)	37,265 10 0		
Deposit of staff security with Scheduled Bank	14,725 0 0		
			49,16,288 5 4
INTEREST ACCRUED ON INVESTMENTS			56,487 3 1
CASH ON HAND	30,85,064 7 11		
CASH AT BANKS IN CURRENT ACCOUNT:	38,33,146 9 5		
			69,18,211 1 4
G.P. Notes of the face of Rs. 65,000 have been ear-marked for the Employees' Provident and Gratuity fund.	TOTAL		2,46,73,084 8 7

A DELHI DIARY

Delhi has had an anxious week on account of Gandhiji's plans for silent observation of August 9 and a symbolic demonstration only in Bombay. The anxiety was not due to any problem of law and order; in that respect the Congress leader had made the police task easier than last year. The real problem was this: What line should be adopted by official propaganda to befog the outside world and mislead the public in India? After a good deal of cogitation a formula was discovered and sent round to the Press through an obliging news agency.

"Mahatma Gandhi's statement omits the important fact that the ceremony for which official permission was sought was to include the recitation of the full text of the Quit India Resolution of August, 1942," says the official comment, and adds: "That is why permission was refused." The statement attributes to the Mahatma a deliberate attempt to keep back an important fact and the outside world is asked to believe that in the circumstances the question was not one of asserting the right of civil liberty but of repeating the 'rebellious' resolution!

It is not easy to overtake propaganda of this kind especially when news services and their transmission are controlled by the authorities themselves. Carrying of flags, collection of five persons and reading of the August resolution are not either severally or collectively an offence; in any case the arrests took place even before those arrested had met or read the resolution. These legal technicalities do not bother Delhi. All it wanted to do was to put a tendentious interpretation on Gandhiji's statement and mislead public opinion as to the real motive behind the arrests. The Bombay Government, however, saw wisdom soon enough. It released the arrested Congressmen by nightfall and saved itself the embarrassment of public criticism.

The Delhi bureaucrats are still puzzled about what they should do to prevent a settlement being reached between Gandhiji and Mr Jinnah. The comment of *The Times* and the writings of *Shahed* give away the official plot. The former incites Mr Jinnah to revolt against Gandhiji's affirmation of the 'Quit India' resolution: the latter gives up its role of a 'champion' of the Muslim cause by declaring that even if the Mahatma and the Qaid-e-Azam were to come to terms the British Government could not transfer power to Indians for the duration. Plans are indeed being laid for setting up some Muslim 'leaders' and organizations and others representing minority interests to disown any agreement which may emerge from the forthcoming Bombay talks.

"The post-war plans of the Government are a fraud." One hears this comment in circles which know well the motive behind the Government's actions. The question asked in these quarters is 'What will Sir Ardeshir Dalal do if and when he finds that all talk of economic development and planning is hollow.' His success depends entirely on the co-operation he receives from his Indian colleagues on the Executive Council. If he fails to weld them together into a team and lay a sound foundation for the formation of a national government, will he come out? The next three months, or at the most six, will provide a test of his patriotism.

The Railway Board has not yet framed its proposals for post-war development but Sir Lakshmipati Misra, a Member of the Board, made an interesting speech on the subject at the Institute of Engineers. He forecast an expenditure of Rs. 319 crores in seven years. Since this includes Rs. 125 crores for rehabilitation, for which an adequate depreciation fund already exists, the new development will have only Rs. 194 crores to draw upon. Out of this figure, too, Rs. 45 crores will be allotted to operational improvements, Rs. 48 crores to staff welfare measures and Rs. 45 crores to increase lower class travel amenities. Since the three categories constitute normal obligations of the Railways deferred during the war, their execution cannot be given the pompous title of 'development.' Sir Lakshmipati thus plans to spend only Rs. 56 crores on construction of 2,500 miles of new lines in seven years. In this regard too, the progress is to be of the normal variety. No railway authority alive to its responsibilities, could have planned more modestly in the days of peace. The whole scheme thus reduces itself to an advance on ordinary lines by ordinary methods and on pre-war pattern. The announcement that a manufacturing plant will be set up at Kanchrapara to turn out 80 locomotives and 80 boilers every year is not fresh either. For ten years this promise has been made and its fulfilment deferred.

One expected some attempt in the direction of rates structure to meet post-war conditions. Sir Lakshmipati declared that after thinking this matter over for six months he had failed to see light. The present rates structure is based on facilitating export of raw materials and import of foreign manufactured goods. The new rates structure must be in the reverse direction and built round industrial development of the country. The Railway Board Member is an agent of the present government and naturally finds it difficult to suggest any radical alteration in this most important sphere.

Again, Sir Lakshmipati's ideas of operational improvement, lower class travel amenities and staff welfare suffer from the defect that they are based on a vicious conception. Railways cater first to the ruling class and its tools. This is the basis of classification of railway compartments and the reason for pandering to the staff. It is a wrong outlook to build 200,000 quarters for the staff. The Railwaymen should benefit by the general housing improvements in all towns applicable to all citizens. They should not be treated as a privileged class receiving better treatment than their fellowmen in the corresponding economic and social grades.

In a word, the entire plan outlined by Sir Lakshmipati Misra, is merely an expansion of the existing machinery and will aggravate class distinction and discrimination. Its meagreness and narrow-mindedness stand exposed against the background of the Bombay Plan which envisages 20,000 miles of new railway construction. No wonder the general opinion in New Delhi is that the Government of India's post-war schemes are an eye-wash.

Sir Henry French, Permanent Secretary to the British Food Ministry, is arriving in Karachi within a week. Whatever the officials in India may say regarding the benefits they will derive from the experience of Sir Henry, the fact appears to be that he has been sent out by the British Government to hold an inquest on the food situation in this country. Mr Amery does not like to honour the responsibility for supplying India one and a half million tons of foodstuffs annually and wishes to make sure that this obligation does not arise from incompetence or mismanagement of his agents in India. Thus while the Woodhead Commission is expected to produce facts for public consumption the French mission will get at the 'inner' story.

ARGUS.

THE BUSINESS WORLD

MANUFACTURE OF POWER ALCOHOL

IT was about the year 1909 that experiments and trials in France first established that without any change in the composition of the engine one gallon of alcohol could be made to do service for 0.83 gallon of petrol. But it was during the war and the post-war years mainly that energetic steps were taken by the more important countries prompted by considerations of the advisability of minimizing the heavy drain of wealth by the import of petrol from abroad and the need, emphasized by the experience of the war years, of possessing an indigenous alternative to petrol to encourage alcohol production. The development of the automobile industry gave further impetus to the industry and the consumption of power alcohol assumed a great importance, as would bee seen from the following figures for 1934:—

(In thousand U.S. gallons)

France	54,400
Germany	45,580
Czechoslovakia	13,190
Sweden	2,400
Cuba	2,367
U.K.	433.5

In Great Britain valuable investigations were undertaken by the British Fuel Research Board and the British Power Alcohol Association and thanks to its exemption from taxation and a subsidy of 8¾d. per gallon which involved the Treasury in a loss of £420,000 per year British annual production mounted up to about 5 million gallons. The French Government in the years prior to the present war had legislation which made it compulsory for all French importers to purchase an amount of alcohol equal to 10 per cent. of their imports and bore a loss of about Rs. 93,000,000 annually to help the industry's growth. Germany also, in 1930, passed legislation which made admixture of power alcohol with petrol obligatory. Spain, Czechoslovakia, Hungary and several other continental countries enacted similar laws. Cuba, in 1939 produced about 5,000,000 gallons of power alcohol annually. 'Even in a country like America, where petrol is indigenous and very cheap, the production of alcohol increased considerably.'

As far as back as 1918 in India the Holland Commission pointed out that it was 'undesirable that the fuel supply of the country should be derived from external sources' and proceeded to remark that the provision for a suitable substitute (for petrol) is generally recognized as desirable, if not imperative.' And in 1922, at the instance of the Industrial Alcohol Committee the Government of India agreed to exempt alcohol production from the payment of any duty. The dependence of India on foreign sources of supply, however, continued and in 1936-37 only 16,736,269 gallons were available inside the country while her consumption needs required 90 million gallons. The deficiency was made good by an import of 66,124,000 gallons from Burma and 9,747,465 gallons from other sources. The inference clearly is that Government had not taken any steps to expedite alcohol production to any considerable extent even though they had recognized its desirability much earlier. In the meantime the development of power alcohol was taking on itself supreme importance from another reason. With the rapid growth of the sugar industry in India there took place a rapid growth in the outturn of molasses. In U.P. alone there was an increase of 1,43,340 tons in the outturn of molasses between 1932-33 and 1936-37 and it thus became a question of vital interest to the cane cultivator and sugar industry that some source of utilization for molasses be found and power alcohol production affords the most economic outlet. The U.P. Government, in 1933, deputed an officer for the study of the power alcohol industry in the various countries of Europe. The Sugar Committee of the Imperial Council of Agricultural Research, the various Chambers of Commerce and the Indian Sugar Mills Association continued from year to year to direct the attention of the Government of India to the urgent necessity for the establishment of the industry in India. The question of the utilization continued to be urgent and it even threatened to become a drag on the progress of the sugar industry. About 1934-35 the situation became so grave that factories would gladly part with their surplus molasses production, free of cost, if some agency were available to remove it. It is this indeed which accounts for the subordination of the strategic aspect to the economic which has gone on till recently, especially so by the Government of India. They set out, therefore, to find an alternative source of utilization for molasses through a scheme of exports which was to take up all the surplus Indian molasses from the 1935-36 season and onwards. They further decided not to initiate experiments for the production of power alcohol from molasses on a commercial scale in spite of the fact that the Sugar Committee of the Imperial Council had advised this step two years earlier. But they gave an assurance that they would do so, if the export scheme failed to solve the molasses problem satisfactorily. The scheme failed and the Sugar Committee, in May 1937, requested the Government "to issue licences for the production of power alcohol for use as motor fuel in admixture with petrol, and to permit the sale of prescribed mixtures of petrol and alcohol for motor fuel.'

Yet no substantial progress was made till the shortage of mineral oils brought about by the present war and the rigours of petrol rationing lent a new colour to the subject. And then the first steps were taken in the States, Mysore being the first to pass legislation requiring the admixture of power alcohol with all petrol intended for use as motor fuel. Mysore also pioneered the way in another direction. On the refusal of the Government of India to import machinery from the U.S. under Lease-Lend which they had been promising, the Mysore Sugar Mill got the entire plant manufactured by local engineering mills. Hyderabad, in 1942, had a plant which produced 3,000 gallons of power alcohol per day. Speaking of Bombay, Ramsay Scott said, 'At present we have in this Province one distillery capable of producing 500,000 gallons of power alcohol. There are only two other distilleries of this type in the country and both are located in the Indian States.' The Bombay Government delayed action till June 1943 when the Bombay Power and Petroleum Act, 1942, sought to encourage the manufacture and distribution of power alcohol mixed with straight petrol by private companies with a view to establishing a very important supplementary, industry for the immediate purpose of conserving supplies of straight petrol for vital defence requirements.

But the U.P. and Bihar furnish the biggest examples of dilatoriness on Government's part. Both the provinces had jointly appointed a committee 'to go into the whole question of the legislation of molasses and the manufacture of power alcohol.' These provinces are justly known as the home towns of the Indian sugar industry and about 82 per cent. of the total molasses production is accounted for by these two provinces. The Joint Power Alcohol and Molasses Enquiry Committee were 'definitely of opinion that, without any kind of subsidy, power alcohol can be marketed in the U.P., in Bihar, and also in other adjoining in-

land areas at substantially the same price at which petrol is now being sold and that power alcohol can be manufactured at such a cost that an excise duty almost equal to that on indigenous petrol can be levied on it.' Yet this report lay in cold storage for two years and it was only in 1940 that the U.P. Government made it compulsory to mix power alcohol with petrol for use as motor fuel. But the internal production being inadequate for the provinces' needs, it was enforced only in a few districts. But the Government took no active steps to push on the production of power alcohol. The Bihar Government passed similar legislation in 1942.

It becomes then, abundantly clear that the main reason for the under-development of this important national industry has been the criminal negligence of the Central and the Provincial Governments. India has an annual surplus of molasses amounting to 265,000 tons. If all this could be converted into power alcohol it would give the country 15 million gallons of motor fuel and to this extent it would diminish the dependence of the country on foreign sources of supply. The argument that India's full motor requirements can be met from indigenous and nearby sources of Burma could not hold water; for Burma is not a part of India and proximity does not make it any less the foreign. Nor is it likely that the development of power alcohol would adversely affect the indigenous petrol industry. Power alcohol manufacture is an important supplementary industry and it is urgent that immediate steps are taken to enhance indigenous production to relieve the present pressure on our transport system. In any case, in the post-war period, the industry should certainly be given high priority for its development because of its immense national importance. Further, as it would lead to the development of other industries, it should be encouraged even with Government help in the form of subsidies etc. It is gratifying to note that India will not depend for the necessary equipment to manufacture power alcohol upon outside sources, but if it could be imported right now, it would be very welcome as it would lead to increase in internal production during the war itself. The war against Japan is yet to be waged and the pressure on our transport system is already too heavy. With the intensification of the war in the East it is bound to grow and it is obvious that the consequences may entail immense hardship for the people. It is difficult to imagine a better case of worthiness for immediate Government help and more so to understand the complacency in regard to transport which makes them oblivious to the needs of this all-time important industry.

NOTES

STANDARD CONTRACT FOR GROUNDNUTS

In the groundnut trade, there is a surprising variety in the terms of contracts in different markets. The result is that the same lot may be subjected to different allowances according to the scales in different contracts. Again, the moisture percentage, which is an important factor in the case of this commodity, is generally defined in vague phrases such as "dried to buyer's satisfaction." It is true that the bulk of the transactions, especially in the assembling markets, is on the basis of visual examination of the goods; but in the later stages of marketing and in the case of transactions by big oil mills or exporting houses or under the auspices of trade associations, sales and purchases are largely on the basis of contracts. Variations in the terms of these contracts as adopted in the different markets and by different buyers introduce an element of avoidable uncertainty in the trade and make it difficult to compare prices under different contracts, while the vagueness of the terms often give room to misunderstanding and disputes. Another weakness of these contracts is the absence of provision for mutual tolerances, which works to the disadvantage of the seller and discourages him from marketing clean stuff in that while he is penalized in the event of his supplies failing to come up to specification, he does not obtain any premium if his goods are superior to the contracted standard. The need for a standard contract, the terms of which will be mutual and uniform throughout the trade is, therefore, obvious and the Agricultural Marketing Adviser has not merely realized this, but has actually drawn up standard contracts for various categories of groundnut kernels and nuts in shell. A Press report states that, as a result of a recent conference with the trade interests, he has succeeded in securing their agreement to the terms of a standard contract. The introduction of the standard contract should result in regulating market conditions and improving the return to the producer. It may be added that, when normal export conditions return, effort should be made to modify the terms of the Marseilles contract, which, by providing for a free non-mutual tolerance of 2 per cent., has made for the deliberate addition of clay to export consignments.

INDUSTRIAL CO-OPERATIVES

One of the more important post-war problems would be to assure an adequate place to the small producer in our industrial structure. This can be done in two ways. In the first place, small-scale production units may be organized as subsidiaries to large-scale production, in which case they will either concentrate on the manufacture of components out of which complex products will be fabricated on mass production lines, or they may take up the final assembling of components produced by the bigger factories. It is along these lines that Japan has developed her small industries. Far from being uneconomic, this dovetailing of small-scale and large-scale production has actually helped her to achieve miracles of low-cost production, particularly in industries such as the manufacture of cycles. The second method of stabilizing small units is through the formation of industrial co-operatives. It is well known that the co-operative organization of small-scale production has succeeded brilliantly in war-time China. In this country, the possibilities in these two directions should be fully studied, and Sir Ardeshir may well appoint a committee to go into the question thoroughly and draw up a plan and a programme. It may be noted that the 14th Conference of Registrars of Co-operative Societies, which was held recently in Bombay, has also recommended the setting up of a committee to formulate a programme of industrial development through co-operative societies under the direction of the Central Government.

RAILWAY PLAN

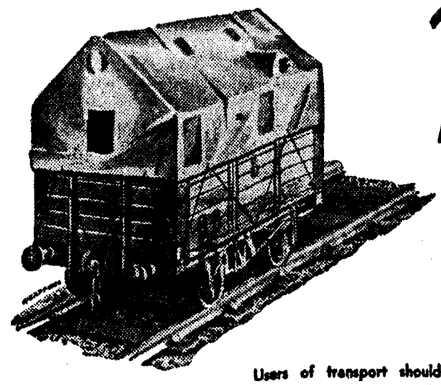
The Railway Board have drawn up a plan for the development of railway services after the war at a cost of Rs. 319 crores. Sir Lakshmipati Misra, Member of the Board, dealt with the basic features of the proposed programme in the course of a recent address

to the Institute of Engineers. The construction of 5,000 miles of new lines, of which a little over 2,500 miles would come in the first seven years after the war, is provided for in the scheme. Improvements will be introduced in the carriage of goods and parcels. Street delivery at all important stations is envisaged and a scheme has been worked out to ensure that a few goods trains should start running to scheduled timings and that they should daily contain wagons for special destinations on the run, so that consignees might be in a better position to know when a particular consignment was likely to arrive and be prepared to take delivery of it. This service is bound to be particularly helpful to the business world. Sir Lakshmipati also claimed that the requirements of a passenger from the time he entered a railway station to the time he left it had been comprehensively reviewed and that a programme of providing better facilities for third-class passengers at a cost of Rs. 45 crores for the first seven post-war years has been drawn up. The proposed amenities include raised platforms, overbridges, sanitary latrines, additional waiting sheds, improved water supply, waiting rooms for women passengers, plantation of shady trees, improved booking arrangements, increased area for each seat, improvement in coaches and provision of additional coaches. We would add that the elimination of overcrowding should be defined to be one of the objectives of post-war railway policy.

WRONG DECISION

Sir Lakshmipati also revealed that it has been decided to defer locomotive construction till the end of the war, thus giving the quietus to rumours, which have been active these days, to the effect that the Tatas may enter into an agreement with the Government to take up locomotive manufacture. Negotiations between these two parties, we are told, only relate to the manufacture of boilers. Locomotive construction, Sir Lakshmipati says, will, however, be taken up at the Kanchrapara Workshop as soon as possible after the war. We consider the decision to postpone the project wrong for reasons which have already been gone into in detail in these columns. It is, however, encouraging to be told that about a third of the machine tools required by the railways could be supplied within the country during the post-war period as a consequence of developments during the war in the Indian machine tool industry.

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Book Reviews

THE FRAMEWORK OF THE FUTURE: By Hon. L. S. Amery, M.P. Oxford University Press. Price 6 sh. 1944.

A collection of speeches and articles by the Secretary of State for India. Mr Amery expresses his faith in the future of conservatism and 'Common wealth,' as well as that of himself, we may add. The only purpose of the volume is perhaps that it gives its author a "retrospective personal satisfaction" of which he himself speaks.

THE FUTURE POPULATION OF EUROPE AND THE SOVIET UNION: Population projections, 1940-1970. By Frank W. Notestein and others of the Office of Population Research, Princeton University. League of Nations Publication, 1944: II A. 2. Pages 315. Price Rs. 9-6.

In January, 1939, the Council of the League of Nations appointed a committee to study and report on demographic problems in their economic, financial and social setting. The present study, which purports to be the first of a series now in course of preparation, is altogether an arresting study of certain underlying demographic trends which, it is recognized, will have far-reaching economic, social and strategic consequences in the coming generation. However much the predictive validity of the population 'projections' might be modified by the validity of the 'projections' might be modified by the actual impact of developing vital trends, war or migration, the findings in themselves are revealing and lend themselves to startling conclusions. They show a decisive 'eastward movement of weight of man-power,' so that by 1970 the U.S.S.R. in its 1937 boundary has as large a source of primary military man-power as Germany, the United Kingdom, Italy, France, Poland, Spain and Roumania combined. The shifting weight of man-power, if accompanied by industrialization and greater economic efficiency, will produce an eastward shift of economic and military power, besides enhancing the 'load of dependency' on the ageing populations of the west. The study concludes that competitive 'demographic armament' or 'nationalistic race for babies' can only lower levels of living, heighten political tension and lead to ultimate conflict. The shifting balance of world population will put new strains on fixed economic and political arrangements, and justice and peace can be maintained only if orderly ways are found for adapting such arrangements to the needs of a changing world. The book is rich with revealing data and suggestive ideas.

PLANNING FOR INDIA. By Bimal C. Ghose. Oxford University Press, 1944. Pages 76. Price Re. 1-12.

In this small, interesting booklet the author sets out to evaluate the implications of an economic plan, especially in the context of the Bombay Plan. Mr Ghosh, however, often takes an unnecessarily stiff doctrinaire attitude, and his conclusions are often marred by rigid and false dichotomies. He starts with a dialectic of mature capitalistic economies and says that once we reach the stage of development of Western countries, we shall be faced with "the same contradictions" and this consideration provides the "limit" up to which desirable development can take place in Indian economy under the existing order of society. But if we *could* reach the stage of western countries, many would not expect more immediately, and Mr. Ghosh's warning that "effective planning is impossible within the framework of a capitalist society" loses the sting. No doubt, planning would require far-reaching economic and social adjustments, but false antithesis can frighten nobody. On page 54 he utters the commendable radical dictum that "the important fact is not finance, but the problem of organizing our real resources;" yet, astonishingly, he says on page 52, "Rs. 10,000 crores in 1931-32 prices converted into prevailing prices will amount to anything between Rs. 25,000 to Rs. 30,000 crores and as such the burden of sacrifice for implementing the Plan will be much heavier when it may actually be put into operation." It is incredible that he should forget that our national income today is not Rs. 2,200 crores, as the Bombay planners assumed, but about Rs. 3,000 crores at old prices or 2½ or 3 times that at prevailing prices. The clue to Mr. Ghosh's heroic radicalism that "a revolutionary plan demands a revolutionary setting for its success" is given by the naive statement that "if we aim at a planned socialist reconstruction of our economy as we should, a hostile attitude on the part of capitalist countries need not cause any serious difficulty, for we should be able to depend upon the active assistance of an immensely powerful socialist State, Soviet Russia." Much common sense and much naiveté lie intertwined in this interesting booklet.

THE INDIAN SUGAR INDUSTRY—1943 ANNUAL. Editor: M. P. Gandhi. Messrs. Gandhi & Co., Jan Mansion, Sir Pherozeshah Mehta Road, Fort, Bombay. Pages 350. Price 6-6.

The annual maintains the standard of usefulness set up by the series and, should prove popular.

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FROM THE PROVINCIAL ANGLE

U.P. Letter

(From Our Correspondents)

CAWNPORE, Aug. 7.

POST-WAR civil aviation and the hydro-electric projects were discussed at the last meeting of the province's Post-war Reconstruction Board held in Lucknow under the presidentship of H.E. Sir Maurice Hallett.

The three Chambers of Commerce had already made joint representations on the subject of civil aviation, for the Government of India's post-war plans in this respect accord a step-motherly treatment to the United Provinces. Lucknow is the only provincial capital not touched by any of the air-lines proposed to be established after the war. Though Cawnpore, Northern India's important trade and industrial centre is on the east to west trunk line, there is no direct connection with the south, and for going to Bombay a man will have to fly first to Delhi or travel by train to Nagpur.

A resolution, moved by Sir Robert Menzies, President of the Upper India Chamber of Commerce, and seconded by Mr. A. G. Shirreff, Adviser to the Governor, was accordingly passed placing on record the meeting's sense of disappointment at the most inadequate provision for the promotion of civil air transport in the U.P. It has been suggested that there should be a trunk air service from Cawnpore *via* Bhopal to Bombay and also feeder air services linking Cawnpore with Delhi *via* Lucknow, Bareilly and Rampur and with Calcutta *via* Lucknow, Gorakhpur, Patna and Asansol, these two feeder services being regarded as essential links between the proposed trunk air services.

Reference to four power projects that the U.P. Government have in view for undertaking in the post-war period was made by Sir Maurice Hallett in the course of his speech. By re-designing a portion of the Sarda Canal, it is hoped to be able to construct a single station capable of providing a maximum of about 55,000 K.W. and it has been suggested to the Government of India that this power should be utilized to start the manufacture of chemical fertilizers in the province.

The Nayar scheme involves the building of a 600 feet high dam in the gorge of the Nayar river, a tributary of the Ganges in Garhwal at Narora. The site had been examined, besides Government of India's geologists, by Mr. Savage, the American expert on the construction of high dams also. Although the scheme is primarily designed as an irrigation scheme, it is expected that it will be possible to generate up to a maximum of 100,000 K.W. The experts had given their provisional approval to the scheme.

The third project involves the damming of the Rihand, which is a tributary of the Sone. This has a possibility of generating more than 150,000 K.W. and the project will benefit the U.P. as well as Bihar. An areal survey had been taken and the result will be available by November when further detailed examination will be undertaken.

The fourth is the Tons-Giri scheme which involves the construction of two high dams on the upper waters of Jumna for the storage of water for irrigation and generation of energy. The U.P. Government have borne one-third of the cost of investigations which are being conducted by the Punjab engineers and will have the option of benefiting in the same proportion.

For general guidance in preparing an electric layout for the province a committee of experts is to be appointed and the U.P. Government have asked for the assistance of the Government of India in this matter.

The U.P. Government have lost Rs. 90 lakhs on their food operations scheme in the year 1943-44. The total debit on account of the foodgrains scheme amounted to Rs. 22.48 crores, and the total credit to Rs. 16.75 crores. The value of purchases during the year was Rs. 19 crores. Sale proceeds amounted to Rs. 13 crores. The sales to ration card holders within the province were subsidized. The supplies to the Employers' Association at Cawnpore, railways, factories, and to other institutions in the province, as well as exports were on a no-profit-no-loss basis.

Punjab Letter

LAHORE, Aug. 1.

A SERIOUS crisis seems to be threatening the steel re-rolling, the hand-loom, the hand-printing and the shoe-making industries of the province. So far as the steel re-rolling industry is concerned, the decision of the Steel Commissioner to add only eight more mills in India to the list of 12 mills already kept in operation is considered to be ill-advised. In a representation made last week to the Government the Steel Re-rolling Mills' Association of Northern India pointed out that "the discriminatory classification made by the Steel Commissioner has sealed the fate of those mills which do not fall into the category of A1, A, B and C classes," as Government plan to run only AI, A and certain B and C class mills.

The steel re-rolling industry in Northern India was started to check the heavy export of steel scrap to Japan as far back as 1928. To ask many of the mills to close down now for want of coal and raw material is to show a step-motherly treatment to the industry which has served the cause of the defence of the country as well as the civilians. Even within the quota of 4,000 tons of coal allocated at present by the Government, it is claimed that it is possible to run the industry efficiently without forcing closures, if expert technical advice is made available to the mills for the purpose of making efficient improvements in their plants and furnaces, so that a minimum of coal is consumed for maximum production. Re-grouping of the mills can certainly help in the matter. While abolishing the previous classification, steps can be taken to supply coal and raw material according to their proportionate re-assessed productive capacity. If this is not done and the closure is put into effect, unemployment of over 10,000 labourers will be the unfortunate consequence.

In a representation made to the authorities the Punjab Textile Manufacturers' Association has demanded adequate supplies of yarn for the textile industry. It is pointed out that owing to the shortage most of the hand-looms are not working, while several other factories are likely to close down. On account of meagre supplies of raw material, the hand-printing industry of Lahore, as in other cities of the province, is facing a crisis with the result that several hundred hand-printers are likely to be thrown out of employment. The Punjab Government has been urged by the hand-printers to set up a Calico Printers' Syndicate to print and sell printed cloth, and to supply some quota of bleached cloth to keep them busy. The shoe-makers, at their annual general meeting last week, demanded leather at control rates, allotment of proper quotas to the factories, opening of leather depots and strict and immediate action against the black-marketeers.

Sind Letter

KARACHI, Aug. 4.

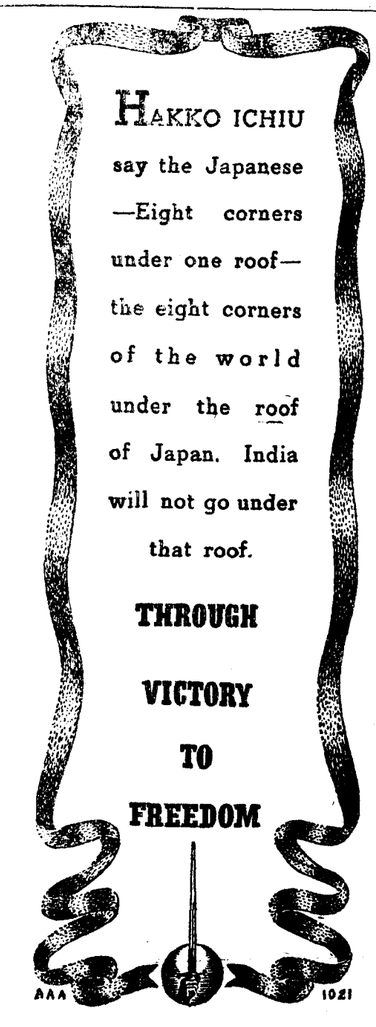
AT long last the Syndicates have been scrapped. They had long been an eyesore to the public in general and the commercial community in particular as the men chosen for the work were in no way fitted for the job, being without any experience or knowledge of the work involved. Mr Nichoidas Vazirani, in the recent Assembly debate on the subject charged them with corruption and nepotism. Allegations were also made that harassment of villagers by the agents of the Syndicates was resorted to. Even Ministerialist spokesmen expressed bitter resentment against the system. But the choice of an alternative would not be an easy one. Purchances of food by Government agencies, which the Premier favours, is not likely to appeal to the commercial community who want to return to free trade. Government would obviously not accept that as it might adversely affect the flow of foodgrains to deficit areas. It is indeed likely that the system of Syndicates might be continued, of course, with reconstituted personnel as it is felt that the protests against them were not so much on a point of principle as an indictment of mistaken choice of personnel.

Land Alienation Bill

The Assembly also adopted during this session a most controversial Bill, which is intended to protect the agriculturist from losing his land being mortgaged to moneylenders. The Land Alienation Bill is, in a sense, complementary to the Moneylenders Bill, which has already received the assent of the Governor. The opposition to this legislation has been based on communal factors, peculiar to Sind. It has been feared that the effect of the Bill will be to prevent Hindus from acquiring land. For, the Bill lays down that land shall pass only among agriculturists, and an agriculturist has been defined as one "who is engaged, or has been engaged, in the cultivation of land with his own hands, within the province, as his principal means of subsistence; or a person who held land on January 1, 1910, and thereafter continues to hold land, whether it is the same or different land, and derives the whole or a major portion of his income from such land." A ban has also been placed on permanent alienation by any owner of land, if he holds less than a minimum of 96 acres. Further, where the holding of an agriculturist exceeds the minimum area but does not exceed 5,000 acres, permanent alienation of any part of his holding would be possible only to a person who is an agriculturist. And an agriculturist whose holding exceeds 5,000 acres can alienate only that much which is in excess of this maximum limit. It is revealed that in the whole of Sind individuals whose holdings exceed 5,000 acres number only 47, and hence non-agriculturists can obtain lands from this small number only. The Opposition has charged Government of expropriation, particularly as in the select committee, the definition of agriculturist had been modified and the maximum raised from 2,000 to 5,000 acres. But official spokesmen have sought to assure the Hindus that with the construction of more barrages, and even under the Sukkur Barrage area, plenty of land would be available for them to purchase, and that the beneficiaries of this legislation are not exclusively Muslims but Hindus also. However, the communal aspect of the controversy became so pronounced that the two Hindu Ministers voted with the Opposition against the Bill, which, however, was passed with a majority of 11 votes.

Family Budget Inquiry

The Department of Labour has launched from August 1 a family budget investigation, with the object of collecting data to be utilized for the compilation of a working class cost of living index number. The inquiry is expected to continue for one year. The investigation will be confined to workmen who are married and in permanent employment. Visits will be made by the investigators to these workmen, corroborated by examination of pay rolls at places of work. The latter device is expected to act as corrective to the figures of income furnished by workmen. An elaborate questionnaire, extending to nearly one hundred items, has been prepared for the purpose. An official *communiqué* issued in this connection says that the cost of living index number is extremely useful to Government, employers and workmen alike in deciding upon wage problems, particularly to determine dearness allowance, in war-time.



PROVINCIAL GOVERNMENT LOANS

3 Per Cent. Loans, 1958.

Government of the United Provinces ...	Rs. 350 lakhs—Issue Price at Rs.	99/8/-%
Government of Bombay	Rs. 344 lakhs—Issue Price at Rs.	100/-/-%
Government of the Punjab	Rs. 270 lakhs—Issue Price at Rs.	99/8/-%
Government of Sind	Rs. 200 lakhs—Issue Price at Rs.	99/8/-%
Government of Madras	Rs. 110 lakhs—Issue Price at Rs.	100/-/-%
Government of the C. P. and Berar ...	Rs. 53½ lakhs—Issue Price at Rs.	100/-/-%

Each loan will bear interest from the 15th August, 1944.

Open for one day only, viz., Tuesday, the 15th August, 1944 and will be closed at any time on that day as soon as subscriptions approximate to the amounts of each issue. *Subscriptions will be in the form of Cash/Cheque.*

Applications for all six loans will be received at the offices of the Reserve Bank of India, Bombay, Calcutta, Delhi and Madras from 10 a.m. *Standard Time.*

Applications for any particular loan will also be received at branches of the Imperial Bank of India, situated within the Province issuing that loan.

In the event of any one or more of the loans being over-subscribed, proportionate allotment will be made to the subscribers.

N.B.—Applicants tendering their applications at the office of the Reserve Bank of India, Bombay, Calcutta, Delhi and Madras will, in the event of oversubscription, be given the option of transferring their cash refunds to any of the other loans at the same or lower issue price which may not be fully subscribed, provided they complete and tender along with their loan applications, the SPECIAL OPTION FORM, copies of which are obtainable on application from the abovementioned offices of the Reserve Bank of India.

Copies of the Notifications and Application Forms may be obtained at any Receiving Office along with a copy of the Press Communique giving the financial position of the Provincial Government(s).

COMMODITY MARKETS

WHEAT

HAPUR, Aug. 7.

The wheat markets in the country during the week remained steady at control rates in most of the mandies. The Provincial Governments are alive to the wheat shortage and are taking all steps to get the stock released from the hoarders who are mostly the producers this year. The control rate at Hapur is 9-12 and the daily arrivals average 60 maunds. The prices in other U.P. mandies are: Chandausi 9-8, Shamli 9-11-3, Gonda 9-14, Sitapur 9-14, Kasgunj 9-12. In controlled cities the Government is supplying at the following rates: Lucknow, Allahabad and Cawnpore 4 seers per rupee, Meerut and Agra 4-8 ch., and Benares 3-8 ch.

In Punjab mandies the current rates are: Amritsar 9-12, Okara 8-10 to 9-2, Lyallpur 9-4. The Punjab Government has already supplied 6,500 tons of wheat towards its quota of 10,000 tons to the N.-W.F.P. Government, where the wheat shortage problem is causing anxiety.

The rainfall all over the provinces, mostly in Western districts has been very good and the prospects of the standing *Sawani* crop are excellent.

PULSES: Futures in the pulse market ruled very unsteady, price ranging for Urd maha between 12-12 to 11-14-6. Moong Bhadon and maha are today quoted at 9-14 and 11-6 respectively. Arhar Khatti is 7-13 and stock amounts to 139 khatties.

HUKUMCHAND JUTE MILLS
Limited
Hukumchandnagore, Naihati, B. & A. Ry.
(Estd. 1919).
Manufacturers of
High Class Hessian, Sacking, Canvas, Tents, Twine, Webbing, Woollen Blankets, Etc. Etc.
Managing Agents
RAMDUTT RAMKISENDASS
4, Clive Ghat Street, Calcutta

FOR LIFE INSURANCE
The BOMBAY MUTUAL LIFE ASSURANCE SOCIETY LTD
ESTD 1871
ASSETS EXCEED 100,00,000.
THE OLDEST LIFE OFFICE IN INDIA

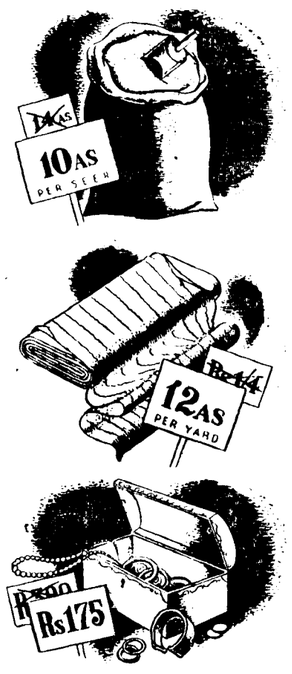
INDIAN CAPITAL, INDIAN MANAGEMENT

AMRUT OIL MILL,
BOMBAY.
Proprietors:
M. L. DAHANUKAR & Sons.
Industrial Assurance Building, Fort,
BOMBAY.
Will shortly market:—
REFINED VEGETABLE OILS, VEGETABLE GHEE AND WASHING SOAPS.

MAHARASHTRA SUGAR MILLS, Ltd.,
Tilaknagar,
BELAPUR (G.I.P.)
Producers of India's
FINEST REFINED CRYSTAL SUGAR
BELVANDI SUGAR FARM Ltd.,
BELVANDI (G.I.P.)
Managing Agents:
M. L. DAHANUKAR & CO., LTD.
Industrial Assurance Building, Fort,
BOMBAY.

UNITED CONSTRUCTION & ENGINEERING CO.
Industrial Assurance Building, Fort,
BOMBAY.
Constructional Engineers, R.C.C. Designers & Builders.
Carrying on Military and Aviation Works etc.
UNDERTAKES DESIGNING AND CONSTRUCTION OF ALL KINDS OF WORK FOR GOVERNMENT, RAILWAY, PUBLIC BODIES & INDUSTRIALISTS.

SEEING IS BELIEVING



falling prices prove the wisdom of saving for the future

If no one had saved money last year and early this year; if Government had not introduced strict price controls and increased the manufacture of bazaar goods, prices would still be fantastically high, as they were last year.

But private savings and administrative action by Government have brought prices down. People who foolishly invested in jewels, property, commodities and goods have seen their investments shrink before their very eyes.

And this is not the end. The downward trend will persist. Be wise. Don't be caught by falling prices.

These, as before, are today's best investments: every time prices fall an anna, these investments improve in value: Co-operative Societies, Insurance, Savings Bank Account, Post-Office Savings Bank, Government Loans and National Savings Certificates.

Do without luxuries. There is plenty of time after the war for new clothes, new furniture, new houses, new cycles and motor cars. Save money now to spend it then

save

ALL YOU CAN AND INVEST ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA1114

CURRENT STATISTICS

BANK RETURNS

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(000's omitted)

	July 28, 1944	July 21, 1944	July 30, 1944	Sept. 1, 1943
Notes held in the Banking Department	23,02,18	17,85,27	10,39,68	35,04,49
In Circulation ..	9,21,96,46	9,26,15,89	7,40,37,59	1,82,13,17
Total Notes ..	9,44,98,64	9,44,01,16	7,50,77,27	2,17,17,66
A. Gold Coin and bullion ..	44,41,43	'44,41,43	44,41,43	44,41,46
Sterling securities ..	8,28,32,89	8,28,32,89	5,82,87,46	'59,50,11
Total of A ..	8,72,74,32	8,72,77,32	6,27,28,89	1,03,91,57
B. Silver coin ..	'14,40,28	'13,42,80	'15,15,02	'75,87,11
Rupee securities ..	57,84,04	'57,84,04	1,08,33,36	37,38,98
Silver bullion under Coinage ..	..	..	..	..
Percentage of Reserve to Liabilities ..	92.355	82.450	83.552	63.149

BANKING DEPARTMENT

(000's omitted)

	July 28, 1944	July 21, 1944	July 30, 1943	Sept. 1, 1939
Cash	23,31,11	18,15,17	10,57,33	35,15,27
Balances held abroad ..	205,53,68	196,35,95	95,50,05	10,08,33
Investments	11,12,80	11,12,70	7,66,50	6,81,34
Bills discounted:—				
(a) Internal	..	..	..	..
(b) External	..	..	..	..
(c) Government of India Treasury Bills ..	1,16,92	46,96	9,98	1,15,67
Loans and Advances to the Government	1,00	..	31,00	31,00
Deposits:				
(a) Government ..	123,11,81	109,14,81	30,94,05	14,89,43
(b) Banks	97,20,95	98,47,84	65,43,03	26,91,43
(c) Others	5,59,90	4,79,00	2,51,25	1,24,37

BANK OF ENGLAND

(000's omitted)

	July 26, 1944 £	July 19, 1944 £	July 28, 1943 £	Aug. 30, 1939 £
Total Bullion	1,261	1,236	2,547	263,700
Public Deposits	7,700	16,700	6,600	31,100
Other Deposits	255,200	226,900	224,500	129,100
Of which Bankers Deposits	199,800	170,400	169,900	90,100
Govt. Securities ..	249,300	224,400	180,400	113,100
Other Securities ..	12,500	14,600	28,000	31,000
Of which Discounts and Advances ..	4,700	4,900	7,300	6,400
Notes and coins ..	14,500	17,700	33,400	34,200
Notes in Circulation ..	1,136,800	1,133,600	968,100	529,500
Ratio of Reserve to Liabilities	5.49%	7.25%	14.46%	21.38%

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	July 27, 1944 $	July 20, 1944 $	July 29, 1943 $	Aug. 31, 1939 $
Resources:				
Total Reserves ..	19,115,000	19,164,000	20,519,000	14,660,610
Total Bills Discounted	37,000	39,000	13,000	6,190
Bills bought in open market	..	..	..	550
Total U.S. Government Securities ..	14,802,000	14,556,000	7,951,000	2,426,190
Liabilities:				
Federal Reserve Notes in actual Circulation	18,995,000	18,981,000	14,228,000	4,609,280
Deposits — Member Bank Reserve Account	12,792,000	12,754,000	12,309,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note-liabilities combined	56.3%	56.5%	71.9%	86.9%

SCHEDULED BANKS

(In thousand Rupees)

	28-7-1944	21-7-1944	30-7-1943	1-9-1939
Demand Liabilities in India	575,38,78	571,22,94	434,32,14	134,36,49
Time Liabilities in India	183,91,25	183,78,49	134,60,79	102,24,34
Cash in India ..	25,40,99	25,64,03	18,06,74	6,69,92
Balances with Reserve Bank	97,42,86	96,47,75	64,57,20	25,17,19
Advances in India ..	211,47,84	215,53,46	144,17,91	101,52,16
Bills Discounted in India	9,63,57	9,34,38	3,97,17	3,57,29

IMPERIAL BANK

(000's omitted)

Weekly Statements of Affairs as on 28th July, 1944.

	July 28,	July 21,	July 30,	Sept. 1,
Fixed deposits, savings bank current and other accounts	229,34,67	230,31,69	196,49,01	87,26,24
Government securities ..	133,03,50	127,50,02	130,71,68	51,02,78
Other investments ..	3,20,12	3,11,24	2,09,63	96,27
Loans	12,37,04	12,73,10	11,51,07	7,66,38
Cash credits and overdrafts	44,27,27	46,17,31	22,54,24	19,76,06
Bills discounted ..	3,99,89	4,49,44	2,33,20	2,94,74
Cash in hand and with the Reserve Bank and with other banks	42,04,95	45,84,99	36,86,85	14,68,87

STERLING PURCHASES

Date	Amount	Rate	Total since 1st April, 1943
	£	s. d.	£
1943-44 Total	105,309,000	1 6	105,309,000
1944-45			Since 1st April 1944
For the month of June 1944	6,224,000	1 6	20,462,000

TREASURY BILLS

WEEKLY TENDERS

(In thousands of rupees)

Week Ending	Amount Tendered.	Amount Accepted.	Average Rate.	Intermediates	Sold in favour of Issue Dept.
May 2	12,14,50	4,00,00	0 10 11	..	2,35,00
,, 9	13,18,75	4,00,00	0 9 0	..	3,35,00
,, 16	15,22,75	4,00,00	0 8 0	..	1,37,00
,, 23	13,39,00	4,00,00	0 6 10	..	3,35,00
,, 30	12,40,75	6,00,00	0 5 11	..	55,00
May	66,35,75	22,00,00	0 0 8 1-31		11,47,00
June 6	11,09,75	6,00,00	0 6 3	..	90,00
,, 20	9,66,75	6,00,00	0 8 4	..	14,05
,, 13	9,42,00	6,00,00	0 7 8	..	1,95,25
,, 27	8,03,25	6,00,00	0 8 0	..	2,79,50
June	38,21,75	24,00,00	0 7 6¾		5,78,80
July 4	7,42,25	4,00,00	0 7 9	..	1,67,25
,, 11	8,44,25	4,00,00	0 7 8	..	7,85,00
,, 18	9,07,25	4,00,00	0 7 10		3,76,00
,, 25	12,43,00	4,00,00	0 7 9		1,42,00
July	37,36,75	16,00,00	0 7 9		14,70,25

MATURITIES

Date of Maturity	Amount (000's of rupees)	Date of Maturity	Amount (000's of rupees)
15th July 1944 ..	400	27th ,, ,, ..	8,25
21st ,, ,, ..	1,84,75	28th ,, ,, ..	1,82,75

BOMBAY EXCHANGE RATES

Banks buying T.T.	Rs. 6-1 32d
,, ,, D.D.	Rs. 5-5 32d
,, selling T.T.	Rs. 5 31/32d
,, ,, D.D.	Rs. 5-31 32d
Banks selling T.T.	Rs. 332¾
,, ,, D.D.	Rs. 333¾
,, buying T.T.	Rs. 297¼
,, ,, D.D.	Rs. 294¾

T.T. LONDON ON NEW YORK

Sellers $4.02½; Buyers $4.03½.

Gold Spot 75. Silver Spot 130-8-0.

INDEX NUMBERS OF WHOLESALE PRICES

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

Commodity/Group	Nov. 1943.	Nov. 1942.	Nov. 1941.
1. Rice	602*	218*	174
2. Wheat	379	232	203
3. Tea	272*	154*	166
4. Groundnuts	266	177	113
5. Coffee	329	246	148
6. Sugar	139	120*	162
7. Tobacco	216	51	55
8. Copra	405	372	132
9. Cotton, raw	193	165	152
10. Jute, raw	190	165	165
11. Linseed	220	175*	118
12. Pig Iron	117	106	106
13. Coal	226	139	109
14. Lac	507	457	446
15. Wool, raw	176	147	171
16. Hides and Skins, raw	124	124	121
17. Kerosene	178	194	136
18. Petrol	166	163	137
19. Cotton Manufactures	405*	339*	194
20. Jute Manufactures	252	262	196
21. Cement	186	133	118
22. Galvanized Corrugated Sheet	346*	276*	225
23. Leather	170	139	121
GROUPS			
I Food and Tobacco (1 to 8)	303.1	172.4	127.9
II Other Agr. Com. (9 to 11)	200.7	168.2	143.6
III Raw Materials (12 to 18)	189.1	168.6	153.2
IV Manufactured Articles (19 to 23)	256.9	203.6	165.1
V Primary Commodities (1 to 18)	235.6	170.2	139.9
VI All Commodities (1 to 23)	**240.1**	**177.0**	**145.0**
VII Chief Articles of Export	240.7	166.3	148.2

RAILWAY STATISTICS

GROSS EARNINGS IN LAKHS

Railways.	Up to 10-7-42.	Up to 10-7-43.	Up to 10-7-44.	Increase (+) or decrease (-) in the current year as compared with previous year. Amount.	Percentage.
	Rs.	Rs.	Rs.	Rs.	
B. & A.	2.80	4.61	6.00	+1.39	+33.0
P. N.	3.91	4.79	4.40	-.39	-8.14
B. B. & C. I.	5.15	5.51	5.78	+.27	+4.90
E. I.	8.07	9.42	11.04	+1.62	+17.2
G. I. P.	7.46	8.33	8.95	+.61	+7.70
M. & S. M.	2.95	3.75	4.22	+.47	+12.5
N. W.	7.17	8.85	9.20	+.35	+3.95
Oudh & Tirhut	1.57	1.86	1.68	-.18	-9.68
S. I.	2.50	2.67	2.98	+.31	+11.6
Other Railways	22	24	26	+2	+8.33
Total	41.80	49.91	54.51	+4.60	+9.22

WAGONS LOADED IN TERMS OF 4-WHEELERS

	1943-44	1944-45	Percentage, Increase (+) or decrease (-) in 1944-45 over 1943-44.
Broad gauge ..	1,242,854	1,225,622	-1.39
Metre gauge ..	635,220	677,688	+6.69

TOTAL (BROAD AND METRE GAUGES)

Items	1943-44	1944-45	Percentage, Increase (+) or decrease (-) in 1944-45 over 1943-44.
Coal and coke for the public and for foreign railways ..	312,480	296,143	-5.23
Grains and pulses	206,823	180,679	-12.6
Oil seeds ..	39,737	43,658	+8.36
Cotton	32,611	30,746	-5.72
Miscellaneous smalls	255,015	185,588	-27.2
Miscellaneous full wagons	913,576	1,032,822	+13.1
Home line stores and materials ..	117,832	134,274	+14.0

TONS LIFTED FROM 1ST APRIL TO 10TH JULY

	1943-44	1944-45	Percentage, Increase (+) or decrease (-) in 1944-45 over 1943-44.
Broad gauge ..	19,696,394	19,574,051	-0.62
Metre gauge ..	4,751,128	5,029,647	+5.86

WORKING CLASS COST OF LIVING INDICES

Base: August 1939=100)

Month	Bombay	Bombay Ahmedabad	Sholapur	U.P. Cawnpore	Nagpur	Jubbulpore	Lahore	Madras
1943								
January ..	193	237	201	225	212	228	264	164
February ..	195	226	207	234	234	292	255	167
March	198	237	219	246	262	278	254	173
April	214	256	223	268	291	279	267	176
May	216	271	234	299	317	309	278	177
June	224	289	252	336	351	317	275	183
July	225	288	266	341	361	312	275	185
August	227	293	266	339	354	319	286	185
September ..	233	312	289	353	356	301	293	184
October	236	329	288	349	273	301	320	188
November ..	236	327	293	334	280	323	307	189
December ..	235	318	284	314	284	328	307	193
1944								
January	227	293	273	304	287	326	293	197
February ..	219	288	274	298	289	323	303	203
March	215	282	275	294	273	320	292	205
April	220	276	284	316	271	320	..	205
May	224	..	267	315	..	..	..	206

STOCKS AND SHARES

	This week Rs. a. p.	Previous week Rs. a. p.
BOMBAY		
GOVT. SECURITIES (JULY 31)		
3½ % (1947-40)	103 10 0	
3% (1960-68)	98 4 0	
2¾ % (1948-52)	99 12 0	
3 % (1949-52)	101 8 0	
3 % (1953-55)	106 7 0	
4 % (1955-60)	116 4 0	
3 % (1946)	102 8 0	
3 % (1952-54)	101 1 0	
3½ % G. P. Notes	99 10 0	99 10 0
3 % (1963-65)	91 1 0	
5 % (1945-50)	104 12 0	
TEXTILES (JULY 31)		
Ahmedabad	475 0 0	475 0 0
Bombay Dyeing	1,882 8 0	1,886 4 0
Central India	419 8 0	418 8 0
Indian Bleaching	182 0 0	182 0 0
Kohinoor	624 0 0	624 0 0
Century	900 0 0	900 0 0
Phoenix	612 8 0	626 0 0
Colaba Land	220 0 0	222 0 0
Simplex	258 8 0	254 0 0
Swadeshi	541 0 0	542 0 0
Vishnu	495 0 0	500 0 0
Gokak	322 0 0	322 0 0
Sholapur	6,900 0 0	6,900 0 0
MISCELLANEOUS (JULY 31)		
Bombay Burma	490 0 0	
Alcock	462 0 0	492 8 0
Belapur Sugar	248 0 0	243 0 0
Bombay Tramway	152 8 0	158 0 0
British Burma Petrol		3 13 0
Andhra Valley	1,890 0 0	1,885 0 0
Shivarajpur	60 0 0	58 0 0
Tata Power	1,910 0 0	1,900 0 0
Tata Hydro	206 0 0	205 0 0
Tata Steel Ordinary	432 8 0	425 8 0
Tata Steel Defd.	2,267 0 0	2,236 0 0
Associated Cement	231 0 0	232 0 0
Indian Iron	40 8 0	41 8 0
Indian Copper	3 6 6	3 8 0
Tata Steel 1st Pref.	227 8 0	227 8 0
Tata Steel 2nd Pref.	168 0 0	166 8 0
Bombay Burma New	180 0 0	
Premier Construction		223 0 0
BANKS		
Central	82 0 0	81 12 0
Imperial (F.P.)	1,977 8 0	1,976 4 0
Imperial (P.P.)	439 12 0	493 12 0
Reserves	136 4 0	135 12 0
India	182 0 0	181 8 0
New India Insurance	82 8 0	82 0 0
CALCUTTA		
JUTES		
Anglo-India	458 0 0	717 0 0
Barnagore	215 0 0	227 0 0
Howrah	83 3 0	85 12 0
Presidency	11 4 0	10 10 0
Ganges	545 0 0	..
Kamarhatty	670 0 0	660 0 0
Kanknarah	555 0 0	575 0 0
STEEL AND ENGINEERING		
Burn	419 0 0	..
Indian Iron	40 12 0	41 11 0
Steel Corporation	36 1 0	36 12 0
Braithwaite	12 2 0	12 8 0
Kumardhubi	12 0 0	..
Ather Butler	22 2 0	..
TEXTILES		
Jessop	..	26 0 0
Cawnpore Textile	14 2 0	14 9 0
New Victoria Pref.	10 14 0	9 12 0
Kesoram	19 10 0	19 10 0
Elgin	73 0 0	75 0 0
COALS		
Amalgamated	49 14 0	52 2 0
New Beerbhoom	39 12 0	..
Bhalgora	16 11 0	17 8 0
Baraboni	..	4 9 0
Burrakur	46 0 0	46 6 0
Equitable	66 8 0	..
Bengal	673 0 0	..
MISCELLANEOUS		
Titagarh Paper	28 8 0	..
Dalmia Cement	19 8 0	29 14 0
SUGAR		
Champaran	47 2 0	46 12 0
Cawnpore	44 12 0	..
Belsund	17 10 0	18 13 0
Carew	30 12 6	32 14 0
Partabpur	27 12 0	..
U.P. Sugar	35 0 0	..
TEA		
East India	18 0 0	17 12 0
Naga Hills	20 12 0	..

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity	Quality	Market	Unit	Latest Quotation Rs. a. p.
Rice	Basmati			
	Sela	Amritsar	per md.	22 0 0
	Common Milled Medium			
Wheat	Average			
	,,	Lyallpur	,,	9 1 0
		Hapur	,,	10 5 6
Linseed	Ready Bold	Bombay	,,	11 7 0
	,,	Cawnpore	,,	9 0 0
Mustard	Yellow	Cawnpore	,,	14 4 0
Groundnuts	Bold	Bombay	,,	11 15 0
Oils—Linseed	Ready	,,	per qr.	11 2 0
Groundnuts	,,	,,	,,	11 8 0
Copra	,,	,,	,,	10 6 0
Castorseed	,,		,,	11 12 0
Potato	Desi	Cawnpore	per md.	9 12 0
Cotton	I.C.C. (Sept.)	Bombay	per candy	405 12 0
Jute Raw	First	Calcutta	per bale (400 lbs.)	83 0 0
Tea	Indian Market	,,	per lb.	0 10 2
Wool	,,	Karachi	(82 lbs.)	71 0 0

INDEX NUMBERS OF RETAIL PRICES IN MAY, 1944

Base: July 1914=100

	Bombay	Ahmedabad	Sholapur	Poona
Cereals	247	303	311	264
Pulses	311	313	427	334
Sugar	303	229	164	190
Other Articles	287	269	255	195
All Food (unweighted)	281	282	288	268
All Food in April	276	279	288	234

ALL-INDIA

Base: January 1943=100

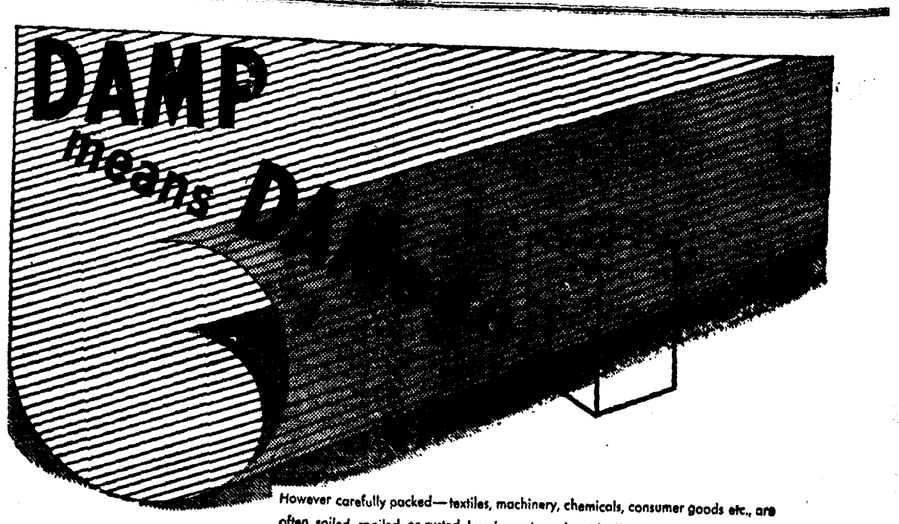
	Howrah	Raniganj	Ajmer
Cereals	117	115	115
Pulses	160	156	111
Other Food Articles	151	157	100
All Food Articles	148	149	106
Fuel and Lighting	111	117	118
Miscellaneous	133	151	124

NEW FOOD INDEX

Base: Week Ending August 25 1939.

Average for April	228.2
Average for May	228.3
June 2, 1944	227.9
,, 10 ,,	226.4
,, 17 ,,	233.8
,, 24 ,,	232.1
Average for June	232.1
July 1, 1944	231.2
,, 8 ,,	231.4
,, 15 ,,	230.5

† Rise due to the increase in the price of 'Gur.'



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THE

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Limitations of Crop Planning

NOTHING is so wholly bad as not to contain a soul of good. The war, if it has played havoc with human lives directly and indirectly, has also shaken us out of our narrow grooves and compelled us to think afresh. Thanks to the Bengal famine and widespread scarcity, the whole question of food supply in relation to sufficiency and nutrition is engaging the public attention in a very forceful manner. No longer is food to be subjected to uncontrolled forces of supply and demand. Rationing rendered indispensable on account of scarcity is regarded now as a useful weapon even in post-war to ensure minimum standards of food and health for all. Through it the community can conserve and increase their strength and welfare by so planning production and consumption that good and nutritive foods may become both relatively more abundant and more widely consumed. By education and propaganda it is possible to revolutionize habits of consumption, so that at far less real costs than before, a community can, by planned production, distribution and consumption, live more healthily and grow stronger.

Far more limited in scope and purpose is the idea of crop planning with a view to switching over from one crop to another so as either to maximize individual farmers' incomes or to subserve social ends. In Madras Presidency for a considerable time the energies of the Department of Agriculture were directed towards persuading the farmers to grow industrial crops rather than food crops or more particularly swamp paddy. More recently in 1934 at one of the crop planning conferences the question of restricting the area under sugarcane in certain provinces, *e.g.*, Madras, on the ground that production had reached saturation point in the country as a whole led to sharp differences of opinion on the very principle of such planning. Today under the exigencies of the war and the need to augment food supplies in every possible way, the principle of crop planning has received unquestioned acceptance, and action has been taken along two main lines: (1) compulsory diversion of land to food production and (2) guaranteed prices combined with a system of discriminating prices in favour of foodgrains.

In January 1943 by an amendment of the Defence of India Act Central and Provincial Governments [illegible]

empowered to regulate crop areas, to prohibit or restrict the growing of particular crops, to compel occupiers to cultivate waste lands and in the event of failure to do so to compel them to make way for others more capable or more amenable for the duration of the Order." Action compulsorily restricting the acreage under short staple cotton was taken first by Madras which also took power to take and hand over cultivable lands if they were not cultivated. Bombay went one step further. In May 1944 it passed an Act to regulate the cultivation of crops with a view to growing more food providing for the maintenance of the existing proportion of food crops and for guarding against diversion of areas to non-food crops by prescribing a minimum proportion of food crops to be grown. Hyderabad has adopted a different method of securing similar ends. It has levied an additional duty equal to double the land revenue on all acreage sown with cotton and a tax of three times the land revenue on the areas put under groundnuts. Further a sales tax on all sales of cotton and groundnuts has also been imposed.

The second method adopted has been to guarantee prices for food crops. Even in May 1942 the Government had declared that they would buy such quantities of foodgrains in the open market as would prevent a serious fall in prices. In April 1943 it was further made clear that, if during the war and for one year thereafter the prices of foodgrains fell below a level which could give a reasonable return to the cultivator, Government would intervene and buy at fair prices all foodgrains offered to them in the open market. In conformity with the above order, the Government announced that they would purchase all wheat offered to them at Rs. 7-8 a maund till the end of March 1945. A similar guarantee was extended in May 1944 in respect of *jowar*, *bajra* and maize at Rs. 5-8, Rs. 6 and Rs. 6 respectively. Bombay guaranteed higher prices for these foodgrains as compensation for the compulsion it had introduced in pursuance of its policy of "Grow More Food."

Apart from guaranteeing prices as indicated above, a definite price discrimination has been adopted by Bombay against the extension of cotton cultivation by reducing the floor prices of Jarilla cotton by Rs. 50 from Rs. 400 in 1943 to Rs. 350 in 1944, while at the same time maintaining the current level of prices of food-grains as against a reduction of prices in other provinces.

That a considerable measure of success has been achieved by these methods cannot be denied. The following statement showing all-India acreage of principal food crops and cotton and jute reveals the shifts:—

Area (In lakhs of acres)

	Average of 3 years ending 1938-39	1942-43	1943 44	Percentage Increase over 1942-43
Rice ..	73.8	75.2	80.0	6.3
Wheat ..	34.8	34.0	33.7	−1.1
Jowar ..	35.2	36.8	36.1	−1.9
Bajra ..	17.2	23.0	21.9	−4.9
Sugarcane	3.8	3.6	4.1	14.2
Groundnuts	8.0	7.7	8.5	10.8
Cotton ..	24.7	19.2	20.4	6.2
Jute ..	3.1	3.3	2.6	−21.9

That the area under cotton and jute has not declined more and that the area under wheat, *jowar* and *bajra* has not increased but even declined in 1943-44 compared to the previous year may be used as an argument to prove that, despite all the talk and propaganda during the last few years, no substantial changes in the desired direction have been effected. Without in the least defending Government's lukewarmness in promoting the "Grow More Food" campaign—and no one acquainted with their policy will accuse them of dynamic energy or drive—it may be said that there are serious limitations to the extent to which in face of shifts in demand or urgent social needs, changes in supply may be effected. In the first place, where there is a total deficiency in area in relation to the requirements as a whole—as is the case in war-time India—any changes in distribution can only be effected at the expense of some other useful or essential articles. Short staple cotton and jute offer scope for diminution without unduly injuring the consumer; but cloth is a necessity and even short staple cotton has its use. In respect of jute restriction is rendered difficult on account of the demands of the war. Secondly, some lands are specific; they can grow only particular crops due to conditions of the soil, climate, water, and so on. Not all cotton or jute or groundnut lands can be turned over under any circumstances to the production of rice or wheat or other food crops. Some soils can grow only particular crops. Sandy soils will grow only *cumbu* or groundnuts. Thirdly, most agricultural products are produced together and are joint products or represent a composite demand for the factors of production. There is an inevitable rotation of crops which cannot easily be varied. For example, *cholam* is rotated in many places with cotton or groundnut; chillies and *cumbu* alternate. Fourthly, farmers feel the need to grow some cash crops to supplement their subsistence income. Today the prices of foodgrains are sufficiently attractive, but not always. In such circumstances, to force the farmer to grow more food crops may not be always right. In a province like Madras the proportion of area between food and non-food crops is 76 : 24, and consistently with the cash requirements of the ryots it cannot be said that the area under the latter is excessive. Fifthly, the fact that in war-time certain restrictions are necessary and defensible does not imply that equal justification can be found for similar restrictions in peace-time. The attempt, for example, to put a ban on the extension of cultivation of sugarcane or other cash crops in some provinces with a view to safeguard the vested interests of farmers in other provinces will rightly be resented. These considerations point to the limitations of even a comparatively simple problem like that of increasing the acreage under food crops.

But the social implications of crop planning are more far-reaching. When the Government asks particular farmers to restrict the acreage under cotton or jute either directly, or indirectly by offer of relatively lower prices to some products and higher prices to others, the decline in the incomes of particular groups of farmers, however socially justified, is an interference which in peace-time needs clearer justification. Some form of compensation may have to be given in such cases; or better incentives to grow particular crops, *e.g.*, subsidizing the purchase of implements, and supply of improved seeds, manures, etc., will have to be offered. Already the Indian Central Cotton Committee at its recent meeting in Bombay gave public expression to the view by its resolution that "the lowering of the floor and ceiling prices would not achieve the object of increasing the supply of foodgrains but would only result in a severe hardship to cotton cultivators" and that in its opinion "the solution of the food shortage problem lies along the avenue of planned production and not in reducing the incomes of growers of non-food crops to a bare subsistence.' This is the crux of the problem of planning. In seeking to achieve larger social ends, the incomes of some sections may be affected adversely while those of others may increase. Where there is a hundred per cent. planning any one may be called upon to do any task—a farmer may grow the crop he is called upon to grow, a worker may be called upon to do any work assigned to him and a professional man may be called upon to do manual work. All these are possible provided actual earnings are divorced from the nature of the work. In practice this is out of the question. Hence planning of any kind is subject to serious limitations. It, however, is no argument against planning; it only shows that both in respect of the ends of planning and the methods by which it is sought to be achieved there should be a large measure of agreement among the public; and changes in the economic positions of different classes brought about by planning should reflect the desires and purposes of the democratic community.

Full Employment Policy For India

A POLICY of full employment may be said to have become the new categorical imperative for any democratic system of Government. To the generation which has been haunted by the compelling fear of massive unemployment as during the inter-war period, "freedom from want" naturally appears as an essential component of a liberal system of freedom. The masses weilding effective power in a modern state will never tolerate mass unemployment and chronic economic insecurity. Consequently, it is hardly to be wondered at that the British Government's recent White Paper on "Employment Policy" (Cmd. 6527) should open with the words that "the Government accept as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war." Although the White Paper has in many quarters been hailed as 'a landmark in economic history,' it is noteworthy that the document caused less public stir than the Beveridge social security scheme—probably because of the former being more technical in details. However, an examination of these technical details which the British White Paper adumbrates, shows how different from Britain's is the problem of an adequate full employment policy in India in the context of our overriding economic problems. From the point of view of the nature of economic problems which face us in India, we would indeed not be far from correct if we said that although the White Paper is written with a positive ring, actually its true tone is negative.

For one thing, in the long-term aspects, the British Government's pre-occupation is more with the stabilization of the level of employment than with ensuring that the level at which it is stabilized is the optimum in the setting. For let it be recognized frankly and fully that, like the balance of payments, employment can be stabilized at a higher or lower technical level. In other words, we can have full employment consistent with a higher or a lower rate of over-all economic development. The vital principle underlying the White Paper is the stabilization of effective demand and the crucial *modus operendum* is to discover, with the help of full statistical knowledge of national account, the difference between the rate of national income disbursements on the one hand and the sum of the rates of national consumption expenditure and investment on the other and then to operate to eliminate this difference through 'thermostatic' taxation and investment policy. The policies relating to location of industry, mobility of labour, monopoly or price and wage stabilization are all subservient to this central principle. The essential point is that the White Paper is content to leave to individuals to decide what fraction of national income should be consumed and the state only determines the rate of capital investment *residually*. But a country which devotes a larger fraction of national income to capital formation, will necessarily have a higher rate of economic development. In India the state will determine the rate of capital investment not residually as in Britain, but by deliberate social decisions for our avowed aim is to catch up with the more advanced countries economically. In India the rate of technological development will have to be forced and policy has to be enunciated with a primary orientation, after a point, to continuous impact of technological unemployment. In other words, while the British employment policy remains primarily anti-cyclical in outlook and machinery, an Indian employment policy must be conceived as essentially structural and geared to a plan for rapid economic development.

Let us be clear as to what this means.

Now suppose a certain rate of economic development in India has been decided upon. This will involve a definite rate of capital formation in agriculture, industry and services and the employment policy has to be formulated in this context. As we are deliberately forcing the pace, normal tardy processes of adjustments cannot be relied upon and decisions about capital structure have to be taken. Thus, given the rate of capital formation, what should be the respective place of 'widening' and of 'deepening' of capital at any stage of the plan? Attainment of reasonably full employment during the period of rapid technological development will essentially hinge on wise decisions about these structural questions. Thus, we have to ask: What are the proper places of extensive and intensive cultivation respectively? At what rate should agriculture be mechanized? At what rate should mechanical power replace cattle power? How far increase in industrial production should be by extensive or by intensive method; *i.e.*, should there be more extensive use of small and medium scale industries or should there be intensive use of capital by resort to highly capitalized methods of production? At what rate should certain services have to be mechanized? If the rate of capital-intensification is too rapid, there would result a large surplus of man-power and technological unemployment; on the other hand if it is too slow, there would be great pressure on man-power. Thus the rate of mechanization of agriculture must be so adjusted that the man-power released from land together with growth of population can be easily absorbed by the growing industries. If bullock-power is too rapidly replaced by mechanical power for agricultural production and marketing, it would mean great loss of carrier and draught work of bulls. Extensive cultivation tends to absorb man-power and intensive cultivation tends to release it. Similarly small and medium scale industries tend to use more labour relatively to a unit of capital investment and if we proceed to invest capital at the rate of thousands of crores of rupees, labour-intensive cottages industries will rapidly become out-moded methods of production on account of pressure on man-power; on the contrary if we contemplate investment at the rate of only tens of crores of rupees, cottage industries will clearly play a large role if we are to pursue a full employment

policy. Similarly if an ambitious economic plan is put through especially with a more equal distribution of national income domestic servants, for example, will more and more become scarce (as in some cases they have become during the war) and there will be increasing demand for labour-saving domestic equipments from a prosperous and expanding middle class.

All this clearly shows that any full employment policy for India must not only be related to the rate of over-all capital formation, but also must wait on valid decisions about capital structure i.e., on appropriate decisions about rate of 'widening' and 'deepening' of capital in industry, agriculture and services. In addition, full employment in India would lean on over-all occupational planning training and re-training of labour and decisions about location of industry on a scale to which there can be no parallel in an advanced country like Britain where the primary problem is adjustment and not development. Consequently, the machinery which the British White Paper contemplates for affecting location of industry and mobility of labour, has to be made very much more powerful and positive if it is to cope with the stupendous task in India. Although the British White Paper recognizes the principle that it is better wherever possible, to take work to labour than to take labour to work, the major instruments of policy it contemplates are mere exercise of negative powers over locations. In India we have necessarily to contemplate continuous exercise of more positive powers. In the matter of training of labour force or personnel again, in India it has to be on so stupendous scale that the British White Paper's "training facilities, training grants at a rate better than unemployment benefit, re-settlement grants and the like" alone would not be adequate. There is indeed the danger that a full-employment policy may not be pursued to the limit on account of the bottle-neck in training personnel. The working of the Plans themselves should largely function as a school for the training of personnel. In Russia, for example, during the early stages of the Plan, masses of raw labour, millions of them, semi-trained or untrained, were flung with the calculation that initial losses due to inefficiency of labour would be more than made up by the acceleration of the Plan through rapid training of millions by practical work. And finally, a public works policy on which British employment policy naturally sets considerable store, can have no abiding function in our case, because the vast expenditure on heavy industries will itself perform all the functions of public works policy and the problem in our case would be not reflationary efforts at critical phases through pre-planned public works policy, but of keeping down incipient inflationary tendencies caused by rapid capital formation.

We have so far discussed only the implications of long-term full employment policy for India. In Britain the short-term and the long-term policies are essentially of a piece, because they are essentially anti-cyclical in outlook and the war itself might be regarded only as an abnormal boom. In India, however, we have to face a re-orientation from war economy to peace economy followed by a re-orientation to a vastly heightened *tempo* of a technological revolution. However, apart from these, two questions will naturally present themselves. *Firstly*, how is a changing *tempo* of capital investment to be financially accommodated? The technique of central finance in India would be precisely the reverse of that contemplated in the British White Paper on 'Employment Policy.' There the authorities will look at the "national account" statistics of income, consumption, investment and balance of payment and strive to make up the leakage of effective demand by state action. Here in India, on the other hand, the rate of investment being given, the rate of increase of *consumption* will be residually determined. Thus, as we showed in a previous article, the first five-year plan of the Bombay Plan can be financed out of spontaneous saving at 6 per cent. of national income, but during the second and third plans while national income will be increasing at the average rate of 6 per cent. per annum, nearly one-third of the annual *increment* of national income will have to be impounded to finance investment. This could be arranged if about one-third of *increase* of earnings above those during the first plan are made to be deposited compulsorily. Instead of a 'thermostatic' investment policy as in the British case, we shall require a 'thermostatic' consumption-raising policy through a flexible deposit scheme, to suit the *tempo* of the Plan. *Secondly*, it will be asked, how is the appropriate capital structure actually to be determined in order to subserve a full employment policy, for as has been said, the "Government cannot deal with disembodied theories." This indeed is the crux of a full employment policy for India, but its discussion will carry us far afield. It is enough for the present if we have succeeded in indicating the broad reasons why the full employment policy and machinery adumbrated in the British White Paper are no response to the Indian situation. In the Bombay Plan itself we have a more realistic approach, for capital structure has been broadly defined by the Ratios 2.4 and 0.8 in the case of industry and agriculture respectively. But whether these Ratios form the mutually consistent co-ordinates of a full employment policy will require closer scrutiny than it has received so far.

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SIR HENRY FRENCH'S VISIT

Sir Henry French, Permanent Secretary to the Food Ministry of Britain, who is here on a six-weeks visit, has had great achievements to his credit. As pointed in 1936 Head of a department to deal with food matters in the event of war, he had so prepared the ground that immediately on the declaration of war, orders which had been kept ready were enforced with the result that within a few hours the Government became the sole owner of all the foodstuffs in the country as well as of imports. His knowledge of food control systems of Britain, U.S.A. and Canada is unrivalled, and, as one official put it the other day, what he does not know of problems of food supply not worth knowing. All this is undoubtedly true, but the idea that within six weeks he will be able to throw any fresh light on India's food problems is one of those myths put out by the Government of India whenever some expert are dumped upon them by the Secretary of State. No Britisher—not even one who has spent all his official life in India—has or can have a true understanding and appreciation of the dietary needs and practices of the Indian. We have had on several occasions to drive a few points home to obstinate civilians who refuse to understand the simple truth that since the Indians consume some cereals, not as flour, but as grain, and since they do not take processed or factory-produced food, it is almost a crime to force on them anything to which they are not accustomed or which cannot be used in the quantities fixed by ignorant British bureaucrats. Sometimes even the Indian section of the Civil Service lacks understanding. People accustomed to boiled rice have been compelled to use raw rice and *vice-versa*; those accustomed to rice only are forced to consume millets, and so on. There are instances where officials have even suggested that since, *e.g.*, Bengal gram is found to be in surplus in some provinces, deficit provinces should be compelled to use it in a definite proportion in their rationing of rice, as if the gram can be a substitute for rice. The ignorance of our habits of consumption is something incredible.

We are, therefore, under no delusion as to the purpose of Sir Henry French's visit. The British Government and our egregious Secretary of State are unwilling to accept the recommendations of the Gregory report and seek to find a way out. If it is possible as a result of Sir Henry's inquiry to get a finding that India does not really have as much deficit as is made out by her Government and that the problem is only one of internal transport and more efficient administration, H.M.G. could easily evade their responsibility. India has, therefore, reason to beware of the purpose of this visit. Our statistics are so imperfect that any conclusions are possible. It all depends upon what you look for. Even granting that the deficiency may be less or more than that estimated by the Gregory Committee, we would ask: Have the Government of India dared to send out their nominees to find out if Britain needs so much of Indian tea, coffee, groundnuts, etc., at a time when India has been starving? The visit of Sir Henry is damaging to the reputation of the Government of India and an insult to her people.

CO-OPERATION: RETROSPECT & PROSPECT

After about 40 years of existence, the co-operative movement cannot boast of having 'touched even the fringe of the rural credit problem.' The reasons for this underdevelopment are well known and may be briefly recounted. The co-operative movement failed

he third group represents (typically the occupied untries of Europe; the figures in this case have the nual average of 1938 as the base and were prepared y leading French experts for use at Bretton Woods. ven in these countries, which have financed huge Gerlan occupation costs and other loot, the price rise s smaller than in Group I, though monetary expanon has been considerable . According to the French xperts, the monetary index, *i.e.*, notes *plus* bank eposits (base 1938=100) was in September 1943 France 383, Belgium 305, and Netherlands 244; while or the same period the cost of living index for the ree countries stood at 209, 162 and 140 respectively which shows the success of stabilization. France the worst affected country by German occupation, and yet reflects a smaller price rise than in the first roup. The last group represents the two Axis ountries whose economy had been regimented to war much before 1939, and prices have been kept down. but precisely because in certain countries the monetary expansion has been allowed to have its effects while in others it has not, their post-war experience lso will tend to be different. While in all the groups f countries excepting the first mopped up money will ress on prices unless controlled, in the first group of ountries the drying up of war-time monetary expanion will knock the base out of present high prices unless peace-time planning takes the place of war-time emands.

THE VOLUME OF WAR SUPPLIES

At the recent meeting of the Military Accounts Committee it was revealed that the value of contracts placed by the Supply Department amounted to Rs. 256 crores in 1942-43, the corresponding figures for the three previous years being Rs. 199, Rs 81 and Rs. 28 crores respectively. For the year 1943-44 the figure is lower at Rs. 175 crores. The total volume of all contracts placed by the Supply Department in the five years from 1939—44, thus amounts to Rs. 739 crores. The lower figure of Rs. 175 crores for 1943-44 does not indicate a decline in war demand, but only that the responsibility for the procurement of food and cotton textiles has been transferred from the Supply to the Food and Industries and Civil Supplies Departments respectively. Figures of the contracts placed by these two departments for 1943-44 are not available, but seeing that in 1942-43 textiles of the value of Rs. 99 crores were taken for the military, we may perhaps assume the same figure for the subsequent year, while in regard to food stuffs we are left without even rough estimates. It would, however be quite safe to conclude that the value of war contracts in 1943-44 would amount in all to over Rs. 300 crores, a figure in excess of that for 1942-43. The Finance Member in his last budget speech admitted the urgent need for an early lightening of the present burden by the release, for vital civil needs, of certain types of supplies and productive capacity at present appropriated for war purposes. Perhaps the results of the admission will be reflected only in the figures for 1944-45. Meanwhile the disposal of surpluses and salvage has also been taken in hand by Government and between November 1943, when it was formed, and April 1944, the Directorate-General of Disposals has disposed of stores worth only Rs. 58 lakhs, a negligible quantity considering the scale envisaged in recent official statements. As we have stressed before in connection with the policy of disposals, the best course for Government to adopt would be to examine their present stocks of articles of civilian consumption in the light of future needs and begin to reduce them gradually even now, so that present civilian scarcity might be relieved and large accumulated surpluses might not be left over, when war ends, for disposal with injury to industry.

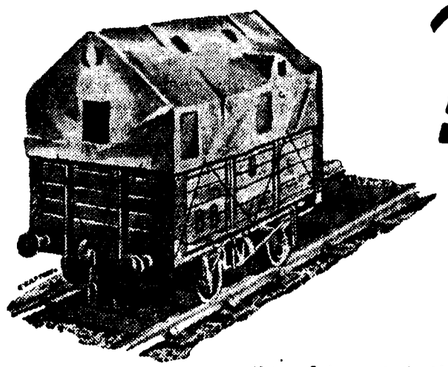
AGRICULTURAL BEVIN BOYS

Dr. Gangulee, who is now in Great Britain, is reported to have suggested that a party of Indian farmers should visit that country "in order to see something of the food production campaign and to learn the methods which are being employed to make Britain's food front secure." That this suggestion has been made in all seriousness is evident from the fact that he has even taken pains to work out the shape, which such a visit may take. "In view of the fact that farmers from the rice-growing tracts of India will drive no lessons from British agriculture," he proposes that a party of 12 farmers, chosen from the North-West Frontier Province, the Punjab, Sind Bombay and the western areas of the United Provinces, should visit Britain to see for themselves British cropping practices and study all aspects of Britain's food production campaign. It is difficult to think of a more pointless proposal. British agriculture is so much of a class apart that very few other countries, least of all India, can draw from its practices lessons which will be valid in the contest of their own particular conditions. The British land system is one of larger holdings. The system of entail, which prevails over a large part of the country, has been an effective bar to sub-division, so that the problem of consolidation or reintegration has not arisen at all. The British farmer is producing for a heavily protected home market aided by State subsidies. Again the soil, climate and economic conditions of that country has favoured intensive farming as well as the dove-tailing of the arable and the animal husbandries. To state these few of the major features of British agriculture is to show up how unsuitable its means and methods would be in the radically different context of Indian agriculture. Here, in India, the real problem is to eliminate the structural weaknesses, which have put farming on a deficit economy. Among those weaknesses are absentee landlordism, rack-renting, acute sub-division and fragmentation, money-lender finance, chaotic marketing conditions, decay of subsidiary industries, growth of landless labour and standing behind them all the remorseless pressure of population on land. It is because of these fundamental difficulties that the official "Grow More Food" campaign has proved such a flop even by way of achieving temporary results under the stress of war emergency. The truth is and it is well to recognize it and face upto it boldly our agriculture is in such a parlous state today that only big decisions can save it. Against this background of oppressive gravity, Dr. Gangulee's suggestion strikes one as being particularly fatuous. What lessons can a praty of twelve average Indian farmers draw from British cropping practices, which will help to revolutionize our food production and save us all from hunger or starvation?

A Concession To Commonsense

Line 28 of the above note which appeared in this section last week should read as "the British Empire's second biggest iron and steel industry....." and not as "the world's....."

Wagon or warehouse ?

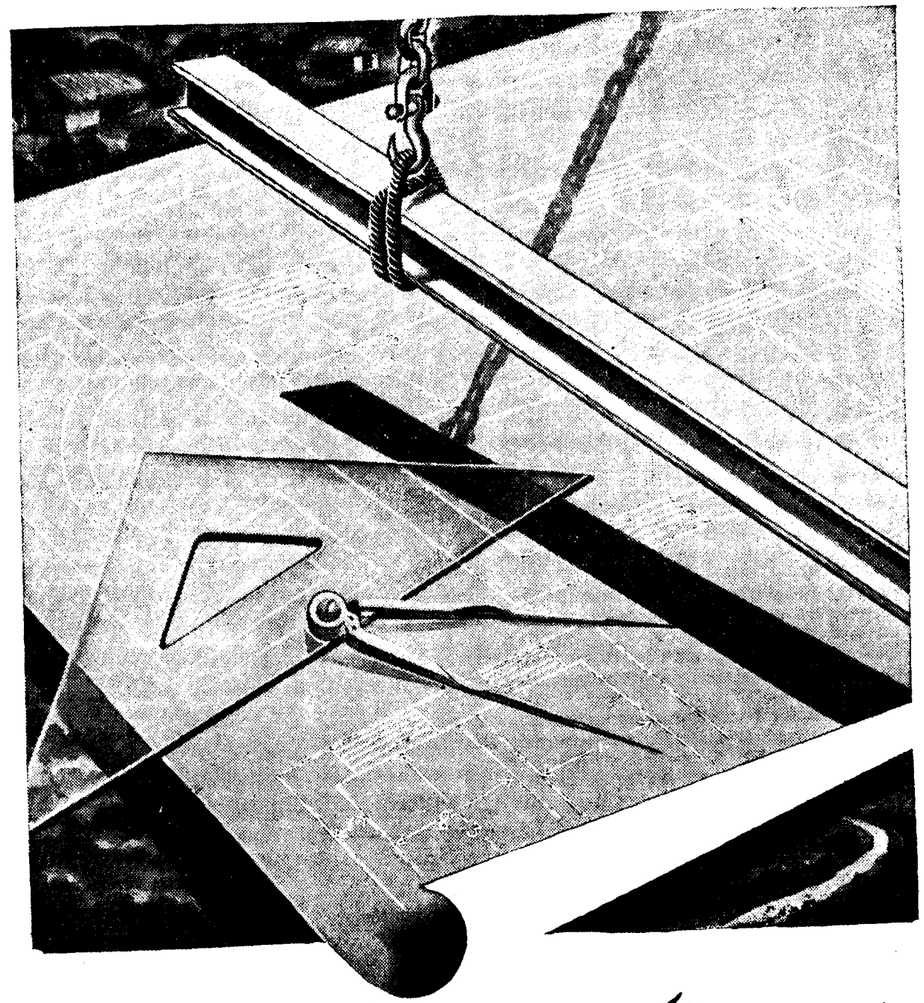


Users of transport should not treat wagons as warehouses. Prompt unloading will send the wagon back where it is most needed.

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SPECIAL ARTICLE

Fertilizer Industry for India

By V. S. Dubey

A PROGRESSIVE fertilizer industry is very important for India's agricultural economy. The industry is well developed in other countries as is seen in the following table:

Capacity of Plants for ammonia per day or nitrogen per annum (pre-war figures):

U.S.A.	..	350,000 tons per year nitrogen
Japan	..	300,000 " " " "
Germany	..	250,000 " " " "
France	..	250,000 " " " "
Korea	..	150,000 " " " "
Norway	..	100,000 " " " "
U.S.S.R.	..	150,000 " " " "
Italy	..	400 " " day of ammonia
Holland	..	300 " " " "
Belgium	..	400 " " " "
Manchukuo	..	150 " " " "
England	..	25,000 " " year nitrogen
China	..	15,000 " " " "
Czechoslovakia	..	20,000 " " " "
Poland	..	30,000 " " " "
South Africa	..	8,000 " " " "

The industry is very poorly developed in England compared to other countries of the world. The I.C.I. have comparatively little experience of it. The capacity of one ton of nitrogen per year means 5 tons of ammonium sulphate per annum. The Food Advisory Committee has recommended 300,000 tons of ammonium sulphate per annum which means a capacity of 60,000 tons of nitrogen per annum. This is very inadequate for our requirements. The consumption of ammonium sulphate for our sugarcane crop alone at the rate of 30 lbs. of nitrogen per acre on four million acres will be about 300,000 tons. If we take the total area under irrigation in British India to be about 55 million acres and supply 30 lbs. of nitrogen to only half of it, the requirement will be about 800,000 tons of nitrogen or 4 million tons of ammonium sulphate per year. This shows that there is tremendous scope for this industry and that the proposed plant of 3 lakh tons capacity will not meet even the 10 per cent need of the country. Therefore even if the Government wish to establish their own plants, they should not stand in the way of other private parties who want to start this industry, as raw material resources are ample. There are many patents for the production of synthetic Ammonia the chief of which are Haber-Bosch, Casale, Fauser, Claude, N.C.E., I.C.I. and few others. The installed capacity of the Haber-bosch process is greatest, while many recent plants have been fitted on the Fauser system. The method of Imperial Chemical Industries is followed by Great Britain and South Africa and the total capacity is quite small being about 9 per cent. of total world production.

The chief raw materials for the manufacture of synthetic ammonia are nitrogen and hydrogen which combine under certain conditions to form ammonia. Nitrogen may be obtained by the liquifaction of air by power, or as a by-product when we manufacture hydrogen from water gas from coal. The other raw material, hydrogen is more difficult and expensive to obtain. There are three main sources of hydrogen: (1) As a by-product in the distillation of coal in the manufacture of coke or soft coke. In countries such as Belgium and France where there are big coke oven plants the hydrogen from this source has been utilized for the manufacture of synthetic ammonia. About 20 per cent. of the total plants in the world utilize this source of hydrogen. In Bengal and Bihar there are several coke oven plants. In order to utilize hydrogen it will be essential for these coking companies to instal their own ammonia synthesis plant or for a separate factory to be installed in the vicinity of the coking plants. Five hundred ton coking plant is sufficient to produce hydrogen for a 200-ton ammonium sulphate plant. This source of hydrogen is only available near Bihar and Bengal coal fields, where coking plants exist. Besides these coke oven plants a very large amount of second grade coal is being burnt to manufacture sofe coke in the open air with the result that all the gases are lost. These gases may also be utilized to separate hydrogen for ammonia synthesis. (2) When steam is blown over a bed of glowing coal or coke, producer gas which contains hydrogen, is obtained. This source of hydrogen is available where the coal is very cheap. About 50 per cent. of the world's plants derive their hydrogen from this source. For making producer gas, inferior coal may be used; in Germany brown coal is utilized. In India this method of production of hydrogen can only be useful at the coal fields and even then will be slightly more expensive than the first. (3) By the electrolysis of water. In those localities where electric current is very cheap and where coal is not available this method of production of hydrogen has been utilized for the production of synthetic ammonia. About 23 per cent. of the world plants derive their hydrogen from electrolysis. This process may be found economical in the provinces of Punjab, U.P. and Madras, where cheap electricity can be made available.

The cost of ammonia will be least with coke oven gas while it will be slightly more with hydrogen from water gas from coal, while the cost will be still higher with hydrogen from electrolysis, even if the cost of the electric energy is one pie per unit. This comparison is based on the pre-war price of coal. Thus it is clear that it is most economical to start the manufacture of synthetic ammonium fertilizers in Bihar. (1) By the coke oven gas if possible and (2) from water gas if the coal distillation plant does not materialize. No part of India or of the world can compete Bihar in manufacturing cost because the price of coal is least there, compared to the cost of coal of about 9 sh. in England and 3 dollars in America. For all these considerations it appears that this key industry should be started in Bihar either with coke oven gas or from producer gas.

After manufacturing ammonia it must be turned into some form of ammonium salt before being given as fertilizer. The common compound used in agriculture is ammonium sulphate or nitrochalk. But, for making ammonium sulphate sulphuric acid or gypsum is required. As sulphur is not produced in adequate quantities in the country and is to be imported from abroad, the cost of sulphuric acid works out to be high. Besides that, it is wrong to depend upon imports for key industries. Ammonium sulphate can also be manufactured with the help of ammonia and gypsum. There are large deposits of gypsum in the salt ranges near Khewra or Mari on the Indus and is available at Rs. 2 to Rs. 3 a ton. This gypsum can be used for the manufacture of ammonium sulphate. In the opinion of the writer it will be most economical to instal one plant somewhere in the Central Punjab, in the neighbourhood of gypsum deposits, where hydro-electric power may be available and which may be a suitable distribution centre for fertilizers. As regards U.P., there is gypsum available near Rishikesh, where cheap hydro-electric power from the Jamuna scheme may be transmitted. As regards Madras, the gypsum available near Trichinopoly may be brought to Mettur. But as neither gypsum nor sulphur is available in many localities, the writer has come to the conclusion, after consultation with Dr. Fauser, that for India, especially Bihar, the best ammonium salt for fertilizer is calcium ammonium nitrate (nitrochalk). For manufacturing nitrochalk a part of the ammonia is oxidized to nitric acid and this nitric acid is made to combine with ammonia to produce ammonum nitrate to which limestone is added to produce calcium ammonium nitrate. This salt contains about 16 per cent. of available nitrogen as against 20 per cent of ammonium sulphate. But its manufacturing cost is much cheaper and no foreign materials enter in its composition. It is very widely used in Europe and America for the last 10 years and has to some extent replaced ammonium sulphate. It may be slightly hydroscopic but it has been used in tropical countries and can be preserved in paper lined bags.

The best site in Bihar for the location of the industry will be that of the Jharia coal fields where cheap coal is available while limestone can be obtained from a distance of about 150 to 200 miles. Calcium ammonium nitrate can be manufactured cheaply at this place. The size of the plant can be any thing from 200-ton fertilizer to much bigger size. Coal in any amount is available and so is limestone. The proper place for U.P. will be near about Hardwar or Rishikesh. Here hydrogen can be economically manufactured by electrolysis. A 200-ton plant will require 28,000 K.W. power, while gypsum from Rishikesh will be utilized. It is doubtful if 28,000 K.W. will be available just now and so the scheme may have to await completion of the hydro-electric project of the river Jamuna. The eastern districts of U.P. might in the meanwhile obtain their supply of fertilizer from Bihar and western districts from the Punjab. In the Punjab, suitable locality may be found somewhere in the Central Punjab, where electric grid from the Mandi scheme may be available. By installing two more turbines in the Jogendranagar power house, 25,000 K.W. can be made available for this fertilizer industry. Gypsum can be obtained from Khewra or Mari on the Indus. The distance of gypsum deposits of Khewra from Lahore is about 143 miles, while from Amritsar it is 175 miles. It is quite possible to find a suitable site in the Punjab within 200 miles of gypsum deposits where 25,000 K.W. from grid may be available. As there is no dearth of gypsum in the Punjab, the size of the plant will be governed by the amount of electric energy available. If the extension of the Jogendranagar power house takes place by again utilizing the water of the Jogendranagar power house turbines, another 50,000 or more may be generated, and if this energy is to be utilized for fertilizers, a 400-ton fertilizer plant can be installed after some time. The requirements of the Punjab will be very high as there is a very large irrigated area, where fertilizers can be profitably applied. The third locality for the central part of India may be the coal fields of Rewa or C.P. The coal is not good but can be turned to producer gas and hydrogen. Limestone deposits are within 50 miles of the coal fields, and calcium ammonium nitrate can be cheaply manufactured. This plant can supply the need of C.P., C.I. southern districts of U.P. and part of Madras and Orissa. In Madras, near about Mettur or Salem, it will be found possible to supply 25,000 K.W. power from Mettur for at least 250 days, so a 200-ton plant can easily be installed. If it is found on examination that the gypsum deposits of Trichinopoly are quite large, we may have an ammonium sulphate plant, while, if the deposits turn out to be meagre, nitro-chalk plant can be installed as there are good deposits of calcite near Salem. A plant can also be started in the Bombay Presidency provided 25,000 K.W. power is available in some locality. No deposit of gypsum is available nearby but limestone can easily be obtained from the Kathiawar coast, where sea sand of Dwarka consists of 95 per cent. of calcium carbonate. The size of the Mysore plant may be increased. We should not instal a plant of less than 100 tons of fertilizer capacity per day as interest and depreciation on investment on plant accounts for 50 per cent. of the total manufacturing cost. In the writer's opinion, about 200-ton plant per day is quite suitable provided electric power of the order of 25,000 K.W. is available. In the areas of the Bihar, C.P. and C.I. coal fields, a 300-ton plant can easily be installed as there will not be difficulty of coal or of limestone.

In 1939 and again in 1944, quotations were obtained from reliable foreign machinery manufacturers for fertilizer plants of varying capacities, employing different processes. It is found that the total cost (including erection charges and cost of factory building) of a 200-ton plant making ammonium sulphate from water gas and gypsum would now be about Rs. 120 lakhs and of a 300-ton plant for making nitro-chalk with hydrogen from water gas about Rs. 150 lakhs; the 1939 costs would have been 50 per cent. less. The 1939 quotation for a 25-ton ammonia and 100-ton ammonium sulphate plant (utilizing coke oven gas and sulphuric acid) was about Rs. 65 lakhs (inclusive of erection charges and cost of factory buildings.

The writer is of the opinion that if we were to import only one plant and construct other plants here, importing only the necessary components which cannot be manufactured in India, the cost of the plant may be cut down by about 33 per cent. As the interest charges and depreciation counts for about 50 per cent. of the manufacturing costs, it is essential that we should try to get the plant at the lowest cost.

The cost of production of ammonium sulphate at the Punjab, U.P. and Madras centres will be about Rs. 69 at pre-war prices and Rs. 92 in present times. Just before the war, the price of imported ammonium sulphate was Rs. 100 per ton at the port and Rs. 120 in the inland towns of the U.P. and the Punjab. If we succeed in manufacturing a good deal of the machine parts in India and instal a large plant and calculate the rate of current at one pie—the further expansion of the Jogendranagar power scheme may make this price possible—the cost of the sulphate in the Punjab may be cut down to Rs. 60 per ton in normal times and it can be delivered to the cultivator at Rs. 3-8 per cwt. including distribution charges. The Indian cost of manufacture can be as low as in any part of the world, that is, about £5 per ton. Even the present cost of manufacture will be lower than the import rates in normal times. Assuming a total output of 3 million tons or 6 lakh tons of nitrogen per annum, which is not large compared to the size of our country, the total capital investment in this industry will be somewhere between Rs. 30 to 40 crores in normal times, while the working capital may be about Rs. 10 to 15 crores. The manufacturing costs of nitro-

chalk may be about Rs. 103 in present times, but about Rs. 80 in normal conditions.

The best way to develop this industry is not to stop private enterprise in this field so long as the present conditions of private ownership in other industries exist, but the Government may step into ensure that production and distribution costs are kept at a minimum in the interests of agriculture. Profits may be controlled by an appropriate clause in the terms of lease for power and gypsum required for this industry, and all the profits above a return of 6 per cent. may be utilized in cutting down the cost of the fertilizers.

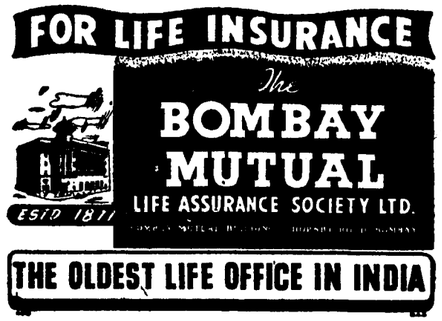
Our raw material resources are enormous and capital plentiful. The industry is so standardized that Indian scientists and technicians are capable of running it, provided in the beginning the services of a technical expert, preferably from the firm which delivers the plant, are available. But the questions is whether the Government would prove to be wise enough to enlist the co-operation of Indian industrialist and carry out a satisfactory production programme.

*Benares Hindu University.**

*The author has in his possession detailed quotations for machinery for the various processes of manufacture and full estimates of manufacturing costs and will make them available to interested enquirers.

PRESS NOTE

The Government of India has decided to permit passengers travelling by rail, road or sea to carry as part of their personal luggage cotton cloth not exceeding 20 lbs. in weight from any place to any other place in India, except to the States of the Western India Agency and Jowhar, Janjira and Cambay States. No yarn will, however, be allowed to be carried as personal luggage. The necessary notifications under the Cotton Cloth Movement Control Order, 1943, and the Cotton Cloth and Yarn Transport Control Order, 1944, will be shortly published.



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THE WORLD ABROAD

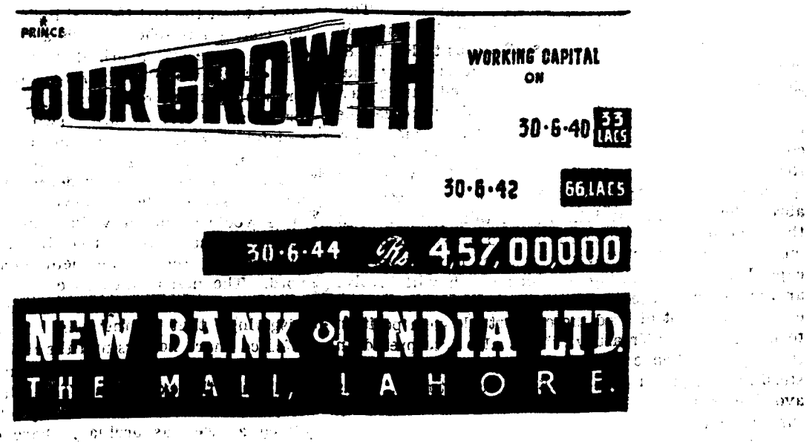
Future of American Cotton

(From Our Washington Correspondent)

WASHINGTON, Aug. 15, 1944 (By Cable).

THE future of American cotton in both the domestic and the world markets is one of the most perplexing problems now under study here by commodity and trade experts. Without waiting for the evolvement of general world trade policies by officials dealing with the post-war questions of policy, here cotton growers, processors and those connected with its marketing throughout the nation are considering all the reduce competition and enable growers to know better, with respect to foreign cotton. There are many who favour international agreement among exporting countries which will entitle each to a definite quota in the total export trade. They argue that this would reduce competition and enable growers to know better beforehand, what to expect in foreign markets. The questions which are being asked here are, firstly, what will be the trend of the United States' future national policy in regard to international trade; secondly, what, in particular, will be cotton trade policies; thirdly, should America compete aggressively in open competitive markets; fourthly, should protection through subsidies or two price systems be continued; fifthly, should an international quota agreement be worked out?

An analysis of American cotton production by some Cotton Experts made available to me dealing with the supply of American and foreign cotton points out that in the past five years American carry-over has been reduced to 11½ million bales, but that of the rest of the world has increased so that the total world carry-over probably amounted to 26 million bales on the 1st of August, this year. Much of the United States stocks was owned, it further reveals, outright by Government or held as security against non-recourse loans. The loan programme continues this year at a higher level than past two-years. In regard, secondly, to the aspect of cotton production the analysis shows that it has been definitely on the downward trend in the U.S. and on the upward trend abroad. In the past five years America produced 39 to 47 per cent. of the world's total as compared with 50 to 63 per cent. produced in the twenties. The war and the diversification in the Cotton Belt were large factors in determining the trend. Officials say that profits in other enterprises and their competition for factors of production will determine the trend in the post-war period as also will the labour situation, the size of farms, the average yield per acre and development of machinery. Thirdly, the analysis concerns itself with the consumption trends in American and foreign cotton. It observes that although consumption has been declining yet it was still above the pre-war years. Most of the domestic consumption of cotton in America is that of American cotton, but foreign mills have decreased their consumption of American cotton by 80 per cent in comparison with the rate for the 'thirties. Brazil, Argentina, India, Egypt, Mexico, Peru, Columbia and Persia would all have benefited if consumption of American cotton were greater. The price at which American cotton can be produced and sold will determine its place in world markets and it is felt most impossible to bring the price down to the level some foreign exporters. It is believed, however, that a lower margin between the price paid to the farmer and the price asked for manufactured goods can be narrowed. The fourth, point which arises out of the analysis relates to the question of the competition of synthetic fibres and the problem of finding new uses for cotton. Keen competition from synthetic and natural fibres can be expected and, the experts believe there are a number of new uses in the field, of plastics, specially, in using treated cotton textiles in winter outer garments. In discussing, fifthly, the question of prices, American and foreign, they draw attention to the dilemma in that the welfare of so many farmers depends on the price of cotton and the price sought at the same time determines how widespread will be the use of American cotton abroad and how much synthetics will compete with it. Higher prices for the farmer lead to greater competition from foreign cotton, and artificial fibres and thus in some quarters arises the desire for quota agreement. In regard to the possibility of lowering production merchandizing and processing costs some officials believe that farmers could better their opportunities in the open world market by improved farm organization and improved production practices such as selection of better land and treatment of seed, better fertilizers, improved equipment insect control, more efficient harvesting and ginning practices and also through obtaining adjustments in the price of cost items such as equipment supplies. These facts have been made public by the experts to enable farm leaders to evolve a workable cotton programme.



Money Markets

Silver Sales By Reserve Bank—Conversion Scheme For Tata Deffds.—Cement or Asphalt For Post-wa r Road

(From Our Correspondents)

BOMBAY, August 14.

IT is understood that negotiations are in progress between the British Treasury and the Government of India represented by Sir C. Deshmukh and Sir J. Raisman regarding India's sterling balances. The timely protests of Mr. G. D. Birla and Sir Purshotamdas Thakurdas appear to have been effective and the British Government are willing to consider repayment provided the period is extended to 10 or 15 years, facilities are offered for the supply of not only capital goods but also consumers' goods, and purchases by India are confined to the sterling bloc. Money conditions rule easy and the rates of interest are unchanged.

Government Borrowing

As against an invitation of four crores of Treasury Bills, offers amounted Rs. 14.91 crores, compared to Rs. 12.97 crores last week. Tenders at Rs. 99-14-3 were accepted in full, and the average rate of accepted tenders was Re. 0-7-7, two pies less than the rate of previous week. As the offers have been very large, the Bank has increased the tender from four crores to six crores, despite the fact that the Government's balances are unduly large. The demnad for additional two crores as well as the provincial loans amounting to Rs. 11.275 crores will absorb further 17 crores from the market during the forthcoming week, which is likely to relieve easy money conditions temporarily. Underwriters have such enormous funds at their disposal that the 3% 1958 Provincial loans would be easily oversubscribed. Possibly it was this fact which induced the authorities to issue Madras and C.P. loans at par like the Bombay loan and that of Sind at Rs. 99-8-0 like those of U.P. and the Punjab. No doubt Sind's credit stands high after the repayment of the Barrage debt. Interest has shifted now from these loans to the possibilities of a fresh Central Government loan. The 5% 1945 loan awaits redemption, and there are also enormous surplus funds engaged in speculative frenzy in the Calcutta market which need mopping up. Gilt-edged is in fine form and 3½% Paper is very steady at Rs. 99-10, The 3% 1963-65 and 3% 1951-54 are in favour.

Reserve Bank

Further increase in Central Government deposits by Rs. 12 crores to Rs. 114.13 crores is the feature of the Reserve Bank's accounts as on August 4. This increase is largely accounted for by the sharp rise in the balances held abroad by Rs. 19 crores to Rs. 224.89 crores. Besides accrual of sterling, it is likely that the Central Government has also received Rupee payments from the Allies. This is indicated by the decline of Rs. 4.3 crores under the "other Government accounts," and sale of 3½ lakh tolas of gold by the Reserve Bank. The piling up of Central Government balances to record levels and that of the balances held abroad has caused misgivings in certain quarters that the Government of India intends to make some payments to the British Government, possibly by way of capitalization of sterling pensions which will involve an amount as large as £150 millions. That the Government has not utilized the comfortable cash position to cancel *ad hoc* Treasury bills is also interpreted in this light. A tendency to hold larger amount of the sterling accrual in the Banking department, thus avoiding currency expansion, is in evidence during the recent weeks.

Silver

Another bull operator obtained injunction restraining the Board from taking action. But the interest has now shifted from the deadlock in forward dealing and tussle between bulls and bears to the emergence of the Reserve Bank in the market as seller on Monday last. The authorities had announced their intention to sell silver in advance, and when the Reserve Bank offered 200 bars of silver on tender at Rs. 131, the rate for spot silver dropped plumb from Rs. 138-8 on Saturday to Rs. 131. The market was naturally inclined to be weak, but it was only for the nonce since the low price at once stimulated considerable offtake and there was good buying for spot delivery which, therefore, improved to Rs. 132 on the same day. Further steadiness was imparted to the market when it transpired that the Bank had accepted tenders for smaller amounts at higher rates. The undertone of the market is steady, thanks to the good demand from upcountry. The bulls have lost heart, although any slump in silver prices is improbable as the Reserve Bank is not selling in large quantities, and there is an insatiable demand from upcountry at present. Details of the Bank's sales are as follows: Monday 200 bars at Rs. 131; Tuesday 45 bars at Rs. 130-8 (in view of the initial reaction to the sales); Wednesday 200 bars at Rs. 131-2 and over when demand improved; Thursday 185 bars at Rs. 131-6 and over; and no sales on Friday and Saturday. The spot rate was Rs. 132 on Thursday evening.

Gold

Gold Ready dropped to Rs. 75-2 on Monday in sympathy with the earlier weakness in the silver market. The forward rate was 3 annas below the Ready. As the Ready rate was below 75-4 the Reserve Bank rejected all tenders on Monday and discontinued tenders on Tuesday. On Wednesday the market was steadier and some gold was sold on tap. On Thursday tenders were again called for and the bazar took 10,000 tolas at Rs. 75-4 from the Bank. The undertone may be described as steady rather than easy.

Tata Deffds.

Following the fervent plea made by Mr. J. R. D. Tata, the Chairman of the Tata Iron and Steel Company Ltd. at the last General Body meeting in favour of the conversion scheme with a view to raising fresh capital, there was a bright inquiry and *Deffds.* touched Rs. 2,822 while *Ordinaries* were quoted at Rs. 434. The management recently offered 5½ ordinary shares for every deferred share. Two or three big holders of deferred shares opposed the scheme. It appears the management have given them a final offer of six ordinary shares for every deferred share. Since, the deferred shareholders believe that the break-up of value would be in the vicinity of eleven, they are expecting higher offers from the directors. It now appears that the management have given their final word. The management are very keen to go ahead with their expansion scheme. Some even entertain misgivings that if there is no agreement between deferred share holders and the management about the conversion scheme, a new concern might be started to finance the expansion. The alternative method, if adopted, would not result in any advantage to the deferred as well as ordinary shareholders. When the conversion scheme is accepted, a further rise in steel shares is likely. The Chairman has expressed that once the conversion scheme is put through, the management would come out with a new issue on bonus terms, *i.e.*, in the ratio of one ordinary share for every ordinary held on Rs. 75 premium.

Associated Cement

The Associated Cement Company received support from the operators. There are rumours that the Associated Cement Company will shortly issue new capital for about Rs. 2 crores in order to erect more factories all over India. The management believe that if the post-war road construction programme is given effect to, the Government might require large quantities of cement for road-making purposes. They are hardly aware that the engineers who are preparing blue-prints have recommended construction of asphalt roads, though cement roads are found by test to be more durable. One of the objects of asphalt roads is to stimulate imports from abroad as materials required for this kind of road are not available in this country. The recommendations of the engineers will prove a serious menace to the Indian cement industry, and the Chambers of Commerce should take up the matter immediately and urge upon the Government of India and the Post-war Reconstruction Member that the new roads should be constructed only out of cent. per cent. Indian material and no foreign product should be used.

It is also learnt that the engineers have recommended import of 1,200 road rollers. Road rollers are run on diesel oil engines, and there are engineering factories in India who manufacture engines of 50 and more horse power. Road roller engines could be manufactured in India and therefore road roller manufacturing factories should be promoted at an early date. Pending the starting of this industry, there is a view that the road programme should be withheld.

Stock Exchange Quiet—Rationalization Scheme For Jute Mills—Low Stocks Of Jute Goods

CALCUTTA, Aug. 14.

MARKETS were closed on Friday and for the rest of the week they have been rather quiet and the turnover has been low. Though strong jobbers are still bullish, others await further developments. The difficulties regarding deliveries and the predominance of strong bulls in the market have caused some failures, and the Committee had to interfere. The losses involved in these failures are said to be nearly Rs. 20 lakhs, and the Committee is anxious to clear up the position regarding outstanding transactions. In order to facilitate business, the deliveries in four speculative counters have been suspended for this week. But no sharp decline in prices has occurred which suggests that once the position gets clear the upward trend might be resumed.

The giltedged market has been very firm, though there is no important change in prices, and the provincial loans would be heavily oversubscribed.

Cotton shares, which were a shade better earlier in the week with *Cawnpore Textiles* being done up to Rs. 14-2, suffered a decline towards the close. *Cawnpore Textiles* were very quiet at Rs. 14 on Thursday. The earnings of the Kesoram Cotton Mills Company Limited for the half-year ended March, 1944, are encouraging.

Jute Shares

The Indian Jute Mills' Association is considering a scheme to maintain a minimum monthly output of 100,000 tons, through a better utilization of the capacity of more efficient mills. An industrial pool is sought to be formed. The rights for the loom hours will be sold on tender. The units rendered idle will be compensated out of the profits of the pool. It is thought that the scheme would reduce earnings. The business in the Jute section has, therefore, been restricted. Prices have fluctuated narrowly. *Anglo-India* is Rs. 454 and *Howrah* Rs. 83.

Coal Shares

Despite satisfactory results of the Bengal Coal Company Ltd. for the half year revealed during the week, the coal section has been generally quiet, and some leading counters have shed a few points. Although the raisings and dispatches from the company's mines were lower than those of the previous six months, higher average prices have caused an appreciable increase in earnings. Besides the payment of the usual dividend of 10 per cent., a bonus of Rs. 2 per share is to be paid.

Other Scrips

Engineering shares have been listless with *Indian Irons and Steel Corporation* at Rs. 40-6 and Rs. 35-12 for most part of the week. *Jessop* were quiet at Rs. 25 and *Bhartia Electric Steel* at Rs. 21-9.

Sugar shares were not in favour, *Balrampore* receding to Rs. 20-12. *Champarun* were relatively steady at Rs. 47 and *Cawnpore Sugar* at Rs. 44.

Tea shares remained steady, though business was restricted.

In the Miscellaneous section, *British Ceylon Corporation* were lower at Rs. 21-8 and *B.I.C.* at Rs. 6-12. Burma shares were better with *B.B.P.* at Rs. 4-4. *Burma Corporation* were quiet at Rs. 4-8. *Calcutta Trams* were not active and the quotation was around Rs. 45. Paper shares were uninteresting.

Raw Jute

There is a tendency on the part of buyers to await the actual announcement of the new proposals now under consideration of the Committee. There is very little godown space to lay in fresh stocks of jute. Sellers, however, have not been eager for business as mofussil markets are very firm and the landed cost of jute in Calcutta is higher than prevailing prices. Imports into mofussil markets are rather small and dealers are taking up freely quantities that are offered. There is delay in harvesting on account of the late monsoon, and the standing crop is reported to be fully mature in certain places and that if it is not immediately cut, there might be a deterioration in quality. *European Middles* and *Bottoms* were done at Rs. 17 and Rs. 14 per maund with *Indian Jat* eight annas lower. In the *pucca* bales section, business has been poor as *Dundee* is not an anxious buyer. *Dundee Daisee* 2|3 old crop sold at Rs. 77-8 per bale. Mills purchased *Firsts* European packing at Rs. 86 per bale.

Jute Manufacturers

The jute manufactures market has been very firm and quotations are nominally at maximum rates. Freer selling has been reported by mills, but all the surplus production is being bought over by official agencies so that the private consumer is greatly handicapped.

The local stock figures for the month of July show that there has again been a large decline in stocks, of both hessian and sacking. Stocks of hessian, on civil account, at the end of July were 31,768 tons against 38,269 tons and on military account 41,078 tons against 42,690 tons. There was thus a decline in the total of hessian stocks by 8,115 tons. Sacking stocks, on civil account, were 97,123 tons against 105,322 tons at the end of June. On military account, 8,525 tons against 9,359 tons. Total stocks, sacking and hessian, were thus lower by 17,146 tons at 178,492 tons.

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AAA 1189

A DELHI DIARY

"WHY can't Gandhi and Jinnah meet and come to a settlement? Why blame us for withholding power?"—This argument was the stock-in-trade of bureaucrats and their tools for four years. On the eve of the meeting between the two leaders, New Delhi is in jitters. "Suppose a settlement is reached, it cannot be binding on the Government. There are other minorities and racial groups and the Indian States to be consulted. Even Hindus may object to it. And the Congress Working Committee will have something to say on partition of India.' Such is the reaction of official quarters to the possible outcome of the talks that begin in Bombay this week-end.

Since Mr. Jinnah is not likely to moderate his claims, it is improbable that an agreement will be reached. But should the unexpected happen, the British authority will react in a certain way. The plans for a quick propaganda drive are ready and can be guessed without difficulty. The common slogan will be "one India." Sir J. P. Srivastava, it is said, has Mr. Savarkar in his "pocket," and the Hindu Mahasabha will lead the opposition. Sir Sultan Ahmed and Sir Muhammed Usman will "speak out" as "representatvies" of Muslims in "Hindu" provinces that, if Pakistan is formed, Muslims in Hindustan will become a depressed class. Malik Sir Firoz Khan Noon will line up with Malik Khizr Hyat Khan and shout "Punjab for Punjabis." Sir Azizul Haque will recall his convocation addresses of three years ago in which he pictured India as a united country with a mighty destiny. He will stand for "Bengal for Bengalis."

Sir Jogendra Singh will speak for the All-Parties' Sikh Conference and swear by the sacred *kirpan* that the Sikh homeland shall not be cut up. Master Tara Singh, Sardar Baldev Singh and the rest will follow suit. The 40 million (or 60 million?) catalogued as depressed classes will have their champion in Dr. Ambedkar. They must not be ignored, and, since they will not be a party to the settlement, they will oppose it "tooth and nail."

The most important of all are the martial classes, since the two millions under arms are the "flower" of India's youth. Having saved India from the Japanese and the Nazis, they must have a determining voice in India's future. Proud of being India's army, they will not jeopardize their own future or of their country by Balkanizing it.

Finally, the Indian States will claim a mighty voice in the future of their motherland. They alone are the custodians of India's ancient culture and "administrative genius." They will not have any other paramount power but the British, and will demand a united India under the British Crown to enable the Princes to discharge their traditional loyalty to their Emperor. A word from the Viceroy to them through the usual channels will bring forth a plethora of statements on the agreed lines (*vide* statements issued at the instance of Lord Willingdon condemning the civil disobedience movement).

Once Lord Wavell's circus begins to act, the planning board of the Information and Broadcasting Department will have full scope for a national and even international drive. The radio will put out all the inspired interviews and statements, and debates will be held on the air describing "objectively" the pros and cons of the issue at stake. Mr. Baig's National War Front will be galvanized into activity preaching communal harmony and "we-are-all-brothers." Begum Shah Nawaz's women's section will demand on behalf of millions of mothers that the motherland shall be saved from the surgeon's knife. Hafeez Jullundri's songs organization will give priority to *Hindustan Hamara* series. Mr. Peter Johnson will be asked to go ahead with advertisement lay-outs emphasizing India's geographical and economic unity. Films depicting Indian brotherhood will be produced and screened compulsorily in all cinemas. The Propaganda Directorate and Information officials and Public Relations staff will ladle out "unofficial" notes or "background material."

In short, the country will be called upon to name Gandhi and Jinnah as its enemies. The patriotic smoke-screen will not, however, succeed in hiding the real aim. Lord Wavell and Mr. Amery are determined that there shall be no change during the war and only gradual transfer of power after it is won. They will not revive even provincial autonomy. The utmost they may concede is the institution of Executive Councils in the Section 93 provinces so that friendly sections may provide a cover to the naked British rule.

Unfortunately for the Government, Sir Firoz Khan Noon gave them away at a Press conference he held in New Delhi this week. He claimed to have acted patriotically in telling the British people that they must not stay put because the Hindus and Muslims were quarrelling. He "chastized" the British rulers for having neglected India's economic development. The remedies he suggested to his British audiences were that India should get another "instalment" of reforms and that the British and Indian capital should go fifty-fifty in exploiting India! For 50 or 60 years, he said, India could buy British machinery to improve her agriculture and start new industries. No British trade agent could have been more emphatic than was Sir Firoz in declaring that India could get the best business deal in the world from the British.

Thus the picture of the India of British conception emerges. India must remain a single political and economic unit, and her exploitation can be a joint British-Indian enterprise. A confirmation of the plan comes from an unexpected quarter. Mr. Fenner Brockway writes in his magazine *Leftwing* that Socialists and Labourites in Britain have revised their opinion about the British Empire. "They see," he writes, "that Britain as a single country would be a junior partner to America and bound to come more and more under the domination of Wall Street and Washington capitalism. They seek a solution by emphasizing Britain's importance as centre of a world-wide Empire." Forewarned is forearmed.

As I was concluding these notes the Government released the recent Gandhi-Wavell correspondence. It represents the first shot fired by Delhi at Bombay. Both Gandhiji and Mr. Jinnah are told, in effect, that an agreement between them would not lead anywhere unless they show that it is approved by Hindus, Muslims, racial and religious minorities (including, of course, Europeans and Anglo-Indians) and the depressed classes and the Indian States. The Viceroy's conditions are even stiffer than those proposed in the Cripps Offer, first, because the depressed classes are specifically brought in which Sir Stafford's proposals did not; second, because even the setting up of a transitional government is made subject to a previous agreement as to the method by which the new constitution shall be framed. Since this agreement must be endorsed by every interest, it shall never be reached. The Executive Councillors must have sung at their weekly meeting yesterday "Wavell-Amery ki jai."



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FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, August 11.

THE policy the Madras Government propose to pursue actively towards industries and the extent of financial aid, control, management and advice that they would provide for the existing and new industries in the province has now been published. According to this, industries will be classified into four categories: (1) those wholly financed, controlled and managed by the Government; (2) those in which the Government will take a majority of the shares but will allow private management, where necessary; (3) important industries in which the Government will take a fraction of the shares and will also have representation on the directorate; and (4) private enterprises in which the Government will give the necessary help, advice, as well as technical and other assistance. The classification of the industries will be made by the Provincial Post-war Reconstruction Committee on Industries. This Committee will, either by itself or through its sub-committees and with the aid of technical experts, where necessary, get schemes made for industries in classes one and two. It will also get skeleton schemes made for class three and make them available to intending industrialists. The nature of the assistance to be given will be decided by the Government in consultation with the Provincial Post-war Reconstruction Committee or its sub-committees. The Government have also constituted sub-committees to deal with industries connected with textiles, mines, machinery and machine tools, chemicals and agriculture. Power has been given to these sub-committees to co-opt additional non-officials.

Unified Research On Plantation Products

The speeches and the discussions at the annual conference of the United Planters' Association of South India this year not only reflected the war-time trends but also laid greater emphasis on the post-war prospects. The Association, in its 51st year of existence, has now 2,60,000 acres subscribing to it. Mr. Pryde, Chairman of the Association, in his address to the conference stressed the "need for the unification of research for plantation products—tea, coffee, rubber and cardamom—and for reviewing the whole range of their production methods in the search for the highest efficiency." Close co-operation between producers and manufacturers by the formation of a Rubber Growers' and Manufacturers' Association rather than a Rubber Board with statutory powers would seem to be welcome to the planters. The Rubber Section of the conference viewed the present bonus arrangement as unsatisfactory to producers and an undesirable encouragement to speculation and recommended that the bonus applicable to any quarter be based upon the deliveries of the preceding quarter but one. As regards tea, there had been a further reduction this year to 95 per cent. of India's standard exports. The internal price of tea receded markedly from the high levels of 1942. The Central excise levy on coffee was an important event during the year. Direct sales by producers had now ceased, and the Coffee Board had 100 per cent. control over the sales. There was a heavy fall in the price of cardamom, largely as a result of the restrictions on exports.

The opening of the Alagappa Chettiar College of Technology should contribute materially to the promotion of technological studies in this presidency. The courses visualize, besides the degree in chemical engineering, which, being the basic technological course, is the first to be started, the study in leather technology, textile chemistry, textile technology, pharmaceuticals and fine chemicals, electro-technics and oils and ceramics. The permanent abode of the College is to be at Madras, and, for the time being, the facilities available in the College of Engineering, Guindy, are to be utilized. There is an ambitious programme for expanding the activities of the College and make it a centre of research and training ground for higher qualifications and a useful unit in the public utility services of this province. Dr. Rm. Alagappa Chettiar, a prominent mill-owner, has donated Rs. 5 lakhs to the College, and it has been named after him.

Cotton Growers Demand

The Tiruppur Cotton Market Committee, a statutory body that can speak for the large body of growers of Cambodia and Karunganni cotton in this province, has sent a memorandum to the Government of India criticizing the revised ceiling and floor prices for cotton. Even the original floor prices were low, and with the circumstances affecting cultivation remaining unchanged, the revised prices, according to the Committee, adversely affect the growers. Pointing out that there should be no unfair discrimination, the Committee regrets that there was no official support, unlike as in Bombay and Karachi, without which prices declined to low levels in South India, much to the detriment of the growers. The Committee in the end has appealed for the restoration of the original ceiling and floor prices.

Setback In Rubber

The first half of the fortnight under review saw very active trading conditions in the share market, but exactly opposite were the conditions during the second half of the period. This was mainly due to a setback in the plantation section, following the news that the bonus on rubber delivered to the Government will be withdrawn from August 1, consequent on the deliveries having fallen short of the tonnage required to maintain the bonus. According to a Government *communiqué*, though production during April 1 to July 31 showed an increase more than sufficient to maintain the bonus, this rubber has not been delivered to the Government. This news proved to be a bearish factor for rubber shares, and there was a sharp fall in the value of the shares. *Cochin-Malabars* declined from Rs. 19-2 to Rs. 17-8, *Rajagiris* from Rs. 15-12 to Rs.. 15-5, and *Vaikundams* from Rs. 21 to Rs. 19-12. Practically every share dealt with in this market came in for selling with a decline in the values. There was long liquidation in *O. Valleys* in view of the new issue and the quotation declined from Rs. 16-8 to Rs. 15-2. Textiles ruled very quiet and the turnover was poor. There was selective buying in one or two scrips. The Mysore group of industrial shares ruled easy. *Papers* were down to Rs. 31-2 and *Lamps* to Rs. 35-12. Banks were steady. There were good inquiries for tax free preference issues, but very few shares were on offer.

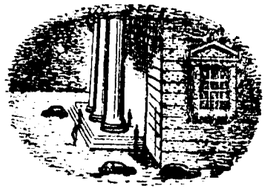
There was good institutional support for 3½% Paper which ruled firm at Rs. 99-10. The Madras Government are floating a new loan for Rs. 110 lakhs next week. It will be a 6% Loan (1958), and the issue price has been fixed at Rs. 100%. It will be interesting to record here that the 3% Madras Loans (1955) and (1956) which have been quoting at a discount of two annas for over two months have now been put up to par.

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AAA 966

THE BUSINESS WORLD

DISCOUNT BUSINESS IN INDIA

THE necessity of developing the discount market in commercial bills as the effective means of mobilization of cash resources in the market and central control of credit has long been recognized, but progress towards achieving it has been severely disappointing. It used to be argued at the time of the Central Banking Enquiry that once the Reserve Bank got started and adopted the many measures suggested for the bill market and offered rediscounting facilities, the growth of the bill market was only a matter of time and that such obstacles as the prejudice of the ordinary joint stock bank to have the bill rediscounted with the Imperial Bank or any other bank would vanish. It is nine years since the Reserve Bank has been in existence, and yet its commercial bill portfolio is nil, while despite the reduction of the stamp duty on usance bills, a step long demanded and recommended by the Central Banking Enquiry, the bill market has not sprung into existence. The value of bills discounted by the scheduled banks today is under Rs. 10 crores compared with their total deposit liabilities of about Rs. 755 crores.

Why is this? Partly, because the Reserve Bank was inaugurated in an era of cheap money which has continued to this day and is also likely to continue and as a rule the scheduled banks felt no need for central bank rediscounting facilities and also because the war years, reflecting abnormal liquid conditions, afford little scope for bills to grow. But the continuance of easy money conditions is hardly a conclusive argument against the fostering of a bill market which in the prevailing state of rural credit agencies remains the only means of knitting the separate credit agencies into one organized whole. The Central Banking Enquiry suggested that bill-broking was one of the natural functions of indigenous bankers and that some of the indigenous bankers and their wealthy depositors might also form themselves into discount houses under the aegis of the Reserve Bank which could foster the growth of such institutions by classing them with member banks in the matter of rediscount facilities. Actually the conditions laid down by the Reserve Bank for compliance by the indigenous bankers, were they to get rediscount facilities, proved far too onerous and unattractive to induce the requisite changes in their methods. In the result the bill market still remains a distant aspiration.

In fact, the rediscounting facilities offered by the Reserve Bank even to the scheduled banks are unreal as proved by the fact that when the Travancore National Bank sought those facilities the Reserve Bank refused help on the ground that what was required by law was not the produce itself but title to it, *viz.*, warehouse receipts. How could such a condition be met in the absence of an extensive system of warehousing?

One of the fundamental needs is, therefore, to extend and improve the system of giving credit against movable goods and even the conservative foreign experts who advised the Central Banking Enquiry emphasized that the Reserve Bank should make advances on the security of movable goods besides warehouse warrants and that considerable improvement was possible only by building up an extensive system of warehousing. The need for warehousing and storage facilities has been vividly brought home during the last three or four years. The success of the procurement and distribution scheme of Government is seriously imperilled by lack of warehouses. Each province should have a sufficient number of godowns constructed with the help of Government and the country should work up to the ideal of a countrywide network of warehouses or godowns, adapted to the requirements of the various parts of the country and the different kinds of commodities, with facilities for grading the produce and linking the entire system to the railways; and the creation of warehouse receipts which would be negotiable instruments acceptable to all banks and bankers. This is a desideratum no less from the point of view of efficient agricultural marketing than credit control.

Such a development will offer the joint stock banks an admirable form of investment in short-dated bills of absolute liquidity yielding a better return than treasury bills on a really large scale. The position in India offers in this respect a contrast to British experience. In England the domestic bill has fallen into desuetude and is not going to revive, the foreign bill is no longer important, the treasury bill accounts for the bulk of the available bills and the discount business is increasingly in medium or short-dated Government bonds rather than commercial bills. But in India the domestic and foreign bills are still to be created and extended, the treasury bill, though increasingly important, will be no serious hindrance and the joint stock banks will welcome both types of bills.

That this will actually be the case can be seen can be seen from the experience of the only discount house in this country. The Discount Bank of India, Ltd., started one year back, has so far not only discounted bills of Multani shroffs and others to the value of Rs. 50 lakhs, but also has rediscounted them with other banks and according to its chairman's recent annual review, the response of other banks has been very encouraging. To tap even the available volume of acceptable bills scores of such discount houses, specializing in the trade and possessing a wary eye and ripe judgment and experience of thousands of "names" will be necessary, yet almost all the newly started banks do deposit and not discount business. The discount banks can also help the deposit banks by specializing in the short-dated bonds and providing them with investments of acceptable maturity, although this will call for larger capital resources and a different kind of specialization from bill discounting.

The scope for the business of discounting and rediscounting of bills in India is immense and waiting to be exploited. Many discount houses can be formed just to take charge of and specialise in the available volume of bills, while if warehousing companies are started, and a network of godowns is built, the resulting volume of commercial paper will revolutionize banking and business practice. But this latter is not a task that can be done only by private enterprise. The active assistance of the Government and the Reserve Bank by way of legislation, especially to liberalize the terms of rediscounting, is necessary if the receipts of the warehouse companies are to obtain legal recognisability and negotiability. This is really a task large enough for the entire commercial community to concentrate upon.

NOTES

CANADA'S INDUSTRIAL DEVELOPMENT BANK

Following the recommendation of the Industrial Commission in 1918, several provinces in India provided through State Aid to Industries Acts machinery for the grant of certain forms of financial assistance to small industries. But very little use was actually made of it by industry, and in the main it is true to say that the State Aid to Industries Act was a failure. In the meanwhile, the need of medium-sized industries for intermediate credit has also come to be felt in an increasing degree, but nothing has been done yet to fill the gap in the machinery for industrial credit. Other countries have not stood still. In Britain, through the Bankers' Industrial Development Corporation, a subsidiary of the Bank of England, credits for industry are provided. Recently the Canadian Parliament has taken an important step in sanctioning the creation of an Industrial Development Bank to serve as a supplement to the lending activities of commercial banks and other private lending institutions. It was recognized that a serious gap existed in the Canadian financial structure for the provision of intermediate credit for new or existing small industries, and "industry" itself has been given a very wide meaning for this purpose and includes "manufacturing, processing or refrigeration of goods, wares and merchandise or the building of ships and vessels or the generating or distributing of electricity." The new bank will be a subsidiary of the Bank of Canada with the Bank's Governor as its President. It will have an authorized capital of $25 million subscribed by the Bank of Canada, and the right to raise an additional $75 million by the issue of debentures. The business expected to find its way to the I.D. Bank will be mainly small or medium, of the kind that has difficulty in financing through issue of stock and which needs credit beyond the short-term limits imposed by statute upon the commercial banks.

AN AMERICAN AMBITION

Writing in a recent issue of the *Foreign Commerce Weekly*, an official publication of the United States Department of Commerce, Mr. Robert P. Sweeny, of the Textiles Unit, Bureau of Foreign and Domestic Commerce, envisages a 3-billion square yard post-war export trade for the United States cotton textile industry. The all-time high for the American export trade to date is the peak figure of 819 million linear yards exported during 1920. Mr. Sweeny, however, is confident that this figure can be exceeded many times in the years after the war. The favourable circumstances are, on the demand side, the release of a pent-up world demand after five years or more of acute and widespread under-consumption and, on the supply side, the demobilization of textile-manufacturing facilities in Germany, Japan, Italy and France and the war-time dislocation in Lancashire. The combined cotton cloth exports of Germany, Japan, France and the Netherlands totalled 3½ billion square yards in 1937, but there will obviously be no appreciable exports from these countries during the period required for reorganizing their plants. Mr. Sweeny, therefore, advises the American export trade to make good use of this opportunity in building up commercial relations especially with the Latin American countries, South Africa, French North Africa and Egypt. These countries have been important importers of cotton cloth in the past; in 1938-39, the annual average for the Latin American republics was 725 million square yards, in 1939 South Africa imported 210 million square yards and Egypt over 21 million lbs, and during 1938 French North Africa imported over 65 million lbs. Mr. Sweeny exhorts American exporters to study carefully the fabric requirements of various countries as to the weave, width, construction, weight and designs; his good counsel has of course a more than American applicability.

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COMMODITY MARKETS

COTTON

BOMBAY, Aug. 14.

THE cotton market is awaiting the reply of the Government of India to the Textile Control Board's Sub-Committee's recommendation to raise the floors for all varieties of cotton by Rs. 50 and to permit forward trading within the range of Rs. 400–550 for ICC Jarilla. The Textile Commissioner is reported to have stated that there was no chance of the Government accepting a higher level of floor for cotton. The growers' representatives are reported to have been of the opinion that forward trading was necessary from their point of view, in the absence of which, they feared, the market might touch the floor levels during the time of marketing. From the point of view of the growers, the reported willingness of Government to buy, if necessary, even 2 million bales, would not be a very satisfactory position either, for it would only ensure that their crop would be sold out at but not over the floor prices which they would have a chance of getting if forward trading were there. During the current season it was only after April when the marketing had practically ceased that the market touched the floor prices. Forward trading under safeguards may be said to have worked satisfactorily. It is expected that a decision on this point will be taken before the end of this month.

Prices in the Bombay market have been barely steady. There seems to be no cotton which would pass in tender against the September contract with the result that a prominent bull operator is taking advantage of the technical situation to exploit the possibility of a 'squeeze.' The ratio for ICC. September is Rs. 408. The spot market remains dull and featureless.

MADRAS, August 11.

Groundnuts

After being easy during the early part of the fortnight under report, the groundnuts market was steady at the close, and the quotation which dropped from Rs. 75 to Rs. 72-8 during the first half was maintained at this level during the second half. The British Ministry of Food, which entered the market, after obtaining an extra quota from the Government of India just a month ago, have purchased so far about 29,000 tons, but their price has been gradually reduced from £34 to £32-12-6. The Ministry have purchased at the latter price about 4,000 tons during the period under report for delivery 90|120 days when the main winter crop will be marketed. There has been nothing interesting in the oil market, and internal demand has been indifferent. Oil-cake for manure purposes was in very great demand. But owing to the delay in the issue of permits for export to upcountry centres, there has been a glut in the surplus areas with prices declining below ceiling rates fixed by the Governments while the ryots in the districts have been experiencing considerable difficulties for want of cake.

Skins And Hides

There was good demand for kips. The supply position was difficult and hence sales to the buying organization of the Ministry of Supply were very small. Thus the new buying scheme initiated by the middle of May last has not been satisfactory on a quantitative basis, though quality requirements might have been satisfied. This was probably responsible for the visit of a representative of the Ministry of Supply Organization here to New Delhi with a view to bettering the position. While this is the case with the supply position, tanners and merchants have their own difficulties. As nothing tangible seems to have come out of their discussions they had with the Supply Member during his recent visit to the city, arrangements are under way to meet him again to represent their difficulties and seek a solution thereof. The foremost of such difficulties is the control of the movement of goods, which is hampering business activity. Sheep and goat were firm and there was a large volume of business with Africa which has been willing to pay the prevailing prices in this country. In view of the wide disparity of prices between Madras and New York, business with the U.S.A. has been impossible.

HAPUR, August 15.

The daily arrivals of wheat averaged hardly 50 maunds owing to heavy rains. Reports are available here that acute shortage of wheat is being felt in some districts of the Eastern U.P. and black markets are existing to some extent. The Government of India have agreed to subsidize the U.P. with their first instalment of 16,000 tons of wheat from their rseerve stocks. Hapur is expected to receive 4,000 tons out of the same very shortly for strengthening provincial reserve. It is reported that the Government are contemplating to fix the prices of forthcoming *Kharif* crops and to close down the forward and option business of all foodgrains. To ensure success the following points should not be lost sight of: (1) The control orders should be levied simultaneously on all commodities at the time when there become ample stocks of them in the markets. 2) Full consideration be given to the quality and nutritive value of the commodity. (3) The control should be effected on all-India basis.

The Japanese are not naturally religious or devout. They think nothing of embracing two or three religions at one time if it suits them. In modern times the only recognized religion in Japan is Shintoism—which is the worship of their Emperor. This is the religion they seek to impose on us.

THROUGH VICTORY ... TO FREEDOM

A.A.A. 1024



NO PROPHECY REQUIRED

You don't need a prophet to tell you whether prices are going to rise or fall in the near future The experience of 1943 is enough to convince all that the trend of prices is definitely downwards. All around us there is evidence of falling prices. Introduction of control on prices and vigorous prosecution of the profiteers have ensured it. Do not be caught by falling prices.

This is no time to lock your money in manufactured goods, commodities, land, buildings or jewels. Their prices are sure to fall as time goes by and Rs. 100 invested now might easily dwindle to Rs. 70 or less within a year.

Today's best investments are Insurance, Co-operative Societies, Savings Bank Account, Post-Office Savings Bank, Government Loans and National Savings Certificates.

Prices of cloth, leather goods, drugs, medicines, food-grains, etc. are falling. Control measures are being extended and rigorously enforced. Be sure, prices will come down further.

save
ALL YOU CAN
AND INVEST
ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1115

CURRENT STATISTICS

BANK RETURNS

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(000's omitted)

	Aug. 4, 1944	July 28, 1944	Aug. 6, 1943	Sept. 1, 1939
Notes held in the Banking Department ..	16,95,48	23,02,18	10,06,09	35,04,49
In Circulation	927,86,56	921,96,46	749,76,07	182,13,17
Total Notes	944,82,04	9,44,98,64	759,82,16	217,17,66
A. Gold Coin and bullion	44,41,43	44,41,43	44,41,43	44,41,46
Sterling securities ..	828,32,89	828,32,89	597,86,13	59,50,11
Total of A	872,74,32	872,74,32	642,27,56	103,91,57
B. Silver coin	14,23,68	14,40,28	14,19,87	75,87,11
Rupee securities ..	57,84,04	57,84,04	103,34,73	37,38,98
Silver bullion under Coinage	..	..	..	..
Percentage of Reserve to Liabilities	92.371	92.355	84.53	63.149

BANKING DEPARTMENT

(000's omitted)

	Aug. 4, 1944	July 28, 1944	Aug. 6, 1943	Sept. 1, 1939
Cash	17,17,60	23,31,11	10,17,94	35,15,27
Balances held abroad ..	224,88,60	205,53,68	87,01,41	10,08,33
Investments	11,12,80	11,12,80	7,54,09	6,81,34
Bills discounted:—				
(a) Internal & external	..	..	..	..
(b) Government of India Treasury Bills ..	96,93	1,16,92	69,91	1,15,67
Loans and Advances to the Government ..	..	1,00	38,00	31,00
Deposits:—				
(a) Government ..	130,79,76	123,11,81	31,14,49	14,89,43
Of which Central Govt.	114,13,13	102,07,88	2,07,500	1,48,900
(b) Banks	97,62,23	97,20,95	55,71,73	26,91,43
(c) Others	12,82,34	5,59,90	2,37,77	1,24,37

BANK OF ENGLAND

(000's omitted)

	Aug. 9, 1944	Aug. 2, 1944	Aug. 11, 1943	Aug. 30, 1939
	£	£	£	£
Total Bullion ..	1,316	1,301	1,603	263,700
Public Deposits	9,800	8,700	4,500	31,100
Other Deposits	234,600	232,000	196,000	129,100
Of which Bankers Deposits	176,100	183,000	140,300	90,100
Government Securities ..	191,300	193,600	180,000	113,100
Other Securities ..	13,800	14,100	15,700	31,000
Of which Discounts and Advances	6,500	5,700	700	6,400
Notes and coins ..	50,800	55,300	21,900	34,200
Notes in Circulation ..	1,150,800	1,146,000	978,700	529,500
Ratio of Reserve to Liabilities	20.77%	22.05%	10.92%	21.38%

Note:—Fiduciary Issue increased by 50 million on August 1.

U.S. FEDERAL RESERVE BOARD

(000's omitted)

	Aug. 3, 1944	July 27, 1944	Aug. 3, 1943	Aug. 31, 1939
	$	$	$	$
Resources:				
Total Reserves ..	19,115,000	19,115,000	20,503,000	14,660,610
Total Bills Discounted	36,000	37,000	18,000	6,190
Bills bought in open market	..	..	..	350
Total U.S. Government Securities ..	14,891,000	14,802,000	8,165,000	2,426,190
Liabilities:				
Federal Reserve Notes in actual Circulation	19,165,000	18,995,000	14,433,000	4,609,280
Deposits — Member Bank Reserve Account	12,884,000	12,792,000	12,336,000	10,951,000
Ratio of total Reserve to Deposit and Federal Reserve Note-liabilities combined	56.1%	56.3%	71.2%	86.9%

SCHEDULED BANKS

(000's omitted)

	4-8-44	28-7-44	6-8-43	1-9-39
Demand Liabilities in India	579,43,73	575,38,78	434,61,15	134,36,49
Time Liabilities in India	185,72,12	183,91,25	136,54,57	102,24,34
Cash in India	24,74,42	25,40,99	18,44,42	6,69,92
Balances with Reserve Bank	96,36,48	97,42,86	54,77,06	25,17,91
Advances in India ..	212,48,48	211,47,84	144,30,00	101,52,16
Bills discounted in India	10,05,78	9,63,57	3,89,19	3,57,29

IMPERIAL BANK

(000's omitted)

	Aug. 4, 1944	July 28, 1944	Aug. 6, 1943	Sept. 1, 1939
Fixed deposits, savings bank, current and other accounts ..	229,44,38	229,34,67	196,44,15	87,26,24
Government securities ..	134,05,07	133,03,50	138,21,11	51,02,78
Other investments ..	3,20,12	3,20,12	2,09,63	96,27
Loans	12,34,79	12,37,04	11,45,43	7,66,38
Cash credits and overdrafts	44,56,99	44,27,27	22,43,50	19,76,06
Bills discounted ..	3,88,47	3,99,89	2,25,68	2,94,74
Cash in hand and with the Reserve Bank and with other banks ..	41,04,56	42,04,95	29,70,08	14,68,87

STERLING PURCHASES BY RESERVE BANK OF INDIA

Date	Amount	Rate	Total since 1st Apr., 1943
	£	s. d.	£
1943-44 Total	105,309,000	1 6	105,309,000
1944-45			Since 1st April 1944
For the month of June 1944	6,824,000	1 6	20,462,000

FOREIGN EXCHANGE VALUE OF THE RUPEE

	Method of Quoting	Aug. 6, 1944	Aug. 9, 1944	July 27, 1944	Aug. 10, 1943
Bombay on:					
London T.T.	Pence per Re.	1 5-31|32	1 5-31|32	1 5-31|32	1 5-31-32
,, D.D.	,, ,, ,,	1 5-31|32	1 5-31|32	1 5-31|32	1 5-31|32
,, 3 Months	,, ,, ,,	1 6-5|16	1 6-5|16	1 6-5|16	1 6-5|16
New York	Rs. to $100	333-3|4	332-3|4	332-3|4	332-3|4

TREASURY BILLS
WEEKLY TENDERS

Week Ending	Amount Tendered	Amount Accepted	Average Rate	Intermediates	Sold in favour of Issue Dept.
May 2 ..	12,14,50	4,00,00	0 10 11	..	2,35,00
,, 9 ..	13,18,75	4,00,00	0 9 0	..	3,35,00
,, 16 ..	15,22,75	4,00,00	0 8 0	..	1,37,00
,, 23 ..	13,39,00	4,00,00	0 6 10	..	3,85,00
,, 30 ..	12,40,75	6,00,00	0 5 11	..	55,00
June 6 ..	11,09,75	6,00,00	0 6 3	..	90,00
,, 20 ..	9,66,75	6,00,00	0 8 4	..	14,05
,, 13 ..	9,42,00	6,00,00	0 7 8	..	1,95,25
,, 27 ..	8,03,25	6,00,00	0 8 0	..	2,79,50
July 4 ..	7,42,25	4,00,00	0 7 9	..	1,67,25
,, 11 ..	8,44,25	4,00,00	0 7 8	..	7,85,00
,, 18 ..	9,07,25	4,00,00	0 7 10	..	3,76,00
,, 25 ..	12,43,00	4,00,00	0 7 9	..	1,42,00
Aug. 1 ..	12,97,00	4,00,00	0 7 9	..	80,00
,, 8 ..	14,91,25	4,00,00	0 7 7	..	3,30,00

MATURITIES

Date of Maturity	Amount (000's of rupees)	Date of Maturity	Amount (000's of rupees)
5th August 1944 ..	4,00,00	3rd Sept. 1944 ..	25,00
11th ,, ,, ..	71,75	9th ,, ,, ..	5,99,25
12th ,, ,, ..	3,28,25	10th ,, ,, ..	75
18th ,, ,, ..	24,00	16th ,, ,, ..	5,95,00
19th ,, ,, ..	3,76,00	17th ,, ,, ..	5,00
25th ,, ,, ..	3,00	23rd ,, ,, ..	5,75,75
26th ,, ,, ..	3,97,00	24th ,, ,, ..	24,25
2nd Sept. 1944 ..	5,75,00	30th ,, ,, ..	6,00,00

CROP FORECASTS

Crop and Forecasts	Estimated area acres 1944-45	Per cent of preceding year (100 figures of same date preceding year)	Final figure acres 1943-44	Estimated outturn	Per cent of preceding year 100 figure of same date preceding year)	Final figure 1942-43
Jute (Preliminary)	2,923,000	98	102,613,000	(a) ..		6,941,000 bales
	1943-44		1943-44	Tons		Tons
Groundnut (Final)	8,521,000	111	7,697,000	3,305,000	116	2,858,000
Castorseed	1,202,000	88	1,364,000	109,000	74	147,000
Sugarcane (Final)	4,113,000	114	3,660,000	5,696,000	112	5,076,000
Rice (Final)	79,960,000	106	75,193,000	30,603,000	123	24,896,000
Sesamum (Supple)	4,296,000	96.5	4,462,000	453,000	99.6	457,000
Cotton (Final)	20,298,000	106	19,203,000	bales 5,094,000	108	bales 4,702,000
Wheat (Forth)	33,651,000	98.9	34,298,000	tons 3,851,000	90.1	tons 10,971,000
Rape and Mustard (Final) ..	5,484,000	92	5,901,000	955,000	89	1,070,000
Linseed (Final)	3,518,000	103	3,406,000	395,000	96	410,000

(a) Not yet available.

TEXTILE PRODUCTION IN INDIA

	Cotton manufactures excluding twist and yarn				Cotton piecegoods		Jute manufactures including twist and yarn		
	1942-43	1943-44	lbs in million % increase or decrease in 43-44 out '4243	1942-43	1943-44	% increase or decrease in 1943-44 over 1942-43	1942-43	1943-44	% increase or decrease in 1943-44 over 1942-43
April ..	90.22	98.35	+14	342.2	402.9	+18	97.4	114.27*	+17
May ..	89.65	95.24	+ 6	360.3	393.9	+ 9	82.98*	100.41*	+21
June ..	99.07	100.19	+ 1	396.0	413.4*	+ 4	79.66*	97.84	+23
July ..	103.12	87.79*	—15	411.4	321.8*	—22	87.57*	69.15*	—21
August ..	79.17	99.62*	+26	291.9	396.8*	+36	85.98*	42.50*	—57
September ..	73.73	105.13*	+43	262.8	431.6*	+64	87.65*	51.90*	—41
October ..	71.18	98.19*	+37	250.0	394.1*	+58	75.65*	64.51*	—15
November ..	75.78	114.54*	+51	270.7	472.0*	+74	85.58*	81.24*	— 5
December ..	99.92	91.27*	— 9	384.9	356.3*	— 7	87.61*	63.48*	—28
January ..	97.37			387.8			73.12*		
February ..	91.64			366.5			90.04*		
March ..	94.95			384.8			109.04*		

* Provisional.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity	Quality	Market	Unit	Latest Quotation Rs. a. p.
Rice	Basmati			
	Sela	Amritsar	per md.	23 0 0
Wheat	Average			
		Hapur	,,	9 12 0
Linseed	Ready Bold	Bombay		11 1 0
Mustard	Yellow	Cawnpore	,,	14 4 0
Groundnuts	Bold	Bombay	,,	11 12 0
Oils—Linseed	Ready	,,	per qr.	10 10 0
				to
Groundnuts				10 14 0
	,,	,,	,,	10 14 0
Copra	,,	,,	,,	10 6 0
Castor-				
	,,		,,	11 0 0
Potato	Desi	Cawnpore	per md.	9 8 0
		Lucknow		to
Cotton	I.C.C.			12 8 0
	(Sept.)	Bombay	per candy	411 0 0
Jute Raw	First	Calcutta	per bale (400 lbs.)	81 0 0
Tea	Indian			
	Market	,,	per lb.	0 9 11
Wool	,,	Karachi	(82 lbs.)	71 0 0

INDEX NUMBERS OF WHOLESALE PRICES CALCUTTA

(July 1914=100)

	July '44	June '44	July '43	1939 average
Cereals ..	241	241	498	66
Pulses ..	305	308	393	99
Sugar ..	319	311	365	164
Tea ..	115	113	130	142
Other food articles ..	579	579	580	125
Oilseeds ..	285	301	284	106
Oils, mustard ..	213	232	207	81
Jute raw ..	125	122	129	80
Jute manufactures ..	200	200	190	102
Cotton, raw ..	137	137	183	75
Cotton manufactures	†	†	†	106
Other textiles (wool and silk ..	202	200	194	110
Hides and skins 6 ..	103	103	95	67
Metals ..	299	295	332	147
Other raw manufactures articles ..	331	321	207	95
All commodities ..	299	299	332	106

† Price quotations not available.

NEW FOOD INDEX

(Base: Week Ending August 25, 1939)

Average for April	233.6
Average for May	228.3
June 2, 1944	227.9
,, 10 ,, ...	228.4
,, 17 ,, ...	233.8
,, 24 ,, ...	238.5
Average for June	232.1
July 1, 1944	236.9
,, 8 ,, ...	235.1
,, 15 ,, ...	235.3
,, 22 ,, ...	237.2

STOCKS AND SHARES

	This week Rs. a. p.	Previous week Rs. a. p.
BOMBAY (Aug. 14).		
GOVT. SECURITIES		
3½% (1947-50)		475 0 0
3% (1960-68) ..	103 10 0	..
2¾% (1948-62)	98 4 0	..
3% (1949-52) ..	101 8 0	..
3% (1953-55) ..	99 12 0	
4% (1955-60) ..	116 4 0	..
3% (1946) Defence	102 7 0	..
3½% G. P. Notes	99 10 0	..
3% (1963-65) ..	99 2 0	..
TEXTILES		
Ahmedabad ..	470 0 0	475 0 0
Bombay Dyeing	1,875 0 0	1,882 8 0
Central India ..	419 8 0	419 8 0
Indian Bleaching	184 0 0	182 0 0
Kohinoor ..	626 0 0	624 0 0
Century ..	910 0 0	900 0 0
Phoenix ..	612 8 0	612 8 0
Colaba Land ..	222 0 0	220 0 0
Simplex ..	254 0 0	258 8 0
Swadeshi ..	543 0 0	541 0 0
Vishnu ..	495 0 0	495 0 0
Gokak ..	322 0 0	322 0 0
Sholapur ..	6,900 0 0	6,900 0 0
MISCELLANEOUS		
Bombay Burma	537 8 0	..
Alcock ..	490 0 0	482 0 0
Belapur Sugar	250 0 0	248 0 0
Bombay Tramway	151 0 0	152 8 0
British Burma Petrol	6 6	..
Andhra Valley	1,900 0 0	1,890 0 0
Shivarajpur ..	60 8 0	60 0 0
Tata Power ..	1,910 0 0	1,910 0 0
Tata Hydro ..	206 0 0	206 0 0
Tata Steel Ordinary	412 0 0	432 8 0
Tata Steel Defd.	2,212 8 0	2,267 0 0
Associated Cement		
Indian Iron ..	238 4 0	231 0 0
Indian Copper	..	40 8 0
Tata Steel 1st Pref.	..	3 6 6
Tata Steel 2nd Pref.	220 0 0	227 8 0
Bombay Burma New	164 0 0	168 0 0
Premier Construction	2,212 8 0	2,267 0 0
BANKS		
Central ..	81 4 0	82 0 0
Imperial (F.P.)	1,932 8 0	1,977 8 0
Imperial (P.P.)	492 8 0	439 12 0
Reserves ..	135 12 0	136 4 0
India ..	185 0 0	182 0 0
New India Insurance	82 0 0	82 8 0
CALCUTTA (Aug. 15).		
JUTES		
Anglo-India ..	457 0 0	458 0 0
Barnagore ..	..	215 0 0
Howrah ..	82 0 0	83 3 0
Presidency ..	10 12 0	11 4 0
Ganges ..	..	545 0 0
Kamarhatty ..	662 0 0	670 0 0
Kankinarah ..	553 0 0	555 0 0
STEEL AND ENGINEERING		
Burn	416 0 0	419 0 0
Indian Iron ..	39 9 0	40 12 0
Steel Corporation	35 0 0	36 1 0
Braithwaite ..	11 12 0	12 2 0
Kumardhubi ..	12 14 0	12 0 0
Ather Butler ..	23 8 0	22 2 0
TEXTILES		
Jessop ..	14 4 0	.. ..
Cawnpore Textile	13 12 0	10 14 0
New Victoria Pref.	11 0 0	..
Kesoram ..	..	19 10 0
Elgin ..	74 8 0	73 0 0
COALS		
Amalgamated	49 4 0	49 14 0
New Beerbhoom	..	93 12 0
Bhalgora ..	15 8 0	16 11 0
Bateboni ..	4 5 0	..
Burrakur ..	44 6 0	46 0 0
Equitable ..	64 12 0	66 0 0
Bengal ..	665 0 0	673 0 0
MISCELLANEOUS		
Titagarh Paper	39 14 0	..
Dalmia Cement	10 3 0	..
SUGAR		
Champaran ..	45 4 0	47 2 0
Cawnpore	..	44 12 0
Belsund ..	16 7 0	17 10 0
Carew ..	..	30 12 6
Partabpur	31 0 0	27 12 0
U.P. Sugar	..	35 0 0
TEA		
East India	17 9 0	18 0 0
Naga Hills	..	20 12 0

MRS. ANOPHELES-PUBLIC ENEMY NO. 1

Malaria, one of the most dreaded, and yet most common diseases in our country, causes over 3 million deaths every year. Various complications, resulting from repeated attacks, render miserable even a larger number of people.

Yet the cause of Malaria is attributed exclusively to one type of mosquito—the Anopheles—and what is more, to the female species only. This pest, after sucking the blood of malarial persons, conveys the germs to others, and thus spreads the disease.

These mosquitoes breed in stagnant pools; to exterminate them, the first attack must be launched here. Fill up drain away, or disinfect these water haunts. Circumvent Mrs. Anopheles by sleeping under a mosquito net whenever possible.

If, even then, you fall a victim to Malaria, consult a qualified doctor immediately, both for your own sake, and to prevent the spread of infection.

★ ★ ★ ★ ★

This warning is issued in the interest of Public Health in India. These interests and those of the signatories of this advertisement are identical.

NEW ASIATIC INSURANCE CO., LTD.

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THE

EASTERN ECONOMIST

Vol. 3 No. 8 NEW DELHI, AUGUST 25, 1944. ONE RUPEE

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Future of International Investment

WHAT are the prospects for the revival of international investment after the war? The question is to be answered less in terms of theory than in the light of political and economic prospects and the policies likely to hold the field when the war ends. At first sight the chances would appear to be bright enough. The United Nations have already taken steps to achieve monetary stabilization, the World Bank project has already been favourably considered, and, if a reasonable measure of political security could be guaranteed, capital which refused to come out in the inter-war period due to autarchic policies, restrictive controls and threats of freezing would once again flow freely. And even this last condition seems likely to be satisfied, seeing that the Security Conference is going to be held, the machinery of collective security is going to be worked out and war is going to be banished!

Yet this would be an unduly simple view to take. The matter can be considered, again, more profitably in concrete terms as to what nations are going to have the determining voice and what their attitudes are going to be rather than in abstract terms. It is needless to say that the U.S.A. is going to be the dominant creditor nation of the world for any foreseeable period of time, and it is the ultimate outcome of the pull of different and often conflicting forces in the U.S.A. which is going to decide the issue.

The war has crippled the lending capacity of Britain for at least two decades, unless it be that she is going to effect a second industrial revolution immediately which will put her on very superior levels of efficiency over the rest of the world, and this is highly improbable. The suggestion that British industrialists look forward to foreign investment after the war, *e.g.*, Sir Firoz Khan's message for a fifty-fifty participation in Indian industries, reflects the investing capacity of individual industrialists who have made their pile during war rather than the nation's capacity for overseas investment. Otherwise the refusal of those very same industrialists to admit Britain's capacity for releasing India's blocked sterling assets becomes difficult to understand. In any case, the private fortunes of individual industrialists available for overseas investment cannot and will not alter the broken British balance of payments to the point of rendering possible foreign investment or removing the control over capital movements.

Ruling out Britain, there is no country on the Continent which can undertake foreign investment. On the contrary, the war-ravaged countries of Europe will stand in urgent need of immense volumes of capital. This applies to Russia as well for, say, a decade. Sweden and Switzerland may perhaps be able to offer some amount of capital in some lines but can hardly meet the needs of the situation. France's pre-war creditor status cannot be expected to survive the war because of her needs of reconstruction and the inevitable change in her political status which is bound to occur.

Thus the pre-eminent creditor status of the U.S.A. is unchallenged. But what will the U.S.A. do? It is now admitted by American statesmen themselves that the irregular dollar supply to the rest of the world arising from the high tariffs and irregular lending of the U.S.A. as well as the violent fluctuations in her national income has thrown the world's economy and balance of payments out of gear and that greater import and lending by her are essential to world's as well as her own trade and employment. The recent statement of Vice-President Wallace as to the U.S.A.'s economic role in the Pacific is a recognition of this truth. But it is difficult to predict how far actual policy will be altered.

Even in the United States there appear to be three or four strands of thought on the subject. First, there are the isolationists, opposed to America's active and extensive involvement in international affairs; they would not object to external private capital investment, provided it does not commit the U.S.A. to bolder foreign and defence obligations. Strangely enough, these isolationists and the British Tories are bed-fellows now, though the British Tory's love for the American isolationist springs from the advantage that Britain can enjoy through America's non-interference in the affairs of the Empire and her own spheres of influence, but sufficient readiness on America's part to help Britain to recover her economic and political strength. At the other extreme are the Willkies, out for full international participation, of whom the American people are slightly afraid and whom they are at present in no mood to support. Thirdly, there is a section of narrow-minded American bankers, industrialists and traders, who are willing to invest abroad but are opposed to exchange and other controls and even feel that the mechanism of the proposed Monetary Fund and other world agencies are only intended to throw away good American money for bad.

The middle American opinion is presumably represented by the present administration which, as reflected in the World Bank project, seeks to afford maximum scope for private investment consistent with international regulation. Even in the early post-war years, it is stated in the draft, a considerable part of the capital for international investment will be provided by private channels and the Bank will encourage it by assuming some of the risks, which will be specially large and which scared capital into retirement in the inter-war period. About 80 per cent. of the resources of the Bank would be employed for guaranteeing private loans, while direct loans would be made only when private capital becomes unavailable on reasonable terms. The other conditions of guarantee of loans are somewhat rigorous, and national governments are apt to take narrow commercial standards in assessing the productivity of projects for which private agency seeks capital and guarantee.

For all these reasons the terms on which private American capital will come out become highly important. So far as the borrowing countries are concerned, at least the following guarantees would be necessary. Foreign capital, American or any other, will not seek to gain political control over the areas in which it is invested. Secondly, the only reasonable guarantee the lending country may ask of the borrower is stability and security in the most general sense of the term, viz., the existence of a regime which will not repudiate. The 19th century devices such as mortgages on specific national revenues can have no place. Thirdly, foreign participation will be financial where necessary and only where necessary, otherwise will be essentially technical, aiming at the rapid and full training up of local personnel in the skill and the ultimate transfer of all interests to the nationals.

Do these conditions stand a reasonable chance of fulfilment? Most assuredly, not. Whatever the political relations of the lenders with the borrowing European nations, the undeveloped economic and unfree political condition of the vast areas of South-East Asia seems to promise to many Americans a fertile field of investment which they are anxious to exploit. One form of participation which, it is urged, satisfies the conditions laid down above even within the framework of the existing political system is that by which the local government will subscribe 51 per cent. of the capital entitled to voting rights and thereby direct the policy, while the foreign lender will subscribe 49 per cent. of the rest, besides capital in the form of debentures which may be needed. This device, it is claimed, will enable foreign capital to meet the greater part of the country's needs while difficulties of control over policies and politics are avoided.

There are already some examples of participation of this kind. The Chinese National Airways has been formed and working on this basis for seven years now, while in Thailand the Danish East Asiatic Company has been operating on similar lines. But such examples are far too few and sporadic and limited in their implications to afford basis for broad generalizations. For example, in the Philippines there appears to be no such collaboration, nor in any of the other colonies. In point of fact, politics are the root of the matter, and conditions of justifiable foreign capital inflow can be secured only when those areas are liberated and people's governments installed in them, which will determine the true national policy. Otherwise, investment will turn into imperialism, and no legal legerdemain can conceal the camouflage.

As regards India, politics, again, are the real determinant. If India can draw on her huge external reserves at a rate she chooses, her need for further capital may not be very large, even assuming a high rate of expansion. In the light of recent events, achieving this is a political, not an economic, deal. If, on the contrary, her assets are blocked or only released in trickles, even if foreign capital is urgently required, British objection on the political plane is likely to prevail over America's enthusiasm to invest in India, and the chances of America's participation are thus smaller. In either case, the scope for the influx of foreign capital is inconsiderable, with the proviso that, if a national government comes into being and launches on an ambitious scheme of expansion, the political objection will be weakened and economic necessity may be strengthened and prospects for foreign participation made brighter. Even if foreign finance is not wanted, foreign technical assistance on a giant scale will be in demand to afford basis for constructive collaboration. A politically independent India need suffer from no inhibitions and will not object to foreign participation if she is convinced of its economic utility. But not until this condition is reached, can India afford to grant participation rights to any foreign capitalist. Not only so; but the dangers of British and other foreign capitalists combining against Indian interests are too real to be ignored. Even American participation, which it may be assumed is non-political to start with, may assume a character bordering on economic penetration of the wrong type. India will also fight against any scheme designed to allocate spheres of capital investment between Britain and America as much as she would a combination of British and American imperialism in India. She has also to be wary of the highly injurious forms of industrial organization represented by foreign including British companies which masquerade as Indian by adding (India) Ltd.

Economic Development and Population Policy

IT has become now almost a cliché to say that in the era of planned economy, man-power and natural resources constitute the dual ultimate parameters of a country's potential in economic wealth and power. Certainly for a country which is already fairly advanced on the road towards industrialization, the greater the endowment with varied natural resources and the more resurgent the demographic factor, the greater is its advantage in rapid accretion of economic power. Given the geographical distribution of natural resources, the underlying demographic trends would lead to a steady shifting of the weight of world man-power, and this could no doubt decisively determine the ultimate pattern of a shift in the weight of world economic power. Nevertheless, it is as well to recognize that the very abundance of man-power at the bottom of the economic scale, may set up such a vicious dispensation of things as will put under fundamental pressure all efforts at planned economic development. This aspect has attracted considerable attention recently and competent students of the problem have been impressed with the formidable array of imperatives which face a backward and thickly populated old country struggling to break the vicious circle of a rapidly deteriorating demographic-economic set-up. Mr. Eugene Staley in his recently published book *World Economic Development*, for example, reverts to the question and alludes to certain essential adequacies in the situation of a country labouring under massive demographic pressure. Even in the British House of Commons debates, now-a-days we frequently catch the refrain of the existence of a grim Malthusian situation in India—population pressing against the means of subsistence. The conclusion inevitably follows that there must be *some* deliberate economic development, without a realization that plans for economic development which fall short of essential adequacies may aggravate the situation even further.

The Bombay planners themselves were, of course, acutely conscious of the tremendous population pressure against which they were contending. Thus, although they set out with the aim of doubling our per capita income, they had to reckon with the rapid rate of growth of population and had to provide for a trebling of national income to ensure a doubling of per capita income. The net reproduction rate in our country cannot probably be calculated from existing data, but the absolute growth of our population during the last inter-censal period has been at the enormous rate of about 5 million per annum. The calculations in the Bombay Plan are based on the assumption that the growth of our population will continue at the same arithmetical rate of 5 million per annum. Such a simple arithmetical assumption about the growth of population for a period stretching over 15 or 20 years or the best part of a generation is, of course, gratuitous but what robs the assumption of even approximate validity is the certainty that the very process of economic development itself will have profound effect on the rate of population growth. Let us explain.

The distinctive feature in our population growth is the coupling of a high death-rate with a high birth-rate. In India the birth-rate and the death-rate are among the highest in the world, being approximately about 35 per thousand and 25 per thousand respectively according to official statistics, the survival rate thus being approximately 10 per thousand which gives a growth of population of nearly five million a year. These recorded rates are believed to be considerable underestimates. Judged by evidence of life tables, the actual death-rate may average 35 per thousand and then the actual birth-rate may be as high as 45 per thousand. In Great Britain, too, the corresponding figures were about 33 and 20 in the 1880's but they fell to 15.5 and 12.2 in the quinquennium 1931-35. Prof. Carr Saunders is of the opinion that the comparatively rapid growth of population in Java, China, India and similar areas in recent time, has been due not to the forces which led to the populational upsurge in the west which occurred in the wake of the industrial revolution, but due to political security leading to less internal disorder. A plan like the Bombay Plan which adds the factor of economic security, will in all probability greatly reinforce the trend. When a national minimum is assured to all, with better food, better housing and better medical service for the masses, the rate of mortality would precipitously fall and, especially with the great advance in medical science lately and with the new 'miracle drugs,' it would not be surprising if the mortality rate in India also along with all other countries is levelled down to a new all-low figure of 10 or 15, representing the irreducible minimum. But as the experience of other countries show, the birth-rate will fall only after a definite time lag and, as has been suggested, may even increase initially as the vital power of the masses, lifted from the semi-starvation level, is increased. This means that, with the Bombay Plan under way, the survival rate may possibly increase from 10 to 25 per thousand. If then the population begins to grow at the rate of 10 or 15 million per annum instead of 5 million as assumed the economic programme envisaged in the Bombay Plan will be totally incapable of raising the mass standard of living appreciably. The prospect of such an enormous spurt of population growth is no mere speculation but a near-certainty, for all past experience shows that the demographic correlate of the diffusion of urban-industrial civilization has been initially a rapid decline in death-rate, making possible a huge expansion of population, followed later by an accelerating decline of the birth-rate after prosperity and education have reached a certain stage. A plan like the Bombay Plan may only succeed in removing the 'positive checks' which were holding down the population and lead to "catastrophic consequences" as have been apprehended by competent students.

To counteract this incipient peril, Eugene Staley has suggested three lines of attack. First, he says, "it is desirable that improvement in technique, equipment and skills be pushed ahead *very rapidly* in these heavily populated countries" so that "the more speedy attain-

ment of high living standards may hasten the tendency of the birth-rate to fall." (Italics his.) If it is assumed that the birth-rate will fall only after the income per capita has been quadrupled, this quadrupling must be done in the shortest possible time because otherwise the growth of population continued at the rate of 10 or 15 million per annum for 25 or 30 years would completely swamp the economy. Secondly, he adds, "it is desirable that economic development in heavily populated areas should bring not merely increased production and consumption of goods, not merely improved sanitation and medical care, but also rapid educational progress for the masses of the people and a rapid rise of the cultural standards. This would tend to reduce the lag between the fall in the death-rate and the fall in the birth-rate, for everywhere better educated people have manifested a desire for fewer but better reared children." "Thirdly, in view of the problem which will arise if the time-lag between the fall in the death-rate and the fall in the birth-rate is not reduced, peoples in the areas of potential population pressure will seek knowledge of methods of birth control at the same time that they are acquiring industrial and medical knowledge enabling more people to survive." In other words, an economic plan must be coupled with an energetic population policy, lest, as we take off the lid of 'positive checks,' we face a genie in the shape of a run-away population growth hurtling us towards disaster.

This leads us back to the basic binomial of man-power and natural resources, for relative to our huge population they are not so large as in the United States or the Soviet Union and we can hardly afford unrestricted growth of population. The adequacy of any economic plan must again be judged by the criterion of its ability to stand the strain of dynamic demographic forces. To say that our population is pressing against the means of subsistence and our "factor of safety" is low is not to measure the adequacy of any particular plan, for an inadequate plan can only further worsen the situation. In other words, it is not merely that "small means do not merely produce small effects; they produce no effects at all"; they may even produce negative effects. Even the Bombay Plan, as we saw in a previous issue, can negotiate a population growth of only 5 million per annum and no more. To negotiate a potential growth of 10 or 15 million, the rate of development envisaged will probably have to be doubled. This need cause no despair, for the rate of development envisaged in the Bombay Plan is only one-third of that in the Russian Plan and provided that we can count on the sterling balances and/or adequate international loans, a doubling of the rate of development envisaged need not be attended with hardships as in Russia. This again serves to emphasize the importance of international co-operation for economic development of a thickly peopled old country. In any case, there are compelling reasons why an energetic population policy should form an essential adjunct of an economic plan, for otherwise, as Mr D. C. Driver said in his presidential address to the Engineering Association about a fortnight ago, "our population with its unrestricted growth will ultimately pulverize all plans."

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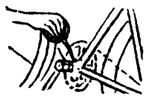
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The Feast of Shiraz

SHEIKH SAADI OF SHIRAZ, the celebrated poet of Iran, once visited a rich merchant in another town, where he was lavishly entertained. After meals, he frequently sighed and said "Ah, Dawat-e-Shiraz" (Ah, the feast of Shiraz). The merchant, scenting dissatisfaction, redoubled his efforts to provide fare worthy of his distinguished guest. But always after a meal it was the same "Ah, Dawat-e-Shiraz," and after three days the poet left. Later the merchant visited Shiraz and he determined to call on the poet and find out what made the feast of Shiraz so much better than his own fare. He was surprised, and even angry, when he received a modest meal. "This is but simple fare and costs so little that you may stay, if you like, for a year," said the poet. This, he explained, was true hospitality—embarrassing neither to the host nor to the guest. We, too, can prove ourselves good hosts by giving our guests simple food. We can make every meal "The Feast of Shiraz." Food is in short supply and it is the poor who suffer most. Now, more than ever, is the time to follow the advice of the wise poet of Iran.



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food for all

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The Week's Notes

DEVELOPMENT PLAN FOR BOMBAY PRESIDENCY

The Government of Bombay have come out with a fifteen-year programme to raise the economic level of the country-side and aid the resettlement of returned soldiers. Divided into three five-year periods, the plan is expected to cost Rs. 50 crores in the first five years. Concerned primarily with agricultural development, it reflects the order of priorities favoured by the Central Government and gives importance to road transport, irrigation, medical and educational facilities. It also aims to supply cheap power to agriculture and small industries through an electric grid system. In its emphasis on agricultural research, cattle-breeding and staff training, it follows the Kharegat Scheme. An interesting feature of the plan is that special schemes will be worked out to meet the particular needs of different localities. Thus, fruit and vegetable growing will receive attention in regions where conditions are suitable; in areas with useful live-stock strains, scientific breeding will be organised; measures to repair the damage caused by war-time over-felling will occupy the centre of the stage in forest tracts and so on. Nine districts have also been selected to serve as the field for high-pressure drives towards intensive development. Besides the benefits and amenities coming from projects applied throughout the province, these "concentrated areas" will have special schemes of their own and their co-operative, educational and medical services will be organised to a high degree of perfection.

Rural development has been so badly starved all along that the proposed measures are bound to be productive of substantial good. It is, of course, true that, in agriculture even as in industrialisation, the Government of India should assume responsibility for overall development. Such taxation, the composition of agricultural production and agricultural price policy are best decided upon by the Centre. Again, schemes of afforestation, control of erosion, irrigation and drainage are better dealt by special expert boards on the basis of natural regions (e.g., river systems), which may overlap provincial boundaries. The point to remember, therefore, is that however useful in themselves these provincial plans may be, they cannot be a substitute for comprehensive over-all planning by the Government of India and should consequently be elastic enough to conform to the requirements of the All-India Master Plan,, without which, indeed, the basic rural problem cannot be solved.

PLANNING WITHOUT STRIFE

In the course of the Madan Memorial Trust lectures, which Prof. Gyan Chand delivered last month, he had some very interesting remarks to make on the Bombay Plan. There is indeed a real danger that unless there is continuous vigilance, sectional interests may, often operating under false slogans, try to engineer the plan for anti-social ends or for the advancement of sectional power. But it would be equally dangerous if the execution of the plan has to be preceded by an exhausting civil war or bitter ideological strife as in the case of Russia. As Prof. Gyan Chand says, it is essential to realise that we have to carry out big and necessary changes without strife as far as possible, i.e., we have to make them with the largest measure of general consent minimising the necessity of coercion and repression. Undoubtedly such an ambitious plan for economic regeneration will call for far-reaching social and economic changes but it does not serve anybody to emphasise false anti-thesis or to give absolute priority to mere social strife. In India the net work of existing vested interests is indeed small in relation to our vast potential for industrial development and it may be said that we start nearly with a *tabula rasa* giving full scope for constructive changes. There is, therefore, point in Prof. Gyan Chand's assertion that "we have, as our next step, to be satisfied with a halfway house so long as we retain our sense of direction and go ahead with conviction, courage and clear understanding of our vital needs." In a planned economy in our circumstances there would be place for private enterprise as much as for collective, co-operative, public and mixed enterprises. On the other hand, it is essential that the plan must be imbued with a sense of social purposiveness and direction. For although the execution of the plan will require some amount of regimentation, the element of regimentation has to be reduced to the minimum; consequently we have to "rely mainly on the enthusiastic co-operation of the people evoked by really inspired and inspiring leadership." Prof. Gyan Chand is indeed emphatic that the plan would require this co-operation not only in operation, but in the very initial stages of deliberation and discussion. This would require not only a Government backed by popular mandate but also greater emphasis and clear-cut delineation of the social and distributional aspect of the plan.

ORTHODOX BUDGET-DEFICITEERING

The recent British White Paper on "Employment Policy" seeks to set up, albeit with some qualms and wobblings, a new orthodoxy about sound principles of budget-deficiteering. The latest White Paper is indeed a far cry from the infamous 'May Report' of 1931 when budgetary equilibrium was made into a dogma of 'sound' finance, especially in the phase of the down-swing of the trade cycle. To the generation which has been trained in the subsequent decade of New Deal and war finance, such orthodoxy looks eerie and strange. Nevertheless, it is not easy to get away completely from the grooves of established thought and one can feel in the White Paper the uneasy predicament of the British Government, which has definitely drifted away from the moorings of budget-balancing but has not yet arrived at a stable anchorage of sound principles of unbalanced budgets. Granted that budgets must be unbalanced as a full-employment policy during the slide into the trough of the cycle, is there to be no limit to such unbalancing? As a sop to financial conscience, the White Paper seeks to conceal the measure of the deficit by throwing it largely on extra-budgetary funds like social insurance contribution and capital account of local authorities. Then it hastens to add that it proposes no "deliberate planning for a deficit" in years of subnormal trade activity and that the "Budget must be balanced over a longer period," presumably over a complete 'wave-length' of eight or nine years. But the crucial question whether the adequacies of a full employment policy will also coincide with the fiscal requirements of a long-period budgetary equilibrium is merely assumed away without any effort at demonstration. The proposed cushioning by extra-budgetary funds like social insurance contribution may serve to cover up the fiction of balance up to a point, but economic prognosis have to be much more potent before the validity of the principle of long-term balance could be posited. There are indeed strong presumptions in favour of the thesis that any adequate full employment policy would in all probability lead to a progressive piling up public indebtedness. If the authority charged with execution of full employment policy were so wise and omnipotent that it could with assurance nip in the bud any incipient depression so that good years largely preponderated over lean years then indeed a long-term balance could be assured. On the contrary if the functional property of a mature capitalist economy is, as many suspect, a sustained or recurring bias towards deficiency of effective demand, the presumption is reversed. If, therefore, any principle of long-term balance cannot be rightly enjoined without detraction from the effectiveness of a full employment policy, clearly an elastic limit must be placed to the permissible rate of growth of indebtedness. The servicing of this growing indebtedness is no doubt a problem of internal transfer of income but it nevertheless requires a fiscal adjustment if revenue income does not increase *pari passu* with growing national income and debt. The new orthodoxy in budget deficiteering is, therefore, that the permissible rate of growth of indebtedness is such as does not call for a fiscal adjustment, because the automatic rise in public revenue can cover the additional interest burden. The White Paper tentatively enunciates this principle by saying that the net annual interest burden of the National Debt, even if it is allowed to rise, should not be allowed to become a rising proportion of the National Income. This again is one more instance of characteristically British compromise, for the question has still to be asked and answered whether such a cautious "stable ratio" could fully accommodate the categorical imperatives of a full employment policy in an era of instability such as we might expect after the war. It is true, however, that the new principle allows a wider berth.

HAWTREY ON THE MODERN ECONOMIST

In his latest book entitled "Economic Destiny" which is largely a study of the economic disorders from which humanity has suffered in the twenty years between the two wars, Mr Hawtrey makes many shrewd and penetrating observations of which the following will be of interest to the present day students of economics. Writing on the need for stable currency, he says: "A change has come over the spirit of economic science. The economists of the nineteenth century supported many gross errors of theory. But they did not lose touch with practical affairs, and their theorising was usually modified by a salutary impression of common sense, so that the practical advice they gave was better than the theoretical grounds on which it was ostensibly based. And along with the virtue of common sense they possessed faith; they were not afraid of applying their own conclusions and when they offered advice they carried conviction. Their successors of the twentieth century are too prone to pursue niceties of theory far out of touch with practice, and only to resume contact with men of affairs to the extent of tossing their paradoxes and disillusionments calculated to perplex and paralyze action rather than to form and support a policy. The war has made a difference. . . . But will they approach the complexity and multiplicity of questions posed by the return of peace in the same spirit?" Similar criticism was also levelled against the modern economist by Sir William Beveridge at a farewell meeting at the London School of Economics before he went over to Oxford to become Master of New College. Let us hope that the economists in India and abroad who have during the war advised with less disagreement and more conviction will be able to combine their theoretical equipment with practical knowledge and realistic studies.

POST-WAR INFLATION OR DEFLATION?

Will inflationary or deflationary forces be at work immediately after the war? If the experience of the last war is any guide, the prevention of an extravagant inflation such as occurred after 1918 would be the most urgent and pressing problem. At present in Britain and U.S.A. inflationary forces have been kept in suspense and their effects masked at least by various restrictions and controls. Through price controls and rationing of supplies the people have been restrained from an orgy of expenditure as they cannot find objects to spend their money on. Savings have accumulated in the form of loose money which, being destined to be spent as soon as opportunity offers is withheld from investment in any permanent form. But when the restrictions upon imports and production are released idle money will exert a powerful pressure to push up prices. It may be difficult to make a control of prices effective in the face of the demand unless the Government continue to take strong measures so as to prevent inflation. Apart from fiscal measures of continuing taxation at high levels until production catches up demand, borrowing programme should be continued with vigour.

On the other hand in India deflationary forces are at least as likely to be in operation as inflation. The reduction in personnel, the choking of war demands for goods and materials, the accumulation of large surpluses waiting to be disposed of and the psychological factor fearing a possible fall in prices and incomes will have a bearish effect on economic conditions. Fortunately this time Governments—not even excluding the Government of India—are more alive to the dangers of both inflation and deflation. They are prepared for both eventualities, and this is a most satisfactory prospect for the future.

POST-WAR BURMA

With the rapid advance of the Allied forces in Burma and growing possibilities of an early liberation of the country, the question of its political and economic reconstruction and relations with India have assumed a new urgency. The recent "outspokenness" of Sir Alfred Watson in "Great Britain and the East," on the question is far from reassuring either to the Burmese or Indians. It has the familiar ring of the decades of unabashed economic imperialism which denied the fundamental rights of the weaker peoples in the interests of exclusive trade and investment opportunities for the mighty. If people like Sir Alfred have their way after the war, the Atlantic Charter will be a mishomer, and post-war Burma will present the disquieting picture of East African colonies with natives sweating for the white man's profits and the country denied of every help and co-operation her greater neighbours can offer, on the specious and tranparent pleas of native interests being injured somehow or the other. To say the least, the attitude revealed is thoroughly anachronistic. If the war has revealed anything it is that the problem of Burma is only a part of the larger issue of stability in South and East Asia, whose defences and economic development are now beyond the economic and man-power resources of the little maritime nations on the western fringe of the European continent. To consider Burma as an exclusive British affair and to forget the role India has to play in the security and prosperity of South-East Asia in general and Burma in particular is to be blissfully oblivious of every lesson the war has for the future. It is a great disservice to the cause of regional co-operation in South-East Asia to represent pre-war Indo-Burmese relation as an exploitation of Burma by India. It must be recognized that India has played a useful part in the economic development of the country. Despite her small surplus, India had invested over Rs. 200 crores before the war and Indian interests have lost heavily as a result of the crumbling of an antiquated political system in this part of the world. Though for political purposes, there came to be in Burma after the separation an unfortunate anti-Indian attitude, the fact remains that Indian labour

and capital hardly competed with Burmese. India took over 35 per cent. of Burmese exports and accounted for 50 per cent. of her imports and the economies of the two countries were mostly complementary. Harmony of relations between the two countries is needed after the war for organizing security and prosperity in the region, and this cannot be fostered in the sort of order envisaged by Sir Alfred who wants to hold Burma as a close preserve for Britain and shut the Indians out. The brazenry of men like Sir Alfred Watson is a pointer of the shape of things to come after the war.

THE IMPERIAL BANK AND THE BANKERS' ASSOCIATION

The reported decision of the Imperial Bank of India not to join the proposed All-India Bankers' Association (the details of which are being worked out by a committee of representatives of scheduled banks) is not surprising. The Imperial Bank has always been alien in outlook and anti-national in policies, at least until very recently and as long as Indian banks had not grown in strength, although it owed its predominant position to the special privileges it enjoyed as Government banker and in other capacities. In a recent article on the subject, we had expressed our doubt whether the exclusion of the Imperial Bank from the Bankers' Association would not result in the latter's policies being prejudiced and also drawn attention to the opposite contingency that its inclusion might lead to the dominance of the Imperial Bank in the counsels of the All-India body also. The present decision of the Bank makes it clear that its influence and experience and co-operation are not going to be available to the other banks, in the hammering out of common policies. Not that other Indian commercial banks cannot come together and achieve the aims of the Association or that there is going to be any difference in the ordinary policies of the Imperial Bank and the rest (though some occasions of serious strife cannot be ruled out.) In fact the Indian banks can and should go ahead with their plan. The attitude of the Imperial Bank is a challenge to the Indian banks for common endeavour, which they should not hesitate to take up. For their present move, they have the support of the Central Banking Enquiry, the Reserve Bank and impartial opinion in the country and they can even gain statutory recognition for the Bankers' Association if its aims and constitution are drawn up comprehensively. But there are two points which call for comment and explanation. In the first place, is it not necessary that the Imperial Bank, with its strength of over Rs. 230 crores of deposits and 400 branches, which it has built up due to Government association and which makes it a public institution equally with the Reserve Bank, should be made to conform to national standards and policies? In the second place, if Indianization is not an eye-wash and if the Indian directors of the Imperial Bank have any real voice, they should come out with an explanation as to why their bank cannot collaborate with other banks in the proposed Association. Of the central directorate of fifteen, there are at least four Indians who got in by election, while the fifth is the nominee of the Central Government. On the local boards, two out of seven in Calcutta and four out of seven in Bombay are Indians while on the Madras Board of six there are two Indians. The least they owe is an explanation.

INTERNATIONAL PUBLIC WORKS

The idea of international public works, *i.e.*, public works extending beyond national boundaries, was mooted in 1931 in recent times by Albert Thomas, the first Director of International Labour Office, as a useful means of resisting industrial depressions. It is a sad commentary on the machinery of Governments that no such scheme could be agreed upon for implementation even at a time when the world was in the throes of the Great Depression. Besides reducing fluctuations in economy and employment, it has been recognized that programmes of international public works may do much to expedite the most effective exploitation of natural resources in both developed and undeveloped areas and establishment of balance in world economic relations. They could also be taken up for common defence and strengthening the political and economic relations between one another by the nations or to meet a extraordinary international emergency like rebuilding of areas ravaged by wars.

Much of relief and rehabilitation work will fall upon the world at the end of the war which will leave many countries with shattered economic structures. Post-war relief and rehabilitation will be a problem not only in Europe but also in other war-affected areas like China where, besides preventing starvation and alleviating suffering by supplying food, medical facilities, clothing and raw materials, the resumption of orderly normal economy has to be facilitated. Land reclamation and road and railways, construction, airways, maritime and river ports and harbours, energy resources development, public buildings, population resettlement, industrial, social, educational and recreational works in the war-torn countries will need international assistance. All this stupendous task provides a promising field for international public works schemes which would greatly facilitate, if conducted on proper lines, economic and social adjustments in the various countries, both developed and backward, debtor and creditor.

U.P. ECONOMIC ADVISORY BOARD

With a commendable appreciation of the inadequacy of our economic data for all practical purposes of war-time economic control and post-war planning, the Government of U.P. set up last year a separate Department of Economics and Statistics. The functions of the department are naturally pooling and systematic study of available knowledge and experience, improving existing statistics and collecting additional data which may prove useful. It is associated in its working with an Economic Advisory Board which is to suggest lines of economic investigation, co-ordinate the results of economic inquiries, advise Government on economic and statistical matters with reference to current and post-war economic problems and appoint necessary sub-committees to survey specific problems. The Board is constituted of 10 officials from different departments which have to tackle economic problems and 29 non-officials nominated to represent industry, labour, banking, trade, agriculture, consumers, universities, women and trade, agriculture, consumers, universities, women and the National Defence Council. Some very useful suggestions were made by members of the Board which met with the characteristic bureaucratic evasiveness. One of these was for collection of figures relating to the movement of wages. It is well known that the available wage statistics is neither adequate nor reliable, and this constitutes one of the most significant gaps in our economic data. But it was waived on the tenuous ground of there being legal difficulties in collecting them. The obvious question is, cannot the Government remove such difficulties? Another useful suggestion turned down was with regard to collection of facts regarding the effect of war on agriculture and rural indebtedness. The proceedings of the meetings of the Board give the impression that it is hardly calculated to be any more than a forum where a complacent bureaucracy can congratulate itself on its achievements. All that was worth doing has been done, appears to be the attitude to every suggestion and criticism that are generally far from candid. If nothing better than this can be done, the organization is hardly worthy of emulation by other provinces and hardly justifies the public expenditure.

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A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1116

SPECIAL ARTICLE

Economic Incentive

(By Gaganvihari Mehta)

DR. John Matthai's interesting address at the Rotary Club recently on "Government and Business Enterprise" brings us up against one of the fundamental issues which India, along with the rest of the world, will have to face in the future, namely, how far the motive of gain is an incentive to economic effort and how far it would be weakened under a system that substitutes service for profit as an objective of industrial pursuit. Through the necessity of the economic motive, problems of production and distribution become intertwined. The general presumption is against the possibility of making men work if their comforts are provided. But as against this, it should be emphasized that it is the disagreeable and monotonous character of so much work that is responsible for the general distaste of work and the usual indolence.* Professional and business work, for instance, is more enjoyable on the whole than mere idleness or drudgery. Secondly, a considerable amount of work is done without pay, and even a Magistrate's work is attractive, says Bertrand Russell, because it satisfies the vindictiveness and moral superiority of men. Besides, the desire for the good opinion of neighbours and for the feeling of effectiveness are motives that impel many men to be active. But it is true that some sort of work is bound to remain painfully monotonous and there should be no hesitation in trying to attract men to such work by privileges like higher wages or shorter hours. Socialists have held that by the pressure of public opinion, by making work itself more agreeable and by securing more leisure through technical organization as well as by the inducement of obtaining things of luxuries by greater effort, a plan of equitable distribution would function. In practice, however, as Soviet Russia has found, industry has to rely on measures of coercion and compulsion, the use of punitive powers against those who are found malingering or lethargic including economic loss or imprisonment as well as special inducements to those who are prepared to overwork themselves as in the Stakhanovite system.

In dealing with this important question of the supply of motives, we should be careful not to be dominated or prepossessed by the existing psychological and social categories nor to take too rosy a view of human nature. The defenders of capitalism fall into the first error since they assume, as remarked by Tawney, that "the motives to effort are simple and constant in character like the pressure of steam in a boiler," † while the advocates of socialism are prone to underrate the difficulty of eliminating gain as the directing incentive of industry. It cannot be denied that the motive of pecuniary gain is a powerful one, because it is definite, objective and instinctive. It is easily understood and felt. It has an element of certainty in it. While it makes the test of success identical with the end pursued—since "good" business means large profits—it calls to aid all the primitive and common passions of men, the incentive of acquisition, of fighting and dominating men, of obtaining security and privilege for one's family. Moreover, it has the sanction of public opinion behind it. The classic argument in favour of capitalism rests, in fact, on this psychological assumption that profit-making is a sort of alchemy for obtaining the largest output and for continuous and concentrated effort even by dull brains. Capitalism, it has been argued, enables even a poor man to turn his love of profit to some valuable end. It harnesses men's energies to a definite object and thus secures efficiency and enterprise. "Let it be granted," says J. A. Hobson, "that a Rockfeller or a Leverhulme will not *function* in our socialist industry.....Their present masterful operations, though motivated primarily for personal power or gain, carry rich incidental fruits for humanity."‡ Nothing is easier than to dogmatize about the subtle and complex motives of man. There is no doubt, for instance, that if capitalism elicits the creative energies of men through the motives of gain, the wastage which its system of "natural selection" involves is also its grave drawback. Society should also provide facilities for the man who has a love not of profit but of beauty or of learning, though such a scale of values be alien to the present economic system. There is also force in the socialist argument that the motive of gain and profit as a stimulus to work is at times immensely exaggerated. The best social work is done without the desire for reward and cannot, in fact, be so rewarded. Such work is done not for profit but for social approval, for public honour or dignity, for the leisure or freedom it affords or through interest in the work itself. Fear of starvation on the one hand and ambition of gain on the other are not the only motives that make men work. The danger of starvation is being reduced in industrially advanced countries through schemes of social security, while the motive of fear can never secure the best type of work or elicit the most creative energies of men. Indeed, the prevalence of industrial unrest is, if any thing, evidence of the failure of incentives in the present system. Hence, while the reformer seeks to provide motives to economic effort in socialized industry, the owner of today is confronted, on the contrary, with a diminution in the "will to work" even in the existing order. Nor is the motive of greed less inadequate. In fact, the incentive of personal gain is definitely weakened in joint stock enterprise, the trust and the cartel except for a few men at the top and such combines are the dominant forms of industrial enterprise as compared to the individual concerns of earlier days. Yet, somehow, that is not considered a drawback of such enterprises which are even regarded as higher types of industrial organization. Moreover, the motive of profit-making is often anti-social in its effects leading to the fleecing of consumers and the exploitation of labour. There is a type of business genius, says Hobson, in which the predatory quality devours the creative. The fact that the professions and the civil service differ radically in the purposes and criteria by which they are governed from business organizations shows that, after all, the stimulus to work is not constant and unalterable, but is largely a question of organization —of training, tradition, habit. As Tawney observes in his inimitable way, "the idea that there is some mysterious difference between making munitions of war and firing them, between building schools and teaching in them when built, between providing food and providing health which makes it at once inevitable and laudable, that the former should be carried on with a single eye to pecuniary gain, while the latter are conducted by professional men who expect to be paid for their services but who neither watch for windfalls nor raise their fees merely because there are more sick to be cured, more children to be taught or more enemies to be resisted is an illusion." Nor can we easily measure the new motives that might operate in a socialistic community, because it is the prevailing atmosphere and the existing standards which are responsible for exaggerating the desire to accumulate wealth. If the temptation of material reward was diminished both in extent and in value, its pursuit would not be so common while the average man would have greater incentive to work. With a rise in the standard of general ability, as the economist would say, even the rent of ability is bound to fall.

But while it may be said that administrative capacity, resourcefulness and inventiveness may be elicited through an appeal to public spirit and the reward of a public reputation, it must be pointed out that utopian schemes of social reconstruction tend to take either too rosy a view of human nature or to skip over the danger of social oppression through measures of industrial conscription. When we seek to eliminate profit-making as the objective of industry and to substitute social service instead, we must also remember that abstract terms like the State, community or public may not always be adequate to stimulate an ordinary worker to put forth his best energy and are capable of misuse by those who happen to be in power. Under the same technical conditions of large-scale production, standards and routine, industrial control will have to remain largely oligarchic and the industrial organization will tend to be more and more impersonal. Hence, it is doubtful whether the motive of social service will be a force powerful enough to impel men when security of employment is assured. It is true that through a new social atmosphere in which pecuniary gain is not applauded, through a new status to the mass of producers, through a community of business interests and mobilization of group opinion, something may be done to compensate the risk of inefficiency and indiscipline and slackness. The question is not one of psychological hypothesis but of actual social experiment and investigation, and in this respect, it cannot be gainsaid that Soviet Russia has valuable lessons to teach, both in a positive and in a negative sense. Mr. and Mrs. Webb have, for example, made an illuminating study of this problem.§ The communist remotivation has involved, they observe, the remoulding of the old incentive of pecuniary self-interest so as to harmonize it with the welfare of society as a whole as well as the discovery and application of additional incentives. Thus, for instance, what may be termed the sports instinct is utilized through the desire of individuals or groups to measure themselves against others in trials of skill and endurance. Then there are sanctions of public honour and public shame. Higher in the scale of moral values stand the stimuli of intellectual curiosity and joy in perfected craftsmanship; and, above all, the zeal for social service, irrespective of any special recognition, leading to sustained inconspicuous toil and even acts of heroism as witnessed in the last four years of war. But there is no doubt that the Soviet system has had to rely on rigorous social punishment for making men work, and such methods, apart from the risk of victimization, open up immense opportunities for the exercise of rigid censorship of the State or oppression by the bureaucratic hierarchy.‖ It is therefore essential to study the Soviet method in an objective and dispassionate manner. If the necessities of life were assured to all, what proportion of the people would prefer idleness to work? Can personal selfishness—even in the shape of pride, individual achievement or satisfaction at the exercise of skill—be eliminated from the performance of any social function? Is not self-importance or pride of power a manifestation of the acquisitive motive and are they morally more elevating than the desire for gain? In what manner can we elicit the creative energies of men through appeal to both their egoistic and altruistic motives which are inextricably intertwined? How far can the motives of energy be spiritualized as the struggle for existence becomes less keen and destructive? These questions shall challenge a satisfactory answer if we are to harness individual energy to common purpose, to sublimate the acquisitive motive for a social end. We cannot abolish greed or avarice; what we can and must do is to build a system in which the acquisitive motive is not the only constructive incentive of industry and in which greed and avarice are not exactly the qualities that are encouraged and applauded.

Calcutta.

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* Compare, for instance, Kropotkin who says, "If there is still work which is really disagreeable in itself, it is only because our scientific men have never cared to consider the means of rendering it less so: they have always known that there were plenty of starving men who would do it for a few pence a day."

† "The Acquisitive Society" by R. H. Tawney.

‡ "Incentives in the New Industrial Order" by J. A Hobson.

§ See the Chapter entitled "In Place of Profit" in "Soviet Communism" by Mr. and Mrs. Webb.

‖ Compare M. R. Masani's "Socialism Reconsidered." Says Mr. Davies in his "Mission to Moscow": "The Stalin regime dropped the principle of communism in practical application. The only permanent and insistent initiative that the government has found is profit."

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THE WORLD ABROAD

Tax Reform In U. S. A.

(From Our Washington Correspondent)

WASHINGTON, Aug. 26, 1944 (By Cable).

Three of the foremost tax experts of the U.S. have recently issued statements on the subject of the post-war tax structure in the U.S.A. They are Walter F. George, Chairman of the Finance Committee of the Senate, Robert L. Doughton, Chairman, Ways and Means Committee, Randolph E. Paul, a former Treasury official, who devised much of the war-time tax legislation which was presented before Congress. In addition, Treasury and Congressional Committees are also doing preliminary work with a view to framing a legislation for a post-war tax system that would be the least burdensome possible. One of the recommendations in the famous report by Mr. Bernard M. Baruch on war and post-war adjustment policies was "Prepare now for future action by reducing taxes from war to peace-time levels thereby providing necessary incentive for initiative and enterprise and stimulating employment."

So far, however, thinking on the subject of post-war taxation has not by any means crystallized. Senator George said that his experts were studying the means of lowering income taxes for both individuals and corporations after the war but added that the Federal Budget in the immediate post-war years will probably require from 18½ to 22½ billions annually or, in other words, four times as much as Government revenue during 1939. He concluded, therefore, that return to pre-war levels could not be deemed as an immediate prospect but he announced that studies now going on aimed at a reduction in income taxes while keeping them sufficient to render adequate financial support to prospective budgets. He further revealed that current levies run up to a total of 90 billion dollars annually and declared: "We will attempt to reduce taxes particularly those operating as a brake on business to prevent production." Adding up of a 95 per cent. Excess Profits Tax "is out of the question" in the post-war period. He said, however, that a tax bill could not be drawn up until victory at least in Europe was attained when the United States can more accurately estimate its commitments including the size of its armed forces, contributions to the U.N.R.R.A., the Stabilization Fund and the World Bank. Mr. Doughton, on the other hand, has quickly refuted Senator George's prophecies, stating "We know nothing about it (future tax requirements). We do not know what our National Income will be. We don't even know what revenue the present tax law will bring in and we do not know what budget requirements will be. Nobody can tell anything about budget requirements as long as we keep on passing bills that call for spending money on post-war undertakings. He opposed the stirring up of tax controversies with the election in the offing and the new Congress scheduled to come in in January. Mr. Paul, writing in the *Washington Post* stated that before we could decide upon a tax system a number of questions will have to be answered, for example, 'Upon what kind of taxes shall we place our major reliance in the post-war period, whether it is possible to achieve a genuine simplification of our tax system? and finally whether we can stimulate the post-war economy by the incentive of lowered taxation?" He mainly discussed corporation taxes which have been devised not only to meet revenue needs but also to frustrate war profiteering. He pointed out, however, that the Corporate Income Tax rate has increased from 18 per cent. to 40 per cent. on net incomes not subject to Excess Profits Tax and falls, theoretically, not on war profits only but on normal profits as well. He drew attention to the fact that while under the Revenue Act of 1940 Income Tax was allowed as a deduction in computing the taxable Excess Profits the following year, the procedure was reversed and Excess Profits Tax became a deduction in computing income subject to normal and sur-tax. The Congress has also made arrangements for public utilities on which Mr. Paul commented, "corporate sur-tax is at least, partially a tax on undistributed profits on utilities." This adjustment may be prophetic of a post-war revision of the tax structure to suit the requirements of business activity.

Reaction To The Monetary Conference

(From Our London Correspondent)

LONDON, July 29, 1944 (By Airgraph).

COMMENT in the Press on the outcome of the Bretton Woods Conference is, on the whole, favourable, though there is little of enthusiasm shown. For one thing, the final reports only gave summaries of the main points of agreement, and much depends on the details which, as yet are not known. Only when these details are known, is a proper evaluation of the result of the Conference possible. The main interest is however concentrated on the Monetary Fund Plan, and very little in the way of comment or explanation was forthcoming on the plan for a World Bank. It is said that the amount of agreement achieved could be looked upon as a hopeful sign for further co-operative action of the Allied nations. The co-operation during the Conference of the Indian delegation was favourably commented upon by most of the papers. Since the proposals agreed upon have to be studied by the various Governments, there is reason to believe that a second conference will be necessary when the Governments have had time to go into the matter. It may be necessary to settle a number of points of disagreement which will, no doubt, be raised in due course. But there is little fear that final agreement will not be reached.

There are, however, two groups in Parliament who will fight the proposals when they come up for debate. The one group consists of members of Parliament who lean towards certain reform policies which, to say the least, are based on somewhat confused notions of the nature of money. This group is, however, not very strong and, what is more, its members have different views on different points of monetary policy. On the other hand, there is a group of Labour members, supported by a few from other parties and led in debate by Mr. E. Shinwell, who look upon the Bretton Woods Conference and its proposals with great suspicion. They are not against international agreement as such, but they hold the view that it is wrong policy to seek international agreement, when, in fact, agreement has to be bought at the cost of bad compromises. Both groups are against any connection between gold and monetary standards.

And both are agreed that the British Government is trying too hard not to offend certain circles in the United States of America. Mr. Shinwell's point is that a workable agreement cannot be "made" at the conference table. Agreement has to be spontaneous and must be founded on something more solid than intellectual bargaining. It would be much better, he contends, that we start by putting our own house in order, get agreement between the component parts of the British Commonwealth of Nations (including India) and then try to expand the circles of agreement to other countries whose interests and policies are in sympathy with ours. Such a policy, Mr. Shinwell believes, has more chance of permanent success than that of artificial agreements made at world conferences.

* * *

The Government had a rather rough House over its new Town and Country Planning Bill. In a White Paper preceding the Bill the Government at last indicated its policy on planning and land management. While it accepts the fact-findings of the Barlow and Scott Committees on which we reported in these columns some months ago it does not accept the proposals made by those Committees. The main question is that of control over building developments and increased site values created by such development. The Barlow Committee, being precluded by its terms of reference to discuss the question of nationalization of land ownership, took refuge in some highly technical and difficult compromise proposals. One of them is that all new development schemes should require licences so that the Government had effective control over the siting and layout of such schemes. The second proposal was to pay for the compensation to landowners who thereby lost already existing development values on their land out of a fund the revenue of which should come from a levy on increased values on land developed. A third proposal was to have the Government or local authorities to buy outright any land required for re-development within urban areas. This last proposal the Government declined to accept. The other two it accepts with modifications which greately reduce their value.

The Government, of course, found itself in the same quandry as the Barlow Committee. All who have studied thoroughly the question of land and building development must come to the conclusion that one and the only way out, the most simple and at the same time the most effective, is to bring all landownership into the hands of the nation or the local authorities. That at least is the case in already highly developed countries. But such a policy, Government say, they could not accept without a specific mandate from the country. It need not be stressed, of course, since it is well enough understood that the majority of the members of the Government are against such a policy anyhow. The fact that in due course private ownership of land will be no more than a shadow, since the Government is forced to set up all sorts of controls which effectively destroy the free disposal and use of land by its so-called owners. As indicated above, the Government does accept the plan of licensing as well as a mild sort of levy on increased land values. By zoning of land in built up areas, licensing of building projects, compulsory acquisitions of land by Government and local authorities for their own building schemes, the nationalization of coal royalties, such inroads on private ownership have been made or are in course of being made that except for purely agricultural land, very little is left of actual private ownership. The only thing is that by refusing to face the problem squarely and sanely the difficulties and costs of administration are increased.

The opposition of the local authorities to the Town and Country Planning Bill are the best evidence for what was said above. Although greater powers of compulsory acquisition are granted in the Bill than existed before, the method of acquisition is still cumbersome and time-wasting. Another criticism of the Bill is that it is not sufficiently related to the general policy of replanning. These are points of little interest except in that they show, how by declining to adopt a radical solution the Government is creating extra difficulties for itself and the country. Whatever the modifications are which the Government will make in the Bill, they will remain a patch on an already patched up garment.

* * *

Coal is still somebody's worry. For the present it is the worry of the Minister of Fuel and Power. With the colder months approaching, it will become the worry of industrial and private consumers. Whilst during 1942 stocks in hand increased by 4.4 million tons they were reduced during 1942-43 by 4.5 million tons. Output per manshift at the coal face fell from 2.95 tons in 1938 (average) to 2.75 tons in 1943 and 2.72 tons in the first quarter of 1944. The natural wastage of man-power was 31,920 in 1942-43 and 39,494 in 1943-44. Against this there was juvenile recruitment of 12,358 and 12,410 respectively. The remaining wastage was made good by abnormal recruitment, that is by persons directed into the mines by order of the Minister of Labour. Such abnormal recruitment, of course, could not provide the mines with skilled labour, and this is one of the reasons for the decline in output per manshift. But the problem is older than the Ministry of Fuel and Power, and it will not be solved quickly either. Use of machinery has slightly increased but not sufficient to correct the balance. Nor can the outsider know to what extent mechanical production can be increased.

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Money Market

Provincial Loans—Activity in Bullion Section—Stock Exchange Quiet

(From Our Correspondents)

BOMBAY, August 21, 1944

DESPITE large withdrawals from the market on account of increased treasury bills tender, subscriptions to new loans and tax payments, the state of money market continues to be easy. Call money rate continues to be ¼%, 3 to 5 months ½%, 6 to 11 months ¾%, and 12 months 1¼%. Banks are good acceptors at these rates, and both withdrawals and fresh deposits are on the high side. The weekly cheque clearing has been rising steadily. The offer for Rs. 6 crores worth of Treasury Bills tender was as high as Rs. 19.25 crores, and the average rate, though it strengthened by two pies to Re. 0-7-9 per cent in the face of weak bidding, is far from onerous.

Provincial Loans

That the six provincial loans remained open till August 15 and call had to be made on underwriters for substantial amounts is, no doubt, anomalous in this background of extremely easy money conditions. In Bombay underwriters had to find Rs. 45 lakhs out of Rs. 3 crores, Madras Rs. 20 lakhs out of Rs. 110 lakhs, the Punjab Rs. 65 lakhs out of Rs. 270 lakhs, C.P. Rs. 25 lakhs out of Rs. 53½ lakhs, and Sind Rs. 160 lakhs out of Rs. 200 lakhs. Various explanations are suggested for the anomaly. Obviously the discrimination made between the different provincial loans suggests a difference in market's estimation of the different provincial finances and a preference for Central Government loans. There can be little rationale in such discriminations, but it has a history. A more reasonable explanation lies in the fact that the Reserve Bank does not take the same care in preparing the market for provincial loans which it takes in case of the Central ones. To offer them at par and near par when they are redeemable only in 1958, while the market has yet to subscribe the 3% Victory loans maturing a year earlier does not reflect much care on the part of the authorities issuing them. That the market has been particularly interested in these Victory loans is supported by the fact that during the five previous weeks ended August 5, 1944, they account for Rs. 14½ crores out of a total loan subscription of Rs. 17½ crores during the period. The unsatisfactory impression of provincial finances afforded by the recent transactions could have been possibly avoided, if this had been realized and the loans floated reasonably below par. Further the fact deserves recognition that the amount called upon is possibly no more than Rs. 5 to 6 crores. This is not a large sum for the underwriters. Possibly in the absence of the system of underwriting, the banks and others who at present perform the function might have themselves taken up loans to that extent. Their large underwriting remunerations (As. 8 per cent.) are thus more than enough for the nature of their services. After all, the lack of demand for the new loans is a very temporary feature. In fact, the Bombay loan which was quoting at a discount of 6 annas has moved up to Rs. 99-10-6. Punjab loan is quoting at a discount of 4 annas, Sind and C.P. for 8 annas, U.P. and Madras for about 6 annas. The margin will soon narrow further if not disappear altogether. Such a view is further supported by the fact that the selling pressure in the gilt-edged market was not at all considerable. Three and a half per cent. Paper which declined slightly to Rs. 99-8-6 soon recovered to Rs. 99-10-0. Even this slight and short-lived decline may be reasonably attributed to the general feeling of early peace prospects and reluctance to lock up money in irredeemable paper. Treasury Bill tenders for the next week amount to Rs. 10 crores. In addition to Rs. 6 crores of Central Government Bills, there will be Rs. 4 crores on behalf of the Bengal Government.

Reserve Bank

The total of currency has been remaining practically stationary at Rs. 944 crores, and changes, if any, occur only in the notes in active circulation as a result of transfers of cash from the Issue Department to the Banking Department of the Reserve Bank. Balances held abroad continue to pile up and have increased to the extent of nearly Rs. 8 crores during the week under reference. It is curious that the Central Government's cash balance should have declined by about a crore when other indications point to the Central Government having been in receipt of amounts from other sources. Thus, the item "Other Government Accounts" shows a decline of about Rs. 3.4 crores, while there has also been a decline of Rs. 2.2 crores under "Other Deposits." In view of the fairly substantial sales of gold and silver during that week, the declines under the last two items might well have been the result of payments to the Central Government. In spite of all these, if the Central Government balances has gone down, the presumption must be that there has been a large disbursement in connection with something the nature of which we have no means of knowing. Bank deposits have increased by about Rs. 6.6 crores during that week. In spite of the substantial amounts invested in the various Government loans, central and provincial, the amount of free balances of scheduled banks continues to rise.

Bullion

The deadlock in the silver market continues. The bulls and the bears reached an agreement that the outstanding forward contracts would be settled round about Rs. 135-4-0. But then a party issued them legal notice threatening action for contempt of court if the above settlement was given effect to, and the settlement did not materialize. Trading in ready silver has been going on, and the Reserve Bank continued to sell throughout the week 200 bars a day at rates varying from Rs. 132-8-0 to Rs. 133-8-0. The demand from upcountry is greater than the supply and therefore prices for ready silver went up by a rupee and the market closed at Rs. 134-8-0 for 100 tolas.

In the gold section there were steady inquiries, with the season commencing. The daily offtake is estimated at about 45,000 tolas. The rates moved from Rs. 75-5-0 to Rs. 75-13-0 during the course of the week. The Bank also sold by tenders nearly two lakhs of tolas. The market closed firm. Floating stocks of gold are estimated at 100,000 tolas; arrivals average about 25,000 tolas per day, while the offtake was placed between 40 and 45 thousand tolas. Floating stock of silver has increased to 800 bars; daily offtake averages 200 bars.

Stock Exchange

The Bombay Stock Exchange had a short working week owing to a Jain holiday and the anniversary of the late Mahadeo Desai. It reacted sympathetically to the downward trend in the Calcutta market. The prices of *Indian Iron* and *Bengal Iron* sagged beyond expectations, and this reacted and resulted in the lower prices of the *Tata Steels*. *Tata Steels*, which were ruling at Rs. 2,233 ex-dividend touched Rs. 2,181. Towards the close it rallied to Rs. 2,197. Similarly, *Ordinaries* came to Rs. 406 from Rs. 414 ex-dividend but closed at Rs. 407-8-0. The rally in the *Tata Steels* is due to the confidence of the investors in the determination of the directors to make arrangements for expansion of the activities of the Company.

In the Textile Section, there was very little inquiry. There are reports that the Industrial Committee of the Textile Control Board would meet on the 29th instant and review the ceiling price levels. It is anticipated in certain circles that the Industrial Committee would recommend to the Control Board to further reduce the ceiling prices by 10 per cent. Reduction in the price of cloth would mean reduction in the profits of the textile mills. Therefore, the textile shares had a downward tendency. *Bombay Dyeings*, which were quoted at Rs. 1,902 came down to Rs. 1,857 and closed at Rs. 1,871. *Kohinoors* changed hands at Rs. 620, thus experiencing a fall of Rs. 13 from last week's prices. *Centuries*, which were quoted at Rs. 910, ruled at Rs. 895. *Gokaks* closed at Rs. 319 as against Rs. 334.

In the Miscellaneous Section, there was a keen demand for *Associated Cement* shares *Scindia Steams* also looked up. A report is current that the directors of the Scindia Steam Navigation Company would raise an additional capital of five crores for post-war expansion of shipping, provided Government permits issue of fresh capital.

Marked decline in Share prices—Fall in production of Jute goods

CALCUTTA, Aug. 21

GENERAL insistence on deliveries, squaring up of transactions under compulsion of the Exchange authorities and prospects of early peace in the West damped the Stock Exchange speculation. The lowest prices were touched on Thursday, coal shares recording marked decline. But business at lower levels has tended to decline, and closing prices are higher in all cases than the lowest levels of the week. Speculation centres round post-war prospects and peace will not take the market by surprise.

The failure of the Provincial Government loans has not affected the market, 3½% Paper being sticky around Rs. 99-10. Business in terminable loans has been rather restricted.

Cotton shares were very weak earlier in the period but almost the whole of the lost ground has been recovered, *Cawnpore Textiles* quoting Rs. 13-10 against the lowest level for the week of Rs. 13 and *New Victoria* Rs. 9-2 against Rs. 8-12.

Coal shares have been very much affected, *Amalgamated* being more than two points lower at Rs. 47. *Burrakur* were pushed down to Rs. 41-12 from Rs. 46-2. The close was slightly better at Rs. 42-12. *South Karanpura* dropped three points to Rs. 21-8. The close was Rs. 22-10. The fall in coal shares is not surprising as prices have been recently pushed up without any justification.

Jute shares were quiet in sympathy with other shares, but they have not been marked very much lower, it being hoped that the position in the industry would improve considerably with the receipt of larger supplies. Also it is felt that with the conclusion of hostilitise there will be a large demand for jute goods and mills would be forced to increase production.

Engineering shares have made a mixed showing, *Kumardhubi Engineering* and Arthur Butler moving against the general trend. *Indian Iron* came down to Rs. 38-12 from Rs. 40-12, and *Steel Corporation* to Rs. 33-6 from Rs. 36. Closing quotations were Rs. 39-6 and Rs. 34 respectively.

Sugar shares were inclined to be lower but there has been a slight recovery. Tea shares have been well held. In the Miscellaneous section paper shares were marked lower, Titaghur paper being Rs. 27. *Calcutta Trams* were very steady at Rs. 45. *Burma Corporation* did not move up on the encouraging news from the Burma front though *B.B.P.* were higher at Rs. 4-8.

Except for the anxiety of old crop holders to dispose of their jute at slightly lower rates in mid-week quietly steady conditions have been noticeable in the raw jute market during the past few days. There is no anxiety to do business in new crop as harvesting has been delayed very much, and it is feared that the pressure of arrivals will not be felt before mid-October. Last season there was shortage of lower grade jute and there was almost a famine for cuttings. Before the fixation of maximum rates for cutting sellers were dictating terms. During the current season no such difficulty will therefore be experienced. Indian and District Bottoms were done at Rs. 14 and Rs. 18-8 per maund. Supervised Middle and Bottoms were done at Rs. 16-8 and Rs. 13-8 per maund. In pucca bales export business has not been large though shippers purchased Dundee Daisee 2|3 at Rs 80-12 per bale and Short Group at Rs. 85 per bale. Mills brought Firsts at Rs. 85 per bale.

The production figures for the month of July show that there has been a rather sharp reduction in output to 78,961 tons from 93,897 tons in June. The decrease is thus nearly 15,000 tons. It is said that the loom hours lost in July were as much as 20 per cent. of the total against only ten per cent. in June. Hessian production on civil account was 28,794 tons and military 2,470 tons. Sacking, civil, were 4,085 tons and military 4,261 tons. Other manufactures were 3,348 tons. The decline in production is mostly on commercial account. Figures relating to stocks in Calcutta published earlier revealed a decline in total by 17,146 tons to 178,942 tons. Taking the output for the month of July at 78,961 offtake was therefore slightly over 96,000 tons. It appears that there has been a slowing in the rate of shipments in order to conserve stocks as shipping space has been available rather more freely.

The jute manufactures market is as firm as ever and quotations are nominally at maximum rates. It is hoped that the new scheme will result in greater production and that the Supplies of coal. There is reason to believe that the allotment of coal to the jute industry will be more liberal after September as there might be a tendency to build up reserve stocks of jute goods in anticipation of demand after the cessation of hostilities.

IMPORT TRADE CONTROL

A limited quantity of hand sewing needles has been allocated for export from U.K. to India during July-December, 1944. Importers should submit their applications on prescribed form to the Chief Controller, of Imports, New Delhi, before the 31st August, 1944.

Importers are also advised that after getting a licence they should place orders immediately on their suppliers so that the allocation is fully utilized and does not lapse.

A DELHI DIARY

Believe it or not, the prospect of an early victory in Europe and the consequent shortening of the war against Japan are not welcome to Delhi. They will mean the end of the Ordinance rule! The number of jobs on fat salaries will be less; contracts for war supplies will cease and there will be constitutional discussions to set up popular governments in the provinces and at the centre!! As if the collapse of Hitler and Tojo was not enough to cause dismay to our power-intoxicated rulers, Gandhiji and Mr Jinnah have decided to put their heads together to find a basis for settlement which will appeal not only to the Congress and the Muslim League but also to the people of India as a whole!!!

Leaving out the British element which naturally wish to maintain an undiluted alien authority, the Indian section of the Government is also perturbed. Most among the latter are afraid of losing the numerous jobs which the war has thrown about while those of them who are politically minded argue that nothing but a civil war would ensue a radical change in the existing political set-up. Their argument which has presumably been put forth with considerable emphasis in the inner counsels of the Government runs thus: A centre which will inspire confidence among all elements must be based on a federation or confederation of autonomous provinces and states. Since Muslims will not tolerate a Hindu-dominated Government of India and the States will not submit to dominance by British India, the Centre should represent a coalition of all these elements. In order to ensure a stable government for the first ten or fifteen years it is essential that the central executive should be irremovable. Which means that it should not be responsible to the Central Legislature in the ordinary sense of parliamentary responsibility. Once the general election is held and a government formed it should function for the scheduled period of the Legislature's life.

The idea of making such a provision is also based on the plea that for 15 years at least the defence of India would be a responsibility of the British power. In short, the idea which was put forward by the Churchillian school of thought while the 1935 Act was on the anvil has been revived as a serious solution of the problem of Indian self-government.

It is clear from the above that the task of Gandhiji and Mr. Jinnah is not merely finding a way for communal settlement. They must primarily think as to how power can be wrested from British hands and what would be the character of the self-governing institutions they wish to set up. In short, they must prepare a blue print of the future India of their conception so that the plans of the diehards may be frustrated. If they only settle the Hindu-Muslim question they will leave considerable scope for mischief by those who wish to maintain vested interests and thereby retard India's economic and social advancement.

Lord Wavell's letter to Gandhiji was thus an index to the political philosophy of Delhi. While it is openly admitted here that the Viceroy has stiffened the Cripps proposals it is explained that he has only stated what was kept by Sir Stafford Cripps up his sleeves. So even the draft declaration was drafted with mental reservation. The fact is that the British Government felt in the winter of 1942 that India would be overrun by Japan if the latter chose to make a landing. The declaration was so drafted that if such a landing did not take place and Japan was defeated it could be interpreted in a restrictive manner. Now that the Allies feel certain about victory soon the Viceroy has begun the process of qualifying the offer and raising a number of bogies the future of the depressed classes, the treaty rights of Indian States, the interests not only of Hindus and Muslims but also of other 'principal' elements.

Two comments are made here on the joint statement of Sir Shanmukham Chetty and Mr. A. D. Shroff on the International Monetary Fund Conference. The Indian element supporting the present Government refers sneeringly to the hopes nationalist quarters in this country had built round American sympathy. The proceedings at the Bretton Woods have shown, according to them, that America and Britain have come to an agreement regarding their respective spheres of influence and that India will get no change by appealing to America. This argument is reinforced by the statement that India lost her case in spite of the fact that the Raisman delegation spoke with one voice and that the Government of India had fully backed the demand for a permanent seat on the Executive Committee of the International Fund. Nationalist circles, on the other hand, point out that the result of the Bretton Woods talks were bound to be unfavourable because the U.S.A. would not agree to increasing the voting strength of the U.K. by giving India an independent seat on the Food Committee. Sir Shanmukham Chetty and Mr. Shroff have confirmed this interpretation by stating that if economic considerations had been applied India would have been ranked higher than she was and that purely political consideration resulted in her exclusion from a permanent seat on the executive. This means that if the Government of India had not been a subordinate branch of British administration the result would have been different. The two Indian delegates have not pleased Delhi authorities by mentioning publicly that they felt humiliated because their delegation was headed by a non-Indian. A cynic may say that it is as well that a Britisher leads a delegation from India so that the truth about India's subjection is not hidden by putting up show-boys to 'represent' India. The delegates have not explained as to why they withdrew their reservations.

The Government of India professes in season and out of season that its control measures do not wish to interfere with the ordinary trade channels. The most outstanding example of a breach of this promise has occurred in Delhi where the cloth market has been disorganized for seven weeks following the order eliminating arhtis. This class is well known all over India as performing the vital role of combining the functions of a banker and a commission agent. In fact arhtis oil the wheels of trade between the wholesale and retail trade. So ignorant are British officials that it has taken six weeks to convince them by deputations and conferences that arhtis must be recognized. But though the Director of Civil Supplies has amended the Delhi Cloth Order by agreeing to grant them licence he refuses to include among commission agents any person "who finances the transference of cloth from a seller to a purchaser." The deadlock thus continues and the Delhi cloth market which was one of the principal distribution centres faces serious dislocation and permanent loss of business.

ARGUS.

FROM THE PROVINCIAL ANGLE

Bengal Letter

(From Our Correspondents)

CALCUTTA, Aug. 12.

RECENTLY, the Central Government announced that they would give financial assistance to the Bengal Government to the extent of 50 per cent. of the expenditure of the latter on famine relief, rehabilitation and cheap supply of foodgrains brought to account in 1943-44 and 1944-45, subject to a maximum of Rs. 10 crores. In effect this merely means that the Central Government will give a subvention of Rs. 10 crores to Bengal, although the expenditure on three items listed above is very likely to be far in excess of the ten-crore figure. The Government's famine relief expenditure and losses on food supply schemes come to a total of Rs. 17 crores for the two years 1943-45. But no provision was made in the budget for expenditure on rehabilitation. So that, if rehabilitation is attempted on a fair scale, the total expenditure may well be expected to be about Rs. 30 crores. But the Central Government is willing to relieve the province to the extent of Rs. 10 crores only. Evidently, unless it is decided to stint expenditure on rehabilitation, which would be extremely undesirable, the Bengal Government will have to carry on their shoulders a considerable burden of deficits. And it is doubtful whether stricken Bengal can afford it.

Bengal's Food Front

Mr. H. S. Suhrawardy, Civil Supplies Minister, Bengal Government, recently came out with a fairly long statement on the food situation of Bengal. He not only maintained that the food situation in Bengal is on the whole quite good, but also strongly deprecated what he characterized as alarmist talks about the food situation. Somewhat intemperate language was used by him when he said: "It is regrettable that attempts are being made by certain persons to create alarm among the public regarding the food situation. The words 'second famine' come very glibly on their tongues and in their pens.....They do not seem to realize what harmful effects their constant repetition may have on the general psychology." This is the old and disgusting cant about keeping up public confidence, as if public confidence could be maintained by mere repetition of the sermon, "all is well on the food front." The fact is that the Civil Supplies Minister has been put out by the recent statements of Mrs. Vijayalakshmi Pandit and Pandit H. N. Kunzru who indicated in clear and emphatic terms that the food situation in Bengal is still very serious. Their contention is supported by many observers on the spot. Mere use of violent language cannot negative a palpable truth.

Vegetables And Fish

Among the many worries of Calcutta's citizens, the worry about high prices of vegetables, fish, meat, etc., is taking a front place. The domestic budget of the average citizen which represents a hard struggle to bridge the gulf between income and expenditure has become a more desperate affair still due to the soaring prices of these necessaries. His diet, which has never been rich in nutrition, has now become extremely poor in quality. The Government have maintained, however, that prices of these articles cannot be controlled due to many and weighty difficulties. Their counsel of despair is a measure of their incompetency.

U.P. Letter

CAWNPORE, Aug. 20.

LAST WEEK the Technical Mission on Fertilizers visited Cawnpore. Besides Sir Maurice Hallett, representatives of trade and industry of the province saw them and placed their point of view in regard to the proposed State industry for the manufacture of sulphate of ammonia. The Indian industrialists' viewpoint was placed by the Merchants' Chamber of the U.P. Among other things, it was pointed out that 60,000 tons out of the total proposed 360,000 tons production, to be allocated to the U.P. was likely to prove insufficient, and it was felt that the U.P. will require at least 100,000 tons annually. With the hydro-electric schemes that were in progress in Meerut and Kumaun, it was suggested that one unit of the industry should be established at the head of one of these hydro-electric systems and the manufacture of ammonium sulphate by hydro-electric electrolysis process could be undertaken. The Chamber expressed apprehensions regarding the outcome of the Mission's inquiry and felt that sufficient industrial and scientific talent was available in the country to set up a fertilizers industry. Mr. Gowing, in the course of the discussion, said that India was not an ideal place for the manufacture of ammonium sulphate, as nowhere raw material and fuel were available in close proximity, but admitted that production, on an economic basis, was nevertheless possible.

Food Shortage

The U.P., a surplus Province, has been compelled to import 20,000 tons of wheat to ease the temporary food shortage in the province. Price of wheat had been going up for the last few weeks. While the Government accused the cultivators for hoarding, the other view of the shortage was that it was caused due to low statutory prices fixed for the various important centres. The arrivals of Punjab wheat are expected to lower the local prices. The wheat thus coming from the Punjab forms part of the export surplus intended for the deficit provinces under the Central Government's basic plan, and the U.P. will have to add this quantity, when the situation improves, to its surplus quota. The position in regard to the population entitled to purchase from the Government or mills shops against ration cards has not been so bad, though the quantity of wheat being issued has been lowered, and the reserves are reported to be adequate to keep the partial rationing scheme going. The possibility of introducing total rationing in some of the districts was again examined when the Food Member and his Secretary visited Lucknow. No progress in this direction is likely to be made.

Sugar Prices

The U.P. and Bihar Joint Sugar Control Board will meet in September, and the Indian Sugar Syndicate will hold their directors' meeting and a general meeting to discuss the question of cane and sugar prices for the next season. It is improbable that the Syndicate can make any concrete suggestion so early. Their complaint has been that these prices should be fixed sometime in November when the crushing starts,

and when more accurate data regarding cane supplies, etc., become available. The past practice has been to fix prices early, to suit the convenience of the non-U.P. and Bihar factories, and then make exceptions in numerous cases and thus defeat the object of a uniform policy for the country's sugar industry. The factories in the south, however, start crushing early and as they cannot store their production until the U.P. and Bihar factories get going, they insist on an early declaration of sugar prices. In the forthcoming Syndicate's general meeting there is a likelihood of the Syndicate voicing its discontent at the manner in which factories outside the two provinces have been enabled to expand at the expense of the U.P. and Bihar. After the war until the sugar industry in these provinces is given opportunities for expansion it might find itself left behind by the industry in other parts of the country.

Health And Wage Survey

Under instructions from the Labour Investigation Committee of the Government of India, a sample wage survey in the textile industry of Cawnpore, as a part of all-India inquiry on a uniform basis, will be made shortly through the Labour Office of the U.P. Government. One supervisor and two investigators have been appointed, and the Employers' Association have offered their co-operation. Mr. J. Tinker, Chairman of the Association, has prepared a list of standardized occupational terms both in English and vernaculars at the request of the Labour Commission. The information will be collected from every department or occupation and from workers of both the sexes. Every 10 worker of each group will be questioned. A special survey of the health conditions of the working class in Cawnpore is also being undertaken at the instance of the Bhore Committee.

Cloth Control

Mr. A. D. Pandit, Deputy Secretary to the U.P. Government, in the Civil Supplies Department, who is dealing with Cloth Control met representatives of cloth trade and industry last week at a conference when arrangements for extending the quota system beyond the manufacturers to wholesale dealers in this province were discussed. Mr. Pandit felt that the steps proposed by him were a logical sequel to the quota system prescribed by the Textile Commissioner for sales to be made by the manufacturers. Dealers of a number of selected mills are required to supply the necessary data by September 8, so that they might sell only to the people buying in basic years, 1940-42, in accordance with their purchases made in the basic years. Efforts may also be made to reduce the number of hawkers which has increased to unwieldy proportions and was helping in the black marketing activities of commission agents. By insisting on quota sales by dealers of the U.P. mills, the U.P. Government will see to it that more cloth is not exported outside the province than was the case in 1940-42.

Sind Letter

KARACHI, Aug 18.

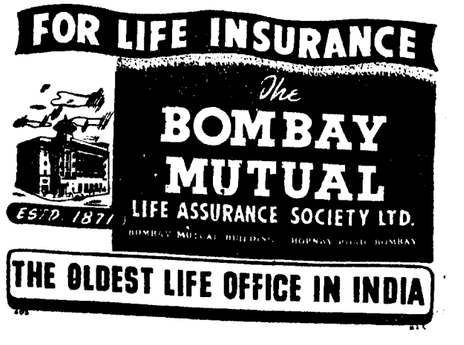
SPEAKING about the food control measures in the U.K., Sir Henry French observed that the plans for commodity control, including rationing, had been so full and comprehensive that the impact of war conditions left Britons without great shock. In his opinion, there was, in a sense, more equitable distribution of food supplies under war conditions in Britain, as poor people were better fed, than before. Not being unaware of the sad contrast that India affords and the testimony that it provides to the inefficient handling of the food situation by the Central Government. Sir Henry hastened to emphasise that what was good or successful in one country, did not apply *ipso facto* to other countries, and it was essential not to forget the peculiar psychological and social conditions of different peoples when questions of all-out control were discussed. Sir Henry is expected to be in India for a short time, during which period he would visit important cities and provinces to gain first-hand knowledge of the food problem and the methods that the Government had employed to solve it. During his stay in Karachi, Sir Henry French observed rationing at work, and visited the places where foodgrains had been stored.

Six Months Of Rationing

It is now six months since rationing of foodgrains was introduced in Karachi. And it may now be said rationing has been a considerable success. There has been no complaint from the consuming public of insufficiency of the rationed quantities. On the contrary, according to official information, records of the weekly off-take of rationed articles by the Department disclose that in no week did the demand exceed 60 per cent. of the total rationed quantity. In most weeks the percentage ranged round 50, and in one week, it was as low as 46. It is further pointed out that during all this period, only four licences of dealers had been cancelled for malpractices or from complaints by the public. About 1,23,000 ration card holders had been served by about 400 shops, which include 107 communal stores, and there are no complaints of delays in the matter of supplies or formation of queues. In this connection, it will not be out of place to mention that the promise to abolish the foodgrains syndicate has not yet been fulfilled. Meanwhile, controversy is keen, oftentimes acrimonious, in the local Press, between the protagonists of the syndicates and the advocates of their annihilation. By July 31, this year, Government had advanced to these syndicates advances amounting to Rs. 340 lakhs. The monetary aspect, as well as the necessity of continuing Governmental control for exports of surplus of foodgrains to deficit areas, invests the problem of abolition with great complexity.

Sind Government Loan

The Government of Sind's first loan of Rs. 200 lakhs at 3 per cent. maturing after 14 years on August 15, 1958 floated in order to repay half of the loans (excluding the Lloyd Barrage loans) taken from the Central Government before April 1, 1937 for financing capital expenditure has been fully subscribed after a call on underwriters for the balances not covered by public subscriptions.



THE BUSINESS WORLD

WAR-TIME PROGRESS IN THE LEATHER INDUSTRY

IN her 230 million cattle and buffaloes, India possesses a third of the world's recorded number, while with a goat and sheep population of over 100 millions, she stands second only to Australia, which possesses about 10 millions more. Consequently, she is the world's leading producer of hides and skins, which are the raw material of the leather industry. She produces annually 25.7 million hides, valued at Rs. 6 crores and 44.6 million skins, valued at Rs. 3.6 crores. As indigenous production is enormous, imports are negligible and they only serve to raise the numbers of raw hides and skins to 26.7 millions and 50.5 millions respectively. These quantities are disbursed annually as follows:-

Industry or Trade	Hides		Skins	
	Number (millions)	Percentage of available supply (including imports)	Number (millions)	Percentage of available supply (including imports)
Shippers for export to foreign countries as raw	4.7	17.6	25.7	51
Village artisans for making ropes, etc., from raw hides and skins ..	1.2	4.5	0.2	0.4
Village tanners for indigenous tanning	9.1	34.1	3.2	6.3
Village and larger tanneries for making dressed hides—				
(a) for export ..	4.8	18.0	17.5	34.6
(b) for use in India ..	3.8	14.2	1.6	3.2
Modern tanneries for making fully finished leather				
(a) for use in India ..	2.3	8.6	2.5	4.5
(b) for export ..	0.8	3.0		
Total ..	26.7	100	50.5	100

Three striking conclusions emerge from a study of the above figures. Firstly, India exports large quantities of hides and skins, in the raw state as well as in the form of dressed or leather pieces. In fact, she is the largest supplier of light cattle hides—kips—to the world markets and the main source of buff hides, while she contributes as much as one-fourth of the total number of skins that go into the international trade. During the quinquennium ending 1938-39, she sold abroad, on an average, over 11 million pieces, or about half of the country's annual production, and realized Rs. 4.35 crores. Her export trade in skins was equally impressive and averaged during the period 43 million pieces of the value of Rs. 34.4 lakhs. Secondly, our tanning industry is very poorly developed. This is reflected in the export trade. About a fifth of the total output of hides and more than half of skins are exported as raw. Looking at it from another angle, of our total exports of hides and skins, more than 45 per cent. of the former and about 60 per cent. of the latter are sent abroad in the raw state. Thirdly, modern tanneries, making fully finished leather, consume only a very small portion of the country's net available supply of raw hides and skins, while, in the case of hides, a little less than half is taken up by the village tanners for tanning by the indigenous method.

Indigenous tanning is carried on in the villages all over India by people of certain castes (*chamars*, *raighars*, *chuklees*, etc.,) with locally available tanning barks such as *avaram*, *babul*, etc., in a primitive way, producing partially tanned crude leathers, which can be used only for rustic footwear, buckets for lifting water, bellows, water-bags, etc. A more advanced method is kip tanning, a speciality of the tanners in the Madras Presidency, which received a fillip during the last Great War. The half-finished, uncoloured leather manufactured by this process has always found a ready market in the United Kingdom, where it is retanned and finished as good quality bark tanned general purpose leather. This industry is mainly concentrated in the Madras Province, Hyderabad and Mysore States and to some extent in the Bombay Province. In the neighbourhood of Madras city alone, there are about 200 units, handling a large number of hides and employing a large labour force but no machinery. Formerly, *avaram* was used for tanning, but later on the South African wattle bark was found to be more suitable and is now increasingly used. As much as 8.6 million cattle hides (or 41.3 per cent. of the net available supply), coming from all over India, goes into this industry and the bulk of the product is exported, mostly to the United Kingdom. The modern tanneries, organized in large units on a factory basis and located chiefly in Cawnpore, Calcutta and Madras, require both kips and buff hides for chrome and bark tanning respectively. They produce high class leather, comparable in quality with imported leather and suitable for making boots and shoes of western pattern, harness and saddlery, suit-cases, bags, etc. Before the war, 3.1 million pieces were fully tanned and finished into leather annually, of which 2.3 million pieces were utilized internally and the rest exported.

War conditions revolutionized the demand for modern footwear and harness and saddlery suitable for the Defence Services and, consequently, for the superior leather required in their manufacture. From a bare 100,000 pairs in the pre-war year, the Indian Army's demand rose to 3.6 million pairs in 1941, 5.9 million pairs in 1942 and 6.6 million pairs in 1943. Besides, colossal orders came from H.M.G.; one such order was to the tune of one crore of rupees, requiring delivery at the rate of 125,000 pairs of boots a month. The requirements of harness, saddlery and other army equipment also increased greatly. Even in the first year of the war, it was realized that the entire existing capacity of modern tanneries and of factories engaged in footwear manufacture would have to be mobilized and fresh capacity developed if India was to cope successfully with the possible war demand. Accordingly, the production of all tanneries capable of turning out leather to Government standards has been organized to meet war requirements and brought under total control. Pre-war organized tanneries have increased their production, while additional tanneries, some thirty to forty in number, have also come into being. The new-comers are relatively small units, but they have substantially helped to increase the production of the organized tanning industry by more than 300 per cent. over the pre-war level. A notable

gain of permanent value enjoyed by the tanning industry is an improved method of vegetable tanning, which reduces the time taken in the tanning process from six months in the pre-war days to three to four months at present.

The expansionist influence of the war is strikingly seen in the footwear industry. Manufacture of machine-made modern footwear is centred around Cawnpore, Agra and Calcutta. Two large units, especially, are very much in the picture Messrs. Cooper Allens of Cawnpore and the Bata Shoe Company near Calcutta. Before the war, these firms were turning out about 2,000 pairs daily. Of Messrs. Cooper Allens' annual output of 600,000 pairs, 100,000 pairs went to the Army and the balance to meet civilian needs. The other firm, Messrs. Bata's, were producing for the civilian market. The burden of the enormously increased footwear demand from the Defence Services has been borne, in the main, by these two organizations, although other smaller units, some of which were set up to meet the war demand, have also contributed their share. Messrs. Bata's are reported to have doubled their pre-war production, but it is Messrs. Cooper Allens, who have achieved most spectacular progress. From the pre-war figure of 2,600 pairs, the firm has increased its daily output to 19,000 pairs, chiefly by concentrating on a narrow range of standardized army patterns and working night and day shifts to a total of 24 hours per day. The total production of the various units amounted to 7.6 million pairs in 1941 and 16.22 million pairs in 1942.

An important subsidiary industry connected with footwear manufacture is grindery the production of heel and toe tips, eyelets, nails thread, etc., used in army footwear. These have always been imported largely as the peace-time demand for army footwear was not large enough to make indigenous production on an economic scale possible. But, during the war, it became essential for India to manufacture her requirements, and several firms in Northern India have succeeded in producing acceptable substitutes and are now making bulk supplies of the order of 30 million pairs.

An outstanding increase has also been registered in the production of leather components for army harness and saddlery. Before the war, the whole of the Indian Army's requirements were turned out in the Central Government Harness and Saddlery Factory at Cawnpore, which is equipped for producing the entire range of articles from the raw material to the finished product. The huge war demand has been met primarily by this agency. It produces today twenty times as much as it did before the war, employing about 20,000 persons in all as against 3,000 in 1939. This factory produces not only the leather component, but the complete equipment, which comprises metallic, wooden, webbing as well as leather parts. Its effort is supplemented by five branch factories in the main provinces, which have engaged some 700 contractors employing over 25,000 men.

This brief survey of the leather industry through peace and war serves to bring out the fine record of achievement which the Supply Department have to their credit in this sphere of wartime industrial activity. They have succeeded in expanding enormously the capacity of modern tanneries and footwear manufacturing units. Earlier in this article, it was pointed out how inadequately the Indian tanning industry, especially the organized, modern part of it, has been utilizing this country's abundant raw material resources. By expanding existing and creating new capacities in the tanning and footwear industries, the Supply Department may be said to have contributed substantially to the elimination of this deficiency. Two notable achievements require special mention. In the tanning industry, as has been pointed above, an important technical improvement, which shortens the period taken by the tanning process, has been achieved. In the modern footwear industry, a highly skilled army of workmen, trained in the manufacture of machine-made footwear after Western patterns, has been built up. These advances are of substantial, permanent value. It is, of course, true that once the war is over, the army demand will collapse. But, this need not necessarily lead to the collapse of the new capacity. The war has added to the urban population who, generally, prefer fashionable footwear of the Western type. Again, progressive improvement in the standard of living would increase the demand for modern footwear. But these factors alone cannot create a demand adequate enough to absorb all the war-expanded capacity. It inevitably follows that in the post-war period, India should look forward to export leather and finished footwear rather than raw or half-tanned hides and skins. It is true that the highly developed footwear industries of the West may command a natural preference in their national markets, but there is no reason why Indian manufactures should not find markets in countries east of the Suez. Again, if the tanning industry utilizes fully its war-acquired skill and experience, it should be able to produce leather of a quality and standard acceptable to footwear manufacturers in Europe, and, if the trade is progressive enough and the Government sympathetic enough, there is no reason why a considerable export business should not be built up. Anyhow, basing our ambition on the strength of our raw material resources, we have a right to expect that the leather industry should occupy a place in our economy alongside of the textile and the sugar industries.

NOTES

LIBERATED CURRENCIES

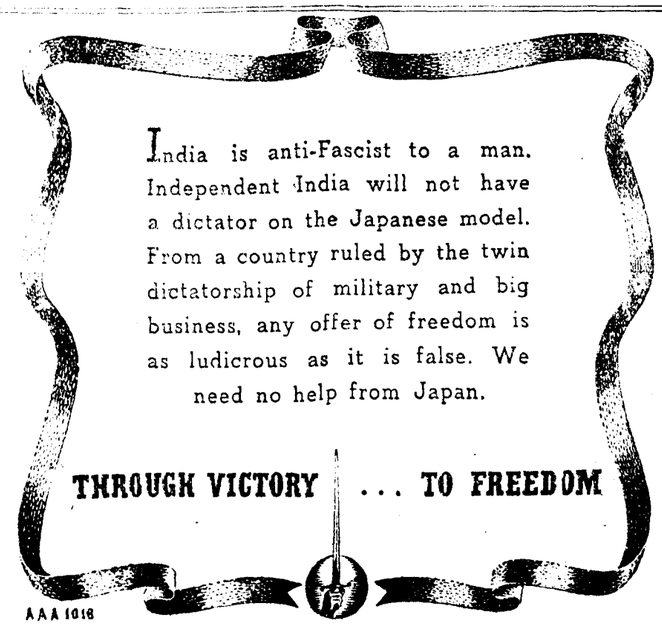
Reorganization of the currency in an enemy-occupied area as soon as it is liberated presents, like the re-opening of trade, complex problems and calls for the working out of procedures in advance. The immediate issue will, of course, be that of establishing the right relation between the currency circulating in the area and the invasion currency issued by the Allies for use by the armies on the march. If the volume of invasion currency is large as in the case of France just at present, it will only accentuate the forces of inflation already strong in the country, and subsequent stabilization will become more difficult. But the main problem will be how to reabsorb into the economy, without disturbing costs and prices, the large volume of redundant money which has been created, and immobilized from acting on prices at present by controls or hoarding, but which will rush into the real market once the war is over and the existing regime is overthrown. An allied issue is that of differentiating the illegitimate claims of loot from the legitimate. The measures suggested in this regard in the foreign Press are varied and interesting. New currency will be issued in place of old at par, but those claims will be blocked at once and only such part of it will be released as can reasonably be spent on consumption goods as determined by rationing and other controls which will be continued. So will all bank deposits be frozen. All shares bonds and other rights to property will have to be submitted for stamping and scrutiny. These methods of freezing assets can also be helpful, it is suggested, in confiscating illegitimately acquired property, taxing war profits, especially of collaborationists, and curbing inflation and controlling prices. All this pertains to internal reorganization. On the external side the main problem will be to choose the right rate of foreign exchange relatively to the prevailing economic condition of the country concerned and the disparities between internal and external prices and costs. All these are fundamentally economic issues, but the political favour in which the liberated country is held by the Allies will determine very largely the wise or unwise, generous or harsh, administration of the measures. The future of international monetary co-operation and of the proposed World Bank and Monetary Fund will depend as much on fair dealing by the Allies to liberated peoples as to their own. India will be particularly interested in how the matter is going to be tackled, when the time comes, in the Eastern areas such as Burma and Malaya, now under enemy occupation.

PLANTERS' PROBLEMS

The war has brought substantial gains to the plantations, and boom conditions have been prevailing in the tea, coffee and rubber trade. Tea has proved to be a war-time necessity and, apart from the fast-growing home consumption, has found expanding markets in Canada, the United States and Australia, in addition to its traditionally important market in the United Kingdom. To the coffee planter, the war has indeed come as a blessing to lift him out of the trough of depression, while, with the Axis occupation of Greater East Asia, the rubber industry in Southern India has acquired a new significance. But, the problem that has been worrying the planters is to what extent they will be able to consolidate this war-time progress and set up their industries on a higher level of prosperity. It is fairly clear that it will not be all smooth sailing for plantation industries in the post-war world. While rubber will have its own special problems connected with the possibilities of the synthetic industry, the bumper Brazilian crops will be there as a frequent drag on world coffee prices, and some sort of international restriction scheme may be found to be yet necessary for tea. It is not surprising, therefore, that forward-looking planters are turning their thoughts more and more to greater internal efficiency as an aid to survival in the difficult days ahead. Thus, in the course of his presidential address to the United Planters' Association of South India, Mr. Pryde pleaded for more scientific methods of production and urged that research on plantation products should be co-ordinated under the aegis of a central organization. It cannot be denied that, in contrast to the general run of agriculturists, the planters are better able to initiate research as well as reap its benefits as their financial position is generally stronger and they can afford the expenditure on research as well as of putting improved methods into practice. Besides, they are well organized in central organizations for the co-operative pooling of resources for common ends. The case for State aid to research on plantation products is, therefore, weak and the plantations can and should find their own finance for such development schemes. We would also add that equally important with research is better labour conditions as means of increasing plantation efficiency. The planters should make up their mind to bid 'good-bye' to coolie economics, for in the New India, there may not be enough slaves—already Mr. Pryde has spoken of the supply of labour being "a matter of some concern."

TEXTILES FOR THE DEFENCE SERVICE

During the past year, which is also the fourth year of the war, about Rs. 99 crores worth of textiles were supplied against Government contracts. Of this, about Rs. 18 crores represent purchase of tentage items, including 180 million yards of cotton cloth; the number of firms supplying army tentage increased from 60 to 95. Purchases also included about 565 million yards of piecegoods, 7 million numbers of knitted and made-up items such as vests, drawers, jerseys and socks, and over 10 million yards of anti-gas fabric. The value of woollen army blankets supplied during the year is about Rs. 3 crores. A substantial number of these blankets came from the handlooms.



Book Review

THE ECONOMICS OF INDIAN AGRICULTURE, Part II: By Dr. B. V. Narayanaswamy and P. S. Narasimham. Rochouse & Sons, Ltd., Madras. Price Rs. 4.

The first part of this book was reviewed earlier in these columns. The authors have persevered in presenting aspects of Indian agriculture against a background of delineation of the general principles of agricultural economics bearing on those aspects. The chapters on Livestock, Subsidiary Rural Industries and Agricultural Marketing are informative. It is interesting to note that the authors are inclined to favour for this country a system of tenant farming with adequate safeguards as against peasant proprietorship. They have laid under contribution much of the literature on the topics they have discussed and the result is a fairly complete and concentrated text-book for the undergraduate and hand-book for the general reader.

POPULATION AND FOOD SUPPLY: By Radhakamal Mukerjee. All-India Nutrition Board Pamphlet No. 1. S. Chand & Co., Delhi and Lahore. Price As. 8.

In this 32-paged booklet, Dr. Radhakamal Mukerjee discusses the disquieting feature of our agricultural production viewed against the quantitative and qualitative requirements of a growing population for a balanced diet and urges, "The soil, vegetation and water assets of an ancient agricultural country require to be safeguarded by national agricultural legislation and planning in order that there may be the greatest abundance of diminishing resources for the multiplying millions for the longest time."

AGRICULTURE IN INDIA, PAST, PRESENT AND FUTURE: By Nabagopal Das. The Book Exchange, 217, Cornwallis Street, Calcutta. Price Re. 1.

The author recounts the hindrances to increased agricultural production and pleads for large-scale farming, technological improvements, better marketing facilities and a state-guaranteed minimum price for agricultural produce as important items in a comprehensive programme of development.

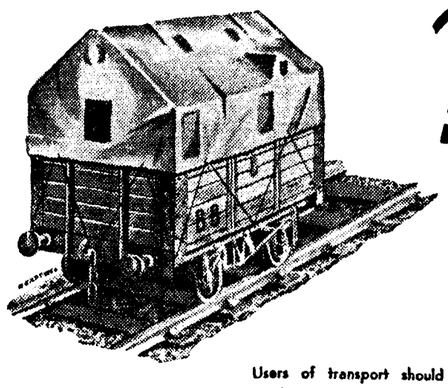
AGRICULTURAL HOLDINGS IN THE DISTRICT OF ALLAHABAD, by Shridhar Misra, M.A. The Economics Department, University of Allhabad, Allahabad. Pages 138. Price Rs. 3.

This book presents the results of an intensive investigation of the twin evils of the smallness and scatteredness of holdings in their incidence on twelve select villages in the Tahsil of Manjhanpur, in the Allahabad District. While the findings of the author are not unexpected and the remedies he suggests are not new, he has succeeded in posing the problem vividly with the aid of much useful, factual and statistical data.

INDUSTRIAL CREDIT IN WAR AND POST-WAR ECONOMY. By S. K. Basu. Published by the Book Exchange, 217 Cornwallis Street, Calcutta. Pages 49. Price Re. 1.

In this small book Dr Basu makes an attempt to study some of the problems of industrial credit in the war and post-war periods. The importance of credit in the industrial expansion and growth of the country cannot be over-emphasized. And from this viewpoint Dr. Basu's book is very welcome; for it is provocative of thought on an important problem.

Wagon or warehouse ?



Users of transport should not treat wagons as warehouses. Prompt unloading will send the wagon back where it is most needed.

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Company Notes

Kesoram Cotton Mills Ltd.

The report of directors of the Kesoram Cotton Mills, Ltd., for the half-year ended March 31, 1944, shows continued prosperity. The dividend declared on ordinary shares is again 20 per cent. of the paid-up per share. The gross profits amounted to over Rs. 49.26 lakhs. Depreciation accounts for Rs. 3.03 lakhs, managing agents' commission Rs. 5.16 lakhs, and dividends Rs. 4.70 lakhs. A provision of Rs. 32.5 lakhs has been set aside for taxation. Salaries and wages account for over Rs. 30 lakhs out of gross revenues amounting to Rs. 232.10 lakhs. Net block amounts to Rs. 22 lakhs, and stocks Rs. 70 lakhs and investments, mostly in fully paid-up shares of joint stock companies, Rs. 22 lakhs. This certainly shows a very sound financial position against a total paid-up capital amounting to Rs. 40 lakhs and reserves of Rs. 11 lakhs. The current price of ordinary share being Rs. 19-2-0, the yield is rather low.

The Indo-Commercial Bank Ltd.

The balance-sheet as on the 30th June, 1944, and profit and loss accounts for the preceeding half-year reveal that the Indo-Commercial Bank, with its many branches all over Madras, had a successful working during the period. An interim dividend of 6 per cent. on all classes of shares has been proposed, after a reasonable provision has been made towards general reserves and a higher sum carried forward in expectation of the expanding business of the bank. Total deposits of the bank exceed Rs. 2 crores, and are Rs. 75 lakhs higher than last year. It shows that the bank had had more than its fair share of the general rise in bank deposits during the period. The liquidity of the bank is rather abnormally high. Cash is about 35 per cent. and investment in Government securities 24 per cent. of the total deposits. It only reflects the want of investment opportunities banks in general are experiencing. The fact that advances during the period exceed those during the previous half-year and promise to increase further is gratifying.

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2 Prizes of Rs. 20,000	Rs.	40,000
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Total amount of prize money half-yearly in each series of 1 lakh pieces	Rs.	1,00,000
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1 Prize of Rs. 2,500	Rs.	2,500
2 Prizes of Rs. 1,250	Rs.	2,500
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10 Prizes of Rs. 250	Rs.	2,500
Total amount of Prize money half-yearly in each series of 1 lakh pieces	Rs.	10,000

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Prizes will be paid at all the above mentioned places and also at sub-Treasuries on or after the 15th August or 15th February following the date of the draw. Every Bond remains eligible for prizes at all drawings up to 15th January 1949. Payment of Prize money of the Rs.10 series will be made in cash; of the Rs. 100 series, half in cash and the balance in Government Loans.
Winning numbers will be published in the Gazette of India and the Press, before 15th August and 15th February following the date of the draw.

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AGRICULTURE

The Indian Rural Problem

THAT agriculture is the very backbone of our economic life has long been recognized, but it cannot be denied that the abnormal conditions of war, in their incidence on food supplies, have invested the Indian rural problem with a new insistence. It is, therefore, only meet and proper that at a time as this, when our economic future has come to be discussed and planned for, that problem has demanded and been receiving urgent and emphatic attention. *The Indian Rural Problem** by Sir M. Nanavati and Mr. Anjaria is one of the more significant of recent contributions to a purposeful study of the fundamentals of our rural economy.

In the authors' words, "The volume is divided into three parts. Part I states concisely the facts of the situation....Part II reviews the activities of the various Government Departments and public and semi-public bodies, and attempts to assess the adequacy or otherwise of the work so far done. In Part III are set out the essentials of a proper policy, embracing not merely economic but, of necessity, the broader sociological aspects of the rural problem." Thus, in part I are described the environment and resources, the incidence of population on land, the agricultural structure, the co-relation between food supply and nutrition and the social services as they impinge on rural life. In part II, we find a critical but balanced account of reform policies and measures, official and non-official, in the fields of agricultural research, land utilization, land tenure and tenancy, land revenue, agricultural finance, sub-division and fragmentation, irrigation, rural roads, village housing and water-supply, electricity for rural areas, rural reconstruction, village panchayats and education. But, it is in Part III, headed "Constructive Rural Sociology," that we come to the "essence of the thing" and the authors tell us how, in their view, the core of the rural problem, which is "none other than that of raising the standard of life of the rural masses," should be tackled.

They point out that "the main cause of the poor result, not to call it total failure of measures so far adopted, is the want of a sufficiently comprehensive policy on the part of Government" and later on describe the essentials of such a policy as "a bold step forward to reform the land system and to lay down a programme for removing the surplus population on the land and of doing away with rural unemployment."

The land problem "is the most vital of our economic problems today; for, it is the system of land tenures, tenancies and taxation that determines the economic productivity of the land as an instrument of production and affects the working of the entire social system." Reform of the land system, it is held, should proceed in three main directions. Firstly, the cultivator himself should have a reasonable size of holding which he can call his own and of which he feels himself master and from which he can get a certain minimum standard of living. Secondly, the burden of taxation he has to bear should be in accordance with his ability; it should be elastic so as to vary with the climatic and other conditions of the region and with the changes in price levels; it should also be equitable in the sense that the tax burden imposed on him should in no case be more than he can bear or higher than that on other members of the community who have purchasing power about equal to his own. Thirdly, a well-thought-out scheme of developing rural industries should be put into operation so as to remove the surplus population on the soil and raise rural incomes.

In regard to the first point, the authors point out how unsatisfactory the present position is; "as much as 70 per cent. of the total area under cultivation is cultivated by non-owners; the owners are absentee landlords with no economic function or justification; tenancy is increasing; rents are high; alienation of land is proceeding apace; and, the business of farming has become uneconomic and unremunerative." There are three possible lines along which efforts may be made to bring about an improvement. First, one could think of a transference of land from the small owner to the capitalist landowner of substantial means—a substitution of estate farming for small-scale peasant farming. Sociological as well as narrow practical considerations rule out such a possibility. As the authors say: "It may be possible, indeed, that in a few cases, estate farming may be desirable and practicable in India as, for example, in the case of hitherto uncultivated land which may have to be brought under the plough at considerable cost," but they rightly conclude that "these, however, are special cases, but for the country as a whole, a general transformation along large-scale capitalistic lines is not a practical proposition." Another line of attacking the land problem would be through wholesale nationalization followed by the institution of large collective farms as in Soviet Russia. Some may regard it as unfortunate that the authors have satisfied themselves with dismissing this possibility perfunctorily and have not cared to consider it on its merits. An objective discussion of its economic and sociological implications or of the dangers of such a solution would have been highly valuable. Nor need it be supposed that the subject is entirely academic as a growing volume of enlightened opinion has come to conclude that it is only along the lines of collective farming of nationalized land that a permanent solution can be found. The authors, themselves, have elected to plump for the third alternative, which is to set up a system of peasant proprietorship, with direct contact between the cultivator and the Government. In regard to the zamindari areas, including Taluqdari and Malguzari, they recommend that the State should deal with the actual cultivator and collect land revenue from him directly; "the landlord need not be expropriated," but "the State should take over the landlords' functions and pay the landlord a fair rent for the land, deducting therefrom the expenses incidental to the discharge of these duties. Later on, when the State is in a better position, this may be commuted into a lump sum payment and the landlords' claim thus finally extinguished." In fine, expropriation with compensation is suggested, the process to be spread over time. In the non-zamindari areas, absentee landlordism and speculative investment in land are to be discouraged through "legislative control of rents at a certain multiple, a small one, of the land revenue." "Thereafter, the problem," in the words of the authors, "would be to check the transfers of land from cultivating to non-cultivating classes and to encourage as far as possible a reconstitution of holdings towards a more economical size." The measures suggested are prohibition of transfer of land by way of payment of debt, special facilities to *bona fide* cultivators fo expanding and consolidating their holdings, compulsory acquisition of land from non-cultivating owners for distribution among *bona fide* cultivators for expanding and consolidating their holdings, tion of a simple law of pre-emption to the sale of lands. The authors emphasize that the whole trend of tenure

**The Indian Rural Problem*: By Sir Manilal B. Nanavati and J. J. Anjaria. The Indian Society of Agricultural Economics, Bombay. Price Rs. 8.

and tenancy reform "should be such as to make it unprofitable for any but the actual cultivator to hold land." The obvious criticism that the creation of peasant proprietorship along these lines will only perpetuate an inefficient system, as these small cultivators have neither the means nor the technical knowledge for making the best use of land, is sought to be met by pointing out that "we do not contemplate a mere change in the land system unaccompanied by other appropriate steps . . ." It is suggested that the proper provision of credit, marketing facilities, technical training and alternative occupations for landless labourers or sub-peasantry cultivators for small holders together with a long-range policy of encouraging desirable types among the agriculturist population and evolving gradually a system of co-operative farming would go a long way to enhance the efficiency of peasant proprietorship.

As regards the reform of the land revenue, it is argued that the question should be "viewed with reference to the whole system of taxation and public expenditure, and equity demands that just as small holders earning less than a certain minimum should be exempted, large landowners having large incomes should be made to pay their due to the public exchequer. The main argument against an agricultural income-tax has been that such a tax would be passed on to tenants in the shape of higher rents but there need be no such fear if rents are restricted to a definite multiple of the land revenue and the State deals directly with the tenants as suggested above."

Coming to the third problem—pressure of population on land—the authors rightly observe that "the problem is more tractable from the production end than from the population end, and few will doubt that in view of India's vast potential resources what is necessary is to have more production as also equitable distribution through a more judicious use of our resources. The problem, in other words, is to alter the present lop-sided occupational distribution with its excessive concentration on agriculture to a more balanced distribution which would increase the numbers employed in industries, large and small, and services and professions." It is suggested that "large-scale industries, however rapid their development and however great their expansion, cannot possibly absorb the growing numbers of population and help further in reducing the already existing surplus population on the land. . . . This indicates the limitations of large-scale industry so far as the Indian situation is concerned. India needs more industries; some of them, like the basic industries, will have to be on a large scale and will naturally grow about cities and towns, but, our goal must be to multiply small and medium-scale industries in rural areas, if we are to solve the problem of rural unemployment and under-employment." The authors realize that "a gradual capital intensification and a progressive use of more advanced methods would, indeed, be necessary for raising industrial incomes," but hold that "this change-over will have to be slow in the initial stages if too much social stress is to be avoided. The tempo of industrialization will have to be so planned as to keep a balance between higher per capita output and larger employment." They, therefore, emphasize that firstly, our need is specially to foster medium-scale and small-scale industries, worked by electric power, wherever possible, so as to evolve a diversified industrial structure suited to the needs of the people and their capacity to bear initial cost; secondly, there is need for developing such cottage industries as can be combined with agriculture without much loss of efficiency and so as to fill up the idle time of the villager; and, thirdly, it is important that some of the existing rural industries and handicrafts should be helped to become more efficient and more paying.

The authors have been eminently successful in reaching bold conclusions on fundamentals, which are likely to command wide acceptance although it is possible that many may not agree wholly with their analysis and suggestions. The chief merit of the study is that it has attempted to see the rural problem wholly and see it whole, and its triumph is that it has not only recognized the core of the problem, but has essayed to tackle it in a big way. Tawney has drawn a lesson from history thus: "In the Europe of the nineteenth century, the reconstruction of the legal fabric of the land system preceded the modernization both of productive technique and of the business side of farming, nor, in the absence of the first, would the latter have been possible." And the Annual Report of the Bank of China for 1935 observes: "The system of ownership is the foundation of rural economy, and unless the problem of agrarian reform is satisfactorily solved, the various constructive activities proposed for the improvement of the agricultural situation will be superficial and have only a limited value." And yet in this country this fundamental nexus between agrarian reform and agricultural development has only been tardily, hesitatingly and dimly recognized and preposterous but true is the fact than in an official scheme of improving agriculture at a planned expenditure of Rs. 1,000 crores, the problems of land tenure, tenancy and taxation are most cursorily dealt with or not mentioned at all and agricultural reconstruction envisaged mainly as a programme of exploiting technological possibilities. The *Indian Rural Problem* should be valuable as a corrective to such wrong perspectives and lop-sided thinking.

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COMMODITY MARKETS

HAPUR, Aug. 22.

Grains

THE wheat market has been barely steady, while other grain markets showed declining tendency. Arrivals have again begun to flow into markets, and wheat is again easily available to the petty consumers. The daily arrivals averaged 250 maunds, while last week it was hardly 50 maunds. The reasons for increased arrivals are firstly, the enhancement in control price, and, secondly, the reports that U.P. Government have arranged with the Central Government for importing during the next two months of 3,00,000 maunds of pure wheat flour and 5,40,000 maunds of wheat to meet their rationing commitments. It is reported that during the period from 1st May to 10th August, the wheat purchases by Government in U.P. centres totalled 1,47,990 tons. It is anticipated that the increase in control price of wheat will have a good effect on the production of the next 'Rabi' crops. The proceedings of the meeting of the Central Price Advisory Committee held on the 17th August in New Delhi have not yet been officially disclosed but in the trade circles it is felt that the Government are not likely to announce their decisions regarding the fixation of price for the forthcoming 'Kharif' crops earlier than November next.

The weather and crop conditions are reported to be satisfactory in up-country centres.

Pulses

The local Urad and Moong markets generally ruled easy in sympathy with lower peas and Arhar markets and weakness of spot values with up-country speculators acting as principal sellers. Arrivals of Urad have again begun to move to the markets. Two wagons of Urad were received here from Chandausi. Buyers are taking little interest.

The latest quotations are: Wheat Ready Dara Rs. 9-12; Stock 29 Khattis. Gram Rs. 7-9-9; Stock 16 Khattis. Peas Rs. 7; Stock 153 Khattis. Arhar Rs. 7-4-3. Urad Magh Rs. 11-7-9. Moong Magh Rs. 10-14.

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Head Office: LAHORE.

Established: 1937.

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	30-6-43	30-6-44
Subscribed Capital ..	10,00,000	25,00,000
Paid-up Capital ..	5,99,000	15,00,000
Deposits	1,79,59,000	4,06,50,000
Working Capital ..	2,03,31,000	4,57,48,000
Net Profit	64,000	1,71,000
Branches	11	19

M. R. KOHLI,
M.A., F.I.B. (London),
MANAGING DIRECTOR.

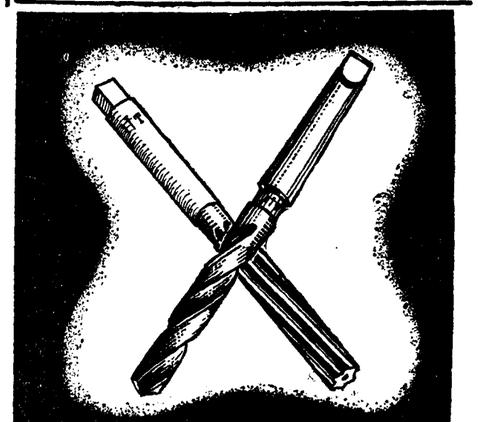
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ISSUED BY THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT (000's omitted)

	11-8-44	4-8-44	13-8-43	1-9-39	11-8-44 compared with 1-9-39
Notes held in the Banking Dept. ..	10,52	16.95	10,787	35,04	— 24,52
In circulation ..	933.66	927.86	754,61	182,13	+751,53
Total Notes	944,19	944.82	765.39	217,17	+727.02
A Gold coin & Bullion† ..	44,41	44,41	44.41	44,14	nil
Sterling Securities ..	828,32	828,32	613,83	59,50	+768,82
Total of A..	872,74	872,74	658.24	103,91	+768.83
B Rupee coin	13,60	14.23	13.76	75,87	+62.27
Rupee Securities ..	57,84	57.84	93.43	37.38	+20.46
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to Liabilities	92.433	92.371	86.002	63.149	+29.284

† Only those held in India, out side India being nil.

BANKING DEPARTMENT (00,000's omitted)

	11-8-44	4-8-44	13-8-43	1-9-39	11-8-44 compared with 1-9-39
Cash ..	10,77	17,17	10,93	35,15	— 24,38
Balances held Abroad ..	232.57	224,88	85,41	10.08	+222,49
Investments ..	11,12	11,12	7.67	6,81	+ 4,31
BillsDiscounted:—					
(a) Internal External	.. ..		..	..	..
(b) Treasury Bills	90	96	94	11,5	— 19
Loans & Advances to Govt. ..	..	..	83	31	— 31
Deposits:—					
(a) All Govts.††	126,58	130,79	32,43	14,89	+121,69
Of which G. of I.	113,45	114,13	25,09	14,89	+ 98,56
(b) Banks ..	104,22	97,62	55,95	26,91	+ 77,31
(c) Others	10,66	12,82	3,84	1,24	+ 9,42

*Including Cash and Short-term Securities.
†† Including Govt. of Burma

IMPERIAL BANK

(Rs. 00,000)

	11-8-44	4-8-44	13-8-43	1-9-39	11-8-44 compared with 1-9-39
Fixed Deposits	228,30	229,44	194,52	87,26	+141,04
Saving s Bank	131,96	131,05	138.00	51,02	+ 80.94
Current & other Accounts ..	3,70	3,20	209	96,2	+ 274
Govt. Securities ..	12,53	12,34	1150	766	+ 487
Other Investments ..	42,12	44,56	2136	19,76	+ 22.36
Loans ..	4.78	3.88	227	294	+ 184
Cash Credit Overdrafts ..	43.00	41,04	29,19	14,68	+ 28,32
Bills Discounted ..					
Cash in hand, with R.B.I. & Other Banks ..					

BANK OF ENGLAND

(£ '000)

	16-8-44	9-8-43	18-8-43	30-8-39
Total Bullion	1,136	1,316	263,700	1,648
Public Deposits ..	12,300	9,800	31,100	6,800
Other Deposits ..	229,200	234,600	129,100	204,700
Of which—Bankers Deposits	171,90	176,100	90,100	149,500
Govt. Securities ..	186,400	191,300	113,100	187,100
Other Securities ..	14,200	13,800	31,000	15,900
Of which Discounts & advances	4,200	6,500	6,400	1,800
Notes & Coins ..	54,600	50,300	34,200	27,700
Notes in circulations	1,146,900	1,150,600	529,500	977,000
% of Reserve to Liability	22.59	20.77	21.38	11.66

TREASURY BILLS SALES 3 MONTHS TENOR

(Rs. '000)

Date of tendering	Amount tendered	Amount accepted	Average rate	Interests	Sold in favour of Issue Dept.
May '44	53,95,00	16,00,00	0 8 8	..	8,89,00
June ,, ..	50,62,50	30,00,00	0 7 3	..	8,52,50
July ,, ..	37,36,75	16,00,00	0 7 9	..	13,76,00
Aug. 1 ,, ..	12,97,00	4,00,00	0 7 9	..	60,00
,, 8 ,, ..	14,91,25	4,00,00	0 7 7	..	3.30,00
,, 15 ,, ..	19,25,00	6,00,00	0 7 9	..	*

* No sales during the week ending 1th August, 1944.

CLEARING HOUSE RETURNS

(In Lakhs of Rupees)

Centres	1941-42	1942-43	1943-44	(Apl.-July) 1944	July 1944
Bombay ..	1,046,77	1,321,06	2,003,21	6,91,78	1,66,47
Calcutta ..	1,230,09	1,061,88	1,740,12	7,01,92	1,97,65
Cawnpore ..	30,33	55,14	102,41	37,55	8,05
Delhi ..	41,06	80,53	1,21,08	39,35	9,25
Karachi ..	58,50	76,62	1,02,84	38,28	8,32
Lahore ..	26,61	47,96	78,82	30,36	8,77
Madras ..	1,35,30	1,29,84	2,00,02	78,25	15,90
Total ..	2,568,66	2,773,03	4,348,50	1,607,49	4,14,40

SCHEDULED BANKS

(Rs. '00,000)

	11-8-'44	4-8-'44	13-8-'43	1-9-'39	11-8-'43 compared with 1-9-'39*
Demand Liabilities in India ..	578,43	579,43	433,79	134,36	+444,07
Time Liabilities in India ..	185,94	185,72	136,36	102,24	+ 83,70
Cash in India ..	25,43	24,74	18,65	6,69	+ 18,74
Balances with Reserve Bank ..	102,25	96,36	54,36	25,17	+ 77,08
Advances in India	206,72	212,48	143,12	101,52	+105,20
Bills dscounted in India	9,48	10,05	3,65	3,57	+ 5,91

U.S. FEDERAL RESERVE BOARD

($ '000,000)

	3-8-1944	27-7-1944	3-8-1943	31-9-1939
Resources:				
Total Reserves ..	19,115	19,115	20,503	14,660
Total Bills Discounted ..	36	37	18	(6,190)
Bills bought in open market ..	Nil	Nil	Nil	(550)†
Total U.S. Government Securities	14.891	14,802	8,165	2,426
Liabilities:				
F.R. Notes in actual circulation	19,165	18,995	14,433	4,609
Deposits in Member Bank Reserve Account ..	12,884	12,792	12,336	10,951
% Total Reserve to Deposit and F.R. Note Liabilities	56.1	56.3	71.2	86.9

TREASURY BILLS MATURITIES 3 MONTHS TENOR

(Rs. '000)

Date of maturity	Amount	Date of maturity	Amount
Aug. '44	16,00,00	Oct. 21 44	3,84,75
Sep. ,, ...	30,00,00	,, 22 ,, ...	15,25
Oct. 6 ,, ...	20,25	,, 27 ,, ...	7,25
,, 7 ,, ...	3,99,75	,, 28 ,, ...	3,85,75
,, 14 ,, ...	3,96,00	,, 29 ,, ...	7,00
,, 15 ,, ...	4,00		

STERLING PURCHASES BY RESERVE BANK OF INDIA

	1943-44	Apl.-July 1944	July 1944	June 1944	July 1943	June 1943
Amount (000£) ..	105.309	32,862	1.24,00	6,824	7,006	6,338
Average rate of purchases ..	remained 0-1-6 constantly					

EXCHANGE RATES (T.T.)

(000's omitted)

	Aug. '20, '44	Aug. 13, 44.
Bombay on London (s.)	1-5 31|32	1-5 31|32
,, ,, New York (Rs.)	332 3|4	332 3|4
London on Bombay (s.)	1-6	1-6
,, ,, New York ($)	4.02 1|2—4.08 1|2	4.02 1|2—4.08 1|2
New York on London ($)	4.03	4.03

BANK RATES

	Date of last change.	Previous Rate.	Present Rate.
Bombay ..	28th Nov. 1935	3½%	3%
London ..	26th Oct. 1939	3%	2%
U.S.A.—New York	29th Oct. 1942	1%	½%

LEAGUE OF NATIONS STATISTICS—BANKING †

B—General

Countries	(Units)	NOTES IN CIRCULATION 1939 XII	(000 000) Latest figure	COMMERCIAL BANK DEPOSITS 1939 XII	Latest Figures.
Union of S. Africa	(S. A. £)	30.9	30.9 (1944-i)	101.0	227.7 (1943—xii)
Egypt	(Dollar)	26.4	97.0* (1943-xii)	..	..
Canada	(C. Dollar)	253	895 (1944-iii)	2774	4216 (1944—iii)
U.S.A.	(E. £)	4,912	17,176 (1944-ii)	23842	39089 (1944—iii)
Argentina	(Peso)	1,191	1,886 (1943-xii)	3913	5957 (1943—xii)
Chile	(Peso Paper)	950	2,268 (1943-xii)	2449	3524 (1944—ii)
Mexico	(Peso)	375	1,145 (1944-i)	251	1414 (1943—xii)
China-Manchuria	(Yuan Mk)	624	2,074 (1943-iii)	..	..
India (excluding Burma)	(Rupee)	2,245	3,675 (1944-i)	2401 (S.B.)	(S.B.) 6675 (1944—i)
Japan	(Yen)	3,818	9,667 (1943-xii)	19796	40652 (1943—xii)
Germany (Reich Bank)	(Mark)	11,798	33,508 (1944-ii)	8500	..
Spain	(Peseta)	13,530 (1941-xii)	16,331 (1943-xii)	..	..
France	(Franc)	151322	5,14,300* (1944-ii)	42443	102.673 (1943—xii)
Iceland	(£)	18.0	32.8 (1944-ii)	119.2	170.5 (11943—xii)
Italy	(Lire)	24,622	96,541* (1943-vii)	..	..
Rumania	(Leu)	48,800	1,62,300* (1944-i)	15241	40674 (1943—xii)
U.K.	(£)	554.6	10,863 (1944-ii)	2241	3397 (1944—ii)
Turkey	(T. £)	281	843 (1944-ii)	261.5	894.7 (1943—xii)
Australia	(A. £)	57.3	168.0 (1944-ii)	335.0	510.5 (1944—i)
New Zealand	(N. Z. £)	19.3	56.3 (1944-ii)	72.5	117.4 (1944—ii)

*Monthly Bulletin of Statistics, April 1944 (League of Nations) †Provisional. S.B. Scheduled Banks. Months are denoted in Romals.

SEA-BORNE TRADE OF BRITISH INDIA

	April 1944	March 1944	Increase or decrease in April 1944 over March 1944
	Rs.	Rs.	Rs.
Exports including re-exports	16,97,19,073	16,62,09,195	+ 35,09,878
Imports	12,93,08,249	12,37,47,734	+ 25,60,615
Balance of trade in Merchandise (Private)	4,34,10,724	4,24,61,461	+ 9,49,263

INDIAN CUSTOMS REVENUES
(Rs. '000)

	1944-45 Budgeted estimates	1943-44 actual	April to July '44	July '44
Sea Customs:—				
Imports	50,80,00	45,45,90	23,86,68	6,76,87
Exports	2,49,00	2,44,17	79,44	22,41
Total Gross Customs†	54,15,00	48,91,81	25,01,51	6,97,64
Total Net Customs Revenue‡	28,00,00	46,10,85	24,38,02	6,79,62

†Includes Land Customs also.

‡After deducting payments to Provincial Governments refunds and drawbacks. and drawbacks.

NEW FOOD INDEX

(Base: Week Enging August 25, 1939=100)

Week ending		differences† Chain
Average for April	233.8	..
,, ,, May	228.3	—5.5
,, ,, June	232.1	+3.8
1st July 1944	236.9	..
8th ,, ,,	236.9	+4.8
15th ,, ,,	235.1	—1.8
22nd ,, ,,	235.3	+ .2
29th ,, ,,	237.2	+1.9
5th Aug. 1944	237.4	+ .2
	238.1	+ .7

†Chain differences mean succeeding item compared with the preceeding one.

PRODUCTION ESTIMATES

	1943-44	1942-43
Cotton Raw (bales of 400 lbs. each)	5,094,000	4,702,000
Jute Raw (,, ,, ,,)	6,942,000	9,062,000
Wheat (Tons)	9,851,000	10,971,000
Sugar (Tons)	12,20,788†	

† Up to 7-8-'44.

RURAL RETAIL PRICE INDEX NUMBERS†

(Base: January, 1943=100)

Names of Centres	Cereals	Pulses	Other articles of food	All articles of food	Fuel and lighting	Clothing	Sundries
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
E. ZONE							
Bamsa	*	*	*	*	*	*	*
Malbang	159	154	197	188	105	134	345
Rajapur	163	182	260	242	119	134	359
Shankergarh	173	155	114	143	87	90	185
Sanaili	180	138	167	165	98	138	168
N. ZONE							
Multapi	110	117	130	124	111	110	276
Nomi	109	104	95	99	132	106	178
Salampur	150	103	107	114	80	141	169
Shujabad	112	141	107	114	103	117	189
Guzar Khan	131	145	119	127	156	114	104
S. ZONE							
Krishna	127	95	113	114	101	91	152
Lash	112	100	118	113	121	136	167
Malur	140	146	138	140	88	111	201
Muin Guda	156	149	108	127	86	91	138
Kudchi	118	117	117	108	123	299	

†Indian Lahore 'Gazette,' August, 1944.

ELECTRICITY STATISTICS

	Generated units (000)	Sold units (000)
1938-39 (total)	2,004,418	1,681,827
1939-40 ,,	2,166,896	1,819,928
1940-41 ,,	2,297,836	1,940,624
1941-42 ,,	2,655,082	2,356,622
1942-43 ,,	2,714,338	2,416,094
1943-44		
April	249,599	224,741
May	254,792	226,706
June	255,006	225,641
July	247,645	224,311
August	224,233	206,433
September	210,963	198,963
October	199,627	186,138
November	212,466	185,312

Electricity generated by P.W.D. and military stations in British India not included.

C—Prices

INDIAN STOCKS AND SHARES

	This week. 21-8-44 Rs. a. p.	Last week. 14-8-44 Rs. a. p.
BOMBAY		
SECURITIES:		
2¾% (1948-52)	99 12 0	98 4 0
3% (1946) Defence	102 7 0	102 7 0
3½% G.P. Notes	99 9 0	99 10 0
4% (1960-1970)	112 10 0	..
4½% (1955-60)	116 4 0	116 4 0
5% (1945-50)	104 12 0	..
TEXTILE:		
Ahmedabad	470 0 0	470 0 0
Bombay Dyeing	1,838 12 0	1,875 0 0
Central India	417 0 0	419 8 0
Century	895 0 0	910 0 0
Colaba	219 0 0	222 0 0
Gokak	318 8 0	322 0 0
India Bleaching	182 0 0	184 0 0
Kohincor	621 0 0	626 0 0
Phoenix	631 12 0	612 8 0
Sholapur	6,975 0 0	6,900 0 0
Simplex	257 0 0	254 0 0
Swadeshi	539 0 0	543 0 0
Vishnu	491 4 0	495 0 0
Finlay	307 0 0	..
TATA SHARES:		
Tata Chemical	25 12 0	..
,, Oil	31 8 0	..
,, Power	1,938 12 0	1,910 0 0
,, Hydro	205 8 0	205 0 0
,, Steel Defd.	2,187 8 0	2,212 8 0
,, ,, Ordy.	407 0 0	412 0 0
,, Steel Pref. I	273 0 0	..
,, ,, ,, II	163 0 0	..
MISCELLANEOUS:		
Alcock	'485 0 0	'490 0 0
B.I.C.	6 8 6	..
Belapur Sugar	240 8 0	250 0 0
Bom. Burma	545 8 0	537 8 0
,, ,, New	185 0 0	..
Bom. Steam	587 8 0	..
,, Tram	'150 8 0	'151 0 0
,, Petrol	4 5 9	..
Scindia Steam	33 12 0	..
Shivarajpur	'58 0 0	'60 0 0
Andhra Valley	1,910 0 0	1,900 0 0
Prem. Construction	215 0 0	212 0 0
Indian Iron	38 14 0	39 4 0
Indian Copper	3 4 0	'..
Burma Corp.	4 7 6	..
BANKS & INS.:		
Central	81 4 0	81 4 0
Imperial F.P.	1,990 0 0	1,982 8 0
,, P.P.	495 0 0	492 8 0
India	184 0 0	185 0 0
Reserve	135 0 0	'135 12 0
New India	81 0 0	82 0 0

	This week. 21-8-44 Rs. a. p.	Last week. 14-8-44 Rs. a. p.
CALCUTTA		
SECURITIES:		
3% G.P.	..	90 9 0
3% Loan (1951-54)	..	101 0 0
3½% G.P.	..	99 12 0
3½% Loan (1947-50)	..	103 6 0
4% Loan (1960-70)	..	112 9 0
5% Loan (1945-55)	..	'104 11 0
COTTON:		
Benares	13 12 0	..
Bengal Nagpur	39 2 0	..
Cawnpore Textile	13 6 0	14 4 0
Dunbar	290 0 0	..
Elgin Mills	70 12 0	74 12 0
Kesoram	18 8 0	19 9 0
Muir Mill Pref.	83 8 0	..
New Victoria	8 12 0	9 5 0
,, ,, Pref.	..	11 0 0
JUTE:		
Anglo-India	444 0 0	454 0 0
Barnagore	212 0 0	217 0 0
Champdany	241 0 0	253 0 0
Ganges	514 0 0	..
India	675 0 0	..
Howrah	79 4 0	83 5 0
Kamarhatty	660 0 0	..
Kankinarrah	555 0 0	563 0 0
Nuddia	125 6 0	130 0 0
Presidency	9 12 0	11 4 0
Reharia	65 4 0	66 14 0
COALS:		
Amalgamated	..	49 12 0
Bengal	..	10 2 0
South Karanpara	..	24 0 0
Bhalgora	..	..
Burrakur	..	45 14 0
East India	..	30 2 0
Equitable	..	637 0 0
North Damuda	..	'12 7 0
Telcher	..	11 2 0
STEEL ENG.:		
Indian Iron	38 7 0	40 12 0
Kumardhubi	12 7 0	13 0 0
Steel Corp.	32 11 0	35 14 0
Jessop	23 10 0	25 0 0
Braithwaite & Co.	..	12 1 0
SUGAR:		
Champaran	..	45 8 0
Samastipur	..	..
Belsund	..	16 12 0
Carew	..	31 4 0
Murree Brewery	..	27 0 0
New Savan	..	33 8 0

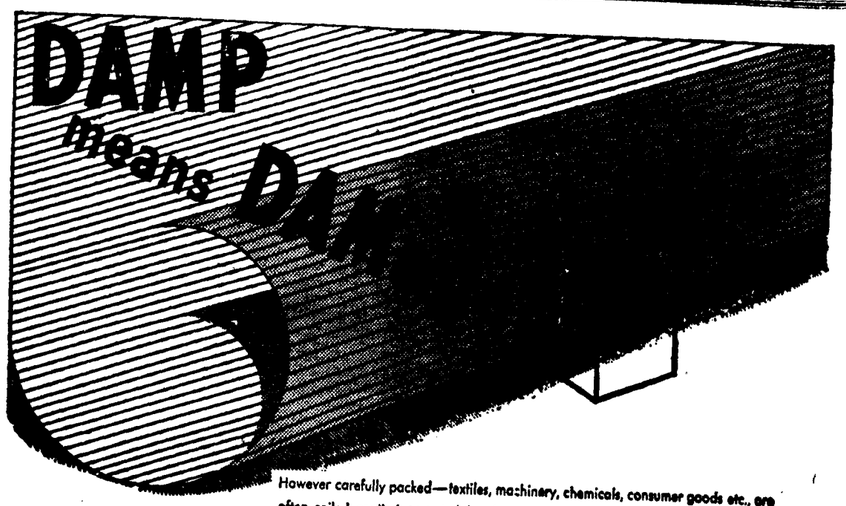
	This week. 21-8-44 Rs. a. p.	Last week. 14-8-44 Rs. a. p.
TEA:		
MISCELLANEOUS:		
I.P.P.	..	223 0 0
Orient	..	32 0 0
Titaghur	..	27 15 0
Dalmia Cement	18 12 0	18 12 0
Burma Corp.	4 6 0	4 9 0
Indian Copper	3 2 0	3 7 0
MADRAS	21-8-44	17-8-44
TEXTILES:		
Bangalore Wool	520 0 0	521 4 0
Cambodia	34 0 0	34 0 0
Coimbatore	215 0 0	..
Pankaja	297 8 0	297 8 0
Sitaram Spg.	176 0 0	178 0 0
Vasantha	300 0 0	302 0 0
SUGAR:		
Deccan Big	39 0 0	39 0 0
India	25 0 0	25 0 0
Travancore	16 8 0	16 8 0
PLANTINGS:		
Cochin Malabar	16 12 0	17 4 0
Chembra Peaks	12 14 0	12 15 0
Woodlands	14 4 0	14 4 0
MISCELLANEOUS:		
Andhra Cement	122 8 0	122 8 0
Bruntons	14 8 0	14 8 0
India Steel Roll	8 5 0	8 4 0
Mysore Chem.	32 0 0	..
LAHORE		
COTTON:		
Ajudhra Textile	8 4 0	8 5 0
Cawnpore Textile	13 8 0	14 1 0
New Victoria Ordy.	9 2 0	9 5 0
SUGAR:		
Samastipur	20 10 0	..
Murree Brewery	28 14 0	..
BANKS:		
United Commercial	87 0 0	88 10 0
Bharat Bank.	115 0 0	..
Hindustan Com.	58 0 0	59 0 0
New Bank	39 4 0	40 4 0
Jup. In. Trust	10 12 6	..
MISCELLANEOUS:		
Rampur Distillery	18 8 0	18 12 0
National Saltpetre	3 14 0	..
N. India Oil	25 8 0	..
DELHI		
New Victoria	9 1 0	..
Raza Textiles	83 4 0	..
Ajuda Textile	8 5 0	..
Gwalior Brewery	27 0 0	..
Rampur Distillery	18 1 6	..

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity	Quality	Market	Unit	Latest Quotations Rs. a. p.
Rice	(1) Basmati—Punjab	Amritsar	per md.	(a)
	(2) Sambhalu	Cawnpore	,,	17 12 6
	(3) Seeta, Balland Kahna	Calcutta	,,	14 12 0
Wheat	(1) Average	Amritsar	,,	(a)
	(2 ,,	Lyallpur	,,	8 4 0
	(3) Dara	Hapur	,,	9 12 0
		Cawnpore	,,	(a)
Gram		Hapur	,,	7 14 8
Barley		,,	,,	6 4 8
Linseed	(1) Brown bold	Bombay	,,	11 3 4
	(2) Bold	Cawnpore		8 12 0
Mustard	Yellow	Cawnpore		..
Groundnuts	(1) Ready Bold	Bombay		11 12 0
	(2) Karnel	Madras		11 5 0
Oils:—	Ready	Bombay	per qr.	11 0 0
Linseed				10 12 6
Groundnuts	,,	,,		10 6 0
Copra	,,	,,		10 14 0
Castorseed	,,	,,		13 3 6
Potatoes	(1) Desi	Lucknow	per md.	28 0 0
	(2) Desi	Calcutta		
Cotton (Raw)	I.C.C. (Sep.)	Bombay	per candy (784 lbs.)	411 0 0
Cotton Piecegoods	Long Cloth (Standard quality)	,,	per yd.	1 7 9
Jute—Raw	(1) Firsts	Calcutta	per bale (400 lbs.)	84 0 0 (Mills)
	(2) Lightnings	Calcutta	,, ,,	80 0 0 (Mills)
Bags	B. Twills	Calcutta	per 100	6 12 0 Ready)
Cloth	Hessian Cloth 8 oz.	Calcutta	bags ,, ,,	72 2 0 (Ready)
	10½ oz.			29 2 0 (Ready)
Tea‡	Indian market	Calcutta	per lb.	1 10 6
Sugar‡	First Crystals	Cawnpore	per md. ex factory	15 6 0

BULLION PRICES

	Aug. 21, '44	Aug. 14, '44	Aug. 21, '44	Aug. 14, '44
Bombay	Rs. 75 10 7	75 10 0	Rs. 134 4 0	131 5 0
Delhi	Rs. 75 12 0	75 2 0	Rs. 135 14 0	134 4 0
London	£9 5 0	£8 0 0	23 1/2d.	23 1/2d.
New York			44 3/4 cents	44 3/4 cents



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THE

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The Blocking of Sterling

THE decision of the Bretton Woods Conference to exclude India's sterling balances from the scope of the Monetary Fund was hardly conducive to inspire confidence in dependent peoples that the foundation was being laid for an equitable international economic order. But the slender hope of a reasonable deal on the sterling assets based on the British Chancellor's promise of orderly liquidation and Lord Keynes' assurance of non-repudiation is being effectively dispelled by the first-hand evidence of the returned non-official delegates of this country. The essence of India's claim in regard to sterling assets is not only that they should be available, but they should be available in the five or ten years immediately after the war when they will be urgently needed to meet worn-out and stinted demands and at a rate equal to her needs. The second joint statement issued by Sir R. K. Shanmukham and Mr. A. D. Shroff makes it clear beyond doubt, and their interpretation has the authority of the British delegation, that precisely in those years, *viz.*, the years of 'transition' mentioned in the Fund, sterling will not be multilaterally convertible. We are surprised that the delegates had reserved to the last this bitter pill for public consumption.

It is important that the far-reaching consequences of this elucidation are well understood in the country and that appropriate steps are pressed to counter them. During the transition period after the war, the length of which is uncertain and undefined but which may be anything from three to five years at the lowest, a member country of the Monetary Fund is free to impose exchange restrictions and does not assume the obligations as to the multilateral convertibility of its currency. A specific question put to the British delegation at the conference elicited the answer that sterling was not convertible in the transition period. Since the transition is intended to give time for the member country to achieve a reasonable equilibrium in its balance of payments and since, in the case of Britain, the disequilibrium has arisen from her war debts, it is reasonable to assume that she would be requiring at least ten years, (if not more, to infer from the effusions of the British Press) to achieve the balance which will enable her to settle her debts.

During these ten years following the war, not only shall our assets accumulated during war remain inconvertible into other currencies, but also that amount

of sterling which we might accumulate during that period from our trade with Britain and other sterling area countries. Thus, if our war-time accretions amonut, say, to £1,500 mn., and if our foreign surplus in the decade of transition aggregates to, say, £500 mn., at an annual average of £50 mn., the result will be that at the end of the ten years we will be faced with blocked assets of the value of £2,000 mn., which will have risen to £1,550 mn. at the end of the first year, £1,6000 mn. at the end of the second year, and so on. In short, even our current account earnings will be blocked; and this is a position that India can not accept in any circumstances.

But this blocking is subject to one limitation, viz., the terms of the bilateral settlement between Britain and India might provide for some measure of multilateral convertibility, whereas under the Fund and after the transition such convertibility will be natural and automatic. But how far can a bilateral settlement help? The crux of the matter is the annual rate at which Britain proposes to repay the debts. This, again, means the amount of export surplus which she is prepared to achieve which is the only method of repaying the debts (we are not concerned with how she achieves this, whether by reducing imports or increasing exports; the former is not possible for a predominant importer of raw materials required for the manufacture of those very exports). The alternative to such export surplus is foreign credit either within or without the sterling area or as we have urged on more than one occasion, the sale of Britain's overseas assets.

As concerns the sterling area, there has so far been unhampered clearing within the area itself and it is likely to continue after the war. This is no help so far as the war-time balances are concerned, because what applies to the blocked assets of India will apply equally to those of Australia or any other sterling area country and their clearing will depend on the arrangements Britain will be making with each of them, and the net export surplus which she will consequently be called upon to bear.

But as regards India's export surplus on current account which is likely to accrue, as ever, from the sterling area countries, unhampered clearing will be a reality if certain conditions are satisfied. In the first place the other sterling area countries will agree to exchange with India goods on current account without the intervention of blocking at London. In other words, even if, for instance, Australia clears her balances in London, India must be able to utilize her surplus balance with Australia in buying from any Empire country other than Britain. In short, if there is to be any blocking of assets in the London clearing in the transition, it should be only in respect of India's current surplus with Britain, not that with other Empire countries. In the second place, India should have absolute freedom to regulate her export and import trade suchwise that in return for her goods she gets the goods she needs and that she makes her current earnings go as far as possible in satisfying her wants.

But this is hardly enough for her to be content with, although even this will be difficult to achieve on political grounds. The other Empire countries must make the non-blocking of current surpluses from other than British origin the condition of clearing in London. But the Dominions are unlikely to accept it. They are almost certain to adhere to Britain's devices.

Even if this were practicable it would mean only a very limited degree of multilateral convertibility. The sterling area may be geographically large, and our trade with it substantial, but with the exception of Britain, and to a much smaller extent, of Australia and Canada, the Empire countries are far too unindustrialized to offer scope for the beneficial liquidation of our entire traditional export surplus within those areas. The following table of figures, showing India's export surplus with individual countries, will illustrate the basic necessity of convertibility outside the sterling area:—

(In lakhs of Rupees)

	1938-39			1943-44		
	Imports	Exports	Balance	Imports	Exports	Balance
1. British Empire U. K.	4649	5551	+ 902	2980	6019	+3039
Burma	2435	1003	-1432			
Ceylon	118	509	+ 391	351	1436	+1085
Australia	241	297	+ 56	492	1331	+ 839
Canada	91	214	+ 123	252	493	+ 241
S. Africa	35	149	+ 114	259	990	+ 731
2. Foreign countries	6377	7742	+ 1365	6124	7070	+ 886
U.S.A.	978	1388	+ 410	1840	4029	+ 2189

Our export surplus with the Empire countries has always been big, but how can we liquidate it within the Empire itself, when Burma, Ceylon and S. Africa are hardly in a position to supply the goods we need.

The other part of the policy, viz., that of preventing further accumulation of inconvertible sterling in London in the transition period, consists of (1) regulating India's trade with Britain in such a way as to maximise imports from her of the sort we need, while discouraging exports the proceeds of which will be blocked; and (2) working out an alternative multilateral clearing system outside the sterling area. Both again are politically difficult, but economically vital. They involve an economic and political autonomy which the objectors to the release of blocked assets, who are also objectors to the removal of other trammels, will never so much as contemplate. They involve a break with the sterling link, if necessary, an alternative cover for currency, with its necessary legislation in regard to the Reserve Bank. They demand a rapid development of exchange banking, a revolution in the methods of foreign trade finance, a de-sterlingising of our entire trade and so on. All this is meant by Sir Shanmukham and Mr Shroff when they speak of "a radical change in some of our trade practices and policies under which our foreign trade with countries other than the United Kingdom was carried on in sterling."

Speaking of the immediate future, however, there is one method of building up multilateral currency facilities outside the sterling area, the principle of which has already been recognized both by H.M.G. and India Government, viz., the creation of a dollar fund and it is the task of commercial opinion in the country to see that the fund is adequate enough and broadbased enough to form the nucleus of the system we envisage. Seven months are over since the Finance Member announced the proposal in the budget and so far the Government have not cared to tell the public what progress they have made. We have more than once asked for this information and demanded that if it is to be more than a sop, the fund should be composed not only of the whole of India's export surplus with the U.S.A. from 1943-44 (when it is as high as Rs. 21.9 crores), but that of the earlier war years and also the dollar balances and securities requisitioned by Britain. We would now go further and say that in respect of trade with all countries outside the sterling area, the dollar should be the link, so that our export surplus on current account with S. America, the European continent and other areas may be spendable in the U.S.A. on capital goods.

The first step towards this is to have information about the Empire Dollar Pool which has deprived us of our dollars. The information has been withheld from the Indian delegates on the specious plea that it is a war secret, whereas in truth the scheme is operated to preserve for Britain her Empire markets. Does not the U.S.A., which sends immense quantities of all kinds of war materials to every theatre of activity give quarterly figures of Lease-Lend in such detail without advancing any strategic pretexts? As the Indian delegates say, we must demand the dissolution of this pool, at any rate India should be free to get out of it.

The immediate issues (over and above a fair deal with Britain) which emerge from the Monetary Conference, on which the country should concentrate are: (1) to explore ways and means of preventing further accumulation of sterling in London during the transition; (2) to work out the terms of a trade convention, like the tariff convention, which Britain will recognize which will give us fiscal autonomy, whatever the constitutional position; (3) to have complete export and import control in the hands of the Government of India with an assurance from H.M.G. that in this matter the writ of the Secretary of State will not be valid or binding and (4) to create an adequate dollar fund. In all these issues, insistent public pressure alone can elicit assurance from the present Government.

Minimum Wages

THE question of minimum wages and minimum wage legislation has been so far discussed in India almost entirely in terms of industrial labour. On grounds of practicability the elimination of agricultural labour from the scope of minimum wages may, of course, be justified, but not on grounds of urgency or justice. One may go so far as to say that even from the narrow point of view of industrial labour the existence of large masses of agricultural population in conditions of poverty and miserably low wages, from whom the bulk of industrial labour is yet drawn, will inevitably exert a downward pressure on industrial wages, which no amount of sheltered protection by legislation can permanently resist. Further, as the *Royal Commission on Labour* pointed out in 1931, "Indian industry is not a world in itself; it is an element and by no means the most important element in the economic life of the community. .....It is obviously possible to raise the standard of living of sections of industrial workers by methods which would involve the diminution of the national income that is available for other sections of the community." Even if the entire body of workers in organized industry is given the benefit of minimum wages, they represent only about 2 lakhs of persons; the bulk of the workers engaged in unorganized trades and handicrafts, and the entire agricultural population working for wages would still remain without any rights to subsistence.

The Bombay Plan by directing public attention to the question of the minimum of subsistence for all has given a new orientation to the discussion on minimum wage. The latter is now seen as part of a bigger problem—that of ensuring to every worker sufficient for maintenance and of a little surplus after the barest necessities are met. Since the bulk of the working population live in villages and are dependent upon agriculture, the guaranteeing of a minimum income to them must form part of social policy and action, alongside of an extension of the principle of minimum wages in the sphere of industry.

It is not possible within the limits of this article even to indicate the main lines on which action to ensure a minimum income for the rural workers should be based. But the following deserve to be noted. In the first place, Government should take all measures to ensure full employment of the population left in agriculture. The present system by which the agriculturists are only partially employed and seriously under-employed should be radically modified. This can only be achieved by keeping public expenditure at a high level. Secondly, stability of agricultural prices at a level which would afford the peasant some margin of surplus after his costs are met. Thirdly, a complete revision of the system of land tenures which would not, as at present, deprive the actual cultivator of the return due to him but, on the other hand, afford him adequate incentives to production. Finally, the creation of an authority which will have the right to examine for each district whether the wages paid to agricultural labourers are fair, having regard to local conditions. The wage regulating authority should be composed of representatives of the rural population with a few outsiders, and will have the duty to advise the Government on all matters affecting wages. These constitute the essential elements in dealing with a problem which is admittedly very difficult but whose solution cannot long be postponed.

Regulation of industrial wages is, however, a more pressing affair. It is true that, thanks to the war, industrial workers are, if not prosperous, at least relatively well off. Such grievances as they may have do not have to be led up to strikes for redress on account of the compulsory arbitration machinery provided for as part of war-time legislation. But after the war, conditions will change. Despite all the talk that is going on in the country, we cannot be sure of the competence of the Government of India to avert a post-war slump one or two years after the war. Already we hear of the proposal to give notice to temporary workers in the civil and military departments of Government. It will be difficult for a Government whose powers of intiative and independent thinking have been completely curbed by Whitehall to be able to deal with the immediate post-war problems with the imagination and boldness necessary to effect a smooth transition from war to peace economy. In such circumstances the possibility of a serious reduction in activity, unemployment, fall in wages, strikes and lock-outs cannot be wholly overlooked. We must be prepared for all eventualities. One of the essential steps to smoothen the transition to peace economy is the setting up of a machinery to examine wages with a view to preventing a landslide.

The need for regulating wages in India not merely as an immediate post-war problem but as a permanent arrangement has been acutely felt by all thoughtful students of the subject. Unlike in other countries, wages have been (except in a few special cases) generally extremely low. Organizations of labour are practically non-existent. Free market conditions in respect of labour have not brought about the satisfactory result which economic theory should lead one to

expect. On the other hand, the differences in payments to workers from one factory to another in the same industry and even in the same centre or locality have been a marked feature of industrial organization in India to which pointed reference has been made by the Royal Commission on Labour. The Commission, therefore, suggested a machinery for standardization of wages with a view to securing some degree of uniformity. While standardization is, of course, desirable, it does not go to the heart of the matter, *viz.*, low wages. Thirdly, both on account of low wages and the wide disparity between wage payments for similar kinds of work, labour is in a chronic state of discontent, and, as Mr. Harold Butler remarked after a survey of Indian labour conditions, the removal of the factors that lead up to industrial disharmony and strife is perhaps the most outstanding problem of Indian industry. Nothing will contribute to industrial peace and contentment so much as the setting up of some machinery to settle wages, as, after all, wages constitute still the biggest element in industrial disputes.

As to the type of machinery that India should establish for the purpose, there is fortunately a wide measure of agreement. Of the two broad types with which the world is familiar the machinery of an arbitration court and that of the Trade Board there can be little doubt that the second alone will suit Indian conditions. The arbitration court machinery even at its best is hardly suited to deal with the rapidly changing industrial conditions of which wages are only one element. Further, if it is only a question of deciding a basic wage for all the workers in a community, the method of the court of arbitration may be found to be adequate. But where, as in practice, one has to fix wages for different grades of workers and provide for a wide variety of skills and differentials, an intimate acquaintance with the conditions of each industry is a *sine qua non* of success, and no court can possess it. A general minimum wage, *i.e.*, a wage below which no one may be employed is inapplicable to our conditions. A National Minimum Wage does not afford protection except to the poorest and lowest paid workers. The large majority of workers would benefit little from it. If, on the other hand, an attempt were made to fix a high minimum, it would result in a large volume of unemployment.

Wage regulation in India must, therefore, take the form of lists of rates of wages for different categories of workers in each industry, and the only proper machinery for the purpose is a trade board, as in Britain, composed of representatives of employers and workers and some independent persons. Such boards should be constituted for each industry and in different centres. India cannot follow Britain in having one trade board for one industry, for conditions vary between one province and another, sometimes even within a province. Hence large regional boards should be constituted which could take into account different circumstances and regional variations.

One of the major advantages of the trade board machinery for regulating wages is that it is not an essential condition of its success that it should have a code of well-defined principles before it. An arbitration court, if it is not to be tossed about from one position to another, must be governed by some known and accepted principles of wage regulation. The trade boards can enjoy in this respect greater freedom and elasticity. They know how far a wage may be regarded as fair and practicble, taking into account every thing. It is true that one may not overlook the serious disadvantages of diversity arising from the mere empirical formulas which each trade board may adopt without reference to the other. But such dangers may be obviated by a central co-ordinating authority which may be empowered to advise individual trade boards if their wage schedules deviate too far from the normal. The truth is that in a matter like wages no single principle can claim such certitude and validity that it can compel acceptance. The living wage principle has undoubtedly claimed more widespread appeal in the hands of the wage-fixing authorities. Yet, the interpretations placed upon it have led to such divergent and disastrous consequences that even in a country like Australia where wages are fairly high the awards based upon it have had to be ignored. The living wage is not, and in its very nature cannot be, a definite concept. It will vary with the incomes of the community, standards of living and of the desires and aspirations of the workers. A time may come when among the essential items of working class consumption a motor car, a week-end holiday travel and other amusements may be found to occupy a very high place. We are on no firmer ground when we apply the principle of what the trade or industry can bear. An industry can bear any wage that the community decides for it. Only the scale of output will have to adjust itself to the prescribed wage regulation. If a wage very far above the existing average is fixed, the scale of output will shrink and fewer men will be employed. In many cases, the Fair-wage principle is applied, but it is no principle at all. All that it means is that the wages fixed must correspond roughly to the average wage paid by the best employers or firms. Thus where no clear principle emerges, the advantages of leaving wage-fixation to a board of representatives of industry are clear and definite.

It will be remembered that in England the Trade Boards Act was passed primarily to check the evils of sweating, and boards were set up for industries where extremely low wages prevailed and where workers were not organized. Following the same principle, the Royal Commission on Labour recommended inquiry into conditions of labour in unregulated industries with a view ultimately to setting up trade boards in those industries where workers were in receipt of very low wages and worked long hours. But this is too narrow a view to take, and wholly inadequate to meet the needs of the situation. Low wages are not confined to the so-called sweated trades or to unorganized industry. Further, as has been stated already, the divergences of wage rates are too serious to be left alone. These and other considerations point to the desirability of creating wage-fixing machinery over a wide range of industry in India. Now is the time for bestowing serious attention on this problem, so that, if, after the war ends, wages fall rapidly and industrial peace is threatened, there may be ready at hand an adequate machinery to determine wages and ensure industrial peace and harmony.

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The Week's Notes

ECONOMIC PRIORITY

In a lecture at a local college last week on the "Essentials of Successful Planning," Prof. Gyan Chand introduced an oft-repeated argument which needs clarification. He said: "In India planning must give precedence to agriculture in any scheme of development, firstly, because agriculture is and must remain the mainstay of the people and, secondly, because without the development of agriculture it will be impossible to find a market for expanded industries." The formulation of a rational order of economic priority is never a question of "either--or"- either agriculture *or* industry—but how much of each simultaneously. If it is true that without a development of agriculture, market for expanded industries would be restricted, the converse proposition that without a development of industries, the market for agricultural products would be restricted is equally true. The purchasing power of the agriculturists would not increase if there is a one-sided agricultural drive, without simultaneous effort to step up industrial income. For, within the relevant income range, the agriculturists themselves would consume only about one-quarter of the *additional* product and the remaining three-quarters must be capable of being sold either to the urban population or abroad. If we assume that the aggregate income-elasticity of (producers' and consumers') demand for agricultural products of the urban population and foreign countries, is also the same as that of the agriculturists, *viz.*, one-quarter, clearly the income of the urban population and the foreign countries must be increasing at thrice the rate, if they are to absorb *three*-quarters of the additional agricultural products. Before the war, our export of agricultural products to foreign countries hardly exceeded Rs. 120 crores per annum and it is futile to hope that we could count on increasing our export by more than another Rs. 50 crores or Rs. 60 crores during the next 15 years. Clearly if we contemplate to increase our agricultural production by thousands of crores of rupees, the market for nearly three-quarters of the additional production must be found mainly among the workers of the expanded secondary and tertiary industries *within* the country. If on statistical analysis we find that given a norm of distribution of national income, when our national income increases from Rs. 2,200 crores to Rs. 6,600 crores, consumers spend nearly one-quarter of their *additional* income on agricultural products (food) and nearly three-quarters on manufactured products and services, while the additional demand for agricultural raw materials is barely Rs. 500 crores, then surely economic equilibrium demands that the rate of development of agriculture on the one hand and that of manufacture and services on the other must be approximately in the ratio of 1 to 3 or thereabouts and not in some undefined ratio of x to 1, according to somebody's sentiments or prejudices. Has Prof. Gyan Chand any alternative clear principle of allocation of resources in mind, for merely to give expression to unquantified sentiments that "we must give precedence to agriculture because it is our mainstay" does not carry us anywhere? One sided development of agriculture (such as some in the Government of India or in some Provincial Governments seem to have in mind) can only lead to a disastrous slump in agricultural prices, having regard to the nature of demand for agricultural products.

FOOD AND AGRICULTURE ORGANISATION

Mr L. B. Pearson, Canadian Minister in Washington and Chairman of the Interim Commission on Food and Agriculture appointed by the United Nations' Food Conference at Hot Springs, has submitted his proposals on the constitution of a permanent Food and Agricultural Organization to the various participating Governments. The broad objectives of the F.A.O. would be, to raise levels of nutrition and standards of living among the peoples of the world; to secure improvements in the efficiency of production and distribution of all food and agricultural products, to better the condition of rural population and thus to contribute towards the building up of a progressive expanding world economy. These are undoubtedly objectives worth pursuing as 'millions of men, women and children' throughout the world today 'are haunted by the constant fear of starvation and other millions are handicapped from birth to death by hunger and malnutrition' and 'hunger is a menace to peace, security and human welfare.' The methods to be employed by the F.A.O., for the purpose, would consist of steps and arrangements to collect, analyse, interpret and disseminate information relating to nutrition, food and agriculture, to promote and recommend national and international action in regard to (a) scientific, technological, social and economic research on those subjects, (b) the improvement of education and administration relating to food and agricultural production, (c) the adoption of policies that would ensure adequate credit to agriculture and (d) the adoption of international policies respecting agricultural commodity arrangements. It would also be the function of the F.A.O. to furnish such technical assistance to Government, as they may require. The fact that in the achievement of its objectives it will rely largely on the action taken by the member nations themselves as also the probability of its being able to avail of the services of experts in the various countries for carrying on the necessary investigations in different directions are likely to keep down its cost of working which has been estimated at 5 million dollars for the first five years, half that amount being needed during the first year. The 'First Report of the Interim Commission' released simultaneously with the constitution proposals specifies that the U.S.A. should bear 25 per cent. of the first year's budget while the U. K. and U.S.S.R. are to contribute 15 and 8 per cent. respectively. China is expected to meet 6½ per cent of the costs during the first year while the share of the financial burden imposed on some other countries is smaller and reaches down to 5/100 of one per cent.

WANTED ACTION

The project is of immense and peculiar interest to India as she is one of the countries who have to face the problem of poverty with its concomitants, malnutrition, low vitality, ill health and even serious diseases in their most acute form. She may not, however, expect much by way of practical fruits; for the major part of the organization will be purely of an advisory nature—'to define the problems that should be attacked.' Research is obviously important, but that is not the whole problem. India has a high record of nutrition research and what is needed is action to eliminate the various drawbacks from which our country suffers. And that would depend ultimately on the energy and willingness of the Government of India. Nevertheless, those genuinely interested in the welfare of humanity will watch with the keenest interest the working of the F.A.O. which, when it has received the assent of 20 of the United Nations and come into being, will be 'the permanent embodiment of a new kind of international co-operation which men and women throughout the world have hoped would be born from the suffering and sacrifices of this war.'

THE DELEGATES' STATEMENT

In the joint statement on the Monetary Conference issued by Sir R. K. Shanmukham Chetty and Mr. A. D. Shroff, the non-official delegates, there are three points which call for notice. The first is that India's place on the executive was refused on political considerations while on purely economic considerations as was originally intended she would have got a seat. We are not surprised. Earlier we had commented that even the apparently economic decisions such as the determination of the quota and the exclusion of war balances were at bottom political in inspiration and effect and were calculated to achieve a certain political combination of powers in an economic arrangement. The delegates' first-hand evidence confirms it. In the second place, the delegates say that amongst the 44 nations represented at the conference, the Indian delegation was the only one which was headed by a non-national, and that that position was often embarrassing and almost humiliating. We had no doubts about this either. Pleading for the participation of a sufficient number of non-official Indians, assisted by a group of Indian experts at the conference, we had asked in our issue of May 26, 1944, how at an international conference Britishers could represent us and convince the gathering of our right to a seat on the executive if we could not have a number of Indians to participate in the conference. We do not believe, as apparently do the returned delegates, that all will be well, at least in the matter of prestige, if the leader of the Indian delegation at all international conferences is an Indian national. It is always easy and often expedient for the Government to nominate a non-official as the leader with strict instructions as to the stand he should take. It will lack the reality of national representation as much as it does now when Sir Jeremy heads the delegation. The really representative delegation will be only that which is chosen by the people's own Government when it is formed and which will have the sanction and support of that Government in the stand it is authorized to take. Thirdly, the delegates claim that they persuaded Lord Keynes to make a categorical declaration that under no circumstances will there be any repudiation of sterling debts by the British Government. This is a distinct gain, provided, of course, no revision of financial settlement is made with retrospective effect. Earlier reports of the conference either omitted or gave little attention to this important assurance of Lord Keynes. On one other point the delegates themselves owe an explanation. Why did they at the last moment withdraw their previously registered objections and sign without reservation, while Russia, France and other countries notified their objections with much less justice and especially when a registering of objections meant subsequent reconsideration of the issue involved? The delegates say that on all fundamental points the Indian delegation agreed and acted as a unified team, although the non-official delegates enjoyed the fullest freedom. We surmise from this that the non-officials agreed with the officials in effacing their protests off the records. Will they state their reasons for this course? Was Lord Keynes' 'appeal' so difficult to resist?

THE INTERNATIONAL MONETARY FUND

When the International Monetary Fund scheme is put through and is in effective operation, on what would the world's monetary standard be based? It would be difficult to give a name or label to it. The purpose of the scheme is not to restore the gold standard or enthrone gold again into the place it occupied before the last Great War; but only to ensure the stability of the exchange value of the various national monetary units. Gold will no longer be permitted to govern the value of the national monetary units. The essence of the old gold standard lay in the convertibility of the national monetary units into gold at the option of the private individual. In this sense of course the gold standard had ceased to exist long ago; and there was never any chance of its restoration.

But this is far from concluding that the monetary use of gold is sought to be abandoned by the new scheme. The link between gold and national currencies is fairly firm and has been provided at several points. Gold would be sold to the International Fund; the various national currencies would to start with have a definite gold value and be expressed in terms of gold (the fact that variations in exchange rates are permitted does not weaken the link, so long as the link remains); and member countries agree not to buy or sell gold except within a prescribed margin of par values. The vested interests of the gold producing (British Empire and Russia) and gold-holding (U.S.A.) countries are sufficiently strong to ensure the retention of the monetary value of gold. Gold would always remain as international reserve money acceptable to all nations.

In the light of all this, the controversy about the name of the world's monetary standard, whether it is gold standard or gold exchange standard is beside the point. Since 1934, America has fixed the price of gold. She has succeeded in trying to treat gold as a servant and not as a master; nevertheless she has kept the value of the dollar and the value of a defined weight of gold (35 dollars an ounce) equal to each other. More or less similar would be the result of the functioning of the World Stabilization Fund. The value of the national currencies will not be governed by the value of an external standard like gold—rather the other way round. But whether it is a gold standard or not will depend upon the definition we adopt. Mr. Robertson, for example, in his book on Money has defined the gold standard in an ingenious way, with a certain low cunning as he puts it so as to embrace such possibilities: "A gold standard is used to denote a state of affairs in which a country keeps the value of its monetary unit and the value of a defined weight of gold at an equality with one another."

POST-WAR PROTECTION

Starch industry is the latest addition to the list of industries which have been offered by the Government of India the assurance of post-war protection against unfair competition from abroad. The industry has been developed under the stress of war conditions and now supplies from indigenous sources one of the vital needs of the cotton textile industry. It has every hope of establishing itself firmly after the war, and the Government are, therefore, justified in giving it assurance of protection. But this kind of piecemeal action is to be condemned. The time has come—indeed is long overdue—when Government should announce its post-war tariff policy in respect of all industries that have grown up during the war. It will be remembered that the assurances given by the Commerce Member on behalf of the Government in March 1940 were of an extremely narrow range and covered only a few cases such as those that actually had come to the assistance of the State or had been encouraged to be set up by the State. To date including the starch industry only seven industries have come under this category. If this is a sample of the Government's post-war tariff policy, good-bye to all hopes of industrialization in the country. As the Indian Chamber of Commerce, Calcutta, has pointed out in a recent communication on the subject, no distinction between industries grown up at the instance of the Government and those established out of private initiative should be made in this respect. Government has no right to treat this matter as if it were one of reward for services rendered. Even on that basis, we should like to ask, services to whom?

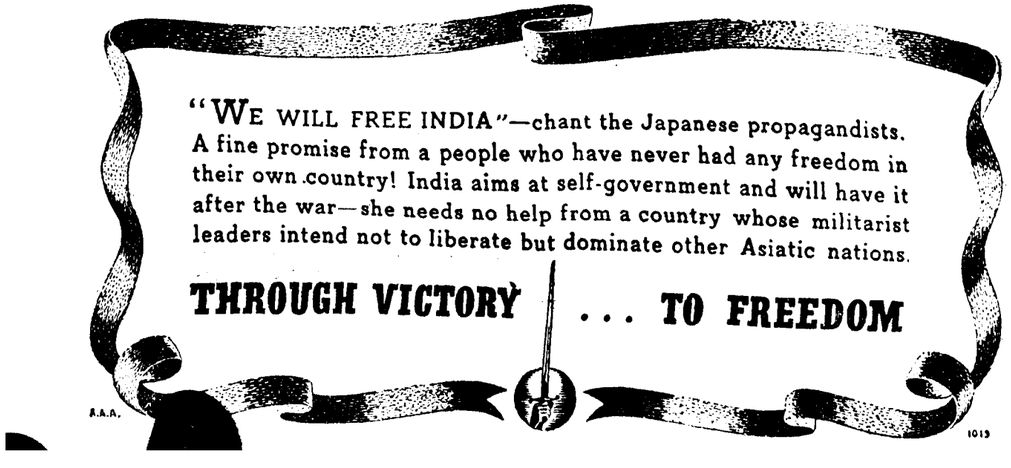
Are the services rendered by innumerable industries which have grown up to meet the essential requirements of military and civil supply to be regarded as unworthy of recognition? Again, what in practice are the Government's assurances worth? It is notorious that some of these industries which were given such assurances, *e.g.*, bichromates and calcium carbide, have been allowed to die for want of the necessary plant and other facilities. The cycle industry affords another instance of the futility of relying on this Government's assurances. Facilities which had been definitely promised are now withheld. What the country demands is a clear enunciation of Government's tariff policy and the setting up of a machinery to advise Government, after investigating cost conditions, regarding the degree of protection which may be required in each case.

GOVERNMENT'S IMPORT POLICY

In a recent communication to the Secretary of the Department of Industries and Civil Supplies, the Committee of the Indian Chamber of Commerce, Calcutta, has pressed upon the Government certain considerations bearing upon import policy which call for comments. It has recommended that "importation of goods should be undertaken without prejudice to any indigenous industry engaged in the manufacture of such goods" and that further no imports should be allowed which would adversely affect newly established industries and those which have expanded since the war or "which would stand in the way of establishment of new industries at a future date." While the first recommendation will be approved by all, there is need to clarify the points raised in the subsequent recommendations. The Committee can not mean, of course, that no imports should be permitted, merely because certain industries have either been newly established or have expanded. What is actually meant which perhaps has not been made quite clear is that in all such cases there should be careful regulation of imports either in quantitative terms or in terms of price as will not adversely affect indigenous production. The precise methods of regulating imports require to be carefully examined. It may be that in a number of cases all that may be needed is the imposition of a fairly moderate level of protective duties. In certain cases bounties to indigenous production on a gradually diminishing basis over a period of time may be found to be more desirable. In certain other cases the Government may have to combine protective duties with a scale of bounties so that the consumer may not have to pay a price that is entirely out of accord with world prices. For example, let us assume that the internal cost of an article is Rs. 100, the landed cost of import is Rs. 50 and that in order to equalize a protective duty of Rs. 50 has to be imposed. This will impose undue burden on the consumer. In such a case it is possible for Government to levy an import duty of, say, Rs. 25 and combine it with a bounty of Rs. 25 so that the price at which it may be sold may not exceed Rs. 75. The cost of bounty may be met from the proceeds of the protective duties. There are indeed other possibilities. The one thing that the public abhors is the Government's indifference to an active policy of rapid economic development. The net result of all this talk of post-war economic reconstruction is painfully small.

GOOD WORK

The Eastern Command are to be congratulated on the fine efforts they are reported to be putting forth in growing their own food. They have laid out vegetable gardens, which produce 828 maunds per day, and are planning to expand production to bring in another 1,000 maunds daily. It is proposed to grow potatoes and onions on 12,000 acres, which would give a daily output of about 3,400 maunds; cultivation will commence next season. Military dairies, with a total daily output of 12,000 lbs. of milk, have been set up, and more are being planned. A military poultry farm, described as the biggest breeding centre in India for ducks and chickens, has been organized, and four more are being built. A pig farm, with foundation stock imported from Australia, has been set up, and four more will be started shortly. Attention has also been given to pisciculture. Tanks situated within unit lines are being cleaned and stocked with fry; almost daily a few maunds of fish are obtained during the cleaning process. Steps are being taken to improve and increase the supply of fish from the Chilka lake and nearby waters and to establish fisheries at Rajbari and in the Sundarbans. We are also told that imported foodstuffs are being increasingly drawn upon. An average of 31,000 lbs. of imported tinned milk is being issued every day. Nineteen thousand maunds of frozen meat and large quantities of tinned meat and fish have arrived from overseas, and regular supplies are expected in the future. No beef is imported at present, but it is hoped to do so shortly. It is encouraging to note that the Eastern Command hope to be entirely self-supporting in respect of vegetables and that they expect that in the near future all issues of meat will be from imported supplies. These measures should help relieve the pressure on the regular sources of foodstuffs, and, consequently, a little more may become available for the civilian population. We should be glad to know how far the other Army groups have gone in this direction.



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SPECIAL ARTICLE

Social Security Plans and India

(Contributed)

THE mention of social security in the Atlantic Charter, together with the wartime need for toning up labour morale, has brought into being more or less comprehensive social security plans in Britain, U.S.A., Canada, South Africa, Australia, New Zealand and in fact in every functioning democracy. In India, a governmental committee has been appointed and the question has not advanced beyond the stage of study and investigation; and judging from the manner in which the problem is being approached there is reason to think that the implications of this modern conception are only imperfectly realized. There is a tendency to think that it is merely a further step in the direction of meeting the special needs of industrialized society like sickness insurance, old age pensions and workmen's compensation. As a matter of fact, the recent plans formulated abroad reveal it to be a much more comprehensive and positive concept, guaranteeing to every member of the society primarily the minimum requisites of living, and ultimately the highest material well-being compatible with national potentialities.

The universality of coverage in respect of persons and classes as well as of risks, which forms the dominant characteristic of all plans, at once distinguishes it from the piecemeal efforts and patchwork of the past. Among the contingencies covered are not merely those involving loss of earning of gainfully occupied persons like sickness, maternity, invalidity, old age, and death of the bread-winner, but also those involving extraordinary strain on family budgets like burial expenses and the cost of domestic help when the wife is incapable of housework. Not only do all plans recognize all the different hazards of modern economic life, but their essential difference lies in the fact that they emphasize also the similarity in effect of each hazard, and fuse all social risks into a unified social security scheme. The employed, the self-employed, the dependent, as well as those unable to work or obtain work are comprehended in an all-inclusive system. The most pronounced acceptance of no-exclusion from benefit is found in the Beveridge and the Marsh (Canadian) Plans. The Wagner-Murray Plan (U.S.A.) does not quite attain this objective mainly because of the omission of children's allowances and the limitation in the duration of employment benefits. The South African plan has its own peculiarity in this respect there is one scheme of benefits for the settlers and another for the natives—but still on the whole it adheres to the universality principle.

Another distinguishing feature of the modern plans is the emphasis on preventive and restorative measures. Beveridge and Marsh urge comprehensive rehabilitation and training benefits. Comprehensive health services for everyone and prevention of unemployment from integral parts of the British, Canadian and U.S. plans. The latter two plans specifically urge public works and investment programmes.

In all these plans the familiar dichotomy of social security methods into social insurance and social assistance has tended to disappear, through the extension of risks and coverage and the unification of risks and finance. In the Beveridge and other plans the beneficiaries are to make a single contribution to be broken up and distributed to the various constituent benefit funds separately maintained for accounting and costing purposes. Although a beneficiary's contribution is almost unanimously prescribed, the marriage between his contribution and benefits, which is the foundation of private insurance has been almost universally dissolved. Beveridge plan maintains only a crude relationship, while the divorce is almost complete in the New Zealand, South African and Canadian plans. In the U.S. plan there is a rough approximation in respect of cash benefits, but none whatsoever in those received in kind such as medical care. Benefits in all plans are payable as a statutory right without relation to the beneficiery's means and income. In fact, the beneficiery's contributions are recommended by Beveridge only as a means of justifying the abolition of the means test and of stressing the contractual nature of the benefits.

Along with the expansion of social security in respect of coverage and risks there has also taken place a new conception of the minimum benefit rates desirable. Subject to national capacity to shoulder the burden, the only limitation recognized is that the benefits ought not to be so high as to leave insufficient incentive to work. It is stressed everywhere that the benefits should not be much below the beneficiary's normal standard of living. The fundamental idea evidently, in the modern plans, is thus not merely the socialization of individual's risks on the basis of acturial calculations, but to guarantee a minimum standard of living for every citizen at all times.

The all-inclusiveness of benefits and contributions under the modern plans permits both a simplified financial and administrative technique, and a close tie-up of the social security programme with the general fiscal and economic plans of the society. This accounts for the increased importance of State contribution in all modern schemes. In the Beveridge plan the State contribution amounts to over 50 per cent., the employers' 20 per cent. and the beneficieries' 28 per cent. Even in a case like that of New Zealand where the beneficiaries' contributions account for 77 per cent. and the State's 23 per cent., the beneficiaries' contributions being based on ability to pay is in effect rather analogous to a progressive income tax than to paying insurance premia. There is a tendency in some plans to regard sickness, maternity benefits and compensation for employment injuries as special charges to be borne primarily by the industry, while invalidity, old age survivors' benefits and unemployment benefits are to be borne mostly by the state. The U.S. and Canadian plans, which have not worked out their financial provisions in detail, have evidently some such allocation in view. The South African plan which discounts at the outset any possibility of its being self-supporting, sets out a ratio of 3:2 between the state's and the beneficiaries' contributions. It rules out also large scale contributions from employers on the ground that the cost structure of the South African industry is already very high and any additional burden would hamper industrial development.

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(To be continued)

THE WORLD ABROAD

Mr. Nelson's Mission

(From Our Washington Correspondent)

WASHINGTON, Aug. 28, 1944 (By Cable).

PREOCCUPATION of both the public and the Press with the internecine battle that broke out in the War Production Board in the wake of Mr. Donald Nelson's departure for China virtually eliminated all interest in the Chairman's mission and discussion of its purposes. For months there has been a bitter difference of opinion within the War Production Board on the subject of reconversion of American industry to peace-time status. Mr. Nelson has generally been credited with sympathy for Small Business and is reported to have the feeling that the latter should be permitted to reconvert first, inasmuch as Big Business captured the lion's share of war production. He had set in motion a series of reconversion orders, keeping it fully in mind, however, that nothing should be done that would interfere with war production. Mr. Nelson and the Vice-Chairman of the Executive, Mr. Charles E. Wilson were constantly on cross-purposes. When President Roosevelt announced that Mr. Nelson and General Pat Hurley were bound for China, he designated Mr. Wilson to serve temporarily as Chairman. Mr. Nelson did not object to the appointment until he read the announcement that he would be absent for several months instead of some weeks. He felt this as an evidence of his being jilted so as to put Mr. Wilson, who has been reported to be in favour of the Army viewpoint of caution on the question of reconversion, in saddle during the critical period ahead. The result was the public controversy which resulted in the eventual resignation of Mr. Wilson and the appointment of Lt.-Com. Mr. J. A. Krug to be head of the W.P.B. in Mr. Nelson's absence. The fact that President Roosevelt handled the whole matter himself, whereas normally it should have been considered to be in Mr. Nelson's province to choose a temporary Chairman, created the belief that Mr. Roosevelt was easing Mr. Nelson out. Mr. Nelson is a favourite with the Congress, and some of the latter have been vehement in the denunciation of current moves.

Above are the main elements which have been in the news here and which have obscured the discussion of Mr. Nelson's mission to China. They, however, leave out of account several important factors: firstly, Congress probably will set up the present agency for reconversion and give it definite legislative policies to carry out, in which case the fears that Mr. Nelson's plans would be overruled would be pointless; secondly, Mr. Nelson is interested greatly in post-war foreign trade and has long desired to go to China and his designation by the President was the logical choice. He is the most important man in war production and an excellent choice for discussing questions of industrialization with the Chinese. He is an expert in mass salesmanship, and this fact coupled with his interest in foreign trade should stand him in good stead in planning with the Chinese for mutual post-war markets. Then there is the further point that since Mr. Nelson himself has insisted that reconversions can be effected only on the most nominal degree until war demands are met, it is unlikely that his absence could retard reconversion plans. Because President Roosevelt has chosen an apparently capable Chairman in Mr. Krug and for the aforementioned reasons, it is very unlikely that the issue of demobilization will be singled out for a fight here with consequent serious effect on war production or peace-time planning. As President Roosevelt hinted at the Press conference this week, Mr. Nelson on his return may not resume chairmanship. Some speculate that he may become a Commercial Ambassador taking up other missions like the present one. So far as China is concerned, it is known here that she is most interested in industrial expansion in the post-war period and hopes for aid in the shape of foreign capital. This is part of Dr. Sun Yat Sen's proposed plan, and the Finance Minister, Mr. H H. King, stated at Bretton Woods that it is still "the basis of China's national policy." China hopes that investments will come from private channels. On the basis of the knowledge of Mr. Donald Nelson's philosophies and reports on China's objectives, it may be said that he should have a successful mission.

Control of Municipal Borrowing

(From Our London Correspondent)

LONDON, Aug. 7, 1944. (By Airgraph).

FOR some time before the outbreak of war the Government controlled the issue of loans by Local Authorities. During the war local borrowing was almost entirely stopped and the local authorities financed through the Treasury. The main purpose of this was, of course, to give the Government the power to manage the money market and to keep interest rates low. The Chancellor of the Exchequer, in a written answer to a question in the House of Commons, has now indicated that the Government is to continue this policy of control. He has issued a memorandum to the Local Authorities in which the points of the intended regulations are laid down. They are not, as yet, entirely fixed; the authorities concerned are asked to convey their views on the matter to the Chancellor as expeditiously as possible to enable Government to bring in the necessary legislation.

For some time there has been some anxiety about the intentions of the Government about the cheap money policy. Earlier statements of Sir John Anderson were rather vague and, in many points, contradictory. He now states clearly enough that the proposed regulation of local borrowing was a means to continue the policy of cheap money rates. Incidentally, it also provides some measure for the Government to time and allocate available funds according to the state of the money market. The memorandum states that as Local Authorities are likely to incur the reconstruction of damaged areas and the development of social services, and industry will likewise require to finance much capital reconstruction, it should be financed not merely in an orderly manner but as cheaply as possible.

In future, therefore, anything in the nature of a

scramble between competitors for capital finance must clearly be avoided. So far as Local Authorities are concerned, the Government proposes that they should not in future borrow directly in the market except for some routine borrowing to redeem old mortgages and to cover interim expenses. For the rest the Local Authorities will have to borrow from a Government Local Loans Fund. The Government, on the other hand, will borrow in the usual manner at such times and by such methods as are best suited to the market conditions. So long as conditions demand, Local Authorities will still have to get the consent of the Secretary of State for new expenditure.

* * * *

Another increase in the fiduciary issue has taken place. It now stands at the record figure of £1,200,000,000. At the beginning of the war the figure was £300,000,000. The amount of notes issued then was a little less than £529,500,000, but is now £1,146,000,000 with the note reserve in the Bank of England at £54,000,000. With two exceptions, when the increase was 280 and 70 millions respectively, the fiduciary issue was raised by instalments of fifty millions each. It is interesting to note in the following table the varying time lapses between the different instalments:

Date	(In million £) Raised from	to	previous weeks
5-9-39	308	580	40
12-6-40	580	630	46
30-4-41	630	680	18
30-8-41	680	730	13
3-12-41	730	780	20
28-7-42	830	880	14
28-7-42	830	880	14
3-12-42	880	950	19
14-4-43	950	1,000	25
6-10-43	1,000	1,050	9
7-12-43	1,050	1,100	13
7-3-44	1,100	1,150	21
1-6-44	1,150	1,200	—

* * * *

There was some departure from old established methods recently when the 200,000 shares offered in Lambton Hetton and Fancy Collieries were allocated. The portion allocated to the London market were placed by the jobbers restricting each buyer to 250 shares. This method of distribution was considered a big improvement in market circles on the normal practice. It was said that this rationing system ensured a fairer distribution and would help to create a wider market through greater diffusion of the shares. On the other hand it was also pointed out that no special arrangements were needed if shares were offered at a price at which supply and demand are fairly even. In the above case, for instance, the price was evidently fixed too low, the shares finished 1s. 6d. above the opening price of 15s. 3d. There are, however, occasions when demand for new shares at a fair price by far exceeds supply and when the new method of rationing certainly has its advantages.

* * * *

"The distribution of the war burden," is the subject of analysis in an essay by T. L. Nicholson in the Bulletin of the Institute of Statistics, Oxford. Mr. Nicholson starts by allocating between wages and non-wage incomes the total of direct tax liabilities shown by the Budget White Paper. The term "non-wage incomes" in the essay includes the incomes of the forces and transfer incomes, such as national debt interest or social security payments. It relates, therefore to industrial incomes other than wages, namely, salaries, rents and profits, including farm profits and professional earnings. The allocation of direct tax liabilities is shown in the following table:

Direct Tax Liabilities
(In million £)

	1938	1940	1941	1942	1943
Income tax on wages	3	65	170	240	300
Insurance contribution of wage earners	42	43	49	49	47
Direct tax on wages	45	109	219	289	347
Total Liabilities	572	1082	1557	1861	2037
Less tax on wages	45	109	219	289	347
National Debt interest	59	92	117	145	170
Death and Stamp Duties	90	85	94	100	104
Forces pay (approximately)	—	—	20	40	50
Direct tax liabilities on non-wage incomes	378	796	1107	1287	1366

By way of deducting the same tax liabilities from gross incomes and on the basis of 1938 as 100 Mr. Nicholson arrives at the following index for net incomes:

	1938	1940	1941	1942	1943
Net total wage incomes	100	119	130	143	182
Net incomes of non-wage-earners	100	110	112	114	116

The next step is to calculate an index of cost of living. In this the effect of rationing is neglected owing to insufficient data.

The author points out that, if the effects of rationing were included the index numbers of real income would be lower, and the estimates of the war-burden higher, than are shown below. By way of the cost of living index figures he then calculates:

Index Numbers of Real Net Income

	1938	1940	1941	1942	1943
Wages ..	100	99	96	99	101
Other Incomes ..	100	92	83	77	74

By working on the figures of the average number employed and average wage rates, he arrives at an average rate of increase in production for the industries covered by his figures of 2.3 per cent. per annum. Since these industries cover less than half of the national income and changes in productivity in other industries are probably much less, he arrives at 1½ per cent. increase in productivity as a "reasonable guess." On this basis the war-burden is as shown below:

Revised Estimate of War Burden, allowing for changes in production.

	1938	1940	1941	1942	1943
Index of Potential Real Income	100	107	114	117	114
War Burden on Wage Earners	—	7%	16%	15%	11%
War Burden on Non-wage Earners ..	—	14%	27%	34%	35%

Money Market,

Mounting Government Balances—Reduced Funds—Setback In All Sections.

(From Our Correspondents)

BOMBAY, Aug. 27, 1944.

ALTHOUGH the quoted rates for call and deposits show no change, there is an appreciable reduction in the volume of surplus money, since on account of provincial loans and treasury bills alone, a sum of nearly Rs 20 crores was drawn off the market last week. The accession of steadiness in money conditions was reflected in Treasury Bills sales. Tenders declined from Rs. 19.25 crores to Rs. 13.32 crores this week, and competition was keener, with the result that the average rate improved by a pie at Re. 0-7-10 per cent. The tender limit is still kept at Rs. 6 crores. Maturities rise to Rs. 6 crores only after September 9, which may probably induce the authorities to raise the tender limit considering the enormous volume of applications nowadays. Offers against the Bengal Treasury Bills of Rs. 4 crores were Rs. 8 crores, yet the Provincial Government was obliged to pay as much as 9 annas per cent. per annum as compared with Re. 0-7-10 on Central Bills. It appears as if the authorities wish to oblige certain important tenderers with a higher rate on provincial Treasuries, since seldom have they tried to enforce the same rate as the one prevailing on Government of India Treasury Bills by refusing unreasonable tenders. The Bengal Government is coming on again for Rs. 5 crores in the ensuing week. The Reserve Bank's statement shows a ways and means advance of Rs. 6 lakhs, indicating thereby unsatisfactory cash position of the Provincial Governments. Their balances with Reserve Bank standing at Rs. 11.41 crores are none too high. Some of them are likely to issue Treasury Bills to the market soon.

Reserve Bank

The statement of the Reserve Bank for the week ended August 18 discloses a remarkable increase of Rs. 25 crores in the Central Government's balances which stand at Rs. 138.49 crores, a record level. Such affluence can be accounted for partly by the accrual of new provincial loans. The remaining Rs. 12 crores were probably the result of sterling receipts, since Balances Held Abroad have increased by Rs. 9.3 crores, and tax collections. It is still not clear why the record cash balances with the Central Government are not utilized to bring down the *ad hoc* Rupee securities in the Issue Department. In the statement under reference, there has been a transfer of nearly Rs. 5 crores to the notes held in the till, with the result that active notes in circulation have declined by nearly a like amount. Rupee Coin has increased from Rs. 13.61 crores to Rs. 14.23 crores. It is unlkely that there has been any return of Rupee Coin from circulation. Other Government Accounts, comprising mostly Provincial Governments' balances, remain at Rs. 11.41 crores.

Scheduled Banks' balances with the Reserve Bank sharply declined from Rs. 102.26 crores to Rs. 92.75 crores, attributable to the advent of the provincial loans. Advances were slightly higher at Rs. 207.35 crores, which is a welcome trend. The absence of currency expansion for a number of weeks now has naturally also slowed down the growth of bank deposits, but the volume of cheque clearings is still on the high side.

Gilt-Edged

Early peace prospects had a quieting effect on all securities. Thus, 3½% Rupee Paper was quoting lower at Rs. 99-8, 3% 1946 Defence at Rs. 102-6, while some selling in 3% 195-355 and 3% 1963-65 receded to Rs. 100-6 and Rs. 99-2 respectively. 4½% 1950-55 Loan was a couple of annas lower at Rs. 110-14, while the 5 % tax-free Loan was also marked down at Rs. 104-10. The short-dateds and medium-dateds shared the recession. The 3% 1957 Victory Loan was comparatively in better demand. But the provincial loans (old) not only made up the ground which they had lost last week, they showed an improvement. The 3% Madras, 3% Punjab and 3% U.P. among the 1952 Loans all gained 4 annas each and finished the week at Rs. 100-8, Rs. 100-6 and Rs. 100-6. Likewise, among the 3% 1955-56 provincial loans, prices were better by an anna each, especially the Punjab loan at Rs. 100. The new (1958) issues were: Bombay and Madras Rs. 99-11, Punjab and U.P. Rs. 99-3, C.P. Rs. 99-6, and Sind Rs. 98-14. The discounts on all these loans except the Sind are getting less. Market appears to be entertaining misgivings about the financial future of likely Pakistan provinces.

Silver

The silver market is making valiant efforts to get ahead with forward trading, notwithstanding the suit going on in the High Court against the Bullion Exchange. Except for a small minority, members of the Exchange were by private understanding able to square up all outstanding contracts for the second and ninth of August deliveries at Rs. 135 and Rs. 134 per 100 tolas, and the Bullion Directors returned the cheques of these parties. This enabled the forward market to operate on a weekly delivery basis, though the transactions are unofficial and not enforceable in law. In fact, except for the few bulls who are affected by the drop in prices, almost everyone is inclined to come in line with the rest, so much so that the Board of the Bullion Exchange has even thought it worth while to consider the question of placing these transactions on a regular basis with proper rules devised for the purpose. The Board met yesterday evening to consider the question. The course of prices this week has been irregular. On Monday last, the market opened at Rs. 134, but by evening had dropped to Rs. 133-8 on speculative selling. The Reserve Bank sold 200 bars at Rs. 134-8 and above. Tuesday and Wednesday were holidays. The heavy spate of favourable war news on Thursday brought about heavy speculative sales and the forward rate dropped to as low as Rs. 128-8 after opening at Rs. 129-14. The market closed weak on Thursday at Rs. 127-12. On Friday, silver tenders were put in at prices ranging up to Rs. 128 highest and were refused. Promptly, the market took the cue and opened Rs. 2 higher. Bear covering helped the price to improve to Rs. 130-12, while the Ready rate was quoting at a premium of Re. 1-4. At the close of the week, the undertone was definitely steady.

Gold

In gold, a more or less similar tendency was in evidence, though at no time was the market so weak as in silver. On Monday last, the market closed at Rs. 75-8, but a sharp decline set in on Thursday when the Settlement rate sagged to Rs. 74-8. The Reserve

Bank sold 30,000 tolas on tender at Rs. 75-4 and above, as against the sales of 50,000 tolas at Rs. 75-10 and above on Monday. On Friday, all tenders were rejected as the forward rate remained at Rs. 74-13 and the authorities were, of course, not willing to sell below Rs. 75-4. The opening on Saturday was a little steadier, and the market closed at Rs. 75 on Saturday, thus indicating a recovery. The stock is about one lakh tolas, while off-take is very steady at about 50,000 tolas per day. The railway breaches, had interrupted demand, which is now in full swing. Unless war news is so favourable as to make peace very imminent, it seems probable that the market will move up further.

Stock Exchange

Liberation of Paris and surrender of Rumania were responsible for general liquidation on the Stock Exchange, which worked only three days during the week under review. On Monday the market was quietly steady, but on Thursday there was a setback all round. *Tata Deffds.* declined from Rs. 2,197-8 to Rs. 2,135. *Ordinaries* from Rs. 469 to Rs. 401. On Friday the prices rallied due to short covering. *Tata Deffds.* recovered to Rs. 2,157-8 and *Ordinaries* Rs. 404. *Bombay Dueings* dropped by about 50 points from Rs. 1,867-8 to Rs. 1,817-8. In the Miscellaneous Section, *Associated Cements* rallied at Rs. 235, *Belapurs* Rs. 216-8, *Scindias* Rs. 34 and *Bombay Burmahs* Rs. 570. There is a tendency in the share market today to go in for fixed interest bearing equities. There is a feeling that on the conclusion of the war, industries in India may not be as prosperous as during the war. While the London share market is growing firm on every report of Allies' victory, the Indian market is growing fidgety. When Paris was occupied by the enemies in 1940 Indian markets came down in sympathy with London markets, but when Paris is reoccupied by the Allies last week, Indian markets are again going down quite contrary to the steady trend of the London markets.

As no agreement has been reached with the Deferred Shareholders, it is now learnt, the Board of Directors of the Tata Iron and Steel Company have decided to float 4% debenture loans to the tune of four crores of rupees. The Management has got permission from the shareholders to raise debentures to the tune of six crores whenever necessary. It has already raised loans on these debentures from the Banks to the tune of two crores of rupees, and it now proposes to issue to the public four crores of rupees debentures. There is a view in the market that the issue of debentures would not yield the same rate of profit to the Deferred shareholders.

Outstanding Transactions Cleared—Quiet Tone—Restricted Activity In Jute Section.

CALCUTTA, Aug. 28.

MARKETS were closed on Monday and Wednesday to clear the outstanding transactions in four counters. Transactions in *Indian Irons, Steel Corporations, Burrakurs* and *Howrahs* were adjusted at Rs. 39-4, Rs. 34, Rs. 42-8 and Rs. 81 respectively. At these rates all contracts have been carried forward at present and deliveries are to be completed as soon as possible. The settlement was direct and not through a clearing house. There is no penalty for carry-over, and no time limit. As the rates fixed were considerably below the peak levels, and bears had covered their positions to a certain extent, and large sums did not change hands. Firms did not receive much money on balance.

From a quiet opening trend market steadied towards the close. The Bombay market's bearish disposition had no marked effect in Calcutta.

The gilt-edged has been quietly steady with 3½% Paper fluctuating around Rs. 99-9. Business in terminable loans was restricted. Cotton shares were relatively steady throughout the week. *Cawnpore Textiles* were Rs. 13-10, *Elgin* Rs. 71-12. Coal shares recovered from their very weak position at the close last week, on reports of satisfactory labour attendance and expectation of improvement in situation after September. *Burrakur* rose sharply to Rs. 44-2, and *New Beerbhoom* to Rs. 37-12. Some quiet buying has been noticeable in the Jute section, but generally the situation was unchanged.

In the Engineering section *Indian Iron* touched the low level of Rs. 38-4, but recovered to Rs. 39-2 towards close. *Steel Corporation* were higher at Rs. 33-6 against Rs. 32-12. *Arthur Butler* were very firm at Rs. 25-4 in anticipation of a good report.

Sugar shares were neglected. The possibility of good dividends for the last accounting period seems to have been discounted and operators seem to be worried regarding the prospects for the next season, an acute shortage in cane being feared. *Carews* were Rs. 29-8, *Champarans* Rs. 43-8 and *New Sarans* Rs. 22-8. Tea shares have been very firm, popular counters being absorbed at the lower levels. Among miscellaneous shares *Calcutta Trams* were very firm at Rs. 47-12. *B.N.* were steady at Rs. 6-8.

The raw jute market remained steady. Business passing was again on a restricted scale. There is still no increase in arrivals at upcountry centres. Mills are reported to have purchased *Supervised Jat Middles* and *Bottoms* at Rs. 16-12 and Rs. 13-12 per maund. Earlier *Indian Jat Bottoms* alone were done at Rs. 14 and *District* at Rs. 13-8 per maund. Shipper business has been rather small as it was said that Dundee prices were lower than Calcutta minima and no business was possible. Only a small amount of business was reported in *Dundee Daisee* 2|3 at Rs. 75 and *Short Group Daisee* 2-3 at Rs. 88 per bale. Mills purchased *Lightnings* at Rs. 79-12, *Hearts* at Rs. 75-12 and *Firsts* at Rs. 65 per bale.

The jute manufactures market was slightly easier, as the official buying agencies, specially, were not anxious buyers. They were perhaps awaiting further instructions. There has been, however, no drop in prices which are still at maximum rates. It is reported that a greater measure of agreement has been reached regarding the Industrial Pool Scheme, and that the minor opposition also would be overcome before long. The compensation payable to idle looms is 12 annas per loom. This is considered rather generous. In the heavy goods section there were more sellers and *B Twills* were available in large quantities at one rupee below maximum prices.

A DELHI DIARY

THE Viceroy and the Governors held at the capital this week a conference and recorded decisions on the food situation and post-war problems. Nothing has been and will be told of the plans hatched at the Viceroy's House. This conference idea is a sinister development in the constitutional sphere. It seeks to torpedo what little is left of provincial autonomy in the five provinces. It has brought about a parallel super-Government in India, since Lord Wavell has discontent in whose ranks might prove politically [illegible] a regular feature of his regime.

The "off-the-record" talks at these conferences are, I understand, even more important than those related to the subject advertised for discussion. Three questions were presumably discussed whether Provincial Governments should do window-dressing by appointing Executive Councillors on the model of the Centre; what should be India's contribution to the war in the East after the Nazis are defeated in Europe; and what measures should be taken to prevent unemployment among those who will no longer be required for war jobs.

Lord Wavell probably feels convinced that the propaganda front will be strengthened if the autocratic Provincial Governors can make a show of 'public' support. The Viceroy having deliberately dropped any reference to political parties in his last letter to Gandhiji, it is now easy for the Governors to nominate persons of their choice and instal them as 'representatives' of Hindus, Muslims and other 'important' elements. Some of the Viceroy's Indian Advisers, it appears, have suggested to him that some such 'gesture' would help camouflage the fact that the Government is hundred per cent. alien and autocratic and make the world believe that 'leaders' of large sections and minorities in particular are associated with it. The proposed 'reform,' in short, is meant to prove that the country has not gone back 80 years but only 40 years!

The second question, namely India's contribution to the war in the East, is ticklish. Britishers in the armed forces would like to return home after the European war is over so that Britain may organize her industries for recapturing the markets lost due to the war. The British Empire's contribution to the Eastern front will probably consist of the British navy, the R.A.F. and Indian troops. Since army service, it is stated, is a kind of unemployment relief for the Indian soldier, the Indian army should be kept at as high a strength and as long as possible and that Indian soldiers should be used for fighting the war in the East. Even after Japan is defeated, the Indian units will be used for garrison duties in numerous places taken back from the enemy. Since India will be the base of operations, her industrial production will still be booked largely for army needs. This will enable the Government to plead that British goods should be imported in the interest of the consumer who had been starved all these years and that in any case Indian production being insufficient for civilian needs the imports were a necessity!

A proof of this plan is the decision to appoint an Additional Controller General for Civil Supplies in charge of distribution. Already the Civil Supplies Department has made arrangements for large shipments of consumer goods due to reach India shortly. These are being imported either on Government account (such as silk from America) or on private account. The Provincial Governments will be asked to arrange distribution of these goods in certain instances. Thus foreign (mostly British) goods will be dumped on the market through official agencies. And while lip-service will be paid to the policy of using normal trade channels, licences will be given also to new interests on communal and sectional grounds

Lastly, road construction and development of power resources will provide scope for employing skilled and semi-skilled men and contractors so that such demobilization as takes place does not throw out of employment those who have done war work and discontent in whose ranks might prove politically disastrous.

As regards the formal items of business for the Governors' conference, it is clear that an all-India food policy is to be pursued. Provincial Ministries are to be made to toe the line laid down at Delhi. Lord Wavell believes that the efficiency of the British rule is being judged by the outside world by its capacity to prevent recurrence of famine. Since British prestige is involved, local, communal and constitutional arguments are brushed aside. Every province will hereafter be told how much to produce and where to export it to. Whether this arithmetic will work or not, it will do for propaganda.

A glimpse of the objectives of the Government was given in the address which Sir Sultan Ahmad delivered to the Publicity Advisory Committee early this week. He stated that the whole paraphernalia of war propaganda is to be made permanent and that it will soon be switched over to post-war plans. No less than 92,000 National War Front workers, thousands of women organizers and poets, advertisements carrying lakhs of rupees, in about 400 newspapers, the entire machinery of the Information Bureau and of the All India Radio, the numerous propaganda agents in foreign countries, and the films produced by the Government of India and by private companies —all will sing the tune called by Delhi which will pay the piper. That all this money is from the Indian tax-payer is no argument in the Government's eyes against the proposed drive. After all, the Government exacts all money by taxes and by loans. The cry "no taxation without representation" applies only to a free country. The whole plan is so insidious that even the local organ of the Muslim League has called upon the Government to disband the war propaganda organization.

Sir Jeremy Raisman is in London and has not, so far as I gather, taken anyone into confidence as to what he is doing there. None of his colleagues in the Executive Council know much about his activities in London. The Government is likely to select shortly some delegates to talk matters over in London regarding sterling balances. Political and commercial quarters here link Sir Shanmukham Chetty's *volte face* with the prospect of his nomination for the mission to London. Otherwise, it is difficult to account for his advice that India should join the International Monetary Fund. Such a suggestion is not only at variance with the caution urged jointly by Sir Shanmukham and Mr. A. D. Shroff but shows unseemly haste in influencing opinion in favour of the Fund. We do not yet know whether the American Congress would adopt the plan, and must see what happens to our sterling balances, before deciding on India's attitude towards the Fund.

ARGUS.

(This is only an announcement and not a prospectus)

The subscription list opens on 4th September, 1944, and closes on 11th September, 1944.

"Consent of the Central Government has been obtained to this Issue under Defence of India Rule 94-A. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them."

PROSPECTUS OF
INDIA COLLECTIVE FARMS
LIMITED

(Incorporated under the Indian Companies Act)

AUTHORISED AND ISSUED CAPITAL ... ... Rs. 25,00,000

Divited into :—

10,000 six per cent tax-free Cumulative Participating Preference shares of Rs. 100 each ... ... Rs. 10,00,000

1,50,000 Ordinary Shares of Rs. 10 each ... ... Rs. 15,00,000

In respect of Preference shares, Rs. 50/- per share is payable on application and Rs. 50/- on allotment. In respect of Ordinary shares, Rs. 5/- is payable on application, and Rs. 5/- on allotment. Applications for less than 5 Preference or 50 Ordinary shares will not be entertained.

The Preference shares are, in the first instance, entitled to a dividend of 6 per cent. free of tax. Thereafter, dividend up to 16 per cent. free of tax is payable on Ordinary shares. Such portion of the balance, if any, is available for dividend after the aforesaid declaration is distributable as to one-fourth to Preference shares and three-fourths to Ordinary shares.

PRESENT ISSUE:

50,000 fully paid-up Ordinary shares will be allotted to the Vendor as part consideration; the directors and their friends have agreed to take up 25,000 Ordinary and 5,000 Preference shares. Applications are now invited from the public for 5,000 Preference shares and 75,000 Ordinary shares.

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JNA BASU, Esq., Merchant, 9, Park Lane, Calcutta; Director: Indian Iron & Steel Company, Ltd., Steel Products, Ltd., Walford Transport Ltd.; Thacker Sphink & Co. (1933), Ltd., Villiers, Ltd., etc.

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SUSIL C. SEN, Esq., C.B.E., M.Sc., B.L., Attorney-at-Law, 6, Old Post Office Street, Calcutta; Director: National Iron & Steel Co., Ltd., Jaswant Sugar Mills, Ltd., Dalhouse Properties, Ltd., National Insurance Co., Ltd., Indian Steamship Co., Ltd., etc.

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S. DATTA, Esq., Merchant, 15, Clive Street, Calcutta; Managing Director: Calcutta Commercial Bank Ltd.; Director: National Drug Co., Ltd.; Northern India Tea Syndicate, Ltd.

SOLICITORS:

MESSRS. G. C. CHUNDER & CO.,
6, Old Post Office Street, Calcutta.

AUDITORS:

MESSRS. G. BASU & CO., B.A.,
Incorporated Accountants,
6, Hastings Street, Calcutta.

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CENTRAL BANK OF INDIA, LTD.
COMILLA UNION BANK, LTD.
CALCUTTA COMMERCIAL BANK LTD.

BROKERS:

NARAYANDASS KHANDELWAL & CO.,
Stock and Share Brokers,
25, Swallow Lane, Calcutta,
and
P. R. SUBRAMANYAM,
Stock and Share Brokers,
61, Exchange Building, Apollo Street, Bombay.

REGISTERED OFFICE:

15, CLIVE STREET, CALCUTTA.

This Company has been formed to carry out the objects set out in detail in the Memorandum of Association (which is attached hereto and forms part hereof) and, in particular, to purchase and develop a large tract of agricultural land and to found colonies for settlers who desire to dwell in environs which combine modern amenities of urban life with the peace and health-giving conditions of rural life and to promote agriculture and agricultural produce.

The Company has been fortunate in securing a plot of land in one block situated within 66 miles from Calcutta measuring approximately 7,500 bighas or 2,500 acres and it will be developing the first large-scale undertaking in collective farming in India. The present conditions with regard to the nation's diet stress the importance of the undertaking in connection not only with "Grow more food" campaign but with the need for more nutritive and better balanced food for all times.

To carry out these objectives of more food and better food, the India Collective Farms, Ltd., proposes to develop, on scientific lines, (a) fishery, (b) paddy, (c) vegetables, (d) sugarcane, (e) fruits, (f) dairy, (g) poultry and (h) canning industry. There is also scope for timber growing and forest produce.

As the farm contains 1,000 bighas or 330 acres) of Beels (Canals), the problem of irrigation does not present any difficulty.

This Farm has been appointed one of the five agencies to grow and supply vegetables to the Military. In respect of this contract, the conditions on which the Farm will supply the vegetables provide for priorities being available for tractors, trucks, artificial manure, imported seeds, etc., at controlled rates. The Company, therefore, starts with initial advantages of considerable importance.

The immediate development will, therefore, be connected with vegetable cultivation so as to cater not only for the Military contract but also for civilian consumption for which demand during the last two years has been insistent.

On the basis that 2,000 bighas or 650 acres will be so prepared as to make vegetables supply available from this cold weather, the preparation on a conservative basis, (i.e., on the assumption of sale-prices of vegetables being considerably less than those ruling now and in the last cold weather) show a net profit of over Rs. 6 lakhs. It will, therefore, be not necessary to wait for a distribution of dividend until the Farm is fully developed as it is hoped it will be possible, out of the profits arising from the contract in hand and from the sales in the open market, to consider payment of dividend after making provision for taxes and for dividend equalization fund at rates more than the minimum dividends prescribed of 6 and 16 per cent. tax free on Preference and Ordinary shares respectively.

The prospects of peace-time are better as, with the all round development, the value of the property will appreciate and colonisation with development of agriculture will produce a satisfactory income.

The most important point to note is that the income of the Fram is not subject to Excess Profits Tax nor to Corporation Tax or Super-tax. The agricultural income tax, when it becomes payable, will be only -/2/6 annas in the rupee.

It may be added that, as the other aspects of farming are developed in addition to vegetables, the income of the Farm will be much greater.

In view of the present high prices of fish, milk, dairy products, paddy, fruits, poultry, eggs, etc., the Farm will, it may be noted, be starting its career in the most advantageous circumstances and under the most propitious conditions.

The Farm has been, in particular, fortunate in securing a Military contract at the very beginning of its career, and, with the special priorities made available by this means, the Farm will place the utmost emphasis on mechanisation, which spells both efficiency and economy.

As illustrating the advantages of agriculture, it may be pointed out that the shares of the Midnapur Zemindaries which were quoting Rs. 90/- are now quoting about Rs. 180/-.

The land has been visited and inspected elaborately by the Director of Agriculture, Bengal, and officers of his department. The following is an extract from the report of the agricultural Engineer to the Government of Bengal: "The soil in general is clayey loam and is retentive of moisture. Thus, Dattanagar Farm has all the potentialities to convert it into a first-class profitable Farm in Bengal."

The Director of Agriculture, Bengal, said (in June, 1944) of this land:—

"I have visited your farm near Majdia on Monday, the 12th instant. There are large areas of high land and the soil, seen from superficial examination, appears to be fairly rich one and capable of producing a good crop. It would seem to be quite suitable for English vegetables which are to be grown there this coming cold weather. There are big jheels and also a river, available both for fish and irrigation purposes and the latter should prove valuable for raising all kinds of cold weather crops. Irrigation will also be available in the hot weather, and could be used with great advantages on Kharif crops.

Altogether, the area is well worth developing and, if careful cropping is followed, there is every chance of making it a success. There are also good possibilities of develping fish and poultry and also dairy cattle, there being plenty of land available for fodder crop for dairy animals."

The price payable for the land to be acquired by the Company is Rs. 200/- per bigha, which compares with the average price of Rs. 300 - to Rs. 350/- per bigha for good agricultural land in areas reasonably adjacent to Calcutta.

The total amount payable to the vendor, Mr. Hemendranath Datta (of 34, Garcha 1st Lane, Calcutta), is Rs. 15,00,000, of which Rs. 10,00,000 is payable in cash and Rs. 5,00,000 in the form of fully paid-up Ordinary shares.

THIS FORM SHOULD BE FILLED UP (ALONG WITH TWO SPECIMEN SIGNATURES AS REQUIRED) AND FORWARDED ENTIRE WITH CHEQUE OR BANKER'S DRAFT OR CASH TO THE COMPANY'S REGISTERED OFFICE OR TO ANY OFFICE OF THE COMPANY'S BANKERS OR THE COMPANY'S BROKERS. COLLECTION CHARGES AT -/6/- FOR EVERY RS. 100/- TO BE PAID BY THE APPLICANT FOR CHEQUES DRAWN ON BANKS OTHER THAN IN CALCUTTA.

INDIA COLLECTIVE FARMS LIMITED

No.....

Form of Application for Shares

To the Directors of
INDIA COLLECTIVE FARMS LIMITED

Gentlemen.

I/We send herewith the sum of Rs.....being a Deposit of Rs. 5 per share on Application on.....Ordinary Shares of Rs. 10 each and Rs. 50 per share on..... Preference Shares of Rs. 100 each in the abovenamed Company and request you to allot me/us the said number of shares on the terms of the Company's Memorandum and Articles of Association and Prspectus and I/We agree to accept the said shares, or any smaller number that may be allotted to me/us and to pay the further instalment of Rupees five per Ordinary Share and Rupees fifty per Preference Share on allotment. I/We authorise you to register me/us as holder(s) of the shares allotted to me/us hereunder.

Name in full.....

(In Block Letters)

Father's/Husband's Name.....

Occupation .....

Address in full.....

Date.....194 . Signature(s).....

Applicant's Specimen Signature Applicant's Specimen Signature

INDIA COLLECTIVE FARMS LIMITED

No.....

Receipt for Application Money

Received this.....day of.....194 from.....

the sum of Rs.....being a deposit of Rs. 5 per share on application on.....Ordinary Shares of Rupees Ten each and Rs. 50 per share on.....Preference Shares of Rupees Hundred each in the above Company.

For and on behalf of
INDIA COLLECTIVE FARMS LIMITED.

INDIAN CAPITAL, INDIAN MANAGEMENT

AMRUT OIL MILL,
BOMBAY.

Proprietors:

M. L. DAHANUKAR & Sons.

Industrial Assurance Building, Fort, BOMBAY.

Will shortly market:—

REFINED VEGETABLE OILS, VEGETABLE GHEE AND WASHING SOAPS.

MAHARASHTRA SUGAR MILLS, Ltd.,
Tilaknagar,
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Producers of India's
FINEST REFINED CRYSTAL SUGAR

BELVANDI SUGAR FARM Ltd.,
BELVANDI (G.I.P.)

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THE BUSINESS WORLD

INDIA NEEDS A MERCANTILE MARINE

WITH a coast-line of about 4,500 miles and 'a country set like a pendant among the vast continents of the Old World' India may very naturally aspire 'to enter into the field of shipping operations' The value of her coastal trade, after the separation of Burma, amounted to Rs. 87 crores. And given the co-operation of the railways and the improvement of harbour facilities, this trade, both in value and tonnage, stands a fair chance of growing still further. Her overseas trade, both merchandise and treasure, stood at Rs. 639.85 crores (post-war average) before the depression cut it down seriously and reduced it to Rs. 429.46 crores in 1939-40. The number of ship entries and clearances into and from the maritime provinces of India made a tonnage of 22,100,000 in 1938-39. About 70 lakhs of tons of rice, timber and general cargo are carried annually in the coastal trade of India, while her overseas carrying trade comes up to about two crores and fifty lakh tons. As regards passengers, over 15 lakhs of passengers are carried on the west coast and about 5 lakhs of passengers between India and Burma and her overseas passenger traffic consists of about two lakhs.

India's coastal and overseas trade is, then, adequate to keep an Indian mercantile marine on a profitable basis. But what is the actual position? It has been calculated that the country's share in her coastal trade does not exceed 25 per cent of the total, while her share in the overseas trade stands at the ridiculously insignificant 3 per cent. and British shipping monopolizes 66.6 per cent. of our oceanic trade and about 79 per cent. of the coastal carrying trade which has been deemed to belong to the National Shipping of every maritime country as a matter of right. India's total gross tonnage, in 1940, was 131,748 only, while that of England exceeded 17,891,000. England's maritime trade is about 5½ times as much as India's and her tonnage is over 135 times that of India. And all this involves the loss of about Rs. 50 crores to foreign steamships, Rs. 9 crores in coastal traffic, Rs. 38 crores in oceanic trade and Rs. 3 crores on the carriage of passengers.

But the case for an Indian mercantile marine unassailable though it is on that basis alone, does not merely rest on the bulk of her trade which is capable of sustaining an indigenous enterprise for the purpose. The coastal trade is monopolistically controlled by a 'conference' of a few large British companies. These companies earned a profit, between 1901--25, at any rate, of 20% on their paid-up capital. It is obvious they charged fairly high freight rate which certainly adds to the burden on consumers in the form of enhanced prices and restrict the volume of trade. Further more they are known to discriminate in their freight rates in favour of the carriage of goods between foreign countries and India and to the detriment of goods shipped from one Indian port to another. This unjust policy handicaps Indian goods in transmission in comparison with goods from and to foreign countries and thus neutralizes 'the natural protection which an industry might expect to receive in its own country by reason of the distance of foreign manufacturing centres.' These indirect disadvantages of our dependence on foreign shipping are another ground why the country should have an Indian shipping industry. India is surrounded on three sides by seas and therefore it needs its own ships for the defence of its coasts, and the value of a mercantile marine as a naval auxiliary and a second line of defence needs no emphasis. In fact the inconveniences of this almost absolute dependence on foreign shipping in the last war and its tragic consequences during the present war invests the problem with a new importance or even urgency of their own. (It is instructive in this connection to note the opinion of Vice-Admiral Godfrey who said the other day that '....the reason the British navy was great was....(that) it had a large mercantile marine.' And India's naval strength too cannot be built up without, among other things, "the creation of immense reserve resources in the shape of a mercantile marine.) And then the development of a mercantile marine adequate in extent to cope with the country's requirement will open up new avenues of employment. 'Navigation, marine engineering and insurance are highly remunerative branches of business but at present their door is practically barred or bolted against Indians.' It may indeed be reasonably hoped that the development of a mercantile marine will necessitate and bring into existence a ship-building industry also and thus open up more vistas of employment.

The need for a mercantile marine has been recognized by Indians for long and indigenous enterprise has during the last forty years attempted against heavy odds to develop an Indian marine. But as usual, 'foreign vested interests have come in our way nad a foreign Government has obstructed our growth.' 'It is the drastic unfair rate wars carried on by the British shipping interests,' rightly remarks Mr. Walchand Hirachand, 'which are responsible for preventing it from growing even in its home waters.' Sir Alfred Watson, in his evidence before the Joint Select Committee was forced to 'recognize that Indian company after company which endeavoured to develop a coastal service has been financially shattered by the heavy combination of British interests. Indeed the most deadly weapon used against Indian shipping, which has compelled most of the companies formed for the purpose to go into liquidation, has been just this policy of underselling the Indian competitors with a view to raising the rates even higher than before when the 'enemy' has been ousted or destroyed. Here is but one instance of this cut-throat competition, from among a host of similar cases. Some years back the Tatas started a line of steamers between India and Japan with a view to regain the trade in Indian cotton yarn between India and China which had almost been destroyed through the adverse rates policy adopted by the non-national shipping interests. The P. and O. started a drastic rate war and brought down its rate from Rs. 17 to Rs. 1-8 per ton and the Tata Line had to go out of the field.

And the Government of India? They fully maintained their tradition of apathy, if not hostility, to all big developments of major industries in the country in this instance too. In all these rate wars the Government of India maintained an attitude of neutrality and did not lift their little finger to come to the rescue of the Indian victim. Sir Bartle Frere, a former Bombay Governor, granted a subsidy to Mackinnon who turned the Burmah Steam Navigation Company Ltd. into the British India Company of today. And this company made an average profit of 33% per annum during the twelve years, 1902-14. To come to more recent times, Lord Inchcape, Chairman of the Retrenchment Committee, was given by the Government of India, a contract for his company for the carriage of coal to Burma for a long period of 10 years on terms which must be presumed to have been very favourable to the Company; for the Government refused to disclose them. And in contrast to this, they did not, despite promises and assurances to the contrary, give an Indian company even the opportunity to submit their tender. Apart from these instances of specific assistance in a big way the Government of India have further helped some of the British companies through entrusting to them the carriage of Government stores and through mail subsidies. 'This pronounced partiality—I was going to say favouritism,' writes Mr. Walchand, 'towards British shipping interests is an eloquent testimony and irrefutable proof of the neglect, if not hostility, on the part of the Government of India towards the national shipping interests in this country.'

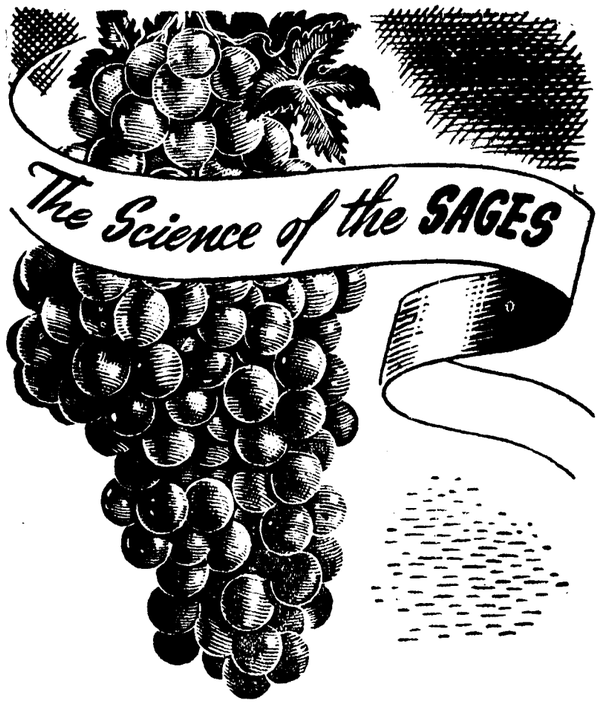
In 1923, forced by the persistent agitation in favour of a mercantile marine, the Government of India at long last made a move. The Mercantile Marine Committee was appointed in February, 1923. This Committee among other things, recommended the establishment of a training ship for both the training and employment of officers indispensable for the formation of an Indian mercantile marine and the provision of arrangements at the engineering colleges for the training of marine engineers. They recommended also the reservation of coastal traffic for Indian shipping companies which were registered in India and were owned and managed by Indians and put in a plea for favourable consideration of the questions of granting navigation bounties to purely Indian shipping companies in respect of overseas trade to other countries as soon as a sufficient number of trained Indian officers became available. It is characteristic of Government attitude on the subject that they translated into action only the first recommendation and put the rest of this report in cold storage. Much more telling is the persistent refusal of the Government of India to agree to any steps that would reserve or even give a major share to Indian enterprise in the coastal trade. They were not even prepared to accept the modest suggestions of Sir A. H. Ghuznavi's Coastal Traffic Bill which empowered Government to deal with unfair competitive methods in coastal waters by fixing the minimum freight and fare rates. And Mr (now Sir Hugh) Dow, the then Commerce Secretary, on another occasion declared that it was no use for Government to fix rates, as it was difficult, indeed impossible to enforce them. He regretted that there was no hope of Government granting any subsidy to the Indian shipping concerns, nor could Government reserve coastal shipping; for discrimination against British shipping was not permissible under the Government of India Act—"the most democratic constitution in the world."

One can only hope that the future holds better prospects for Indian shipping. An International Shipping Conference is in the offing. And we can be sure that in view of the reported intention of the U.S.A. to carry her entire trade in her own ships, India will be asked to fall in line with an 'Empire Maritime Policy' which is bound to affect adversely India's own marine policy. The minimum with which India should be satisfied should be the reservation of coastal shipping for truly Indian companies and a substantial share in oceanic shipping. And let there be no illusions about it. Indian shipping cannot and will not attain a status worthy of our country without very handsome subsidies from the Government. Surely if Great Britain can spend £20 million on her shipping, the Government of India need not feel ashamed in granting financial assistance to this very essential national enterprise.

NOTE

THE MALTING INDUSTRY

Imported proprietary foods and tonics containing malt extracts have become increasingly popular in urban areas for the feeding of children and sick persons. Recently, the shortage of supplies led to attention being paid to the possibilities of preparing malt and malted products from cereals such as *jowar* and *ragi*, which are grown in India in large quantities. As a consequence of satisfactory experiments conducted under a scheme financed by the Imperial Council of Agricultural Research, a pilot plant was started in June, 1942, at the Agricultural College, Coimbatore (Madras Presidency), for the production of about 36,000 lbs. of malt per annum. A small factory with a capacity of 12,000 lbs. of malt extract per annum was also set up at the same place subsequently. While the cereal used at Coimbatore is *jowar*, the possibilities of *ragi* were investigated at the Indian Institute of Science, Bangalore, as a result of which production on a commercial scale was undertaken at the Government Industrial and Testing Laboratory, Bangalore. *Ragi* has proved to be a raw material *par excellance*, and the manufacture of *ragi* malt has grown to be an important cottage industry in the Chittoor District of the Madras Presidency. The malt flour and the extract, either plain or fortified with shark liver oil as a source of Vitamin A, find a ready sale and existing capacity is quite inadequate to cope with the fast-growing demand. There is scope for large-scale private enterprise in this field. The raw materials, *jowar* and *ragi*, are in plentiful supply, particularly in the south, and are the cheapest among cereals. Preliminary experimental work has been carried out and the process of manufacture, the plant required and the estimate of costs all worked out. The machinery can be fabricated locally. The capital outlay on the pilot plant put up at Coimbatore was about Rs. 39,000 for machinery, while a sum of Rs. 64,000 was required as working expenses for the preparation of malt and malt extract. The current output of *jowar* malt at Coimbatore and *ragi* malt in the Chittoor District amounts to about 8,000 to 9,000 lbs. a month, and it is obvious that this vast country can take much more. While the war-time cessation of imports constitutes a specially favourable factor, there is no reason why progressive Indian firms cannot enter the business and compete successfully with foreign manufacturers after the war. While lower prices may secure the custom of the poorer classes, it is quality that will attract the patronage of the well-to-do. The pioneers in this industry should pay heed to both.



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FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, Aug. 25.

THE surplus budgets of Travancore and Cochin recently published reflect the war-time boom in the revenues of the States which have nearly doubled. Travancore anticipates a revenue of Rs. 530 lakhs and Cochin Rs. 218 lakhs in the current year. These are peak figures in the history of the finances of the States. It is significant that such a prosperity has not been due to fresh taxations. The abnormal increase in excise revenues has been a feature and in the case of Cochin, the increase has been four times the pre-war figures. The Finance Member anticipating an argument that this was "exploiting the poorer classes" explained that it was "more a method of fighting inflation." But inflation has already become a bogey. Travancore has increased the duty on country liquor, arrack, etc., and has also increased their supply prices. Both the States, being deficit as regards food requirements, have set apart funds for the production of more food and towards that end, irrigation schemes are to be developed. Also all beneficial services receive generous sums. In order to achieve uniformity of policy with the Government of India and the leading Indian States, Travancore has imposed a tax on excess profits but the revenue derived from this source is to be earmarked for expenditure on post-war reconstruction schemes. In this connection, the State is to adopt a three year plan in financing post-war schemes and on this basis, nearly Rs. 8 crores would be made available including the loan of Rs. 3 crores recently floated.

Papanasam Hydro-Thermal System

The inauguration of the Papanasam Hydro-Thermal Electric System at the Thambaraparni Dam by the Governor of Madras is a great and vital step in the "bold expansionist power policy of the Government." The new scheme forms the third hydro-electric project of the Southern portion of the Madras Grid covering all the districts except the West Coast. The scheme would supply electric power to the Tinnevelly, Ramnad and Madura Districts besides Travancore State. The Thambaraparni river drops about 300 feet over the Papanasam Falls and the new development regulates the river flow and would also harness the energy at present wasted. It would also considerably benefit the existing irrigation under the river. The scheme took six years for completion at a cost of Rs. 163 lakhs. The Electricity Department of the Madras Government may justly feel proud of its achievements for, within a comparatively short life, it has built up works costing over Rs. 7 crores, yielding the Government now nearly Rs. 1 crore per annum. With the proposals for the execution of the Machkand and several other schemes, including the one for the inter-connection of the Mettur Hydro-electric Plant with the Madras Steam Station involving a capital expenditure of about Rs. 10 crores, the development of electricity in this Province in the next decade is bound to be remarkable. It would also play a great part in the post-war reconstruction work and bring in "immeasurable benefits by way of amenities, industrial development, employment and increased productivity from the land, to the people."

The liberation of Paris and the continued good war news adversely affected the Share Market. The Victory psychology played a great part in either making operators sell or keep aloof. This created a slump in the market and sharp setbacks in recent favourites were seen. The withdrawal of the Rubber Bonus Scheme announced some time ago and the amendments to the Rubber Control Order, issued during the period under report, in order to discourage unauthorized holding and to compel persons to sell rubber to Government have been bearish factors in the Planting section. Added to this, a number of new companies have come out with disappointing balance sheets. There was considerable selling pressure and with the lack of buying support share values were sharply marked down. In the Government Securities market, 3½ per cent. Paper was easier at Rs. 99-9. All the dated loans were also fractionally down. The new Provincial Loans was a flop and the loans was closed after a call being made on the underwriters. It is understood that the underwriters had to make up 15 per cent. The new loan was first quoted at a discount of five annas. Apart from *Imperial fully paids* and *partly paids* which were done at Rs. 1,960 and Rs. 490, there was not much activity in Bank shares. There were a few inquiries of an investment nature in the Public Utilities section. *South* Madras were done at Rs. 15-12. In sugars, there was some interest in Deccans. In the Textiles section, *Janardhanas* declined to Rs. 144, Mettur Industries to Rs. 270 and *Cambodias* to Rs. 33-6. The Planting section was the worst to suffer. Amongst the older companies, *Cochin Malabars* were down to Rs. 16, *Be Be Rubbers* to Rs. 7 and *O. Valleys* to Rs. 13-2. *Chembra Peaks* had sellers at Rs. 12-8 and Pullangodes at Rs. 2-12. Most of the new floatations declined to a heavy discount. In the Mysore group, all the shares were easy. *Papers* declined to Rs. 26-12, *Manufactures* to Rs. 41 and *Fertilizers* to Rs. 30. Singarenis eased to Rs. 19.

Bombay Letter

BOMBAY, Aug. 26, 1944.

THE BOMBAY Government's 15-year Plan for non-industrial rural development has several novel features and is a bold plan. The shift of emphasis in financial thinking, from budget balancing to such questions as the lifting of the people out of the morass of poverty and developing the resources of the province will generally be welcomed as will also the proposed experiment in collective farming at Bijapore. But the Government would do well to take note of the advice tendered by Sir Purshotamdas. The needs of the civilian population should not be relegated to the background in the enthusiasm to help the demobilized soldiers; for that would deprive the Provincial Government of that enthusiastic co-operation from the public. And the development of minor industries and in particular the cottage industries should be actively pushed up.

Co-operative Industry

A group of public workers in Bombay are working out a comprehensive scheme for the utilization of India's resources by the establishment of industrial co-operatives on the Chinese model. An industrial Co-operative Association has been formed in Bombay. The main objectives of the Association are the safeguarding of the worker from the financier, the promoter, the manager and the middleman. A significant feature is that shareholders must also be workers in the co-operative and not merely possess the money share. As a first step, co-operatives of hand-made paper manufacturers and leather workers are being

organized. If these co-operatives prove successful, they will provide the Province with a vast scope for employing the returned soldiers including the disabled ones.

Country Craft Scheme

A vigorous protest has been made by the Committee of the Indian Merchants' Chamber, Bombay, against the Government's decision to adopt the Route Scheme for movement of cargo by countrycraft on the West Coast during the ensuing season. The Chamber feels that this is no better than the Zone System which was proposed to be introduced last year but withdrawn due to the opposition from the public. According to the Committee, the underlying principle in the scheme is to restrain national interests from plying their countrycraft wherever they liked on the coast while it allowed outsiders to ply in home waters. Under the Zone Scheme, the West Coast will be divided into 6 routes, one route being allowed to only one agent. This will result in uneconomic and inefficient working in the movement of cargo. One fails to understand why the Government does not consult the commercial bodies. In such cases, they should have no hesitation in doing this if their schemes are in the interest of the country. It seems that ours is the only Government which is not concerned with the reserving of the coastal trade for nationals.

Bengal Letter

CALCUTTA, Aug. 27.

BENGAL is devoting its attention to post-war reconstruction problems, and some post-war reconstruction committees have already started functioning. The post-war industrial programme was discussed in broad and general terms at a meeting of the Industrial Development Committee (Post-war Reconstruction). The objective of industrial policy, it was agreed, would be to provide full employment and reasonable remuneration for all workers of the province including manual labourers. It was also suggested that the Government should consider the possibilities of initiating and developing basic and other large industries under State ownership. Regarding cottage industries, the Committee recommended that the Government should try to organize all forms of assistance in order to place them on a sound economic footing.

Cloth Scarcity

Cloth scarcity in Bengal continues to be a matter of serious concern to the public. Mr S. C. Roy Chairman, Provincial Textile Control Advisory Committee, has pointed out that assuming cloth consumption per head per year to be 12 yards (pre-war consumption was 16 yards), the allocation of cloth for Bengal and Assam (constituting one zone) was fixed at 931 million yards per year. Against this Bengal mills produce 220 million yards, Bengal handlooms 154 million yards, and Assam handlooms 31 million yards having a deficit of 526 million yards. The quota system under which mills have been compelled to sell only to dealers who were in business with them during 1940-42 has led to the position that not more than 50 per cent. of the above deficit of 526 million yards is being covered by imports from mills. This has still further widened the gap between the province's demand for cloth and its supply. It is gratifying to note that Mr M. K. Vellodi, Textile Commissioner, has asserted that he would do his best to improve the cloth position in Bengal.

According to Dr. B. C. Roy about 30 million *i.e.*, about 50 per cent of the people in Bengal are in the grip of malaria. And malaria is not the only epidemic raging in the province. This is a grave situation and the Provincial Government does not seem to have evolved any comprehensive plan to deal with the situation. Quinine, despite assertions to the contrary by the Premier, is in short supply and where 1,500 medical units are required to work for carrying on a successful fight against the epidemics there are in existence only 160. It is estimated that about Rs. 47½ lakhs are essential for the purpose.

Punjab Letter

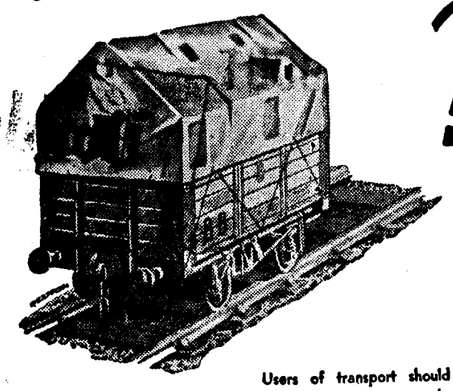
LAHORE, Aug. 23.

THE reported instructions issued by the War Transport Department of the Government of India to all Provincial Governments and the General Managers of the State Railways to acquire substantial financial interests in the bus-companies operating on various routes in the Punjab, as in other parts of the country, have created a stir in this province. The Punjab Provincial Motor Union Conference, which met here recently, protested against what they called "an official attempt to purchase 51 per cent. of the shares of the bus-companies to monopolise road transport for the State Railways. "At a meeting of about 10,000 bus-workers (drivers, cleaners, etc.) the Government were requested not to support this sinister move as it would "deprive about 25,000 people of their livelihood, as their places would be taken up by the demobilized soldiers of Army-men." These fears were also raised at the 5th session of the All-India Motor Union Congress was held at Lahore some days back. The Congress declared that the contemplated step "was totally against the spirit and the aims and objects of the Motor Vehicles Act, 1939, wherein it was clearly laid down that the Government desired a fair field for both the systems of transport to develop independently, in the best interests of trade and community." The members of the Central Assembly were urged to challenge the validity and justification of "this policy of the Railway Board" on the floor of the House in the interests of the country. The Congress called upon the Transport operators, societies, companies and associations to observe an All-India Protest Day on October 1, 1944 to protest against 'this high-handedness of the Railway Board coupled with the unfair and uncalled for official backing of the War Transport Department." The Punjab Provincial Authority was blamed that "fleets of lorries obtained under the Lend-Lease system and a huge quantity of petrol were given to certain individuals who never had anything to do with the road transport and who wanted to replace the existing agencies by their own, helped by the railways."

Cloth Famine

There is a virtual famine of cloth in the province. In many places black-market in cloth and yarn thrives, with impunity. To escape financial risk involved in black marketing rich shop-keepers have entrusted this nefarious activity to their shop assistants who are being paid higher salaries which amount in some cases to four times as much as they received normally. Indeed the problem has assumed such proportions that Mr. H. D. Mehta, in his Presidential address before the annual general meeting of the Indian Chamber of Commerce, Lahore, was led to remark that "the position regarding cloth is most hopeless" and accused the authorities of having 'so far failed miserably to arrange for its supply, in spite of the huge stocks seized by the Government at Amritsar and Lahore."

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COMPANY NOTES

India Collective Farms Limited, will be perhaps the first of undertakings in large-scale mechanized farming on collective lines in India. The demand for shares of companies having real properties is evident from the big premium for shares like Midnapore Zemindary. The authorized and issued capital is Rs. 25 lakhs in 10,000 six per cent. tax-free cumulative participating preference shares of Rs. 100 each and 1,50,000 ordinary shares of Rs. 10 each. The company has a plot of land in one block situated within 66 miles from Calcutta, measuring approximately 7,500 bighas. The farm has been appointed one of the five agencies to grow and supply vegetables to the military. It is expected that it would be possible to make a profit of Rs. 6 lakhs from the cultivation, of vegetables even from the beginning of this cold weather. As the earnings of the company will not be liable for Excess Profits Tax or Corporation Tax or Super Tax there is scope for payment of large dividends.

COMMODITY MARKETS

BOMBAY, Aug. 26, 1944.

There is a deep disappointment in the cotton market that the levels of the ceiling and the floor prices have been brought down. Egypt provides an interesting contrast. The cotton floor has been raised by the Egyptian Government due to the cost of production including the increased cost of seeds, fertilizers and labour which work out from 20 per cent. to 50 per cent. It is stated in the United States of America prices for similar cotton have been substantially increased, but unfortunately in India prices have been brought down. The lot of the Indian farmer is unenviable. He is compelled to grow more foodgrains, the prices of which are controlled by the Government. He is handicapped by a drastic cut in the cotton acreage. Whatever cotton he is able to grow does not fetch him adequate prices. Instead of getting him adequate compensation for raising food crops which do not bring him profit and for other handicaps by raising the price levels of cotton, the Government have lowered the floor and ceilings. Cotton trade in Bombay is practically at a standstill.

The rate for ICC September is ruling around the floor level of Rs. 400. In the spot market, towards the end of the fortnight, demand has gradually increased for Jarillas, NT, 289-F and Broach. The heavy rains in Gujarat, C.P. and Berar have damaged the crop. But it is too early to gauge the actual damage.

The main quotations are as under: Sind NT S.G. Rs. 540; Jarilla Rs. 290|340; Punjab 289-F Rs. 450; Gadag Upland Rs. 370 (upcountry delivery); New crop NT Rs. 518.

MADRAS, Aug. 25.

Groundnuts

The groundnuts market after being steady during the early part eased away during the second part of the fortnight under report. The quotation declined by three points to Rs. 70. There was a fair volume of business in the new crop for forward delivery. Arrivals of the summer crop were also better than for some time past. Reports from the Andhra Districts indicate that the area under the main winter crop will be the same as last year, if not more, owing to switch over from cotton to groundnuts and food crops. The British Ministry of Food bought 10,000 tons at £32-12-6 and again 14,500 tons at £32-7-6 during the period under report. The oil market was also easier and the quotation declined by over five points to Rs. 164. Calcutta has not shown any interest in the past few weeks, possibly due to the large purchases already effected. A certain number of permits have been given for the transport of cake to the upcountry centres but this did not alter the quotations which still ruled below the ceiling prices fixed by the Government.

Skins and Hides:

There has been no change in the kips market. There was a slight improvement in the supply position and hence sales to the buying organization of the Ministry of Supply were better. The tanners seem to be in a better position than the erstwhile exporters as local prices were sharply higher than the schedule prices. Consequent on the visit of a representative of the Supply Organization to New Delhi, a rumour was current in the market that the Government of India would be promulgating an ordinance very shortly fixing local prices at the level of the schedule. But the rumour lacked confirmation in official quarters. *Goat* and *Sheep* continued to be firm. Reports from America indicate that the Office of Price Administration is contemplating a revision of the schedule of prices on the higher side. Until this is done business with America is bound to be next to nil. Business with Africa was fair.

HAPUR, Aug. 30, 1944.

THE wheat market remained quiet, while other grain markets experienced bearish feeling owing to favourable war news and rain reports from dry areas. Wheat arrivals averaged 250 maunds daily and is anticipated to increase after the rains. The conditions of the standing *Kharif* crops are reported to be satisfactory and a good outturn is expected.

Pulses

The *Urad* and *Moong* markets have again been downward and the prices have met with a substantial slump. The fall in *Urad* has been to an extent of Rs. 2-8-0 per maund during this current month and the lowest rate touched during the week reviewed was Rs. 9-10. The following are the latest quotations against those ruling a week ago in brackets:

Wheat: Ready Dara Rs. 9-12 (Rs. 9-12); Stock 32 *khattis* (29 *khattis*). Gram: Ready Dara Rs. 7-4-3 (Rs. 7-9-9); Stock 16 *khattis* (16 *khattis*); Barley: Ready Rs. 5-9 (Rs. 6-2-6); Stock 25 *khattis*. Peas: Ready Rs. 6-6-6 (Rs. 7); Stock 153 *khattis*. *Urad*: *Magh* Rs. 9-15 (Rs. 11-7-9). *Moong*: *Magh* Rs. 9-5 (Rs. 10-14-0).

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Narayanganj Branch will be opened shortly.

BANKING BUSINESS OF ALL DESCRIPTIONS ARE TRANSACTED

Managing Director **MR. M. K. GUHA**

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. in lakhs)

	18-8-'44	11-8-'44	20-8-'43	1-9-'39	18-8-'44 compared with 1-9-'39
Notes held in the Banking Dept. ..	15.46	10.53	10.59	35.04	-19.58
In circulation T..	9,29.35	9,33.66	7,55.11	1,82.13	+7,47.22
Total Notes ..	9,44.82	9,44.19	7,65.70	2,17.18	+7,27.64
A. Gold coin & Bullion* ..	44.41	44.41	44.41	44.41	Nil
Sterling Securities	8,28.33	8,28.33	6,13.82	59.50	+7,68.83
Total of A ..	8,72.74	8,72.74	6,58.25	1,03.92	+7,68.82
B. Rupee coin ..	14.23	12.61	14.07	75.87	-61.64
Rupee Securities	57.84	57.84	92.38	37.38	+20.46
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to Liabilities ..	92.372	92.433	85.967	63.349	+29.223

* Only those held in India, outside Ind ia being nil.

BANKING DEPARTMENT

(Rs. in lakhs)

	18-8-'44	11-8-'44	20-8-'43	1-9-'39	18-8-'44 compared with 1-9-'39
Cash	15.75	10.77	10.75	35.15	-19.40
Balances held abroad	1,41.92	2,32.57	94.34	10.08	+2,30.83
Investments ..	11.51	11.12	7.07	6.81	+4.70
Bills Discounted:—					
(a) Internal and External ..	..	..	..	..	..
(b) Treasury Bills	7	99	95	1,15	-1.08
Loans & Advances to Government ..	6	..	38	31	-25
Deposits:—					
(a) All Govts.† ..	1,51.22	1,28.59	53.44	14.89	+1,36.44
Of which G. of I.	1,39.93	1,13.45	23.77	14.89	+1,25.04
(b) Banks ..	92.05	1,04.22	62.68	26.91	+66.1.
(c) Others ..	9.90	10.66	3.79	1.24	+8.66

† Including Cash and Short-term Securities.
‡ Including Government of Burma.

IMPERIAL BANK

(Rs. in lakhs)

	18-8-'44	11-8-'44	20-8-'43	1-9-'39	18-8-'44 compared with 1-9-'39
Fixed Deposits	225.50	228.31	196.38	87.26	+138.24
Savings Bank, Current and other Accounts ..	133.65	131.96	133.07	51.03	+82.63
Govt. Securities ..	3.60	3.70	2.60	9.62	+2.64
Other Investments	12.81	12.64	11.70	7.66	+5.15
Loans	40.56	42.13	22.12	19.76	+20.80
Cash Credit Overdrafts	40.94	43.60	33.84	14.69	+26.25
Bills Discounted ..					
Cash in hand, with R.B.I. and Other Banks	40.94	43.60	33.84	14.69	+26.25

SCHEDULED BANKS

(Rs. in lakhs)

	18-8-'44	11-8-'44	20-8-'43	1-9-'39	18-8-'44 compared with 1-9-'39
Demand Liabilities in India ..	578.14	578.43	438.81	134.36	+443.78
Time Liabilities in India ..	189.96	185.94	136.53	102.24	+84.72
Cash in India ..	25.70	25.43	19.29	6.70	+19.00
Balances with Reserve Bank ..	92.75	102.26	62.03	25.17	+67.58
Advances in India	207.35	206.73	143.88	101.52	+105.83
Bills discounted in India	9.48	9.48	3.61	3.57	+5.91

BANK OF ENGLAND

(£ '000)

	23-8-'44	16-8-'44	25-8-'43	30-8-'39
Total Bullion ..	1,652	1,519	1,662	263,700
Public Deposits ..	12,400	12,3000	7,200	31,100
Other Deposits ..	237,100	229,200	223,400	291,000
Of which Bankers' Deposits ..	178,400	171,900	166,800	90,100
Govt. Securities ..	190,600	186,400	202,000	113,100
Other Securities ..	14,200	14,200	16,300	31,000
Of which Discounts and advances ..	5,500	4,200	3,400	6,400
Notes and Coins ..	57,200	54,600	26,700	34,200
Notes in circulation	1,144,400	1,146,900	974,900	529,500
% of Reserve to Liabilities ..	22.9	22.59	11.59	21.38

U.S. FEDERAL RESERVE BOARD

(million dollars)

	17-8-'44	10-8-'44	19-8-'43	31-9-'39
Resources:				
Total Reserves ..	19,102	19,107	20,453	14,660
Total Bills Discounted ..	62	53	18	(6,190)
Bills bought in oepn market ..	..	..	..	(550)
Total U.S. Government Securities	15,222	15,231	8,156	2,426
Liabilities:				
F.R. Notes in actual circulation	19,440	19,232	14,625	4,609
Deposits in Member Bank Reserve Account	12,935	12,810	12,659	10,951
% Total Reserve to Deposit and F.R. Note Liabilities ..	55.4	55.5	71.1	86.9

TREASURY BILLS SALES 3 MONTHS TENOR

(Rs. '000)

Date of issue	Amount tendered	Amount accepted	Average rate	Week ended.	Sold in favour of Issue Dept.
June „ ..	50.62,50	30,00,00	0 7 3	..	8,52,50
July „ ..	37,36,75	16,00,00	0 7 9	..	13,76,00
Aug. 4	12.97,00	4,00,00	0 7 9	..	60,00
„ 11	14,91.25	4,00,00	0 7 7	..	3.30,00
„ 18	19,25.00	6,00,00	0 7 9	..	*
„ 24	13.32.50	6.00,00	0 7 10		29,700

Total amount outstanding on September 1, 1939, Rs. 33,66,25.
Tenders invited for Rs. 6,00,00,000 on 29th August at Bombay and 28th August at other centres.

CLEARING HOUSE RETURNS

(Rs. in Lakhs)

Centres	Apl.-July) 1943-44	July 1944	July 1944	18-8-43	Aug. 1944
Bombay* ..	20,03.21	6,91,78	1,66,47	40.86	1,21,59
Calcutta* ..	17,40.12	7,01,92	1,97,65	50.70	1,51,55
Cawnpore ..	1,02.41	37,55	8,05	..	..
Delhi	1,21.08	39.35	9,25	..	..
Karachi ..	1,02.84	38.26	8.32	..	
Lahore ..	'78.82	30,36	8,77	..	..
Madras* ..	2,00.02	78.25	15,90	4.35	13,10
Total ..	43,48,50	16,07,49	4,14,40	95.81	2,86,24

TREASURY BILLS MATURITIES 3 MONTHS TENOR

(Rs. '000)

Date of maturity	Amount	Date of maturity	Amount
August 1944 ..	16,00,00	October 21 1944 ..	4,00,00
September „ ..	30,00.00	„ 28 „ ..	4,00,00
October „ ..	16,00.00	November 4 „ ..	4,00,00
November „ ..	20.00.00	„ 10 „ ..	4,00,00
October 7 „ ..	4,00,00	„ 18 „ ..	6,00,00
„ 14 „ ..	4,00,00	„ 25 „ ..	6,00,00

STERLING PURCHASES BY RESERVE BANK OF INDIA

	1943-44	Apl.-July 1944	July 1944	June 1944	July 1943	June 1943
Amount (000£) ..	105,309	32,862	1.24,00	6,824	7,006	6,338

Average rate of purchases demanded £0-1-6 all the time.

EXCHANGE RATES (T.T.)

(000's omitted)

	Aug. 27 '44.	Aug. '20. '44
Bombay on London (s.)	1-5 31|32	1-5 31|32
„ „ New York (Rs.)	332 3|4	332 3|4
London on Bombay (s.)	1-6	1-6
	4.02 1|2—4.03 1|2	4.02 1|2—4.03 1|2
New York on London ($)	4.03	4.03

BANK RATES

	Date of last change.	Previous Rate.	Present Rate.
Bombay ..	28th Nov. 1935	3½%	3%
London ..	26th Oct. 1939	3%	2%
U.S.A.—New York	29th Oct. 1942	1%	1½%

B—General

INDIAN STOCKS AND SHARES

	This week. 29-8-'44 Rs. a. p.	Last week 21-8-'44 Rs. a. p.
BOMBAY		
SECURITIES:		
2½% (1948-52) ..	99 12 0	99 12 0
3% (1946) Defence	102 7 0	102 7 0
3½% G.P. Notes	99 8 0	99 8 0
4% (960-1970) ..	112 9 0*	112 10 0
4½% (1955-60) ..	116 2 0	116 4 0
5% (1945-50) ..	104 12 0*	104 12 0
TEXTILE:		
Ahmedabad ..	485 0 0	470 0 0
Bombay Dyeing	1,838 12 0	1,868 12 0
Central India ..	404 8 0	417 0 0
Century	845 0 0	895 0 0
Colaba	211 0 0	219 0 0
Gokak	309 0 0	318 8 0
India Bleaching ..	182 0 0	182 0 0
Kohinoor	599 0 0	621 0 0
Phoenix	600 0 0	631 12 0
Sholapur	6,900 0 0	6,975 0 0
Simplex	245 8 0	257 0 0
Swadeshi	524 0 0	539 0 0
Vishnu	420 0 0	491 4 0
Finlay	295 8 0	307 0 0
TATA SHARES:		
Tata Chemical ..	25 0 0	25 12 0
„ Oil ..	29 8 0	31 6 0
„ Power ..	1,932 8 0	1,930 12 0
„ Hydro ..	205 8 0	205 8 0
„ Steel Defd.	2,137 8 0	2,187 8 0
„ „ Ordy.	399 8 0	407 0 0
„ Steel Pref. I	223 0 0	223 0 0
„ „ „ II	160 8 0	163 0 0
MISCELLANEOUS:		
Alcock	480 0 0	485 0 0
B.I.C.	6 7 0	6 8 6
Belapur Sugar ..	243 8 0	248 8 0
Bom. Burma ..	547 8 0	545 8 0
„ „ New	190 0 0	185 0 0
Bom. Steam ..	577 8 0	587 8 0
„ Tram ..	153 8 0	150 8 0
„ Petrol ..	4 7 0	4 5 9
Scindia Steam ..	33 3 0	33 12 0
Shivarajpur ..	56 0 0	53 0 0
Andhra Valley ..	1,920 0 0	1,910 0 0
Perm. Construction	207 0 0	215 0 0
Indian Iron ..	39 10 0	38 14 0
Indian Copper ..	3 2 6	3 4 0
Burma Corp. ..	4 9 6	4 7 6
BANKS & INS.:		
Central	80 0 0	81 4 0
Imperial F.P ..	1,990 8 0	1,990 0 0
„ P.P. ..	495 0 0	495 0 0
India	183 8 0	184 0 0
Reserve	135 8 0	135 0 0
New India ..	79 0 0	81 0 0

	This week. 29-8-'44 Rs. a. p.	Last week. 21-8-'44 Rs. a. p.
CALCUTTA		
SECURITIES:		
3½% Defence Loan (1949-52) ..	101 7 0	..
3% Loan (1951-54)	101 2 0	..
3½% G.P. ..	99 8 0	..
COTTON:		
Benares . ..	..	13 12 0
Bengal Nagpur ..	39 0 0*	39 2 0
Cawnpore Textile	14 4 0	13 6 0
Dunbar	295 0 0	290 0 0
Elgin Mills ..	72 8 0	70 12 0
Kesoram	..	16 8 0
Muir Mill (Pref. ..	..	83 8 0
New Victoria ..	9 0 0	8 12 0
„ „ Pref.	10 13 0	..
JUTE:		
Anglo-India ..	450 0 0	414 0 0
Barnagore . ..	215 8 0	212 0 0
Champdany ..	249 0 0	241 0 0
Ganges	..	514 0 0
India	733 0 0*	675 0 0
Howrah	81 14 0	79 4 0
Kamarhatty ..	673 0 0*	'660 0 0
Kanknarrah ..	574 0 0	555 0 0
Nuddia	130 0 0	125 8 0
Presidency ..	10 9 0	9 12 0
Rehatia	..	65 4 0
COALS:		
Amalgamated ..	4 12 0	..
Bengal	656 0 0	..
South Karanpara	24 6 0	..
Bhalgora	17 8 0	..
Burrakur	..	..
East India ..	35 10 0*	..
Equitable	64 1 0	..
North Damuda ..	12 0 0	..
Teloher	11 2 0	..
STEEL ENG :		
Bhartya Elec. Steel	20 12 0	..
Indian Iron ..	39 12 0	38 7 0
Kumardhubi ..	12 12 0*	12 7 0
Steel Corp. ..	33 11 0	32 11 0
Jessop	..	23 10 0
Braithwaite & Co.	11 15 0*	..
SUGAR:		
Bishampur ..	19 0 0	..
Champaran ..	45 0 0	..
Samastipur ..	..	..
Belsund	17 4 0	..
Carew	30 6 0	..
Murree Brewery ..	..	..
New Savan ..	22 12 0	..
Cawnpore	42 0 0	..
TEA:		
Bisnath	41 14 0*	..
Spa (ex. div.) ..	22 0 0	..
Tezpore	19 6 0*	..
MISCELLANEOUS:		
I.P.P.	216 8 0	..

	This week. 29-8-'44 Rs. a. p.	Last week. 21-8-'44 Rs. a. p.
Orient	31 3 0	..
Tibaghur	27 6 0	..
Dalmia Cement ..	18 13 0	18 12 0
Burma Corp. ..	4 13 0	4 6 0
Indian Copper ..	3 2 0*	3 2 0
Consolidated	2 10 0	..
MADRAS		
TEXTILES:		
Buckingham ..	304 0 0*	..
Bangalore Wool ..	505 0 0	520 0 0
Cambodia	31 14 0	34 0 0
Coimbatore Pioneer	350 0 0	..
Pankaja	..	297 8 0
Sitaram Spg.	167 0 0*	178 0 0
Vasantha	290 0 0*	300 0 0
Madura	65 4 0	..
SUGAR:		
Deccan Elg ..	39 0 0	39 0
India	25 0 0	25 0 0
Travancore ..	16 8 0	16 8 0
PLANTINGS:		
Cochin Malabar	15 10 0	16 12 0
Chembra Peaks ..	11 6 0	12 14 0
Woodlands ..	..	14 4 0
Thurbadi ..	4 8 0	..
MISCELLANEOUS:		
Andhra Cement ..	121 0 0	122 8 0
Eruntons	13 12 0	14 8 0
India Steel Roll ..	8 2 0	8 5 0
Mysore Chem. ..	29 12 0	32 0 0
Mysore Paper ..	26 4 0	..
Mettur Chem. ..	19 0 0	..
LAHORE		
COTTON:		
Ajudhia Textile ..	6 14 0	'8 4 0
Cawnpore Textile	13 7 0	13 8 0
New Victoria Ordy.	8 14 0	9 2 0
SUGAR:		
Samastipur ..	19 14 0	20 10 0
Murree Brewery ..	26 6 0	28 14 0
Jaswant	12 9 0	..
BANKS:		
United Commercial	82 0 0	87 0 0
Bharat Bank ..	110 0 0	115 0
Hindustan Com. ..	'56 14 0*	58 0 0
New Bank ..	39 8 0	39 4 0
Jup. In. Trust ..	..	10 12 6
Pun. N. Bank F.P.	293 0 0	..
P.P.	236 0 0	..
MISCELLANEOUS:		
Rampur Distillery	17 3 0	18 8 0
National Saltpetre	..	3 14 0
N. India Oil ..	..	25 8 0
S.G. Paper Mills	20 2 0	..
Star	17 0 0	..
DELHI		
New Victoria ..	..	9 1 0
Raza Textiles ..	..	83 4 0
Ajuda Textile ..	..	8 5 0
Gwalior Brewery ..	..	27 0 0

* Prices for 28-8-'44.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity	Quality	Market	Unit	Latest Quotations Rs. a. p.
Rice	(1) Basmati Old	Amritsar	per md.	22 0 0
	New	„		21 8 0
	Sela	„		21 0 0
	Begamin	„		15 0 0
	(2) Sambhalu	Cawnpore		14 12 0
	(3) Seeta, Balland Kahna	Calcutta		
Wheat	(1) Average	Amritsar	„	8 6 0
	(2) Superior	„	„	8 12 0
	(3) Average	Lyallpur	„	
	(4) Dara	Hapur	„	9 12 0
Gram		Hapur		
Barley		„	„	
Linseed	Bold	Bombay		11 3 4
	(2) Small			10 10 6
Mustard	Yellow	Cawnpore		11 6 0
Groundnuts		Bombay		
	Ready Bold	Madras		11 0 0
	Kernels (Coromandel)			
Castor seed		Bombay	per qr.	
Cotton seed				
Oils:				
Linseed	Ready	„		
Castor	„	„		
Cotton (Raw)	I.C.C. (Sep.)	Bombay	per candy (784 lbs.)	434 0 0
Piecegoods	Long Cloth (Standard quality)	„	per yd.	1 7 9
Jute—Raw	(1) Firsts	Calcutta	per bale	84 0 0 (Mills)
	(2) Lightnings	Calcutta	(400 lbs.) „ „	80 0 0 (Mills)
Bags	B. Twills	Calcutta	per 100 bags	66 12 0
Cloth	Hessian Cloth 8 oz.	Calcutta	„ „	12 2 0 (Ready)
	10½ oz.			29 0 0 (Ready)
Teat	Indian market	Calcutta	per lb.	10 3 0
Sugar†	First Crystals	Cawnpore	per md. ex factory	15 6 0

BULLION PRICES

	GOLD (per tola) 29-8-'44	21-8-'44	SILVER (100 tolas) 29-8-'44	21-8 8|1
Bombay Spot	Rs. 75 3 0	75 10 7	Rs. 131 15 0	134 4 0
Forward	Rs. 74 14 3	..	Rs. 129 15 0	..
London ..	£8 8 0	£8 0 0	23 1|2d.	23 1|2d.
New York			44 3|4 cents	44 3|4 cents

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Price And Cost Structure

WITH the end of the war in sight, the question of the future price-levels in this country assumes an urgency which it would be dangerous to ignore. Discussion has not gone beyond pious statements from individual officers of the Government or wishful thinking on the part of others. Yet it needs no great insight to realize that the entire structure of Indian economy after the war will depend upon a proper relation between her own price and cost structure and that of the rest of the world. Today Indian price levels and to a large extent her agricultural and industrial costs are entirely out of step with those of the countries which really matter; *e.g.*, Britain, U.S.A., Canada, Australia, and so on. The severe controls of exchange, foreign trade and capital movements permit a large degree of disparity between these movements here and abroad, but when the war ends and controls are relaxed, and foreign trade once again is permitted to be established, freed from its shackles, the enormous disparity that now exists cannot continue. The continuance of a high price and cost level in India in face of lower price and cost levels abroad will mean the collapse of export trade; and unless proper adjustments are made, it would bring about unemployment, deflation and widespread distress.

About the fact of the existing disparity in price-levels there can be no dispute. Despite the admittedly defective statistical data regarding the matter, all available figures point to the inflationary price-levels and high costs in India compared to those elsewhere, as the following table will show.

Cost of living and Wholesale Prices for the latest available month

Base 1939=100

Countries	Cost of Living 1944	Wholesale Prices 1944
India	238	304
Canada	119	141
U.S.A.	126	136
Australia	122	137
United Kingdom	130	170
New Zealand	100	148
South Africa	127	156

The only countries with comparable inflationary trends are Egypt, Iran and other Middle Eastern countries. Another disquieting feature is that in respect of agricultural products the prices have risen more than manufactured articles on account of the control measures recently taken in respect of the latter. These high prices cannot continue after the war as natural forces will once again begin to operate with regard to Indian prices unless rigorous measures of control are continued. High prices also have their effects on wages both in agriculture and industry [illegible] the costs of all other factors too have gone up, the competitive power of industry and agri[illegible]

be maintained unless adjustments are made between internal conditions of costs and prices and external conditions.

One method of adjustment is through the rate of exchange. In an interesting article on another page entitled *One Shilling Rupee or Four Rupee Dollar*, Prof. Muranjan has set out the case for a radical revaluation of the rupee which will reflect its true purchasing power in terms of articles of world trade and commerce. That a large dose of devaluation of the rupee is inescapable in any event cannot be denied. But to devaluate the rupee so as to equalize internal and external price and cost levels is to accept the existing inflationary levels as fair and inevitable. Such an assumption is unwarranted. There is no question of going back to the pre-1939 levels; but no one can seriously argue that the country can reconcile to an index of wholesale prices of 300 and of a cost of living of 250 which will continue to impose an intolerable burden on those whose incomes have not increased or have no prospect of increase. The major question to decide, therefore, is what should be our price policy in post-war and at what levels we should fix it.

The answer to it will depend partly upon the sort of forces which will be at work immediately after the war and what levels of prices and costs may be regarded as practicable. Countries like U.S.A., U.K., Canada, etc., have succeeded during the war through their efficient machinery of controls in arresting a steep rise in prices and in immobilizing a good part of the additional purchasing power which they have had to create. It may be that all the pent-up purchasing power will be released, if not too rapidly, at least substantially. But this idle money when released will give rise to a demand which, at the prevailing price level, will far exceed current fresh supplies. It may be extremely difficult to make a control of prices effective in face of this demand and there is likely to be irresistible pressure for a corresponding rise of wages and salaries. On the other hand, these countries are equally likely to continue for as long as is necessary the war-time control of prices, exports, imports, capital issues and systems of priorities, so that it may be reasonable to expect that on balance the inflationary forces will be held in check. While a slight expansionary force may be expected to operate abroad and have its impact on India, it is safe to assume that any vicious spiral of inflation such as occurred at the end of the last war is almost out of the question.

While abroad the preoccupation of the Governments will be to arrest a rise in prices, in India we venture to suggest that the need would be to avert a precipitate fall. In a matter of this kind it is dangerous to prophesy. But easily the most important single factor that has been responsible for inflation in India is the war expenditure of the United Nations of the magnitude of Rs. 250 to 350 crores annually for the last two to three years. When this expenditure stops, the flow of money will automatically stop. Nor is there any normal way of replacing this huge expenditure by non-war investment. The demobilization of the 1½ million soldiers and thousands of war workers in Government service and industries, and the enormous volume of surplus stocks and reserves will be further aggravating factors in a situation which is deflationary both actually and in its psychological aspect. How to arrest a rapid decline in values and avert the occurrence of a big slump would be the crucial problem.

The duty of the Government and the monetary authority is to ensure an orderly decline in prices by being ready to take monetary and control measures which will prevent prices from collapsing. They must refuse to adopt monetary contraction even in the event of a heavy demand for foreign exchange and be ready to issue *ad hoc* securities so as to see that currency is not contracted too rapidly. They must seek to replace the present war expenditure by a programme of public investments and help in the launching out of a big agricultural and industrial programme. The objective should be to prevent a collapse of prices while permitting their gradual fall. When they have attained a level which may be regarded as maintainable and practicable, they should seek to stabilize it.

What is desirable and practicable will depend upon two factors. In the first place, how far can costs be reduced? Secondly, at what level will the various income groups find the least cause for dissatisfaction and discontent? In respect of the latter it may be said at once that agricultural interests will have a large say. The pre-war agricultural prices were certainly too low and unfair to the cultivators. On the other hand, judging from certain recent statements emanating from high authority, it would seem that the present high level of agricultural prices may be sought to be stabilized on the ground that the prices should be such as would give ample margins of profit to the peasant. Somewhere between the two we should set the target, and the price policy of the future should be based not on sentimental but on practical considerations. In the circumstances, the doubling of the agricultural prices over their 1939 level would perhaps be the maximum level at which they may be stabilized. Any higher price would impose an unjust burden on the consumer.

As regards the first, namely the feasibility of reducing costs, it is clear that no great reduction in money wages would be possible without giving rise to serious industrial disputes. Some reduction is, of course, possible. Allowances specially given as compensation for high cost of living may be reduced, as with a fall in prices their justification will be less. But the method of securing a reduction in wage costs is not by reducing wages as by raising the *per capita* output per worker. This means in the industrial sphere a larger amount of capital equipment per worker and in the agricultural sphere in addition to better seeds, manures, cattle the provision of better implements and machinery. The State has a big part to play in enabling the industry to re-equip and increase the plant and equipment. A second method of reducing costs is by permitting industry to modernize its plant and machinery, throwing all the old plant into the scrap heap, writing down its capital costs by heavy depreciation and obsolescence allowances, and so on. In this context, the fiscal policy of the Government is most important. Significant developments are taking place in Britain, where the Chancellor of the Exchequer has granted industry a special initial tax-free allowance of 20 per cent. of the cost of new equipment. He has also extended tax relief in respect of research. Much more generous should be the scale of allowances in India, if industry is to modernize, re-equip and reconstruct. Unless industrial costs are reduced in all ways and industry is encouraged to do so through fiscal means, the competitive power of Indian industry will suffer irretrievably after the war.

A Banking Supplement reviewing certain important aspects of war and post-war banking will be published on September 15 and will be issued to all subscribers along with the next number of the "Eastern Economist."

Whatever be the scales of reduction in industrial and agricultural costs, prices in India cannot be brought down to 1939 levels. The pre-war structure of prices, incomes and costs is gone for ever, and a reversion to it is out of the question. Adjustments, therefore, such as may be needed after the prices have been brought down to reasonable levels must be secured only through adjustments in the rate of exchange. Devaluation of the rupee cannot be avoided in any circumstances. Whether it should be reduced from its present rate of 1s. 6d. to 1 shilling or a little more or less will depend upon the various factors and considerations urged above. It is possible that Britain may not be too ready to permit India to have her own way in fixing the rate of exchange to suit her own economic conditions, as a lower rupee might handicap her own export trade. But India would be a ready buyer of British imports unless they are charged monopolistic prices. Britain need, therefore, have no fear. But whatever Britain's attitude and desires, there is no doubt that monetary freedom is to India the salt of her economic independence. She must exercise the right in the manner calculated to promote her own welfare.

A Population Policy

IT is evident from what we said in our issue of August 25 last, that our population problem has very much more serious contents than have been generally appreciated. The magnitude and nature of the population problem will be directly affected by the magnitude and nature of the economic plan we envisage and an adequate population policy must necessarily form an essential adjunct of an adequate economic plan. Indeed, a population policy and an economic plan can only be looked upon as an integral part of a comprehensive socio-economic planning. Those who had pinned their faith upon the policy of 'discriminating protection' during the inter-war period as a means of industrialization to face the pressure of population on our economy, were indeed severely disappointed, for while discriminating protection did lead to some growth of industry, it was far out-paced by the growth of population. The formulation of the Bombay Plan which undertook to absorb a rate of growth of population as large as during the last intercensal period or 5 million per annum, was therefore eagerly acclaimed and it was thought that at last we have a specific to meet the population pressure and if only we put the Plan through energetically, the birth-rate will fall in due course and the population will look after itself.

However, as we averred, the execution of the Bombay Plan itself will in no wise attenuate the urgency of our population problem—will indeed aggravate it and unless an energetic population policy is simultaneously pursued, the economic plan itself will stand in peril of being wrecked. Today, while our actual birth-rate is probably about 47 or 48 per thousand or nearly the highest in the world, the actual death-rate is probably 10 or 12 points lower or about 35 per thousand. But as has been pointed out, half the mortality recorded in India occurs in children under ten years and malnutrition and lack of adequate medical service are the chief causes. As the Bombay Plan is put through and a national minimum is assured to the masses who will have better food, better houses, better medical services the mortality rate will tend to fall precipitously—from about 35 per thousand to about 15 per thousand. But the birth-rate will tend to fall only after a definite time-lag—after education and prosperity have reached a certain stage and there are reasons that they might even rise in the meantime. The Census of 1931 which made a special enquiry into 900,000 families scattered among all classes and in different parts of India, showed that the fertility rate in India was kept down by the fact that a very large number of women die or pass into widowhood before they reach the end of the reproductive period and that the premature death is attributed largely to early marriage. Social reforms like widow remarriage or the abolition of child marriage will directly tend to improve the fertility rate. Thus the survival rate may tend to increase from about 12 per thousand to above 30 per thousand, directly due to the social and economic reforms which may be contemplated. Merely to state that the attempt to put through the Bombay Plan may directly tend to increase the rate of population growth from 5 million per annum to 10 or 15 million per annum, is to emphasize the urgency of a concomitant population policy designed to set off this enormous potential pressure which would come to bear on us. Production and population have indeed come to rest against each other in equilibrium at the level of bare subsistence; and a concerted effort to lift up production, might only disturb the vicious equilibrium and set the population rolling on an unhampered career, thus frustrating all efforts to improve the income per capita. Let us hasten to add that we are not positing here any optimum theory of population, for surely if technology and man's control over nature progress sufficiently *pari passu*, the earth can be made to support almost any population at an improving standard of living. We are in fact not positing any Malthusian pessimism in the long term sense, but only indicating the almost insuperable interim problems of organization which would face us if the period of planning synchronizes with a run-away population growth.

It behoves, therefore, that urgent attention should at once be directed to the problem of formulation of a population policy even as we are engaged in economic planning. The problem of population is not merely that of quantitative limitation but also of qualitative improvement or essentially a part of remaking the nation. The population policy will have to be rationally integrated in a planned economic policy and as part of a wider social policy. This would require not only an intensive research into our demographic forces but a clear recognition of social imponderables lying astride a national population planning.

The first task in instituting intensive population research would be the organization of data. It is not merely that peculiar political and communal factors have vitiated the objectivity of our population censuses of 1931 and 1941, but there are serious analytical defects and *lacunae* in organization of data from the point of view of social and economic analysis. Thus, statistical information bearing on the number of girl babies born to women in different age group is not available and it is thus probably impossible to calculate such a crucial population factor as the net reproduction rate for India. We want very much more light on the comparative behaviour of birth and death rates and still more on fertility rates among different races, religions and classes and in districts in different social and economic environment. It will be recalled that Professors Bowley and Robertson in their *Report* recommended that apart from the decennial census, there should be an interim census in the middle of the intercensal period. Are the Government of India seriously thinking of implementing the recommendation and arranging from now for conducting an interim census in 1946? Quite apart from questions of political plebiscites, there are urgent demographic reasons for carrying out such an interim census. During the war

the country has passed through severest economic strains which could not fail to impress themselves on our underlying demographic factors. How have the famine, near-famine conditions and epidemics affected growing children among different classes and groups, or women in the reproductive age or, in general, the fertility rate in different age groups? If we have an interim census in 1946, we can again find out whether the mortality during the Bengal famine was nearer half a million or nearer five million. The interim census has necessarily to be conducted less with a view to obtaining unwieldy tables about caste and religion and more with a view to obtaining the essential data for population research.

Secondly, population planning must recognize and give due importance to imponderable factors. There is much about population phenomena which is still imperfectly understood and much more which cannot be brought under direct human control. Nevertheless, much more than in the case of economic planning as such, success of population planning will decisively lean on our ability to prepare favourably the social terrain. Men cannot be bred like animals nor can laboratory experiments be made on population. Demographic engineering consists essentially in creating a social consciousness of the essentials of the situation in relation to national well-being and in producing the social environments which will be congenial to increasing social conformity to the formulated population policy. While, therefore, population research and formulation of population policy constitute the preliminary, the essential follow-up is an intimate understanding of the social map, preparing the sociological pre-requisites and removing the institutional impediments. It has been said that 'an educational campaign to counteract social and religious taboos which might prevent family limitations should be recognized as an essential part of the effort to raise living standards in regions where over-population threatens.' The traditional attitude to sex, marriage and children and the entire complex of *mores*, social behaviour-pattern, and institutional set-up have to be reconditioned with a bearing on the formulated population policy and this will confront us with the stiffest of imponderable social resistance. The task is nothing less than that of radically altering the traditional way of social living of a fifth of humanity in the shortest possible period. The task is so big that one could reasonably despair of success, but for the certainty that defeatism could only hasten disaster. Meanwhile, there are reasons of urgency and gravity why there should be organized a more systematic and intensive study of the demographic forces operating on our economy and the relevant sociological background in their manifold relationships.

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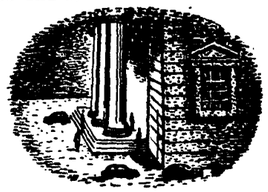
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transit. The total value of Canadian deliveries was 1·7 mn. Canadian dollars but of this the bulk or C.$116 mn. was as part of British undertakings. On account of the comparatively higher price level prevailing in the U.S.A. and comparatively lesser advantages in labour efficiency in war production than in peace production in the U.S.A., the proper cross-rate for conversion to current pound sterling value, would probably be $6 to £1. This means that total American aid received by Russia up to April, 1944, was only about £786 mn. or again, as above, about £230 mn. per annum. Current rate of American delivery may be put at £350 mn. per annum. Thus only total allied help hitherto and delivered to Russia is probably at the rate of slightly less than £500 mn. per annum.

AN AMAZING ACHIEVEMENT

As against this what is the value of Russia's own war effort? Here the chief difficulty is to find a suitable rate of conversion of rouble into current pound sterling. Mr. Colin Clark's effort for 1931 was probably an underestimate by 40 per cent. because he ignored the chief peculiarity of Russia's fiscal system in which the main tax is the turnover tax while the income-tax is insignificant. Further Mr Colin Clark's estimate was mainly based on price of consumers' goods, while investment and defence goods do not bear turnover tax. Again, the item "Defence" in the U.S.S.R. Budget is taken in a rather narrow sense, and a considerable part of expenditure under the heading "National Economy" would in Britain be taken under heading "Defence." Considering all factors, the correct conversion rate for our purposes would appear to be, conservatively, near 22 roubles to the current £. This would place value of Soviet economic war effort at over £5,500 mn. in 1943 and at the rate of over £6,000 mn. in 1944. Soviet war effort could not be valued at less than these, judging from the strength of Soviet resistance to Germany whose economic war effort (counting resources of occupied Europe) is generally valued at £9,000 mn. in 1943. Total Allied economic help to Russia has never exceeded about 8 per cent. of her own economic war effort and was much lower during the first year. For over three years, Russia has remained embattled against about 85 per cent. of the war resources of the entire continent of Europe organized under efficient German leadership while she received as economic aid less than 3 per cent. of Anglo-American war production. Russia's war achievement, therefore, appears all the more remarkable, for the Allied armies have never engaged more than 10 or 15 Axis divisions at a time until the opening of the second front when they confronted over 25 divisions in Normandy. It is true that the very threat of invasion pinned down many more German divisions in the West than were directly engaged, but Russia in her turn had to guard thousands of miles of her Far Eastern territories against potential Japanese threat. Nevertheless, although quantitatively Allied help to Russia has had only marginal significance, it had very great strategic value, as it enabled Russia to get supply of 'key' materials and equipments.

COAL AND POST-WAR PLANNING

While the present shortage of coal has impeded industrial production at many points, it has led to one good result in that the nation may be said to have become more coal conscious now than it ever was before. We have become increasingly aware of the essentiality of coal in industrialization and also inevitably of the wasteful manner in which this valuable mineral is being exploited in this country. While the technical deficiencies of the coal mining industry are too well-known to need recapitulation, it cannot be too strongly emphasized that the existing state of affairs cannot be tolerated in the future when India embarks on large-scale industrialization. Her per capita output of coal is one of the lowest, being only 0·67 tons as against the U.K.'s 5·0 tons, Belgium's 3·5 tons, the United States' 3·0 tons, Australia's 2·6 tons and South Africa's 1·15 tons. Her coal output will have to be very much greater than the present level of 28 million tons if the expected strides in industrialization are not to be checked and the country has the right to demand that this output is mined as efficiently and economically as possible. It follows that a thorough investigation of the problems relating to the rationalization of the coal industry is an essential preliminary to planning. Another important coal problem is the most advantageous utilization of the various grades of coal. At present, nearly half of the coal raised is consumed by the railways, while the Tatas take up over 5 million tons or nearly a quarter of the total output. Our reserves of first class coking coal, suitable for metallurgical purposes are strictly limited and it would be wasteful to employ them in inferior uses; they should be conserved for the expansion of our basic industries. Another connected subject is the development of thermal electricity. While the scope for hydro-electricity may be greater, certain impediments such as engineering difficulties, the high initial cost of construction, etc., may stand in the way of the fullest exploitation of water power for the generation of electricity. At any rate, thermal electricity has certain definite advantages, such as the relatively lower overhead costs, the extraction of valuable by-products from coal in the coal-fields themselves, where the thermal stations may be set up with advantage and the utilization of low-grade coal. The pronounced localization of coal deposits has given rise to a third set of problems, which are in connection with the most economic transport and distribution of coal. These problems are bound to become more pressing in the future when the national planning authority may be led by larger considerations to favour a more dispersed distribution of industries than what the pull of the coalfields may dictate. All these problems rationalization of coal mining, utilization of coal in the best possible way and its most economic transport and distribution should be studied now by a competent coal commission and a blue-print for the coal industry should be drawn up so that the national planning authority may know how the coal problem should be tackled if the shortage of coal is not to impede post-war industrialization as it has impeded the current war production. The Electricity Sub-Committee of the Bengal Post-War Reconstruction Committee recently recommended that an expert committee should be set up to undertake a thorough survey of all available power resources (thermal and hydro-electric). It may, however, be pointed out that the development of thermal lectricity will have to be considered as one aspect of the larger question of the most advantageous utilization of our coal output and may, therefore, be profitably included in the scope of enquiry of a coal commission, such as we have suggested.

RATIONING AND QUALITY STANDARDS

A grievous deterioration in the quality of supplies has been the invariable concomitant of rationing, as it has been functioning in some form or other in various parts of this country. Recently, the wheat exposed for sale in the ration shops in Delhi was denounced as unfit for human consumption by the Municipal Health Officer and the Controller of Rationing could only helplessly chime in. But, Delhi city is not alone in its misfortune just as wheat is not the only rationed commodity that has suffered in quality. Deterioration in quality takes more than one form: firstly, the consumer gets stuff of the most inferior grade of any variety he asks for; secondly he finds that much of his purchase is old, stale, rotten and insect-infested; and thirdly, he also finds that there is an unconscionably high proportion of chaff, bran, stones, dirt or even injurious matter, such as glass pieces. Indeed, when rationing, particularly of agricultural produce was

undertaken, it should have been foreseen that deterioration in the quality of supplies was highly likely. Thwarted of the chances of charging high prices, the natural reaction of the seller is to sell as inferior a grade of stuff as possible at the controlled price. As, under rationing, the consumers are tied to particular retailers, retailers to specified wholesalers and wholesalers to given procurement authorities, the potent free market weapon of the buyer's preference is completely eliminated as a force compelling better service from the seller. Thus, price control must necessarily be followed by quality control, especially in the case of agricultural products, which exhibit wide differences in quality within the same variety and also lend themselves easily to adulteration. It is, therefore, necessary firstly, to draw up standard specifications for each variety of each commodity, secondly, to set up an adequate inspectorate to ensure that, at every stage from producer to consumer, supplies conform to specifications and thirdly, to make the fullest use of the knowledge and experience of the normal trade channels in achieving efficient distribution. In connection with the third point, it cannot be denied that the inefficiency and the dishonesty of the distribution services under rationing are to a large extent due to the unfortunate tendency on the part of the authorities to entrust wholesale distribution to monopoly syndicates formed by persons, who are very often strangers to the trade. We are glad that this question is at last engaging the attention of the Government. The Standing Advisory Committee of the Central Legislature is to meet in New Delhi shortly and it is reported that they will consider problems relating to the improvement of the quality of foodgrains. It is obvious that so long as for any reason it is not possible to permit the retailer and consumer reasonable latitude in the choice of agencies from whom they may buy rationed supplies, it becomes essential to resort to special measures to check deterioration in the quality of the goods.

ORGANISING DURABLE PEACE

An *assembly* composed of representatives of all *peace-loving nations* based on the principle of *sovereign equality*, a council composed of *principal States* joined by a number of States elected periodically, and an international court of justice to adjudicate *justifiable* disputes are the institutions proposed by the Four-Power Security Conference at Dumbarton Oaks. No doubt, any post-war security organization is bound to resemble largely in its structure the last attempt in that direction namely the League of Nations. But from the cryptic report available it appears that the conference failed to tackle almost every problem which was responsible for the breakdown of the League, and which needed to be tackled for ensuring durable success for such an organization. It appears that either of the two ideas to make sanctions effective an 'international police force' or its alternative the demarcation of spheres of influence for the four Powers proved unacceptable under the divergent criticism, so that the conference failed to record even one step forward towards the perfection of the League mechanism. This fact merely reveals a great problem which faces post-war international co-operation. Full-fledged and lasting international co-operation demands as a precondition of its success universally approved pattern of social and economic institutions. There was far greater unanimity in this respect when the last Peace Conference met than there is today. Mr. Churchill's prolonged stay in Italy, his conferences with Tito and Greek partisans in a veiled attempt to offset the increasing Red influence in the Balkans, together with his harangue to Italians regarding political institutions warning them against dictatorship *in any guise* have brought to the surface this fundamental post-war problem. Faced with it, delegates assembled under the most congenial of circumstances, of which Mr. Roosevelt had so much to say, can hardly make any tangible progress on vital issues. It is now even thought in some quarters that there may be no Peace Conference at all in the real sense after this war; a series of political *fait accompli* through military dictation and internal revolutions, and settlement of boundaries based on purely Power relations in any area may simply be sanctified by convenient treaties.

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SPECIAL ARTICLE

A One-Shilling Rupee or A Four-Rupee Dollar?

By S. K. Muranjan

I

IT is expected that members of the projected International Monetary Fund shall at some date after the war adopt such initial exchange parities as are agreed to by the Fund. Once a parity is established, a member is not free to change the parity by more than 10 per cent. in the aggregate. Further changes imply either the previous consent of the Fund or withdrawal from it. It is clear therefore that the fixing of the initial parity is a matter of vital importance to all countries which elect to become members of the Fund.

In the case of India, the future of the rupee parity is sure to prove a decisive and pressing problem of the post-war era. Unpreparedness to face the situation on the termination of the conflict or delay or hesitation in implementing a previously formulated policy will imperil in a serious manner our post-war plans of reconstruction.

The question before us falls into two parts. We must make up our minds in the first place whether the post-war rupee is to continue its link with the sterling or to function as one of the world's independent currencies. In case the rupee is not released from its dependence on the sterling, the future of the sterling becomes automatically an important factor in determining our policy about the rupee. If on the other hand the rupee cuts itself adrift from its historical anchorage or millstone, we shall be free to formulate our future relations with sterling and non-sterling currencies separately on the basis of the economic situation in each case.

The question of the rupee-sterling link is not and has never been a purely monetary and economic issue. Although open avowal is always scrupulously avoided, there is little doubt that political power and interests have operated in the back-ground and dictated the decision. It is idle to imagine that these forces will be less in evidence on the termination of the present war. We have every justification therefore in placing in the forefront of our discussion the future of the rupee-sterling relationship.

Preliminary estimates have to be based on price-levels, costs and incomes as they exist at present. We must recognize however that present prices, costs and incomes are the outcome of factors some of which are exceptional and temporary in their incidence while others may be expected to continue in operation substantially in post-war years. One of the most difficult questions before us will be to correct our preliminary estimates by such opinion as we may reach on the probable course of events in the post-war era.

In discussions and estimates of this kind, we have to use statistics as we find them. These statistics are not strictly comparable even in a formal sense. They are based on different methods of compilation, starting points, time-spans etc. From the stand-point of economic interpretation, the loss of economic mobility between country and country and even different parts of the same country has deprived them of their usual economic signification. Even in ordinary times, when accuracy of statistics and normal working of economic forces could be postulated, the inherent limitations of the statistical technique made its application to practical problems a matter of rough approximations. Under the present circumstances, these rough approximations are useful as indicating merely the quantitative limits within which our ideas of what is feasible, expedient or possible may be allowed to range.

According to one set of index-numbers, the whole-sale price-level has risen in India from 100 to 240 between the month preceding the outbreak of war and the close of 1943. According to another set, the rise has taken place roughly in the proportion of 100 to 340. Over about the same period, the United Kingdom has recorded a rise in the price level from 103 to 163. Adopting the smaller rise in India as the basis of our calculation, it will be found that the rupee-sterling parity has fallen from its pre-war level of 18 pence to about 11.8 pence.

Whole-sale prices are not perhaps an adequate index to currency parities. The whole-sale price level is composed of commodities some of which have not much significance in international trade. In a country such as India, the home-trade products easily swamp the index numbers. The use of whole-sale price levels for the present purpose is justified only on the long-run the present purpose is justified only on the long-run assumption that prices and incomes in all sectors tend to keep pace with each other.

From this standpoint, a comparison of the prices of goods we send abroad and the prices of goods we are likely to import offer an additional basis for our guidance. According to the statistics compiled by the Economic Adviser, the prices of agricultural commodities other than food have advanced in the ratio of 100: 200. The prices of our chief exports which have benefited by the exclusion of our rivals or suffered from our own exclusions in certain markets record a much higher rise in the proportion of 100:240. On the other side, the index-number for such industrial products as England now produces has changed in the proportion of 106 : 165. Taking again the lower rise in the case of India, the rupee-sterling parity would approximate to about 11.6 d.

From a long-term standpoint, the interchange of products between country and country may be said to rest roughly on relative levels of costs and incomes. While wholesale prices fluctuate on account of many temporary causes and incidents, costs and incomes which measure the more permanent competitive power of trade rivals show a much greater rigidity. These costs and incomes may be trusted to adjust themselves to changes in the cost of living in a country. Leaving aside Bombay and Calcutta as rather special cases in a vast country and subject to special war conditions and taking only semi-agricultural places like Jubbulpore, Nagpur, Madras, Cawnpore etc., the change in the cost of living is reported to have changed over the same period from 158 to 199. On this basis the parity will be found in the neighbourhood of 8½d.

As pointed out above, we have to correct these preliminary estimates in the light of probable post-war trends.

On the Indian side, the prevailing costs, incomes and prices are affected by the following special or temporary factors: (i) hoarding of goods from precautionary or speculative motives; (ii) failure of normal sources of supply *e.g.*, rice wheat etc., or our exclusion from accustomed markets *e.g.*, raw cotton, raw jute etc.; (iii) price-controls and incidental restrictions imposed on several commodities and kinds of labour (iv) hoarding of currency to evade war taxation (v) hoarding of bank balances and savings from liquidity motive; (vi) complete suspension of investment

and concentration of Government expenditure on consumption and destruction goods. Of these causes, hoarding is losing force with the progress of time. At the end of the war, the disappearance of hoarding and restoration of our normal markets together with increase in output are likely to exert a downward pressure on prices. But these causes are likely to be more than counterbalanced by the reversal of forces enumerated under the other heads. It will take all the skill and firmness of the Reserve Bank to hold in check the force of potential inflation which in the absence of timely measure must superimpose itself on the inflation of the war years. Allowing for the initial and immediate reactions of peace and the gradualness of the relaxation of existing controls, it would not be arbitrary to expect that the post-war years will present us with a price level with an upward trend.

The future of sterling prices is equally problematic. The international monetary discussions make it clear that England has reserved for herself the fullest monetary autonomy. This policy centres generally on the objective of full employment with cheap money as its main instrument. Such a policy is feasible in England because unlike our monetary authorities here the British authorities have managed to hold the inflationary forces of war under strict control and capital investment for war production is in a large measure adaptable for the purposes of peace.

We have then before us the prospect of a high Indian price-level attempting to reach still higher levels and a relatively low sterling price level striving to reach parity with world price levels particularly the price-levels of raw material producing countries. Even if the two forces may be held to neutralize each other, the present gap in the exchange parity presents a serious problem.

If for any reasons, the rupee is not able to secure its release from the established sterling anchorage, our currency policy has to take into account the future trend of the sterling *vis-a-vis* the other world currencies. In estimating the future of the sterling, we have to give due weight to the following imponderable factors. (i) the probable trend of British imports and the volume and competitive power of British exports; (ii) the trend of British investments abroad and external debt position; (iii) the future of tariffs, transport costs and England's internal productivity; and finally (iv) British Monetary Policy.

The post-war economic situation of England makes it inevitable that she should seek to control her foreign payments by (i) restriction of unnecessary imports and rationing and price control of the necessary imports and (ii) the restriction and perhaps prohibition of capital exports. Even with these measures, considering her population and her normal standard of life, the problem of finding exports to pay for necessary imports will be quite formidable. If the burden of any repayment of war debts is added to her ordinary requirements, the task becomes almost herculean. While tariffs will perhaps cause less obstruction than before, the direction of transport costs and British productivity in general is more difficult to estimate. The import of bulky raw materials and their subsequent export in fabricated form and the exploitation of mines which are centuries old point more to less favourable terms of trade than otherwise. The restoration of her old invisible items of export which gave her more than half her ordinary imports like finance, banking and shipping services, capital invested abroad etc. will not be as easy as at the end of the last war. The one asset of any importance which England will command in this situation is her political and administrative control of large areas of the world whose economic policies and immediate post-war requirements can be shaped directly or indirectly into channels favourable to British industrial policy. If, as appears very probable, there is a very marked shift of world demand in favour of capital goods, that will be another factor favourable to Great Britain. It should be no cause for surprise if her capital equipment created for military needs is found more or less well adapted for the supply of such goods, in times of peace. Besides, such a development offers the inestimable advantage of a smooth and easy transition from public expenditure on war to private investment in industries of peace.

On a balance of all these considerations, it should not appear strange if a lower standard of life finds its expression in a further devaluation of the sterling. This means two things. The post-war economic interests of England will range themselves in opposition to any substantial lowering of the rupee-sterling ratio. Secondly, sterling will seek at the same time a revision of the existing pegged parity with the dollar. On the basis of the present rather artificial whole-sale prices in England and the price-level in the United States the dollar-sterling parity hardly reaches 3½ $ to the sterling. On the basis of the relative costs of living, the parity is a little higher—a little more than 4 $ to the £. A permanent parity of about 3½ to 4 $ to the £ is therefore well within the bounds of possibilities.

If the sterling is devaluated from its present approximate pegged parity of $ 4 to a new parity of $ 3, the rupee will receive to that extent an automatic devaluation of 25 per cent. against most non-sterling currencies. In order to estimate the adequacy of this devaluation, it would be instructive to compare recent monetary trends in in India and the United States. Wholesale prices in the United States have mounted in the proportion of 77: 103 and those in India in the proportion of 100 : 240. These levels give us a parity of about Rs. 600 per $100 as against the present official parity of Rs. 332¼ per $100. On the basis of the relative costs of living of 100 : 260 in India and 99: 124 in the United States, the parity will be about s. 108 for $100. In othere words 10 to 20 per cent. devaluation implied in a revised dolar-sterling parity fas much short of the existing parity of the rupee in relation to non-sterling currencies.

(To be continued)

Social Security Plans and India

(Contributed)

II

The distribution of cost in an all-inclusive system is, however of a minor importance. More significant is the stupendous magnitude of the national dividend which will call for conscious allocation into new channels, estimates of disbursements under Beveridge, Marsh, Wagner-Murray plans, as well as the actual disbursements in the U.S.S.R. on this account come to over 10 per cent. of the national income. The proportion in a poor and populous country like India for any reasonable social security scheme, would certainly be much higher. In communities where underconsumption is diagnosed as the economic malady, i is shown by means of the Keynesian analysis that the plans would be largely self-sufficing, on account of increased employment and prosperity. There are, perhaps, more snags in arguments on these lines than

is realized commonly. Prepensity to consume may be delayed through a time lag in beneficiaries' contributions and benefit disbursements. The nature of influence on the marginal efficiency of capital is very uncertain. While social security investment disoursements like the construction of hospitals may step-up the marginal efficiency of capital, the scheme of contributions may have a reverse effect by raising the supply price of capital goods. Social security will perhaps diminish liquidity preference and lower the interest rate, but it also depends upon the proportion of small saving to total social saving and the basis of contributions adopted. Further it affects not only the Keynesian variables, but also one of the constants namely supply of labour, in an important, but unpredictable direction. While the preventive and rehabilitative measures may increase effective supply, old age, maternity and other benefits may off-set it. Social security may either increase mobility through a sense of security or retard it in the absence of economic compulsion to accept distant or lower paid occupations. On the whole it may be said that in advanced economies where capital and consumers goods can be reproduced within imperceptible time lag, the net effect of social security will be an insignificant stress on the distributive system, well worth the immense social advantages resulting from it. But fundamental difference in conditions must be recognized when a modern plan is sought to be applied to a country like India. Any large scale unemployment or under-employment of men and materials, physically precludes a successful social security scheme, because the total output of goods and services may be wanting for the conversion of the nominal cash benefits into adequate real goods and services.

In India, even a system of distribution based wholly on human needs leaves a gap of 11 per cent. between real income and the minimum standard of living desirable, to measure the inevitable suffering so long her resources are not developed. This constitutes the fundamental difficulty for a social security plan in this country.

Other difficulties discouraging the formulation of an all-inclusive plan in India are really less formidable, granted a sufficiency of national income to meet a minimum social standard. There is certain difficulty on account of the fact that the bulk of Indians are subsistence farmers or are self-employed in different occupations. There are difficulties in administering benefits and defining contributions where incomes are not received in cash. It is also difficult to ascertain disability and unemployment in such cases. But this feature is not a peculiarity to India, and similar circumstances have been tackled in the U.S.S.R. and South African plans. In U.S.S.R. the agricultural population is assured of the minimum social standard through mutual benefits societies organized in every collective farm, and in India extension of Co-operation may serve similar purpose. In South Africa only certain benefits which can be easily administered are proposed for the rural population. In fact, it may not be feasible to administer every form of benefit for the rural population, nor does it need every one of the benefits considered desirable for an industrialized community, and the purpose of social security may be well served simply through the extension of certain general facilities. Dispensaries and schools in every village, proper arrangements for sanitation and water supply as envisaged in the Bombay plan, together with stable and remunerative agricultural prices under a planned economy are the necessary steps in the direction. These can be filled within a general system affording more specific benefits to the industrial population.

Owing to administrative difficulties of an all-inclusive system in India, there is a tendency to confine the problems to the industrial population only. India has a large industrial population badly needing social security services. But restricting social security to less than 10 per cent. of the population, not only limits its value, but also its practicability. Besides the administrative difficulty owing to India's industrial population not being an exactly separable and settled class, migration from agriculture to industry and *vice-versa* being frequent, the problem of finance becomes immensely complicated. Benefits being sectional, it would no longer be desirable to make unrestricted State contributions. Present wages are mostly unrelated to family responsibilities, and the margin after subsistence needs have been met would hardly suffice to meet a minimum social security scheme based on beneficiaries' contributions. While there may be a little scope for readjustment in the cost structure of the Indian industry, to base a social security scheme on large-scale employers' contribution is bound to hamper capital formation and put Indian industry at a disadvantage in international competition. The latter disadvantage may be obviated under an internationally agreed plan of co-operation, but it is not practical to bank much on such a possibility. We are already aware how keenly conscious is a country like South Africa with a much higher per capita capital than India in this respect. Further, to maintain a social security plan for industrial workers within tariff barriers is to throw its cost on the consumer, the vast non-industrial population which has been denied the benefits.

We are confronted once again with the fundamental economic problem of poverty. It is, no doubt, possible to sustain a higher standard of living than is justified by national productivity in an isolated sector of the economy, but only at the cost of the rest. Today Britain and the U.S.A. and other highly developed economics plan social security ambitiously, not because they have become suddenly philanthropic, but because they have high per capita capital resources which must go to waste unless their distributive system is reorganized. India's problem is more difficult, she has to achieve the economic development which alone can assure minimum social standards. Under the circumstances, the Bombay Plan or any plan which aims at "securing a general standard of living which would leave a reasonable margin over the minimum requirements of human life" is the aptest of social security measures. And the fifth article of the Atlantic Charter can be a reality to one-fifth of the humanity only if and when such a plan is fulfilled.

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THE WORLD ABROAD

Reconversion

(From Our Washington Correspondent)

WASHINGTON, Sept 1, 1944 (By Cable).

Mr. James F. Byrnes, Director of Mobilization for War, often called Assistant President, has established an inter-Agency Committee this week to develop plans for the utilization of Government-owned war plants worth more than 15 billion dollars in the post-war period. Their construction with public funds was obviously necessary during the war in order to achieve production goals which the United States set for itself but it is now generally agreed that as many of these as possible must be shifted into the hands of private operators at the earliest moment feasible. This is, moreover, in line with the American tradition of private operation of means of production and it is the desire of the present Administration not to obstruct private initiative in any way.

How to get the Government out of business, however, is an enormous problem whose gravity Mr Byrnes fully recognized when he said, "I fear that our unemployment problem in the period of conversion may center in Government-owned war plants. It is estimated that these plants give employment to several millions of our workers." Thus the nation's economy will be very materially affected by the plans which the Inter-Agency Committee develops and the effectiveness with which these measures are implemented. The manner of the disposal of these industrial plants is bound, besides, to have worldwide repercussions. The part of these equipments which is retained intact will produce both for export as well as for imports, some part of these will be dismantled and perhaps made available to foreign industrialists undoubtedly, however, with the stipulation that there will not be re-exported to the U.S. at a profit, and, finally, the Army and the Navy will have a large voice in determining how much of this plant is to be continued to remain in the production of military aircraft, merchant and war vessels and munitions, etc. The nation's business men believe almost universally that Government-owned plants worth only about 5 billion dollars are convertible and not more than 8 billions may ultimately be useable as part of the U.S.A.'s post-war industrial productive capacity. They contend that the shortage of private investment over the past four years has been about 5 million dollars so that, with competent management, Government-owned facilities can, without producing any too greatly disrupting effect, but fitted into peace-time economy.

The situation in respect of the monetary expenditure incurred in the financing of these plans and the provision of other facilities during the war, as estimated by business men throughout the nation is as follows: About 33 billion dollars have been expended in all, out of which 17½ billion were spent on military installations alone, and 15½ billions account for Government investments this estimate is slightly higher than that of Mr. Byrnes which represent an addition to the nation's industrial plant. An additional sum of 6 billion dollars has been invested by private industry in the expansion of manufacturing industries and public utility concerns. One-third of Government's total investment of 15½ billions has been for ordnance production, another third for aircraft production and the production of spare parts, ship construction and repair, with the remaining third spent on the production of various other plants required by the war exigencies which include the production of synthetic rubber and chemicals coal and petroleum products, metal products, machine tools, machinery, electrical equipment and appliances and miscellaneous other manufacturing facilities. Private expenditure has also been in the same categories but in different proportions. Business men believe that ammunitions loading and powder plants will become standby for arsenals but that shipyards far in excess of foreseeable post-war needs, offer a difficult problem for conversion. Those two categories account for about 5 billion dollars. Another group includes plants for the production primary metals, at the early stages of the fabrication of basic metals and parts for finishing. These plants would be costly to convert but their equipment may be important for production for post-war needs.

Here too questions of Big Business monopoly arise. Chemicals, paints present a varied picture synthetic rubber with non-petroleum operations may be used without change depending on Government policy while with petroleum-based operations it may be converted to the production of high test gasoline or other plastics than rubber. Among all these plants, however, business men believe, plants worth only 5 to 8 billion dollars are convertible. In other words, they see no overall surplus plant capacity. They believe shipyards and aircraft plants that not needed should be dismantled and the machinery used elsewhere. They assert that the post-war uses of light metals such as Aluminium. Magnesium will quickly overtake productive capacity. Business men believe above all that the disposal policies must be aimed to encourage private operation under competition. They favour outright sales wherever possible; otherwise they plead for lease facilities being made available in order to hasten conversion. Mr. Byrnes and Business men are agreed on the point that the armed services must decide soon the question of how much of plant capacity they would need in the post-war period and which plants they could turn over to private operation.

The foregoing views voiced by the business men will undoubtedly be taken into large account by the Committee which Mr. Byrnes has set up. This Committee will include representatives from the War Production Board, the Defence Plant Corporation, Surplus War Property Administration and the War Man-Power Commission. Mr Byrnes has requested the Committee to make plans for the "conversion of as many of the plants as may be reasonable and adaptable to civilian production under private operations . . . . . with a view to relieving unemployment that may follow." Mr. Byrnes told the Committee to act "without delay" perhaps in anticipation of the legislation for the disposal of war surplus on which Congress will probably complete action within a week. That legislation as it now stands would provide for the appointment of a Surplus Property Administrator with a board consisting of four members to assist him. Such machinery as is contemplated to be established by Congress, presumably, would implement the plans worked out by the Committee which Mr. Byrnes has set up.

The Bretton Woods Conference

(From Our London Correspondent)

LONDON, Aug. 15 (By Airgraph).

THE members of Parliament have been sent on holidays until the end of September. Meanwhile the Government have time to review the work of our legislature during the past season and to prepare the programme for the autumn season. Neither House of Parliament has been very enthusiastic about the first definite Planning Bill brought in by the Government, namely, the Country and Town Planning Bill, 1944. Opposition to some of its provisions came, however, not from the body of Parliament itself, but from the Local Authorities. The burden of their complaint is that the new Bill is insufficient to allow for more than patch-work planning and, secondly, that the methods of compulsory acquisition of land remain cumbrous and time-wasting. Dissatisfaction with the announced housing policy has not been fully appeased while legislation to implement the National Health Service Plan is still "under consideration." Meanwhile the military outlook has rapidly changed for the better; so much so that when Parliament reassembles there may be need for much parliamentary time to be taken up by problems of foreign policy in general and the problem of how to get order out of the chaos on the European Continent. Thus both Government and Parliament will find themselves face to face with so much work that would suffice to engage them for years in ordinary times.

Nor is one to expect that the approach of the end of war in Europe will make much difference to the mood of the country towards the Government. Mr Churchill has the full confidence of the country for his management of the war, but how far this confidence will be transferred where peace problems and economic reconstruction is concerned has yet to be seen. Few outside the Conservative party see in him the Moses who not only led the nation out of Egypt of slavery, but also led the nation into the country of milk and honey, in other words into an era of social and economic life such as the people hope for. It is more than likely that the passing of the war clouds from the West will intensify political divergency and strengthen the demand for a new Parliament. But it is impossible to assess the result of a probable general election. And for this reason prophesy as to the probable constitution of a new Parliament is equally hazardous. Even if a general election can be postponed for some time after the German collapse the fact remains that the present Parliament is on its last lap while the problems of the immediate future are mounting up daily.

* * * *

Bank deposits at the end of last month were at a new record figure. They stood at £4,121 millions, a rise over the end of June figure of over £21 millions. On the assets side cash and investments varied little as compared with the June return, but cash was £m 39 higher than a year ago. Discounts were better by 10.5 as against June, but still £m 23 below the figure of a year ago. Advances had slightly improved of late months but while they are still £m 11 higher than a year ago they were down by £m 15 as compared with end of June. The increase over the last 12 months was £m 491.

* * * *

Now the text of the Articles of Agreement of the Bretton Woods Conference is available, it is possible to pass judgment. A very unsatisfactory "summary" had been cabled in advance of the official text and one has to wonder whether the job of summarizing the Articles was left to the office-boy. It was an exceedingly bad piece of work. The agreement, however, is more or less as one expected it would be. The paragraph dealing with demands for devaluation of individual currencies is slightly more favourable than in its original phrasing. But, on the other hand, the clause which enables a country to resign from the Monetary Fund has been made worse. If it should be finally accepted it would become almost impossible for any country to resign thus robbing the former clause of much of its benefit. The Press here, while acknowledging the evident willingness to compromise by delegates to the Conference is, on the whole, very lukewarm, certainly not enthusiastic in its reception of the agreement. So much so that a paper like the London *Economist* writes: "Two anxieties of equal strength appear to be in opposition to each other. On the one hand, no opportunity must be missed to build a free and co-operative system of world trade. On the other hand, the mistake of 1925 must not be made again. The first anxiety would counsel an acceptance of the Bretton Woods Agreements. The second, unless there are very great achievements in other departments of economic policy, would counsel their rejection. The only possible course is, for as long as possible, neither to accept nor to reject."

If, however, the Governor of the South African Reserve Bank, Mr. Postmus, is voicing the views of South Africa and not merely his own, and similar views are shared by other prospective participants in the schemes, the likelihood is that opposition in the British Parliament and by the British public will be strengthened. His views, as given in his speech at the annual meeting of the Bank, are that we should return to absolutely fixed gold parities. His remark that "the world" problems can largely be solved by chopping and changing the exchange value of units of paper currencies," is believed by many people to show a singularly obstinate refusal to acknowledge bitter experience. Exchange values of gold currencies have varied ever since the gold standard was introduced. If that were not so there never would have been any place for exchange alteration. If the chance of international agreement on monetary matters is to be made impossible only a few more of such pronouncements from authoritative quarters are needed. The British public, and perhaps others too, will not stand for it. The strong and increasing movement in this country for seeking bilateral agreements in trade and monetary matters should be a warning to these people.

Railway, road, and air transport are continually engaging the attention of the Press. Recently a joint committee of the Federation of British Industries and the Association of British Chambers of Commerce has published its recommendations on the Rail-Road questions. As in other countries, the increasing competition of the motor lorry has affected the railways. In countries where railways are state-owned the railways are in a stronger position since there it is in the immediate interest of the State to protect its own property. In his country the railways are owned by a few large companies. It is true to say that railway legislation in Great Britain is long out of date. It was largely designed to protect the public against the transport monopoly of the railways in days past. The railways themselves only ask to be released from the out of date restrictions concerning their Tariff Policy and empowered to compete with the road haulage companies on equal terms. The Labour Party, on the other hand, wants both, railway and road haulage to be nationalized. The Committee above mentioned is against nationalization of either. They recommend, however, some state control and supervision. They do not expect any increase in efficiency from State ownership and fear that any substantial increase in railways or road charges would be detrimental to our export business. They recommend the establishment of road haulage rate scales--similar to those of the railways --with classification of goods according to bulk-weight ration, value, and ease of handing; standard terms and conditions of carriage. On the other hand, legislation relating to railway carriage should be modernized and the railways relieved of out of date restrictions.

Money Markets.

Easier Money Condition s—Dullness in Gilt-edged and Bullion—Recession in Share Values

BOMBAY, Sept. 3, 1944.

THE money market continued to be easy, with the unemployed funds of the Scheduled Banks continuing to mount up. There was a rise of no less than Rs. 9 crores in their balances with the Reserve Bank during the week ended August 25, 1944. The Inter-bank call money was nominally quoted at ¼ per cent., and 3 to 6 months deposits were quoted at ½ to ¾ per cent., while 2 months funds were taken up at 1 to 1¼ per cent. Tenders for the Government of India Treasury Bills were again inclined to be heavy and although the tender limit remained unaltered at Rs. 6 crores, the offer was Rs. 14.52 crores, as against Rs. 13.32 crores a week ago. The average rate of accepted tenders was a shade lower at 7 annas 7 pies as compared with 7 annas 10 pies in previes week. Against an invitation of Rs. 5 crores of Bengal Government Treasury Bills Rs. 8.25 crores were offered. The average rate paid was only 7 annas 10 pies, which is only one anna three pies more than that paid by the Central Government. Thus, during the week under report the Bengal Government was able to borrow on more favourable conditions than it did in the previous week when it had to pay 9 annas per cent. on Rs. 4 crores of Bills.

Gilt-edged

The week has been one of the dullest in the gilt-edged market. The 3½ per cent Rupee Paper is quiet at Rs. 99-7. The 3 per cent 1946 Defence Bonds at Rs. 102-6, 3 per cent 1949-52 at Rs. 101-7, 3 per cent. 1951-54 at Rs. 101-1 and 3 per cent 1963-65 at Rs. 99-1 are all quoting an anna lower than in the earlier week and buyers are few and far between. Similarly, there were sellers in the 3½ per cent 1954-59 Loan which is also easier at Rs. 104-9. Offerings of 4½ per cent. 1950-55 and 4½ per cent. 1958-68 were not inconsiderable with the result that the two securities are quoting two annas lower at Rs. 110-14 and Rs. 117. The steady falling off of interest in 3 per cent 1945-55 tax-free loan is indicated by the decline in the price by nearly four annas to Rs. 104-8. In view of the redemption date coming near, investors are naturally not much interested in this security since the return at the present price is only 0.9 per cent. In contrast to the absence of business in Central Loans, there was some inquiry in Provincial issues, notably the 3 per cent. 1958 Loans. While the Madras and the Bombay Loans continue to be quoted at a discount of 6 annas, the quotation for the U.P. and Sind Loans has improved. The Sind Loan was quoted, for instance, at Rs. 99, an improvement of two annas since last week. All the Provincial Loans are expected to move up gradually, when the financial strength of the Provinces comes to be realized by investors.

Reserve Bank

The Central Government's balances with the Reserve Bank have improved only by a few lakhs to Rs. 139.17 crores, although during the week under reference sterling receipts have been about Rs. 6.8 crores. An increase of Rs. 4.1 crores under 'Other Government Accounts' has also occurred. There is decline of Rs. 2 crores under 'other deposits' also. There is not much change of any note in the Issue Department. Notes in the Banking Department are up by Rs. 3.1 crores, but total Notes issued are practically unchanged since notes in active circulation have been reduced by Rs. 2-3 crores. Balances held abroad show a rise of Rs. 6.87 crores and now amount to Rs. 249 crores. They together with the sterling securities make a total of Rs. 1,077 crores.

Silver

In the Bullion Market, the Silver Section continued to absorb the daily offering of 200 bars by the Reserv Bank. Encouraging war news imparted a quiet tone in the first half of the week and the position was accentuated a little by the fall in the offtake owing to dislocation in railway traffic caused by floods in Gujerat. Ready silver of .999 fineness after quoting at as high as Rs. 133.8 on Monday, eased off to Rs. 131.2 on Wednesday. In the second half of the week, however, the rate for spot silver gradually improved by over a rupee to Rs. 132.4, finishing a shade lower at Rs. 131-22 and the rate for one week's forward delivery was quoted at a discount varying between Rs. 2 and Re. 1. Floating stocks are estimated at 1,000 bars, the average daily offtake being 100 bars. The highest and lowest touched were: Rs. 133.7 and Rs. 130-10 for ready and Rs. 132-3 and Rs. 129-6 for forward delivery.

Gold

In the gold section, demand for ready gold was of a very limited nature. Although the Reserve Bank offered 50,000 tolas per day on all the days of the week, only on three occasions did the market take the offerings as on some days the ruling rates were below those acceptable to the Bank. Fluctuations in rates were within a narrow range, ready gold moving between Rs. 75-0-6 and Rs. 75-5. One week delivery gold was quoted at a discount ranging between annas 3 and annas 6. The closing rates for the week were Rs. 75-3 for ready and Rs. 74-15-6 for forward delivery. Sovereigns were quoted at Rs. 51-8, as against Rs. 51-10 a week ago. The highest and lowest touched were Rs. 75-5 and Rs. 75-0-6 for ready and Rs. 75-3 and Rs. 74-12 respectively for forward. Floating stocks are estimated at 1,00,000 tolas. The daily offtake, which hovered around 40,000 tolas last week, fell to 15,000 tolas. Arrivals were steady at 25,000 tolas.

Stock Exchange

After being somewhat quiet in the initial days of the week, the Share Market suffered a sharp setback, especially in the speculative counters in the Textile Section. The progressive collapse of German resistance in France was accentuated by another bearish factor, namely the announcement, by the management of the Bombay Dyeing and Spinning Co. Ltd., of a lower interim dividend of Rs. 25 per share, as against Rs. 35 paid last year. This announcement took the market by complete surprise, especially as the maintenance of the interim dividend by the Kohinoor Mills Co. Ltd. led many an operater to believe that other leading cotton mills, too, would be able to do so. Although sales were not heavy, values suffered a perceptible fall as investors had withdrawn their support. Bombay Dyeings which were quoting around Rs. 1,850 declined, at one time during the week, to Rs. 1,770 cum-dividend but finished a shade higher at Rs. 1,772. Kohinoor lost well over 30 points to close at Rs. 578. Similarly, Simplex declined by more than Rs. 15, to Rs. 235 and Swadeshis by Rs. 30, to Rs. 499.

In the Steels Section, Tata Steel Deferreds, which were quoting at Rs. 2,166 early in the week, dropped at one time to Rs. 2,075 and closed at Rs. 2,082. Ordinaries, too, followed suit, with the closing rate at Rs. 390 compared to the week's opening of Rs. 405. Both Steel Corporation of Bengal and Indian Iron and Steel were on offer and were marked down from Rs. 33-8 and Rs. 39-12 to Rs. 31-8 and Rs. 38-4 respectively. The miscellaneous section, too, suffered a substantial recession in values. Associated Cements, for instance, dropped from Rs. 237 to Rs. 231 and Scindias from Rs. 33 to Rs. 36-6. Bombay Steams were weak at Rs. 540, against Rs. 585 a week ago. Belapurs were on offer at Rs. 243—a drop of Rs. 5 over the week. Chemical shares lacked support in the belief that their working in the post-war period will be seriously affected by the activities of the Imperial Chemical Industries Ltd., which is steadily obtaining a monopolistic hold over the Indian market, thanks to the patronage of the Government of India. In recent weeks, the shares of Indian Companies like Tata Chemicals, Mettur Chemicals and Mysore Chemicals and Fertilizers have, in consequence, suffered a substantial fall in values, ranging between 8 to 10 per cent.

Easier Condition in Stock Exchange— Raw Jute Firm

CALCUTTA, Sept. 4.

AFTER earlier steadiness easier conditions and a quiet tone have been noticeable on the Calcutta Stock Exchange. Business passing has been smaller. As there was still an oversold position in some counters bear covering in the first two days resulted in a rise in the quotations for *Indian Irons* to Rs. 40 and *Steel Corporations* to Rs. 33|12. *Howrahs* were also marked higher at Rs. 82 with *Burrakur* at Rs. 45-12 The news that a higher cess on coal could be levied to give greater encouragement to mines reporting larger raisings, had a stimulating effect on coal shares. But possibilities of further reduction in ceiling prices for cloth and yarn, and the rising hopes of early peace depressed values and closing prices are at the lowest levels. After the Puja holidays, however, the upward movement is expected to be resumed.

In the cotton section *Cawnpore Textiles* came down from Rs. 14 to Rs. 13-4 in sympathy with a down trend in the Bombay market. *Dunbar* were 20 points lower at Rs. 276 while *Elgin were* Rs. 70 and *New Victoria* Rs. 8-6.

The Ordinance authorising a levy of a cess upto Rs. 1-4 per ton, in place of the original fixed at four annas per ton in order to enable the payment of larger bonuses to those collieries which have been able to report an increase in raisings above the target level gave a spirit to all leading shares. There was a jump in the quotation for *Burrakur* to Rs. 45-12, and *Bokaro* and *Ramgur* Rs. 42-4 from Rs. 41-12 and Rs. 38-4 respectively. But quotations are appreciably lower now. *Burrakur* were Rs. 43 and *Bokaro* and *Ramgur* Rs. 40-4. *Amalgamated* were lower at Rs. 9-6 and *Bengal* at Rs. 648. *Parasea* sharply improved to Rs. 12-6 on heavy buying, but the quotation came down later to Rs. 11.

Jute shares have been rather steady. The industrial pool scheme has been unanimously approved and it is expected that the electrically driven units would be able to take advantage of the lost loom hours of the steam driven units. The coal position also is reported to be better. *Howrah* were higher at Rs. 82, but they have receded to Rs. 80. *Anglo-India* were relatively steady at Rs. 445 while *Clive* were Rs. 50-10 and *National* Rs. 32-6 ex-dividend.

Engineering shares have been rather uninteresting and fluctuating in wide limits. There was a rise in the quotation of *Indian Irons* by more than one and a half points, but the whole of the gains have been lost. The quotation is now Rs. 38-6 after being higher at Rs. 40. *Steel Corporation* are quoting are Rs. 31-12 after being quoted at Rs. 33-12. *Braithwaite* moved against the general trend of the market quoting Rs. 11-14. There was some enquiry from Bombay for *Jessop* at Rs. 24-12, but the withdrawal of support has resulted in a decline to Rs. 24-2.

Sugar shares have been quiet with *Balrampore* lower at Rs. 18-12 while very little business has been reported in Tea shares.

In the Miscellaneous section there are no interesting features *Calcutta Trams* coming down to Rs. 46-2. *B. I. C.* were stick at Rs. 6-6. *Burma Corporation* were a shade better at Rs. 4-11, but *B. E. P.* were unchanged at Rs. 4-8. Paper shares have been easier with Titaghur Paper marked down to Rs. 26-10.

In spite of the easier tone of the jute manufactures market prices have been fully maintained. The inordinate delay in harvesting and the need for concluding earlier contracts have been responsible for the maintenance of prices at *maximum* levels. In the Brahmaputra region steeping water is very inadequate and the crop is overmature is many places and is branching out. This will result in a deterioration in quality. In loose jute business has been done in *Supercised Middles* and *Bottoms* at Rs. 16-12 and Rs. 13-12 per maund. In pucca bales a larger amount of business has been done for export, buyers abandoning their earlier reserve. *Dundee Daisee* 2|3 were done at Rs. 73 per bale and *Short Group* Daisee 2|3 at Rs. 83 per bale. Mill business has not been large though *Lightnings* were sold at Rs. 79-12 and *Hearts* at Rs. 75-12.

The jute manufactures market is easier. The reasons for the weakness of the goods market are the conclusion of the Industrial Pool Scheme and the fears that release from Government production might result in an immediate increase in supplies. The cancellation of some orders had a discouraging effect. It is important to remember, however, that production on Government account is only a very small proportion of the total output.

The Industrial Pool Scheme provides for the maximum levy of two annas per loom hour on working looms while the compensation for idle looms both on account of requisitioning and lack of coal has been fixed at 12 annas. The Industrial Pool will not interfere with arrangements between members belonging to the same managing agency. It is reported that already some mills have completed arrangements for increasing working hours to 60 or 64 per week in order to take advantage of the new situation.

Hessian prices have not sagged much though there is a predominance of sellers at the maximum rates. For forward positions a slight decline is available.

In the heavy goods section rather weak conditions have been noticeable and B twills are in plentiful supply. Shipments have been rather poor.

The final review of the jute crop for the season 1943-44 for Bengal, Bihar, Orissa, Assam and Indian States shows that there was 2,640,475 acres under jute crop—an increase of 38,400 acres as compared with the final forecast figures of 1943.

It is estimated that the crop gave 7,005,440 bales of jute an increase of 56,195 bales over the final forecast figures of 1943.

As in the case of the preliminary forecast the district returns for the final jute forecast 1944, will be published in groups daily at 4 p.m. on the 19th, 20th, 21st and 22nd September, 1944, at 12 noon.

A CORRECTION

In the issue of September 1, 1944, on page 235 in the first paragraph, "2 lakhs" should be read as "20 lakhs."

A DELHI DIARY

NOT since the announcement that Sir Stafford Cripps was coming to India on a mission of conciliation has Delhi been so shaken as by the revelations made by Mr. Drew Pearson, American columnist, and Senator Chandler that Mr. Phillips' report on India was the reason for the Envoy's recall from London. The bureaucratic fears about the Cripps proposals were baseless because Mr. Churchill and Mr. Amery had made sure that the mission would not succeed. But the Phillips incident has brought the Indian issue on the world stage and will leave a permanent mark on Anglo-American relationship.

Two opinions are expressed here. Those who mourn the incident say: "Well, the real trouble is the Britisher's social exclusiveness. When Colonel Johnson came out he received little attention from the big-wigs and was hardly ever seen in the Viceroy's House. These Americans are very sensitive. Mr. Phillips too was neglected by the highly placed Britishers whereas the Indian nationalists got him round to their view."

Another opinion is that "Americans are by nature anti-British. They saved Britons from defeat in the last war and have done the same thing in this war because their way of life is the same as the Britishers' and they have respect for British institutions. But Americans are very jealous of the British Empire and even while professing they have no territorial ambitions they wish to step into British shoes. Both Colonel Johnson and Mr. Phillips assumed a status parallel to the Viceroy. Well, that had to stop."

Such opinions though expressed by individuals are illustrative. In fact, Sir Olaf Caroe summed up the average British official's attitude when he stated in his cable to London, that Mr. Phillips' views were not what the British Government were 'entitled' to expect from "a professedly friendly envoy." So far as Mr. Phillips is concerned, the Government of India comes into the picture because he is still the President's Personal Envoy in India. According to Sir Olaf Caroe, the American diplomat is *persona non grata*, and must be asked to surrender his post. An inspired message from Washington shows that Mr. Phillips will resign the post.

But whereas Mr. Phillips' opinion has been explained away as born of political prejudice that attributed to General Stillwell has a graver import. The General is at present in New Delhi, but no formal statement about his attitude is available. He is probably neither in a position to confirm nor deny what has been said about him by Mr. Phillips and by a British newspaper alleging that he had been non-cooperating with Lord Louis Mountbatten. It is said the American General would resign than toe the British line. In fact a rumour has started that he has already tendered resignation of his command. A complication is caused by the fact that not only has General Stilwell been the American Army's chief ever since the C.B.I. theatre was formed but he enjoys exceptional popularity with the Chinese. Moreover, his overthrow would be attributed directly to British pressure and may have serious consequences on the coming presidential election.

We have not heard the last of the controversy and certain quarters here calculate that the episode will have a profound influence on the political future of India. It appears that even those Americans who regret the controversy are quite clear in their minds about the duty of the United Nations to build up a peace based on freedom of the coloured people. Americans, it is said, may refuse to withdraw their forces or dismantle the net-work of their military, naval and air bases unless they feel that the world they wish to see emerge from the war is shaping itself well.

The attitude in Indian political quarters is one of cynicism. While they are deeply grateful to Mr Phillips for his honest statements about India and the courage he has shown in facing British wrath they realize that the Roosevelt administration has not seen it fit to assert itself against Mr Churchill.

Indeed the latest reports from South Africa show that the attitude of the white races is becoming so intolerable that sooner or later there may be a clash between the white and the colour blocs. Even though General Smuts has recognized the justice of Indian claims the white settlers in Natal are making it impossible for the South African leader to honour his word. An Ordinance which should have been enacted three months ago is still hanging fire and may not be enacted at all. The Government of India for once gave an ultimatum that unless the agreement between General Smuts and the South African Indian Congress is honoured by April Delhi would feel obliged to apply economic sanctions. The zero hour has been postponed from month to month.

The delay in declaring 'economic' war on South Africa has been caused by the feeling here that General Smuts is making a sincere effort to honour his pledge. A report gained currency recently that the General might again proceed to London leaving Mr Hofmeyer to fulfil his chief's pledge. The latest speech of Mr Hofmeyer shows that he maintains his sympathetic approach to the Indian problem and that he on his part is prepared to grant Indians municipal as well as parliamentary franchise. Interesting developments are expected in the near future.

The Indian problem in Ceylon and Burma is also assuming special importance. There was a time when Britishers were only too willing to ally themselves with the Burmese and Sinhalese on anti-Indian basis. The idea sedulously cultivated was that the Indian was an interloper and that the British could appease nationalism of the peoples of the two colonies by turning their wrath against the Indians. But now all that has changed. The British mean to hold both Burma and Ceylon and since the two colonies are clamouring for full self-Government Indian rights are to be used as a minority interest in order to delay the grant of self-government. The Central Assembly session will have quite a lot to talk about on the problem of Indians overseas.

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THE BUSINESS WORLD

WAR-TIME PROGRESS IN THE PLY WOOD INDUSTRY

THE Indian ply wood industry dates its birth from the Great War of 1914-18. Before that time, the demand of the industry for ply wood chests for packing tea was met by imports from Europe. With the outbreak of the war, these imports became restricted and the price of imported veneer boxes rose rapidly with the result that considerable difficulty was experienced by the tea industry in obtaining suitable packing cases for tea meant for export. At the instance of the Munitions Board, some factories came forward to undertake the manufacture of ply wood in India, but not all of them managed to take root, chiefly because of inefficient working due to lack of experience. Three firms, however, managed to struggle into the twenties and these were the Assam Mills and Timber Company, the Jalpaiguri Timber and Lead Mills Company, and the Assam Railways and Trading Company. Things, however, were none too easy for them as they had to meet intense competition in the post-war period from Finland and other ply wood exporting countries. The reduction in the cost of raw materials and the extension of mass production methods enabled the established industries in Europe to place their products in world markets at prices which were ruinous to the nascent Indian industry. Even the largest of the then existing Indian companies, the Assam Saw Mills and Timber Company, could not declare any dividend after 1920. The industry, therefore, applied for protection and the Tariff Board went into the case and reported in 1927. Their conclusion was that "the ply wood industry not only fulfils all the conditions laid down by the Fiscal Commission, but has also other claims to consideration and that.....unless support is afforded to the Tea Chest industry, it cannot maintain itself in the face of foreign competition." As a consequence of this verdict, the Government of India imposed a protective duty of 25 per cent. *ad valorem* on all ply wood imported into India and this duty was increased to 30 per cent. during the present war when a surcharge of 5 per cent. has been levied as a war measure. It cannot be said that that this measure of protection has succeeded in leading to the establishment of a well-developed ply wood industry in India. It is true that the indigenous production of tea chests was only 350,000 when the Tariff Board reported, whereas it was about 700,000 on the eve of the present war. But this doubling is as nothing when considered in the context of the huge requirements of the Indian tea industry for packing cases and has not appreciably lessened our dependence on imports. The following figures will make this clear:

(a) On the eve of the Tariff Board Enquiry.

Year	Value in thousands of Rupees
1924-25	90,87
1925-26	84,42
1926-27	62,64

(b) On the eve of the present war.

Year	Value in thousands of Rupees
1936-27	56,26
1937-38	71,70
1938-39	90,30

Thus, on the eve of the present war, there were still only three ply wood factories in India. Two of these were in Assam, the Assam Saw Mills and Trading Company and the Assam Railways and Trading Company, which together produced annually 720,000 tea chests, besides other types of ply wood. The third factory, the Standard Furniture Company, Kallai, was on the Malabar coast and was manufacturing mainly large size sheets, with a capacity of 3 million square feet per annum. The reason for the failure of this industry to spread is to be seen chiefly in four factors: firstly, Japan was then dumping into India considerable quantities of a cheap type of ply wood, which the measure of protection afforded to the industry was not calculated to check; secondly, the managements of European-owned and managed tea plantations were interested in spreading the use of tea chests imported from the United Kingdom and the Baltic countries, as they also sometimes happened to be themselves the importers or the sole selling agents of foreign manufacturers; thirdly, the Forest Administrations in the Provinces and States, lacking as they have always done a positive policy of developing forest resources for commercial exploitation have not taken the trouble to ensure adequate supplies of suitable timber; and fourthly, our industrialists, till very recently, preferred the beaten tracks, such as textile manufacture and were chary of venturing into industries, of whose profitability they had no cast-iron certainty.

With the outbreak of the war and in the course of it, the demand for ply wood increased to a great extent. The requirements were mainly of two kinds. Firstly, with East Asia in enemy hands and China war-torn, there was a great expansion in the production and export of India tea. This obviously has led to an increase in the requirements of tea chests. It is estimated that, in 1943, 4½ million chests were employed in the export trade, while 1½ million chests were used internally. In the earlier years of the war, indeed a part of the increased requirements were met by increased exports and the value of tea chests imported rose from Rs. 83 lakhs in 1939-40 to Rs. 123 lakhs in 1941-42; some of the increase in value, however, might have been due to higher prices. Later on, due to shipping difficulties and shortage of supplies, the tea trade began to look increasingly to indigenous production for its requirements of tea chests. Secondly, large quantities of a superior type of ply wood came to be required in the construction and repair of aircraft and marine units. Ply wood combines lightness with strength and is therefore eminently fitted for fusilage and wing construction. This superior type of plywood was not produced in India before the war, but has since been successfully manufactured here. To meet these increased demands, many more factories have been established during the war. The present number is about 30, with a potential production capacity of 97 million square feet, whereas the total demand for ply wood in 1943 was estimated to be about 120 million square feet. Thus, even the potential capacity is inadequate to satisfy the demand in full, while the actual production, which is substantially less than the potential, is still more so. Some factories are still in the process of being established, while the shortage of coal, suitable timber and chemicals and transport difficulties have everywhere hampered production. To bridge the gulf between supply and demand, large quantities of ply wood have recently been imported from the United States, but there is the danger that the present Government may arrange for these imports even when they are no longer necessary or to a greater extent than is necessary, to the ultimate detriment of the Indian industry. Four main advantages have been reaped by the industry in war time. Firstly, there has been an expansion in the size from a mere 3 to a near 30 factories; secondly, the industry has for the first time taken up a new line of manufacture, to wit, resin-

bonded ply wood for aircraft and marine construction; thirdly, the Government have imported from the U.S.A. several lathes and other auxiliary machinery and equipped the factories engaged in war production; and fourthly, the increased manufacture and use of proteins in the place of casein has brought into widespread employment an ingredient, which brings down the cost of glue. Sometimes, the criticism has been heard that the products of Indian factories have not been up to the mark and that tea chests have often given way in the process of shipment. The poor quality may be because, owing to transport difficulties, the factories are compelled to use whatever timber is readily available and are not in a position to exercise rigorous selection. It should also be remembered that labour as well as supervisory staff had to be trained and in a short period to a highly technical job. Neither of these two factors need operate in the long run to the disadvantage of the Indian industry.

The post-war prospects for the industry are bright. The demand for tea chests, which has been the traditional mainstay of the industry all over the world, may be on an increasing scale. The war has developed our export trade in tea, while even the internal demand has increased. It may be confidently expected that the production, internal consumption and export of tea will all be stabilized at a higher level in the post-war period. Another encouraging factor is the Indianization in the ownership and management of tea plantations, which should naturally remove any predilection on the post of the tea trade for imported chests. The ply wood industry may therefore hope for a sympathetic market in the tea trade if it can produce tea chests of the required quality at a competitive price. Requirements for ply wood from other sources may also expand. Given an expansionist economy, the increased tempo of internal and foreign trade should result in an increased use of all sorts of packing materials, among which ply wood is one. The expected post-war boom in house-building may mean a greater demand for ply wood for panelling and ornamental purposes, while a rise in the standard of living of the people as a whole will lead to greater use of furniture, in some types of which ply wood is employed. Last, but not least, to the extent that India succeeds in developing her own aircraft and marine industries, she should be able to utilise the war-promoted capacity of Indian factories to produce superior ply wood. On the whole, it may be assumed that the prime essential of success—an adequate home market—is there.

On the production side, the Tariff Board concluded that foreign ply wood makers enjoyed no natural advantage over Indian manufacturers. The vast forest resources of India can and must be developed to provide the industry with adequate supplies of timber suitable for veneering. Hitherto, the Forest Administrations in the provinces and states cannot be said to have even thought of a sensible policy of systematic commercial exploitation of forest wealth. It is essential that in the future at least a more positive development programme should be pursued. On the research side, the Forest Research Institute at Dehra Dun has done good work in the past and the results of its investigations have been helpful to the industry. This research work should be continued and developed. The second most important raw material of the industry is glue. While the post-war development of the dairying industry may make available cheap and adequate casein, the increasing use of proteins has also helped to bring down the cost of glue. Another factor making for the increase of the industry's competitive efficiency in the post-war period would be the prospective large-scale transport development, which may bring down the cost of transporting logs.

The industry also has certain responsibilities and its post-war prosperity may very well depend on the extent to which it discharges those responsibilities successfully. Firstly, there is need for rationalization and localisation. A great deal of faulty localisation has taken place during the war. Some of the factories are so ill-situated from the point of view of nearness to raw materials or to markets that they will die a natural death after the war. Others may successfully continue in production by intelligently reorganising themselves. This may be illustrated by an example. The proportion of tea chest requirements is roughly 82½ per cent. in North India and 17½ per cent. in South India, as tea plantations are most heavily concentrated in Bengal and Assam. But the manufacturing capacity for ply wood is located in more or less reverse proportion. It may pay the South Indian factories to diversify production and devote themselves more and more to the manufacture of ply wood for purposes other than tea chests. Another problem to which the industry should give its immediate attention is that of increasing the technical efficiency of its superior staff. It may prove profitable ultimately for the progressive concerns either to send promising members of their staff abroad for training in advanced factories or engage foreign experts to train their factory people. When the industry has taken steps to improve its efficiency along these and other lines, then they may rightly ask of the Government reasonable assistance against foreign competition. It is a good sign that the ply wood manufacturers have already formed themselves into an association to deal with their common problems.

NOTE

THE IRON AND STEEL INDUSTRY I NTUSTRALIA

Australia's prominence in the world markets as an exporter of primary produce has, until very recently, veiled the substantial industrialization, which has taken place in that country even before the outbreak of the war. As a striking example of that industrial development may be taken the growth of the iron and steel industry. Although iron works were established in New South Wales as early as in 1852, the era of advance really began with the Broken Hill Proprietary Company Limited going into production in 1915. Under the stimulus of war and a Government bounty, the industry progressed rapidly and never looked back. While the Company's output averaged about 190,000 tons tons of steel ingots annually until 1921, the production in 1940 was in excess of a million tons. The history of the iron and steel industry in Australia is, in fact, the history of this Company, for by acquiring control of the works of the Australian Iron and Steel Limited in 1935, they have come to run the entire industry. Today, they operate two large, modern iron and steel works, one of which is at New Castle, about 100 miles north of Sydney and the other at Port Kembla, rather less than 100 miles south. Iron ore is mined at Iron Knob in South Australia and transported to the Company's works by their fleet of ore-carrying steamers. In the Iron Knob area, there occur a number of deposits placed at intervals along a length of about 50 miles, containing an aggregate of about 200 million tons; 2,582,171 tons of the Australian production of 2,585,579 tons came from that area during 1938. Another group of extensive deposits are to be found in Western Australia, but these have not yet been exploited commercially. The Company obtain their requirements of coal frmo their own mines in Port Kembla or New Castle. New South Wales contains extensive deposits of very good quality coal, the coal basin having a maximum width of 150 miles and a total area of approximately 15,000 square miles. These economically available major resources of coal and iron are the industry's greatest asset. The capacity of the blast furnaces at New Castle amounted in 1941 to 14,500 tons of basic iron a week, while the steel furnaces had a combined capacity of 72,000 tons of ingots a month. The rolling mills produce rails, structural steel, plates, angles, bars and rods and it is claimed that the range of products manufactured there is more comprehensive than that turned out by any other steel works in the world. A number of subsidiary and allied industries have also sprung up, producing a wide variety of iron and steel products, including wire and wire-netting, galvanized iron, railway tyres and axles, wire ropes, steel pipes and tubes and centrifugally spun cast-iron pipes. It was estimated in 1940, that the industry gave direct employment to 33,000 men. The industry has attained a high degree of technical efficiency, and the basic price of Australian steel compares favourably with that obtaining in other countries. The industry has greatly developed during the present war. Actual figures of expansion are, of course, not available; but, it may be noted that during 1943, the production of carbon steel amounted to 1,181,213 tons and of alloy steel to 53,317 tons. A recent development is the establishment of a ball-bearing factory to help meet war-time needs.

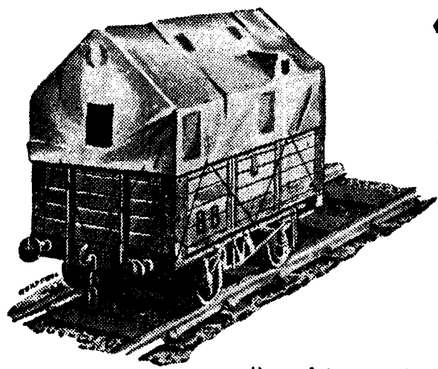
RUBBER PROSPECTS

While until about two years ago synthetic rubber could hardly be said to have entered the field of large-scale production (outside Germany) and of commercial competition with natural rubber, the rapid development of the synthetic industry in the U.S.A. under pressure of war would seem to indicate that its output is in excess of the world's pre-war consumption of natural rubber and that if the production of both synthetic and natural rubber gets into full stride, there would emerge a surplus to the world's needs, and a necessity for international regulation. The following table, giving figures of annual production of synthetic and natural rubber (taken from the *Economist*) should prove interesting:

Natural Rubber—	Long tons	*Synthetic Rubber*—	Long tons
Malaysia ..	1,400,000	U. S. A. and Canada ..	1,000,000
Latin America, Africa ..	100,000	U. S. S. R. ..	90,000
U. S. S. R. ..	40,000	Germany ..	70,000
		Other Countries ..	50,000
Total ..	1,540,000	Total ..	1,210,000

The combined annual production of both would amount to 2,750,000 tons as soon as the natural rubber industry is rehabilitated from its war-time damage. As against this the world's annual consumption of crude rubber averaged in 1935-40 to 1,052,000 tons.

Wagon or warehouse ?



Users of transport should not treat wagons as warehouses. Prompt unloading will send the wagon back where it is most needed.

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FROM THE PROVINCIAL ANGLE

Sind Letter

(From Our Correspondent)

KARACHI, Aug. 31.

The future of the foodgrains syndicates engaged the close attention of the Premier, who, during the week-end, held detailed discussions with representative members of the Legislative Assembly. A decision is expected very shortly, but, meanwhile, authoritative reports indicate Government's determination to devise a foolproof arrangement for procurement and export of foodgrains from the province, which might not actually mean the extinction of the syndicates but their reformation. Government have been alive to the abuses which are inevitable in an arrangement devised without thought and investing monopoly rights to a small body of men, who have been but remotely related to the normal processes of trade. The Premier is reported to have assured those whom he met in conference that the rates at which foodgrains are to be purchased from the growers would be notified and would be adhered to at all costs. Adequate cover would also be provided against any loss of money to the growers in the event of the Government not being able to purchase at the stipulated rate. In every district there would be set up a purchasing agency on behalf of the Government. This would amount to decentralization of the functions and scope of the existing syndicates now located in Karachi and operating in the mofussil through their own agents. In Karachi itself, the syndicates will be shrunk in purpose to the extent of only being shipping agents of the Government for sending out foodgrains to the deficit areas.

Pooling Labour

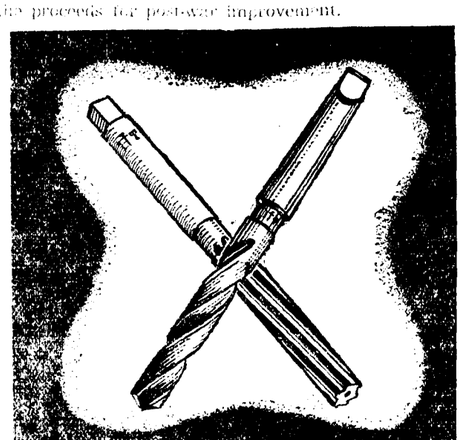
Government of Sind have not found it feasible, according to an official announcement, to open a labour depot in Karachi, with the object of collecting and keeping in readiness for use all the surplus skilled labour. This only indicates the paucity of labour and the great scope in that direction for outside resources. Statistics of labour employed by contract agencies are now being received and analyzed, and the question of fixing ceiling rates for unskilled labour will be taken up soon.

Industrialist's Fears

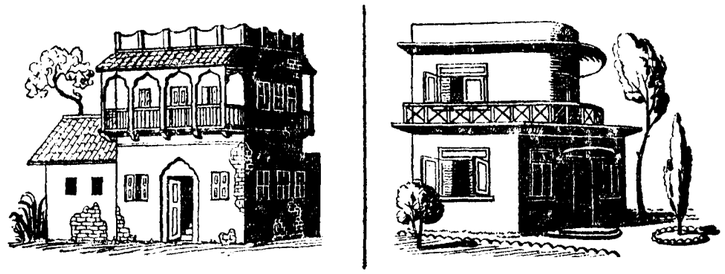
In view of the fears of Indian industrialists and businessmen that in the post-war period, they might not have the sympathetic support of the Government, should its present complexion continue, a demand for a clear enunciation of Government's policy and intentions is voiced by the Indian Merchants' Association of Karachi, in the course of a communication to the Government of India Industries Department. The Association refers to several instances in which the Government have denied the most minimum and essential requisites for the manufacture of certain goods, for fear that an established Indian industry might prevent dumping non-Indian goods from abroad. The fate of the Hind Cycle Works has been specially mentioned in this connection, as well the choking of the future of an infant glass industry which had been lately started at Hyderabad (Sind), by depriving it of the required raw materials, such as coal. In this connection, it is of interest to mention that the Government have recently appointed an special I.C.S. officer to draw up plans for post-war reconstruction, in which no importance has been assigned to industries. The scope of the investigation is confined to agriculture and ancillary subjects like co-operation, rural reconstruction and large-scale farming.

Finances of Local Bodies

The Government of Sind have informed local boards that they do not propose to lay down any hard and fast rules governing the levy of new taxation by the former to meet the increased costs of administration consequent on greater attention being put to subjects like sanitation, medical relief and elementary education after the war. The local bodies have, however, been impressed with the need for finding additional sources of revenue, and have been further informed that they could choose any tax best suited to the local conditions and provided for in the schedule governing the financial powers of local boards, and to earmark the proceeds for post-war improvement.



557A NAS



LET POST-WAR *Reconstruction* BEGIN AT HOME

The whole world is busy with post-war plans. You too must have your *personal* plans:—for your home, family and yourself. But the carrying out of plans costs money and *now* is the time to save that money and invest it safely.

What to do with money saved.

Invest it in Victory Loan 3%. Absolutely safe; backed by India's wealth. Easily saleable at any time. Interest paid half-yearly. Redeemable at par in 1957.

How to help our country.

Save *now*—invest in Victory Loan—it will help to keep prices of goods down—it will make the future value of your money greater—in fact, it will help *every one.*

Quick Facts About the Loan

1. The Loan is issued at par and will be redeemed on the 1st September, 1957.
2. The Loan will be on tap until further notice.
3. Interest is paid half-yearly, on the 1st of March and the 1st of September.
4. It is easy to purchase. Apply to your Bankers, or to the Reserve Bank of India in Bombay, Calcutta, Madras, Delhi, Cawnpore or to Branches of the Imperial Bank of India in other places or any Government Treasury.

Spend Less-Save more... **INVEST IN**

3% VICTORY LOAN 1957

ISSUED BY THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA

Book Review

LIFE INSURANCE ADVERTISING AND SELLING. By Sabitri Prasanna Chatterjee. Published by Insurance World, 15, Chittaranjan Avenue, Calcutta, June, 1944. Pages 270. Price Rs. 7-8.

During the war the insurance business in India has greatly expanded and this book written by the publicity officer of a premier Indian insurance company, is an impressive evidence that Indian insurance is finding its legs and striving to put the business, in its advertising and selling aspects, on a thorough and systematic basis. The author writes with a breezy, persuasive style and shows an understanding not only of the technique of advertising and selling in the Indian setting, but, also as for example, of the delicate human problems in organization in our country. Note, for example, how he brings out the all-too-human foibles of the Agency Manager and other high executives which constitutes a measurable handicap to organisational efficiency and how with a realistic modulation of voice, he diagnoses the friction as "usually of a petty nature, springing from a mutual lack of understanding of the 'other man's job' and let it be whispered,—there is a tendency on the part of some members of the Head Office Staff to consider themselves rather superior beings." Throughout we get such delicate nuances refreshing minutia and an invigorating sense of immediacy of the author's experience and observation—all set-off against realistic Indian background which greatly enhance the value of the book. This is an admirable publication of its kind in India, well got-up, which every insurance field-worker and executive might profitably keep on his shelf.

COMMERCIAL INDIA. Editor: K. Srinivasan. Published every Saturday. Nasik Chambers, Frere Road, Bombay. Annual Subscription Rs. 25. Single Copy As. 8.

India's economic future, no less than her political, is in the melting pot. In these crucial days, it is incumbent on every citizen to study critically the various economic problems, plans and proposals that are so much in the air. With a Government as irresponsive and irresponsible as ours, the only check that there can be on anti-national policies and measures is the force of informed and mobilized public opinion. In creating that force, Commercial India, which seeks to be the "voice of nationalism in industry and business," has its part to play under the able guidance of its experienced editor. We have pleasure in welcoming the new-comer to our ranks and wishing it a long career of fruitful service.

MARKET REPORTS. How to read and write them. By Dr. A. M. Lorenzo, Ph.D., M.A., B.Com. Published by Kitab Mahal, 56-A, Zero Road, Allahabad. Second Edition, June, 1944. Price Rs. 2-12. Pages 324.

Within a compass of 324 pages the author has successfully attempted to familiarize the students of commercial subjects and laymen with the dealings in the commodity and capital markets which are regularly featured in the newspapers. The special phraseology used in the market reports has been made intelligible with the help of numerous extracts from market reports. The book, in reality, makes a clear departure in point of presentation of the matter so long adopted by other writers on the subject. It would definitely prove helpful in the reading and writing of market reports by the students of Intermediate classes who can make it a textbook even. The subject has been a wise selection at the hands of the authorities concerned from the point of view of practical utility, to start a commercial series with it.

IMPACT OF RISING PRICES ON VARIOUS SOCIAL STRATA IN THE PUNJAB, by Paul Geren, M.A., Ph.D. No. 82 of the Board of Economic Enquiry Punjab. Pages 17. Price As. 8.

An investigation, though not comprehensive, made in March 1943 by Mr. Paul Geren, to determine the impact of rising prices in the Punjab reveals the tendency of national dividend to flow from one social group to another. From the figures, we find that the fixed-income group has suffered considerably from an ascending cost of living index, in spite of a marked improvement in the income index. The real income index, which the author has framed by dividing the income index by cost index and reducing it to a percentage form, is suggestive enough to show that the lower the income of a group, the heavier the impact of rising prices. The agriculturists have gained more than the fixed-income group. But the indices for this group have been based only on the movements in cash income and cash expenditure; so any change in their actual consumption of agricultural commodities remains unestimated. The soldier-group shows a marked improvement in the income-index, chiefly because of a *pari passu* rise in the money value of kind payments made to them. So there has been a transfer of wealth from fixed-income groups to soldiers and also in modest amounts to agriculturists For it cannot be held, unless we have an accurate measure of national dividend, that the military services draw exclusively from an increased production stimulated by rising prices. The better asset—liability position of the agriculturists has enabled them to efface debts and to some extent induced hoarding. But here we may point out that as the investigation refers to landowners of 50 *bighas* or above, no general conclusion can be arrived at about the true asset-liability position of the agriculturists as a whole, the bulk of whom possess less than 50 *bighas* and not a few of them less than even 10 *bighas*.

WAR TRANSPORT DEPARTMENT

All importers who are desirous of importing spare parts and accessories for Motor Vehicles from the UNITED KINGDOM, during 1945 are requested to send their applications together with information in the form below to the CONVENER AND SECRETARY, U. K. Spare Parts Advisory Panel, 71, Park Street, Calcutta, so as to reach him on or before the *30th September, 1944.*

Classes.	Value of imports (Please furnish duty paid landed cost.)			Value of proposed indent at factory cost to cover requirements of 1945. (Details to be furnished separately for each class.)
	1938	1939	1940	
	Rs.	Rs.	Rs.	£
Proprietary Parts				
Replacement Parts				
Electrical Parts				
Spark Plugs				
Others				
Total ..				

Name and Address of the Applicant.....
.....
.....

2. Applications should be accompanied by regular indents. No application received after the due date and no application received without the information required in para 1 above will be considered.

CONTROLLER OF ROAD TRANSPORT.

New Delhi,
Dated August 1944.
"30—28.8.44—D"

LABOUR

Technical Training During War-Time

Of all "bottlenecks," the most serious for the democracies, in the initial stages of transition from peace to war economy was that of organisers, technicians, and skilled and semi-skilled labour. This dearth could not easily be made good through the absorption into industry of the registered unemployed: for among their ranks are included workers changing from one employment to another, relatively unskilled workers, and those possessing redundant skills. Thus the problem of training assumed a critical importance; for the demand for labour is composed of a series of complementary demands for different types of labour' and a shortage in certain types of skill will hold up advance in productive activity and prevent the absorption of workers in related processes,' and special measures were found necessary to train rapidly a large supply of various kinds of semi-skilled and skilled workers to cope with the needs of the expanding war industries.

India, too, faced similar problems in a more acute form, for the country lacked technically efficient personnel. But the Government of India moved leisurely as usual possibly because it never aimed at maximum economic effort on the part of India. Any movement towards further industrialization through the opening up of new fields of activity was a step to which not even the exigencies or the pressing requirements of a total war would lead the British Government to reconcile itself. But the British isles could not possibly accommodate all the factories that the war needs demanded and the British population alone could not man all establishments and something had to be produced in India. On the 10th January, 1941, therefore, the Government of India opened the first technical training centre at the Craik Technical Institute, Lahore, with a training capacity of 70. At the end of that year 299 centres had come into existence with a training capacity of 24,277. Training facilities were further increased when in 1942, 95 new centres were opened and the training capacities of some already existing centres were further increased and by the end of that year there had come to exist 394 training centres with a training capacity for 45,023. And the number of trainees, on the 31st of December, 1942, who had passed out to join the services and industry had reached 30,990. The scheme was devised mainly to solve the difficulty faced by the dearth of technical personnel for the army. Government, therefore, moved at a fast speed and the target of training 3,000 men at a time, which was the initial objective, was raised within two years to 48,000 and by the end of June, 1944, 75,000 trained men had passed out of these training centres, of whom 63,000 joined the technical branches of the defence services and 3,000 went to the Ordnance factories. But early in 1943 it was realized that the needs of the army were no more so urgent and Government could close down some of the training centres. This argument was further reinforced by the financial consideration that the small centres required a heavy cost for their maintenance. The policy, therefore, of 'consolidation and improvement' has been initiated and carried on till today the number of training centres has been reduced from 400 to 170 with consequent reduction in their training capacity which has fallen from 45,000 to 32,000. Apart from the financial loss sustained through the operation of these small training centres and also owing to pressing need in the beginning for technically trained young men for the army efficiency has had to be sacrificed to some extent, at least, to speed. But with the gradual diminution in the intensity of demand the Labour Department found it possible, since April, 1943, to concentrate on 'the improvement of training and the production of a better article in somewhat smaller numbers.' Regular Trade Testing panels were, therefore, brought into existence to carry out this policy of improvement through ensuring that only those candidates who conformed to a certain standard of efficiency were able to enter the services or civil industry. A scheme for instructing teachers to improve their teaching capacity was also started and classes for teachers' training were started in all the training centres and arrangements for starting centralized courses for instructors were also made.

Meanwhile the Ordnance factories have been operating a training scheme of their own. The numbers placed under training were regulated by the demands made by the factories. Normally, artisan trainees and supervision trainees, were recruited by the Director of Factory Recruitment but the National Service Labour Tribunals were authorized to post men outside these classes for special training. In addition upgrading training to skilled trade was also arranged to be provided to trainees passing out of the Labour Department's technical training centres and to artisan trainees. These afford training facilities mainly for (a) supervisor trainees for which the minimum educational qualification is Inter Science or knowledge of workshop practice and theory, (b) training of skilled and highly skilled workmen whose purpose is to train men already in factories for more difficult production work, and (c) artisan trainees are trained for work of a simple nature. In November, 1943, the total number of those who had completed training came to 6,910.

In order to meet the requirements of Ordnance factories and civil industry of skilled Machine Tool Artificers and Tool-makers a separate scheme was prepared, early in 1943, in consultation with the Indian Engineering Association. Under this scheme carefully selected Tool Maker and Grade II Fitter trainees who had passed their trade tests from the technical training centres were to be allotted to firms engaged in civil industry under factory conditions and also to similarly qualified trainees from the Ordnance Factories Buffer Training Centres, which were instituted to give up-grading training to men from the Labour Department training centres.

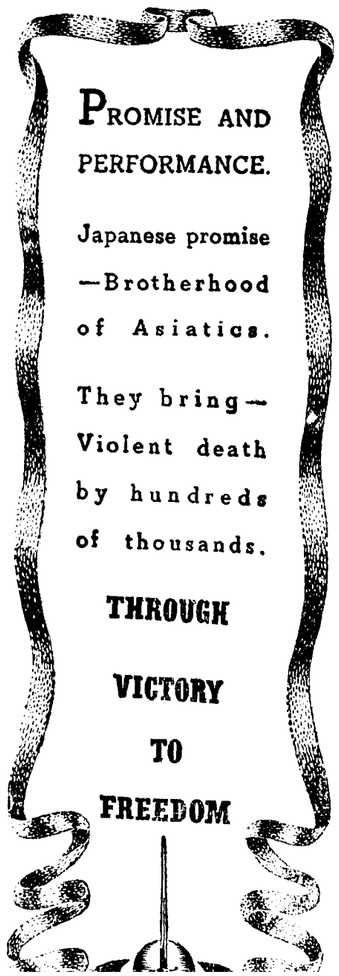
By far the most interesting scheme, however, is the Bevin Training Scheme initiated in November, 1940, by the Minister of Labour, Mr. Ernst Bevin with a view to 'accelerate munitions production in India.' This scheme was meant exclusively for the working classes; recruitments were to be made preferably from among men of the Engineering trades, *e.g.*, fitters, turners, millers and grinders, drawing wages of Rs.—60 p.m.; and (b) from among students of technical institutions. But the number to be selected from the latter group was to be restricted to 10% of the total. It was a new departure in the sense that Indian artisans were enabled to get higher technical training in the U.K. at the expense of H.M.'s Government. The scheme envisages training mainly for the engineering occupations, namely, fitting and machine operating and though the Government does not afford any guarantee of employment, the enhanced efficiency achieved during their six months' stay—this period was raised, early in 1943, to 8 months, at the request of the employers and the Bevin trainees themselves—in England has assured them of a ready market and has increased their earnings to 225 per cent. over what

they earned before and very few of them have remained out of jobs.

In the early stages of the training no guarantee was given to private firms that any employees released by them for training would be sent back to them for employment. It was realized that this served as a drag on the willingness of employers to part with their best workers and so early in 1943, it was decided to accept for training employees nominated by factories engaged on war work and the trainees were to be sent back to the factories for re-employment provided a scale of salaries commensurate with their increased efficiency was offered. An important land-mark in the history of the Bevin Training Scheme was the decision to include 25 Aero mechanics in all future batches beginning with the ninth batch. So far 11 batches have been sent and with the return of the 5th batch recently the number of trainees who have returned slightly exceeds 450. It has recently been decided that the facilities of training should also be afforded to ex-trainees from the Technical training scheme. 15 trainees, it is reported, will henceforth be included in each future batch, provided they have passed the prescribed trade test with credit and have put in at least a year of practical work in a factory engaged in war work and with this end the provision of 3 years' experience in workshops has been relaxed for them.

The combined effect of the working of all these schemes has undoubtedly been that India has come to possess a number of skilled and semi-skilled workers 'unheard of before.' But large as this number is as compared with what India possessed in the past, it is not at all adequate for the country's needs. Under the Bevin Training Scheme, for example, only 450 highly skilled men have been made so far available. They have had an opportunity of undergoing a period of training which did not extend beyond 8 months. Can it be seriously contended that in this short period they could have picked up all that is normally learnt in about three years. Indeed they are still unskilled as compared with their English or European counterparts. The increase in their emoluments is more a reflection on the excessive dearth of technically trained young men in the country than a criterion of their enhanced technical knowledge. And then it must not be forgotten that these training schemes were all of them conceived in the context of India's war-time needs and the Empire's war-effort, and the skill that has been imparted may not be as useful for peace-time production as for the requirements of war or even may be wholly redundant. It is a welcome sign that the Government of India in the Labour Department have realized the need of adjusting the technical training scheme to the needs of civil industry. The end of war will necessarily result in the demobilization of the technical personnel to a considerable extent and it is, therefore, very important that plans are prepared in advance in consultation with Indian industry to absorb them so that this important constituent of our human capital may not be lost or frittered away in unimportant pursuits. India is planning for a massive industrialization drive and the value of technical and scientific training cannot be over-emphasized. Indeed, as the Hon'ble Dr. Ambedkar said recently: ". . . It is only those countries in which technical and scientific training has risen to the highest pitch that will survive the struggle that will commence, after the war is over, for maintaining decent standards of living for their people." The Bombay planners recognize this need and they have envisaged an expenditure of a 6/1000 of the National Income for technical education. A tardy recognition of the needs of the situation through the sheer force of the circumstances of the war, is also evident from the fact that the Government of India have spent a sum Rs. 2 crores on it during 1942-43 as compared with Rs. 16,92,199 only in 1936-37 on industrial, commercial and technical institutions in India. Dr. Ambedkar has given the assurance that "Government of India is not oblivious" to the needs of the country in this respect and "would like to see the Technical Training Scheme not only maintained but extended all over the country and become a permanent part of the country's educational system." All this is undoubtedly hopeful. But the country cannot afford to be content with the assurances of individual Executive Council members who, as has been found recently, make irresponsible promises with no capacity to fulfil them. We should like to see ere long concrete schemes being put through which would guarantee the fulfilment of a well-planned programme of technical education.

HUKUMCHAND JUTE MILLS
Limited
Hukumchandnagore, Naihati, B. & A. Ry.
(Estd. 1919).
Manufacturers of
High Class Hessian, Sacking, Canvas, Tents, Twine, Webbing, Woollen Blankets, Etc. Etc.
Managing Agents
RAMDUTT RAMKISENDASS
4, Clive Ghat Street, Calcutta



COMMODITY MARKETS

HAPUR, Sept. 6, 1944.

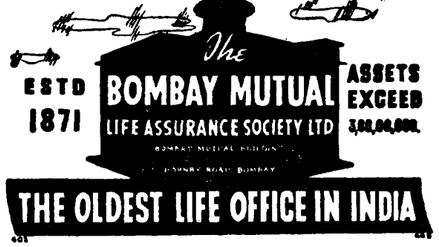
The wheat market along with other grain markets has again witnessed easier feeling in sympathy with lower Punjab rice prices, increased arrivals and favourable weather and crop reports. The daily arrivals of wheat averaged 300 maunds. Eight wagons of barley and 2 wagons of gram were also received here from eastern markets. The imported grains have been stocked by Government.

The *kharif* crop conditions on the whole are reported to be quite promising.

PULSES. The *Urad* and Moong prices displayed very weak sentiment owing to alround selling enthusiasm and tired liquidations prompted by favourable war news, lower Punjab calls and bearish statistical position. The lowest rate for *Urad Magh* touched during the week was Rs. 9|1|9 as against Rs. 9|10|0 quoted last week. The *Bhadon* delivery of *Moong* was settled at Rs. 7|6|0. Prices are expected to be depressed further.

The following are the latest quotations against those ruling a week ago in brackets:

Wheat: Ready Fine Rs. 10 (Rs. 10|4|0), Dara Rs. 9|12|0 (Rs. 9|12|0), Stock 33 *khattis* (32 khattis). Gram: Ready Dara Rs. 6|15|3 (Rs. 1|4|3), Stock 18 *khattis* (16 *khattis*). Barley: Ready Dara Rs. 5|14|6, Stock (25 *khattis*). *Urad*: *Magh* Rs. 9|3|0 (Rs. 9|15). *Moongs* *Magh* Rs. 8-12|0 (Rs. 9|5|0).

FOR LIFE INSURANCE


THE OLDEST LIFE OFFICE IN INDIA

For Efficient Banking
BHARATI CENTRAL
BANK LIMITED
ESTABLISHED IN 1939.
Head Office:—15, CLIVE STREET, CALCUTTA.
Tele: 'PAYMENT'
More than 36 Branches all vevr the country This bank transacts all sorts of higher banking business on sound and scientific methods.
Lahore branch will be opened shortly
Mg. Director:
Mr. N. G. DATTA, M.A., B.L.

INDO COMMERCIAL BANK LTD.
Regd. Office : MAYAVARAM
Central Office : MADRAS
Authorised Capital ... Rs. 25,00,000
Issued & Subscribed Capital Rs. 21,25,000
Paid-up Capital ... Rs. 18,75,000
Reserves ... Rs. 3,25,000
TOTAL RESOURCES EXCEED Rs. 2.5 CRORES
Madras Offices:
Mambalam, Mylapore, China Bazaar Road, Periamet and Triplicane.
Branches:
Amadalavalsah, Anakapalle, Chidambaram, Conjeevaram, Chittur (Cochin State), Erode, Karaikudi, Kumbakonam, Madura, Maruteru, Palghat, Parvathipuram, Pudukottah, Salur, Shiyali, Tadepalliguden, Tanjore, Tirunelveli, Trichinopoly, Vellore, Vijayapuram, Virudhunagar, Vizianagram.
Banking Business of every description transacted.
S. N. N. SANKARALINGA IYER, *Managing Director.*
107, Armenian Street, MADRAS.

The NEW BANK OF INDIA LTD.,
Head Office: The Mall, LAHORE.
EST.: 1937.
AUTHORISED CAPITAL Rs. 25,00,000
SUBSCRIBED CAPITAL Rs. 25,00,000
PAID UP CAPITAL Rs. 15,00,000
WORKING CAPITAL over Rs. 3 Crores 50 Lakhs
SAVINGS DEPOSITS:
Carry interest and are withdrawable by cheques.
FIXED DEPOSITS:
Received for different periods on attractive rates ascertainable on application.
CURRENT ACCOUNTS:
Open on favourable terms
All types of banking business transacted.
H. L. BHARDWAJ, B.A., *Secretary.*
M. R. KOHLI, M.A., F.I.B. (London), *Managing Director.*

PRICES ARE STILL FALLING

don't be caught by unwise buying

As the last year has shown, investments in goods, property, land and commodities have turned out badly. Prices have fallen and money invested in these things has visibly *SHRUNK!*

Lucky, indeed, the wise people who invested in sound securities. Their savings have grown. Their money has become more valuable. Assisted by price controls and increased manufactures, they are **defeating the profiteers** and hoarders. They have rendered both India and themselves a great service.

Keep on with the good work. Prices are **still** falling and will continue to do so as long as people spend less and save more. Now, as many people have found out, money investments are the best. Any of these is absolutely secure:—Co-operative Societies, Insurance, Savings Bank Account, **Post-Office Savings Bank, Government Loans, National Savings Certificates.**

SAVE ALL YOU CAN AND INVEST ALL YOU SAVE

*Avoid all unnecessary expenditure on clothes, furniture, crockery, cycles, motor cars, and other things which you will be able to buy **much more cheaply** after the war. For the duration, do without luxuries. This is the true path to personal and National prosperity.*

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1118

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT
(Rs. in lakhs)

	25-8-'44	18-8-'44	27-8-'43	1-9-'39	25-8-'44 compared with 1-9-'39
Notes held in the Banking Dept. ..	18,57	15,46	11,67	35,04	— 16,47
In circulation ..	927,01	929,35	754,64	182,13	+744,88
Total Notes ..	945,58	944,82	766,31	217,18	+728,40
A Gold coin & Bullion* ..	44,41	44,41	44,41	44,41	Nil
Sterling Securities ..	828,33	828,33	618,82	59,50	+768,83
Total of A ..	872,74	872,74	663,24	103,92	+768,82
B. Rupee coin ..	15,00	14,23	14,68	75,87	50,87
Rupee Securities ..	57,84	57,84	88,39	37,38	+ 20,46
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to Liabilities ..	92,257	92,372	86,55	63,149	+29,148

* Only those held in India, outside India being nil.

IMPERIAL BANK

(Rs. in lakhs)

	25-8-'44	18-8-'44	27-8-'43	1-9-'39	25-8-'44 compared with 1-9-'39
Fixed Deposits ..					
Savings Bank, Current and other Accounts ..	225,94	225,50	197,29	87,26	+142,68
Govt. Securities ..	133,68	133,05	134,96	51,03	+ 82,65
Other Investments ..	3,60	3,60	2,00	9,62	— 6,02
Loans	13,18	12,81	11,74	7,66	+ 5,52
Cash Credit Overdrafts	40,95	40,55	21,90	19,76	+ 21,19
Bills Discounted ..	3,10	4,35	3,84	2,95	+ 15
Cash in hand, with R.B.I. and Other Banks	45,23	40,94	32,71	14,69	+ 20,54

BANK OF ENGLAND

(£ '000)

	23-8-'44	16-8-'44	25-8-'43	30-8-'39
Total Bullion ..	1,773	1,652	1,690	263,700
Public Deposits ..	14,400	12,400	11,300	31,100
Other Deposits ..	258,100	237,100	209,500	291,000
Of which Bankers' Deposits ..	201,900	178,400	156,000	90,100
Govt. Securities ..	203,300	190,600	195,700	113,100
Other Securities ..	25,200	14,200	17,500	31,000
Of which Discounts and advances ..	6,200	5,500	2,600	6,400
Notes and Coins ..	55,700	57,200	22,900	34,200
Notes in circulation	1,145,000	1,144,400	978,700	529,500
% of Reserve to Liabilities ..	20.46	22.9	10.39	21.38

TREASURY BILLS SALES 3 MONTHS TENOR

(Rs. '000)

Date of Issue	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
June 7 ..	50,62,50	30,00,00	0 7 3	..	8,52,50
July 7 ..	37,36,75	16,00,00	0 7 9	..	13,76,00
Aug. 4	12,97,00	4,00,00	0 7 9	..	60,00
,, 11	14,91,25	4,00,00	0 7 7	..	3,30,00
,, 18	19,25,00	6,00,00	0 7 9	..	29,700
,, 24	13,32,50	6,00,00	0 7 10	..	2,05,50
Sept. 1	14,52,50	6,00,00	0 7 7	..	

Tenders are invited for Rs. 6,00,00,000 by the 5th September at Bombay and 4th at other centres.

CLEARING HOUSE RETURNS

(Rs. in Lakhs)

Centres	1943-44	April-July 1944	July 1944	25-8-44	Aug. 1944.
Bombay* ..	20,03,21	6,91,78	1,66,47	31,71	1,53,30
Calcutta* ..	17,40,12	7,01,92	1,97,65	45,72	1,97,27
Cawnpore ..	1,02,41	37,55	8,05	..	..
Delhi	1,21,08	39,35	9,25	..	..
Karachi ..	1,02,84	38,28	8,32	..	..
Lahore ..	78,82	30,36	8,77	..	..
Madras* ..	2,00,02	78,25	15,90	3,49	16,59
Total ..	43,48,50	16,07,49	4,14,40	80,92	3,67,16

BANKING DEPARTMENT

(Rs. in lakhs)

	25-8-'44	18-8-'44	27-8-'43	1-9-'39	25-8-'44 compared with 1-9-'39
Cash	18,88	15,75	11,36	35,15	— 16,27
Balances held abroad	248,79	241,91	96,67	10,08	+237,71
Investments ..	11,51	11,51	7,72	6,81	+ 4,70
Bills Discounted:—					
(a) Internal and External ..	..	..	..	..	..
(b) Treasury Bills	7	7	1,10	1,15	— 1,08
Loans & Advances to Government ..	..	6	1,12	31	— 31
Deposits:—					
(a) All Govts.† ..	156,10	151,33	39,61	14,89	+141,21
Of which G. of I.	140,55	139,93	298,47	14,89	+125,66
(b) Banks ..	102,39	93,05	60,57	26,91	+ 75,48
(c) Others ..	7,97	9,96	4,63	1,24	+ 6,73

* Including Cash and Short-term Securities.
† Including Government of Burma.

SCHEDULED BANKS

(Rs. in lakhs)

	25-8-'44	18-8-'44	27-8-'43	1-9-'39	25-8-'44 compared with 1-9-'39
Demand Liabilities in India ..	594,36	578,14	443,86	134,36	+450,00
Time Liabilities in India ..	187,26	186,96	137,00	102,24	+ 85,02
Cash in India ..	26,03	25,70	19,61	6,70	+ 19,33
Balances with Reserve Bank ..	100,54	92,75	59,45	25,17	+ 75,37
Advances in India	206,67	207,35	144,76	101,52	+105,15
Bills discounted in India	9,11	9,48	3,50	3,57	+ 5,54

U.S. FEDERAL RESERVE BOARD

(million dollars)

	31-8-'44	17-8-'44	2-9-'43	31-9-'43
Resources:				
Total Reserves ..	19,048	19,102	20,388	14,660
Total Bills Discounted ..	85	62	69	(6,190)
Bills bought in oepn market ..	..	..	..	(550)
Total U.S. Government Securities	15,852	15,222	9,187	2,426
Liabilities:				
F.R. Notes in actual circulation	19,695	19,440	14,960	4,609
Deposits in Member Bank Reserve Account	13,132	12,935	12,915	10,951
% Total Reserve to Deposit and F.R. Note Liabilities ..	54.5	55.4	68.7	86.9

TREASURY BILLS MATURITIES 3 MONTHS TENOR

(Rs. '000)

Date of maturity	Amount	Date of maturity	Amount
August 1944 ..	16,00,00	October 21 1944 ..	4,00,00
September ,, ..	30,00,00	,, 28 ,, ..	4,00,00
October ,, ..	16,00,00	November 4 ,, ..	4,00,00
November ,, ..	20,00,00	,, 10 ,, ..	4,00,00
October 7 ,, ..	4,00,00	,, 18 ,, ..	6,00,00
,, 14 ,, ..	4,00,00	,, 25 ,, ..	6,00,00
		December 1 ,, ..	6,00,00

STERLING PURCHASES BY RESERVE BANK OF INDIA

	1943-44	Apl.-July 1944	July 1944	June 1944	July 1943	June 1943
Amount (000£) ..	105,309	32,862	1,24,00	6,824	7,006	6,338

Average rate of purchases remained £0-1-6 all along.

EXCHANGE RATES (T.T.)

(000's omitted)

	Sept. 4, '44.	Aug. 27, '44.
Bombay on London (s.)	1-5 31/32	1-5 31/32
,, ,, New York (Rs.)	332 3/4	332 3/4
London on Bombay (s.)	1-6	1-6
	4.02 1/2—4.06 1/2	4.02 1/2—4.03 1/2
New York on London ($)	4.03	4.03

BANK RATES

	Date of last change.	Previous Rate.	Present Rate.
Bombay ..	26th Nov. 1935	3½%	3%
London ..	26th Oct. 1939	3%	3%
U.S.A.—New York	29th Oct. 1942	1%	1%
,, Fed. Res.	27th Oct. 1942	1½%	1%

B—General

LEAGUE OF NATIONS STATISTICS: BUDGET RECEIPTS AND EXPENDITURE

(000,000 omitted)

Country	Unit	Financial year	1935-39 A	1935-39 B	1935-39 C	1939-40 A	1939-40 B	1939-40 C	1942-43 A	1942-43 B	1942-43 C	1943-44 A	1943-44 B	1943-44 C
Union of S. Africa	(£ S.A.)	(iv—iii)	47.3	58.3	1.9	49.0	71.4	3.8	160.0	183.3	80.0	90.8	164.1	80.0
Egypt	(£ E.)	(v—iv)	37.6	40.4	..	39.4	41.2	..	68.0	55.0	..	65.0	65.0	..
U.S.A.	($)	(vii—vi)	5,165	8,765	1,206	5,387	9,127	1,657	22,282	78,182	72,109	41,186	95,951	85,500
Canada	($ C.)	(iv—iii)	502	553	34	582	681	118	2,250	4,387	3,724	2,752	5,500	1,890
Argentina	(Peso)	(i—xii)	991	..	..	1,015	..	..	1,902	..	..	1,674	..	..
Chile	(Peso)	(ii—xii)	1,635	1,664	..	1,193	1,777	..	2,954	3,052	..	3,186	3,186	..
Mexico	(Peso)	(i—xii)	444	495	..	535	583	..	638	667	..	948	687	..
Germany	(Reichmark)	(iv—iii)	17,712	28,550	..	23,575	44,813	..	54,700	90,307	..	..	..	..
France	(Franc)	(i—xii)	54,606	82,551	..	63,657	106,377	..	96,057	258,348	..	101,36	311,500	..
Ireland	(£)	(iv—iii)	31.9	33.1	..	32.4	34.4	..	39.7	43.0	..	41.6	46.6	..
Rumania	(Leu)	(iv—iii)	34,449	..	..	42,813	..	..	93,530	..	..	181,650	..	..
U.K.	(£)	(iv—iii)	1,606.2	1,147.1	400.3	1,132.2	1,904.1	1,141.3	2,922.4	5,740.3	4,840.0	3,018.1	5,866.7	4,900.0
Turkey	(£ T.)	(vi—v)	273.2	314.7	90.6	283.2	381.1	165.2	394.3	706.3	..	486.7	605.7	..
Australia	(£ A.)	(vii—vi)	95.1	98.0	13.8	111.9	140.3	55.7	294.5	697.5	561.7	345.1	747.5	570.0
New Zealand	(£ N. Z.)	(iv—iii)	36.6	35.8	2.1	40.5	42.5	8.0	109.1	180.4	143.7	121.9	173.9	148.9
India	(Rs.)	(iv—iii)	700.6	791.3	..	808.0	883.3	..	1,436.8	2,809.7	..	2,159.9	3,373.5	..

		1944-45		1944-45			
Canada ($ C.)	.. ..	40,769	97,954	88,200	Chile (Peso)	.. ..	3,788	3,788	..
U.S.A. (£)	.. ..	2,752	5,500	4,890	Mexico (Peso)	.. ..	1,100	1,100	..
					India		2,740.4	3,524.9	..

A Receipts; B Total Expenditure; C War Expenditure.

INDIA'S FOREIGN SEA-BORNE TRADE

Groups	IMPORTS (Rs.) April '44.	March '44.	1943-44 (April-Mar.)	EXPORTS (including re-exports) (Rs.) April '44.	March '44.	1943-44 (April-Mar.)
1. Food, drink and tobacco	56,33,656	1,34,73,886	8,12,75,888	3,03,02,113	56,08,721	48,14,39,757
2. Raw materials and produce and articles mainly unmanufactured	7,56,89,077	6,95,31,201	63,97,76,150	4,01,68,870	3,68,87,542	53,71,50,080
3. Articles wholly or mainly manufactured	4,29,28,132	3,99,95,539	45,11,78,251	9,69,27,297	8,16,33,873	1,05,89,43,597
4. Living animals	..	..	30,300	2,10,004	1,01,090	23,91,486
5. Postal articles not specified	20,57,484	7,47,108	1,66,66,654	19,10,789	19,77,969	2,17,30,913
Grand Total	12,63,08,349	12,37,47,734	1,18,85,35,243	16,97,19,073	16,62,09,195	2,10,16,55,813
Balance of trade in merchandise (Private)	1043-44		+91,31,20,570	March '44		+ 4,24,61,461
	April '44		+ 4,31,10,724	May '44		—77,31,741

URBAN RETAIL PRICE INDEX NUMBERS FOR MAY 1944.

(Base: January 1943=100)

Name of Centres	Cereals	Pulses	Other articles of food	All articles of food	Fuel and Lighting	Miscellaneous items
	(1)	(2)	(3)	(4)	(5)	(6)
Howrah	109	146	153	145	89	140
Budge Budge	100	135	154	143	94	168
Kankinara	101	134	178	160	114	152
Raniganj	112	143	168	154	104	172
Ajmer	108	116	98	104	120	126

WORKING CLASS COST OF LIVING INDICES

(Base: Aug. 1939=100)

Centres	June 1944	May 1944	April 1944	March 1944	June 1943	May 1943
Bombay	225	224	220	215	224	216
Ahmedabad	(a)	278	278	282	289	271
Sholapur	267	267	284	275	252	234
Jalgaon	295	277	265	268	289	283
Cawnpore	315	315	316	294	336	319
Nagpur	(a)	258	291	273	361	317
Jubbulpore	(a)	327	320	320	317	309
Lahore	(a)	272	292	292	275	278
Madras	(a)	206	205	205	183	177

(a) Not published.

INDUSTRIAL STOPPAGES IN INDIA IN 1944

Particulars	June	May	April	March	Feb.	Jan.
No. of stoppages	45	36	52	58	66	48
Of which due to wages	22	35	28	33	44	23
No. of workers involved	30,953	1,11,335	43,852	68,970	50,610	48,829
Man days lost	1,20,964	17,03,154	98,754	1,70,331	2,09,003	1,28,196
Results						
Successful	8	15	7	8	10	7
Partially successful	4	8	6	7	4	8
Unsuccessful	14	40	18	27	27	14
Indefinite	16	14	9	5	6	8
In progress	2	7	9	10	18	6

FOOD INDEX (WHOLESALE PRICES)*

(Base: Last week of August 1939=100)

Week ending		Cumulative differences
Average for April	233.3	..
.. .. May	228.3	5.5
.. .. June	232.1	3.8
.. .. July	236.9	+4.8
6th August 1944	238.1	+9.7
12th August 1944	239.4	+1.3
19th August 1944	235.9	3.5

* Issued by the Economic Adviser to the Government of India.

INDEX NUMBERS OF PRICES OF INDIAN SECURITIES*

(Base 1927-28=100)

1943-44	1. Govt. Securities (Fixed yield)	2. Industrial Securities (a) Fixed yield	(b) Variable yield.
April	116.1	157.9	174.5
May	115.8	160.1	170.7
June	116.1	160.6	174.8
July	116.8	161.2	168.8
August	117.0	162.9	170.9
September	117.3	164.1	176.3
October	117.5	165.3	183.1
November	117.6	165.6	168.9
December	117.6	165.7	186.3
January	..	..	..
February	..	..	..
March	..	..	..

* Published by the Economic Adviser to the Government of India.

ALL-INDIA FORECAST OF JUTE CROP

Name of Province and State (1)	1943 Preliminary Acres Licensed (2)	1943 Final Acres (3)	1944 Preliminary Acres (4)	Diff. between (2) and (4) (5)
Bengal	2,559,025	2,146,255	2,563,270	+417,015
Cooch Bihar State	23,720	23,720	19,500	4,220
Tripura State	12,000	12,000	10,000	2,000
Bihar	202,300	202,300	163,400	38,900
Orissa	13,200	23,800	14,800	9,000
Assam	174,560	204,500	152,000	52,500
Total	2,984,805	2,612,575	2,922,970	+310,395

C—Prices

INDIAN STOCKS AND SHARES

	5-9-1944 Rs. a p.	29-8-1944 Rs. a p.
SECURITIES: Bombay		
2¾% 1948-52)	..	99 12 0*
3% (1946) Defence	..	102 7 0
3½% G.P. Notes	99 8 0	99 8 0
4% (1960-70)	..	112 9 0*
4½% (1955-60)	..	116 2 0
5% (1945-50)	..	104 12 0*
Calcutta		
3½% Defence Loan (1949-52)	..	101 7 0
3% Loan (1951-54)	..	101 2 0
3½% G.P.	99 8 0	99 8 0
TEXTILES: Bombay		
Ahmedabad	440 0 0	465 0 0
Bombay Dyeing	1,741 4 0	1,838 12 0
Central India	376 0 0	404 8 0
Century	785 0 0	845 0 0
Colaba	198 0 0	211 0 0
Gokak	287 0 0	309 0 0
India Bleaching	182 0 0	182 0 0
Kohinoor	561 0 0	599 0 0
Phoenix	580 0 0	600 0 0
Sholapur	6,800 0 0	6,900 0 0
Simplex	223 0 0	245 8 0
Swadeshi	486 0 0	524 0 0
Vishnu	455 0 0	420 0 0
Calcutta		
Benares	..	..
Bengal Nagpur	..	39 0 0
Cawnpore Textile	12 12 0	14 4 0
Dunbar	..	295 0 0
Elgin Mills	68 12 0	72 8 0
Kesoram	15 8 0	..
Muir Mill Pref.	..	..
New Victoria	8 2 0	9 0 0
„ „ Perf.	..	10 13 0
Madras		
Buckingham	..	334 0 0*
Bangalore Wool	505 0 0	505 0 0
Cambodia	..	31 14 0
Coimbatore Pioneer	..	350 0 0
Pankaja	270 0 0	..
Sitaram Spg.	151 0 0	167 0 0*
Vasantha	282 8 0	290 0 0*
Madura	.. ..	65 4 0
Lahore		
Ajudhia Textile	6 12 0	6 14 0
Cawnpore Textile	13 4 0†	13 7 0
New Victoria Ordy.	8 8 0	8 14 0
JUTE: Calcutta		
Anglo-India	438 0 0	460 0 0
Barnagore	208 0 0	216 8 0
Champdany	239 0 0	249 0 0
Ganges	.. ..	.. ..
India	.. ..	703 0 0*
Howrah	78 4 0	81 14 0
Kamarhatty	.. ..	673 0 0*
Kankinarrah	536 0 0	574 0 0

Prices marked (*) are for 28-8-1944.

	5-9-1944 Rs. a p.	29-8-1944 Rs. a p.
Nuddia	125 8 0	130 0 0
Presidency	10 4 0	10 9 0
TATA SHARES: Bombay		
Tata Chemical	..	25 0 0
„ Oil	..	29 8 0
„ Power	1,892 8 0	1,932 8 0
„ Hydro	204 0 0	205 8 0
„ Steel Defd.	2,042 12 0	2,137 8 0
„ „ Ordy.	384 0 0	399 8 0
„ Steel Pref. I	222 0 0	223 0 0
„ „ „ II	155 8 0	160 8 0
STEEL ENG. Calcutta		
Bhartya Elec. Steel	..	20 12 0
Indian Iron	37 7 0	39 12 0
Kumardhubi	22 3 0	12 12 0*
Steel Corp.	31 0 0	33 12 0
Jessop	23 3 0	..
Kumardhubi	..	12 12 0*
COALS: Calcutta		
Amalgamated	44 0 0	44 12 0
Bengal	.. ..	656 0 0
South Karanpara	21 6 0	24 6 0
Bhalgora	..	17 8 0
Burrakur	..	..
East India	33 8 0	35 10 0*
Equitable	60 12 0	64 1 0
North Damuda	..	12 0 0
Telcher	9 4 0	11 2 0
SUGAR: Calcutta		
Bahrampur	..	19 0 0
Champaran	42 8 0	45 0 0
Samastipur	..	..
Belsund	15 8 0	17 4 0
Carew	28 4 0	30 6 0
Murree Brewery	..	..
New Savan	..	22 12 0
Cawnpore	41 14 0	42 0 0
Lahore		
Gokulnagar	44 0 0†	..
Samastipur	..	19 14 0
Murree Brewery	26 0 0†	26 6 0
Jaswant	11 13 0†	12 9 0
Madras		
Deccan Big	39 0 0	39 0 0
India	25 0 0	25 0 0
Travancore	15 4 0	16 8 0
PLANTINGS: Madras		
Cochin Malabar	15 2 0	15 10 0
Chembra Peaks	10 6 0	11 6 0
Woodlands	12 0 0	..
Thurbadi	4 1 0	4 8 0
TEA: Calcutta		
Bisnath	41 10 0	41 14 0*
Sapa (ex. div.)	..	22 0 0
Tezpore	19 0 0	19 6 0*
BANKS & INS.: Bombay		
Central	78 8 0	80 0 0
Imperial F.P.	1,985 0 0	1,990 8 0

Prices marked (†) are for 4-9-1944.

	5-9-1944 Rs. a p.	29-8-1944 Rs. a p.
Imperial P.P.	495 0 0	495 0 0
India	186 0 0	183 8 0
Reserve	134 0 0	135 8 0
New India	74 0 0	79 0 0
Lahore		
United Commercial	76 12 0	82 0 0
Bharat Bank	110 0 0†	110 0 0
Hindustan Com.	56 0 0	56 14 0*
New Bank	37 0 0	39 8 0
Jup. In. Trust	10 10 0	..
Pun. N. Bank F.P.	300 0 0	296 0 0
„ „ „ P.P.	..	236 0 0
New Asiatic	12 10 0	..
MISCELLANEOUS: Bombay		
Alcock	440 8 0	460 0 0
B.I.C.	..	6 7 0
Belapur Sugar	233 8 0	243 8 0
Bom. Burma	523 12 0	547 8 0
„ „ New	185 0 0	190 0 0
Bom. Steam	532 8 0	577 8 0
„ Tram	149 0 0	150 8 0
„ Petrol	4 4 6	4 7 0
Scindia Steam	29 8 0	33 3 0
Shivarajpur	48 0 0	56 0 0
Andhra Valley	1,875 0 0	1,900 0 0
Prem. Construction	185 0 0	207 0 0
Indian Iron	37 12 0	39 10 0
Indian Copper	2 15 6	3 2 6
Burma Corp.	4 8 0	4 9 6
Calcutta		
I.P.P.	205 0 0	216 8 0
Orient (ex. div.)	28 12 0	31 3 0
Titaghur	25 14 0	27 6 0
Dalmia Cement	..	18 13 0
Burma Corp.	4 8 0	4 13 0
Indian Copper	2 15 0	3 2 0
Consolidated Tin	3 2 0	2 10 0
Madras		
Andhra Cement	120 0 0	121 0 0
Bruntons	13 12 0	13 12 0
India Steel Roll	8 1 0	8 2 0
Mysore Chem.	..	29 12 0
Mysore Paper	25 0 0	26 4 0
Mettur Chem.	117 14 0	19 0 0
Spencer	14 0 0	..
Lahore		
Rampur Distillery	16 6 0	17 3 0
National Saltpetre	3 4 0†	..
N. India Oil	24 4 0†	..
S.G. Paper Mills	..	20 2 0
Star	.. ..	17 0 0
Delhi		
New Victoria	8 3 0	..
Raza Textiles	73 0 0	..
Ajudhia Textile	..	..
Gwalior Brewery	..	..
Delhi Cloth	111 0 0	..
Cawnpore Textile	13 2 0	..

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

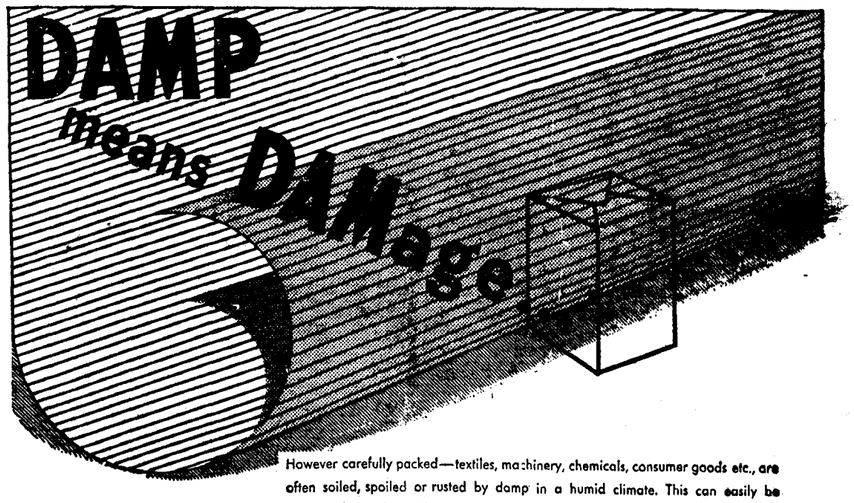
Commodity and unit	Quality	Market	Flat Latest Quotations Rs. a. p.
Rice (per md.)	(1) Basmati Old	Amritsar	22 0 0
	New	„	21 8 0
	(2) Sambhalu	Cawnpore	..
	(3) Seeta Kaima	Calcutta	14 12 0
Wheat (per md.)	(1) Average	Amritsar	8 6 0
	(3) Average	Lyallpur	..
	(4) Dara	Hapur	9 12 0
	(5) ..	Calcutta	10 7 0
Linseed (per md.)	(1) B. Bold	Bombay	11 3 4
	(2) B. Small	Calcutta	10 10 6
Mustard (per md.)	Yellow	Cawnpore	
Groundnuts (per md.)	Ready Bold	Bombay	11 6 0
	Karnels (Coromandel)	Madras	11 0 0
Castor seed (per md.)	Ready	Bombay	
Potatoes (per md.)		Patna	20 0 0
Oils (per qr.):			
Linseed	Ready	„	10 6 0
Castor	Ready	„	10 12 0
Groundnut	Ready	„	10 14 0
Cotton—Raw (per candy)	ICC Sep.	Bombay	401 0 0
†Piecegoods (per yd)	Long Cloth (Standard qlty)	„	1 7 9

†Jute—Raw (per bale of 400 lbs.)	(1) Firsts	Calcutta	84 0 0
	(2) Lightnings	„	80 0 0
†Bags (per 100 bags)	B. Twills	„	66 12 0
Cloth (per 100	Hessian Cloth 8 oz.	„	22 2 0
Cloth (per 100	10½ oz.	„	29 0 0
†Tea (per lb.)	Indian market	„	0 9 9
		„	136 0 0
Coffee (per cwt.)	Nilgiri— Peaberry	Bangalore	148 0 0
†Sugar (per md. ex-factory)	First Crystals	Cawnpore	15 6 0

† Indian Trade Journal, 31st August 1944

GOLD AND SILVER PRICES

	GOLD (Rs. per fine tola) Spot	Forward	(Rs.) Sovereign	SILVER (Rs. per 100 fina tolas) Spot	Forward
BOMBAY—					
Aug. 29, '44	75 3 0	74 14 0	..	131 15 0	129 15 0
„ 30, „	75 8 0	74 14 0	51 10 0	131 0 0	129 9 0
„ 31, „	75 5 0	75 2 0	51 10 0	132 12 0	131 2 0
Sep. 1, „	75 4 0	75 4 0	51 8 0	131 14 0	130 14 0
„ 2, „	75 3 0	75 3 0	51 8 0	131 14 0	130 11 0
„ 3, „	..	..	..	..	..
„ 4, „	75 3 0	75 15 0	..	131 14 0	130 11 0
LONDON— Sep. 4, '44		168-0 (Ready)		23½d.	23½d.
NEW YORK— Sep. 4, '44				(44¾ cents.	



However carefully packed—textiles, machinery, chemicals, consumer goods etc., are often soiled, spoiled or rusted by damp in a humid climate. This can easily be obviated by packing all goods whether in warehouse or transit in RHINO waterproof kraft paper. It entirely excludes moisture and retains its waterproof quality however it may be folded or handled. Made from finest bamboo pulp it is as tough as its namesake, the RHINO. RHINO waterproof kraft paper holds the key to trouble-free merchandising.



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International Investment and Backward Countries

THE recent departure of Mr. Donald Nelson, Chairman of the U.S.A. War Production Board, for China on an important economic mission has attracted a good deal of attention and interest in this country. Mr. Nelson's assignment, as reported in the Press, would appear, however, to be merely the logical culmination of the line of economic philosophy towards which the United States Government, under the liberal inspiration of the President and Mr. Cordell Hull, were slowly but steadily groping their way in their effort to reproduce after the war the conditions of an expanding system of international trade and prosperity. It has been increasingly clear from authoritative pronouncements from the United States Government that in this task they allotted considerable primacy to a growing volume of international investment directed towards rapid economic development of the hitherto backward areas of the world. It will be recalled that Mr. Henry Wallace, returning from Siberia and China about two months ago, made an energetic plea over the radio to the people of the United States for a "new deal" for China to assist her in entering the industrial world. This plea flows from a healthy sense of enlightened self-interest and an appreciation that the maintenance of the prosperity of the United States and of the world as a whole after the war would largely revolve on a programmed development of the backward areas like China, India, the Balkans and Latin America. Mr. Nelson, who is deeply interested in problems of post-war foreign trade, sees the logical nexus and has strong convictions on the point. "It is becoming ever clearer" emphasized Mr. Nelson, "that the best method by which we can promote a sustained and healthy expansion of foreign trade is to aid undeveloped regions to build sound industries of their own. . . . We have learnt that when we help other peoples to build healthy industries, we make them better customers for America."

Yet the question of international investment in these backward regions of the world is related not only with the question of foreign trade with its short term or long-term significance, but, as has been more and more realized, also with the question of general economic equilibrium in the more advanced countries. It is not often realized what a large volume of savings in an advanced or mature economy come not from personal 'abstinence' but automatically as it were, and which must have investment outlet if the economy is not to slide into a trough. Thus it has been estimated

that between 1923 and 1929, business enterprises in the United States invested on the average $8.7 billion, each year in plant and equipment, of which 74 per cent. came from internal resources, *i.e.*, retained earnings and depreciation allowances. Individual savings during the period were at the rate of $4 billion. The rate of individual savings, after a sharp decline during the depression, improved and in fact became greater relative to national income than before the depression. If we add also the savings through trustees, foundations and investment trusts, America had to find investment outlet (over and above replacements and refundings) running into 5 or 6 billion dollar per annum before the war in order to ensure full employment and economic equilibrium. The phenomenal secular growth in the 19th century depended on the outlet for capital provided not only by "intensive" investment in new industrial techniques and equipment, but also by what has been called "extensive" investment, *i.e.*, investment required merely to equip more people and more land. With the cessation of population growth in the advanced countries and of the opening of new territories, outlet for the vast savings in these advanced countries becomes congested. Prof. Hansen said: "It is just because we have developed, in our highly dynamic society, firmly fixed institutions and habits affecting the income elasticity of savings that we cannot rely upon autonomous increases in consumption to provide full employment once the *extensive* expansionist stimulus to investment has largely disappeared." It is here that the deliberate development of the backward areas through savings accumulating in the rich countries, is seen as the most effective economic substitute of the territorial expansion of the nineteenth century, thus providing a 'new economic frontier.' Mr. Eugene Staley summed up the position by saying that "a great international programme of development, fitting the capital needs of some areas to the abundant savings of other areas, might provide just the extra stimulus needed to put the post-war era into the upward phase of a new 'long wave' in economic activity."

For an advanced and mature economy like the United States the alternative to lending and helping the backward countries to attain rapid economic development, is thus not the retention of the capital for domestic investment, which may be illusory on account of the trend of marginal efficiency of capital at home, but of settling down to an underemployment equilibrium. Indeed it has been argued that the very act of lending abroad may have such beneficial effect on domestic employment that total production at home would be increased by more than the volume of lending so that the lending country would be more prosperous *immediately*, even if the loan is defaulted upon. Quite apart from such considerations, Mr. Nelson who has also been responsible for the reconversion of American industry from war footing to peace-time functions, would have special reason to desire that the developmental plan of countries like China should be integrated with the reconversion needs of America. During the war, the capital goods industries have tremendously expanded. The output of machinery in the United States has expanded about 5 times over the average year of the pre-war decade and the steel output has reached the 90 million ton mark. The capacity in this sector of the economy is vastly in excess of any possible internal demand for capital goods in peace-time and will have to be reconverted, unless these industries could count on massive demands for capital goods, such as the industrialization of vast potentially rich backward countries like China and India alone could provide. Owing to institutional rigidities in advanced economies like that of the United States, problems of massive reconversion and readjustment of excess capacity would prove very costly and de-stabilizing to the entire economy. If, therefore, Mr. Nelson could register success in his China mission, he would undoubtedly have saved the American economy from one of the most painful and costly processes of reconversion. If further he could arrange for counter-cyclical timing and direction of equipment orders from China, he would indeed have secured a notable victory for the stability and prosperity of American industry, coincidently with rendering inestimable help to China in her struggle for economic regeneration.

Sceptics would still be found who would cast doubt on whether such a policy of investment in backward countries would "ultimately" redound to her advantage and remind her of the fate of her international loans during the inter-war period. How are these backward countries to repay, they would ask? Quite apart from the fact that the very process of investment may be accompanied by tangible and substantial benefits to the lending countries which the country may choose to consider as sufficient recompense, it would be true, however, that the mere fact that any international investment may be paying and 'self-liquidating' in the internal commercial sense, would not make it self-liquidating in the international sense and this letter may have to be planned by an international economic agency. There are still, however, considerable opinions in the United States as in other industrial countries who feel doubts lest by exporting machinery and management "know-how" they are merely building up their own competitors to their ultimate ruin. This fear is at the root of such revealing slogans in the United States: "Sell milk, not cows." Even Adam Smith had to denounce such restrictionist frame of mind as exhibited in the mercantalist laws which forbade the export of machinery and tools and prohibited artificers from going abroad to practise or teach their trade: "The laudable motive of all these regulations is to extend our own manufactures, not by their own improvement, but by the depression of those of all our neighbours." Nevertheless, the idea that prosperity is a fixed quantum which is diminished by more countries sharing it, is one that dies hard, although the clear evidence of economic history is that the volume of international trade after allowing for price changes, increased from 1881 to 1894 at an average rate of 3.02 per cent. a year, from 1894 to 1907 at 3.84 per cent. a year, from 1907 to 1913 at 4.52 per cent. year and from 1925 to 1929 at 4.85 per cent. a year—rates which compare favourably with the general rate of world economic development. The industrial nations, unless they react non-adaptably or anti-adaptably, can only benefit by actively helping the economic development of the backward countries, not in the old ineffective colonial way but in the genuine sense of equal participation in an expanding system of general prosperity. The United States once found that the slave plantation economy of her Southern States constituted a drag on the rapid progress of the industrial north and decided that the country would not prosper 'half free, half slave.' The same question is now posed on an international canvas and the semi-colonial economies of vast regions are acting as a drag on the rapid progress of the world as a whole. Mr. Nelson's mission to China can, therefore, spell a new era of prosperity not only for the backward countries but for the world as a whole, and if India is not included in Mr. Nelson's sojourn, presumably it is only due to political reasons of the moment.

Urbanization and Industrial Location

RANADE deplored a slight trend towards deurbanisation in evidence in his time as a loss in national power, intelligence and self-dependence. No doubt, the growth of towns still serves as the best general test of a country's progress towards modern industrial civilization. But one cannot have the same unqualified appreciation for the increasing concentration of population and industry in a few big cities and in particular regions—a tendency revealed at the last census to be working at an unprecedented tempo, and further accelerated during the years of war. A general corroboration of Levasseur's proposition, that the power of attraction of human groups is generally proportionate to their mass, is discernable in the following table, which compares the per thousand distribution of population among the classified categories of inhabited localities in 1931 and 1941 with those collected by the rationing authorities mostly during the first quarter of 1944.

Localities with:	1931 (I)	1941 (II)	Per cent. increase or decrease in II over I	1944 (III)	Per cent. increase or decrease in III over II
(1) Under 5,000 inhabitants	865	841	− 2.8	..	..
(2) 5,000 to 10,000 ,,	45	53	+ 17.8	..	..
(3) 10,000 to 20,000 ,,	25	26	+ 4.0	..	..
(4) 20,000 to 50,000 ,,	21	23	+ 9.5	..	..
(5) 50,000 to 100 000 ,,	14	16	+ 14.1	..	..
(6) 100,000 to 400,000 ,,	17	23	+ 35.3	23	0
(7) 400,000 to million ,,	4	9	+125.0	13	+44.4
(8) Over a million ,,	7	9	+ 28.5	17	+88.8

There appear only two exceptions to the general trend of the larger towns to grow larger in proportion between 1931 and 1941, mainly in categories 5,000 to 10,000 and those over a million. The first exception is easily explained by the fact that a large proportion of these consist of really rural areas that have tipped over from the below 5,000 group to the next one with a slight increase in their population during the decade. The growth of the two largest towns was held in check for the want of land to build houses, and most of the increase in the category occurred in Calcutta, which had a greater freedom to spread out than the island city of Bombay. The urbanisation during the decade is mostly attributable to industrial development; Ahmedabad, Cawnpore and Lahore, that are in the "400,000 to million," group show phenomenal increase in population owing to new industries. Karachi, Nagpur, Bangalore, Jamshedpur and such industrial centres show marked increase in the group 100,000 to 400,000, while the relative stagnation in non-industrial towns like Benares and Patna marks a contrast. The tendency of some of the older industries to move from ports to the larger centres in the hinterland is offset by corresponding and even accelerated development of new industries at the ports and financial centres. The pattern of regional concentration remained generally unchanged. But for a few towns like Coimbatore or Dehri-on-Sone emerging in a new area and gaining in population more than in proportion to the general urbanisation in the area, the general trend during the decade is unmistakably the concentration of population and industry in the older centres.

This concentration and unplanned location of industries during the decade and earlier had disquieting consequences when Indian economy had to face the war demand. Most of India's excess capacity in almost every industry lay in a few large and already overcrowded towns. The figures collected by the rationing authorities show that within the brief period of three years the people living in cities with more than a million inhabitants have increased by over 88 per cent.; the population in Calcutta is now 31.41 lakhs, compared to 24.79 lakhs in 1941, and in Bombay 25.19 lakhs, compared to 14.89 lakhs. The number of people living in towns in the "400,000 to a million" group increased by 44.4 per cent. The rationing figures are incomplete in respect of groups with less than a lakh of people; but it is evident that the increase in the bigger cities has not been at the expense of the "100,000 to 400,000" group. It has maintained its position despite the movement of many towns in the group to the higher group. This has resulted in awful housing conditions in most of the bigger towns. Of the total population of Bombay, 74 per cent. live in one-room tenements and 66 per cent. do so in Cawnpore, as compared to 6 per cent. in London. Some areas in Bombay have the incredible average of 15 persons to a room. The per room average in Calcutta exceeds five people. These compare with 1.5 per room in New York, commonly thought the most overcrowded city. A considerable proportion of the population in our towns really consists of street dwellers. The consequences of such congestion on health and morals may well be imagined.

Much of this congestion and aggregation of population in the larger towns has been due to the industries located in them, working more shifts than before the war. Cotton, jute, iron and steel, paper and, in fact, every industry had a considerable slack to take before attaining its capacity, and this implied two to three times more of working class population in every centre. The effect of this can be illustrated with instances of a few industries. The woollen mill industry was concentrated in a few centres like Bombay with 6 mills out of 15, Cawnpore and Dhariwal. It worked before the war for about five months a year and for the rest barely kept up a pretence of production. The war has made it work to its 100 per cent. capacity. The footwear industry at Cawnpore expanded its production from 2,000 pairs a day to 19,000; it was done without much additional machinery through standardization and day and night shifts. Localities possessing machinery and equipment gained an advantage over others and secured during the war a disproportionate share of employment and prosperity.

The role of new industries in increasing urban population during the war has been a secondary one; the war has retarded rather than helped such development. Yet the few industries that were established during the war have in most cases only accentuated rather than counterbalanced the trend towards concentration. The harness and saddlery production expanded 20 times its capacity, but was localized mostly in the old centres. The capacity of cement was expanded over 30 per cent., but only at the already established centres. Industries making paints, varnishes, a number of chemicals, clothing, body building of vehicles, parachute making and many miscellaneous supplies were located in the bigger cities like Bombay, Calcutta and Cawnpore, and numerous factories, offices and godowns have been located therein without due regard for civilian housing. Where, on the whole, the capacity of certain industries exceeded the war demand the placing of contracts did not help to relieve regional concentration, as is evident from the case of the knitting industry.

The latest industrial employment figures available relate to 1942, but the trend of regional concentration is clearly reflected in them. The distribution of the increase in employment since 1939 in the different provinces was as follows:—

(Figures in thousands)

	Madras	Bom-bay	Ben-gal	U.P.	Pun-jab	Bi-har	C.P.	Sind	Delhi
Govt. & Local Fund Factories	5.2	43.2	36.2	25.4	30.3	4.1	5.1	0.6	6.5
Others	14.7	134.7	66.8	48.7	25.9	15.3	9.9	2.7	6.4
Total	19.9	177.9	103.0	74.1	56.2	19.4	15.0	3.7	12.9
Per cent. increase over 1939	25	38	18	46	72	20	26	11	74

Nearly 80 per cent. of the increase is distributed among Bombay, Bengal, U.P., Punjab and Madras, which fall in a descending order of importance in this respect. Employment in Government factories is peculiarly heavy in case of the Punjab. The relative increase is highest in Delhi and the Punjab and lowest in Sind. At the beginning of the war, Bengal occupied the first place in total employment, with Bombay, Madras, U.P., Bihar, and the Punjab taking the next five places. But due to the differential rates of expansion during the war, Bombay comes as a very close second to Bengal, and U.P. to Madras, while the Punjab has outstripped Bihar. The provinces with a more rural character have lost places relatively.

A factor which deserves attention when we consider urbanisation in India is the striking correspondence of famines with the periods of rapid urbanisation. The two decades of such rapid urbanisation in the past were 1872-81 and 1891-1901 and both these suffered widespread famines. There is obvious difference in the causation of migration from the village to the town today and in the past. The income of the rural worker is proving insufficient today not because of agricultural unemployment, but because the money wages have fallen short of the higher prices. A fall in real income everywhere might be regarded the inevitable consequence of the manner in which India has met the war burden, but owing to increase in the volume of employment and competition for labour it has been offset and often more than offset in the centres and regions where industries are concentrated, and a substantially higher real income has been revealed in some of the Punjab centres. No wonder then that the Indian economy has cracked under the war burden in East Bengal, North Bihar and parts of Madras, where the increase in employment has fallen short of the financial contribution direct and indirect to the war economy. Disease and vice in the congested centres of industrial concentration, and malnutrition and epidemics in others have been the inevitable consequences of the haphazard industrial growth in the country during the war and earlier.

The war has glaringly exposed one of the defects of industrialization. How very essential it is for India to plan the location of her future industries and provide for a decentralized system of production, is today more clear than ever. Limitations of the *laissez faire* arguments in the sphere of localization of industries are as obvious as in other spheres. Fortuitous circumstances and subjective considerations play no less an important part than raw material, power or market facilities in establishing an industry in a particular locality. Laying of industries on the basis of private costs and risks does not permit long-range considerations necessary for diversion of industries to new centres, to have a sufficient pull. Some aspects of social cost of industrial concentration do not enter into private costs at all. The social consideration of full employment of national labour force is of little direct concern to the entrepreneur in a competitive economy. The forces of concentration are constantly pressing against those of decentralization. But in the final result, unless public policy is definitely related to a scheme of decentralization, concentration is likely to win. Such a planning of industrial location is a necessary part of national planning, and to some extent the character of a plan may be judged through examining whether it aims at concentrating "power, intelligence and self-dependence" in particular regions or attempts to diffuse it widely. Several considerations must inevitably enter in planning localisation, although costs, broadly conceived, must remain the paramount one. Within the sphere set up by costs there can be ample room for a licensing authority to further a decentralized system of production.

But there are obvious dangers of these considerations being exploited to restrict industrial progress under the existing conditions. This is another instance where an urgent economic purpose cannot be satisfactorily served by the existing political institutions. A democratic government (not the present Government of India) may be entrusted with the execution of a positive policy of fostering industries in certain places and regions and discouraging them in others. Such a government may set up a public body, consisting of members chosen by virtue of their eminence in public and industrial life presided over by a whole-time chairman. Such a body will have power to regulate the establishment of additional industrial undertakings in any area. It may study the need for decentralization and dispersal, or for encouragement of industrial development in a particular area, and make recommendations for public action. The Government will have the power negatively to refuse licences to put up factories in certain areas and positively to attract to other areas by improving the means of communications therein and by affording special facilities and concessions including financial assistance. Government might also influence the location of new enterprises by facilitating the transfer of workers from one area to another and by providing training facilities so as to fit them to new employments.

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many would have had a better chance (but for the war) to capture an increasing share of world trade, while Britain would be worst hit by such shifts unless she can secure much greater industrial adaptability. The fact that the United States which would naturally play the most important part in international investment for the economic development of backward countries, is also the country which is likely to gain most from the consequent changes in the structure of world trade, is a happy coincidence and may exert important influence in the shaping of future international economy.

PRICE CONTROL IN AUSTRALIA

Inflation, with its concomitant, rising prices is an inevitable product of war-finance although its intensity and pace can be controlled through efficient control measures. Australia instituted price control on the first day of the war. The price-level has registered a rise of only 24½ per cent. a few points lower than the rise in Britain. And this despite the fact that internal transport costs have risen by 20 to 30 per cent., wages have registered an increase of 20 per cent., import costs by 80 per cent. and with the passage of time, to meet the war needs, recourse has had to be made to more and more inefficient resources. Further more indirect taxes have been levied on many commodities which are of everyday use, the general sales tax has been raised from 5 to 12½ per cent. and in some cases even to 25 per cent. and the earning of the primary producers have been permitted to rise to a reasonable level through a rise in the prices of their products. To ensure that in no way the price-level should rise upward the Government announced that they would not permit any rise in the general price-level after April 12, 1943, and decided to meet any inevitable increases in costs by Government subsidiers. The Commonwealth Government again has enforced with vigour and effectiveness an Anti-Black Marketing Act and there is no lightly getting away from them. If an offence is proved the minimum sentence is for an individual prosecuted summarily to be sentenced to three months' imprisonment and for a corporate body a fine of at least £1,000; if the prosecution is made on indictment this minimum is raised to one year's imprisonment and a fine of £10,000. One cannot but contrast this with the disgraceful state of affairs that has been revealed by Mr. Vellodi, the Textile Commissioner, to prevail in Bengal. "Black market trade in cloth and yarn is rampant in Calcutta markets, and the dealers, irrespective of the class to which they belong, have not hesitated to do everything possible to undermine the objects of the Cloth and Yarn Control Order." This would suggest the utter failure of Government to bring to book those whom it knows to be guilty.

A BARODA SCHEME

A very interesting experiment in farming organization is to be tried in Baroda State. The State proposes to buy out five villages, which are at present in the hands of money lender and to rehabilitate the cultivators in these villages in five different ways in order to determine under what conditions of farming and under what system of land tenure best results are obtained. In one village, a consolidated holding of 15 acres will be given to each family, the cultivators ultimately buying out their holdings; the holding cannot be sub-divided and must be cropped according to a programme fixed by the State. In the second village, the same arrangement will prevail, but the cultivators will always remain tenants of the State. In the third village, the experiment of consolidated cropping will be tried, all crops will be grown in block by the community and the produce will be shared in proportion to the area of land and by each cultivator in the block. The fourth village will be cultivated by collective farming; each cultivator will receive a share of the whole produce proportionate to the labour, he and his cattle have put into the cultivation. In the fifth village, State farming will be adopted; the land will belong to the village as a whole, while the cultivators will receive a daily wage together with a share of the profits at the end of the year.

The Baroda Government are to be warmly congratulated on their scheme. The real significance of the proposed experiment lies in the fact that its very contemplation imply a growing realization on the part even of traditionally conservative circles that the greatest single obstacle to agricultural development today is the cramping chaos of the positively injurious land tenure and tenancy conditions that prevail today. A striking and almost universal agreement, exists among practical administrators as well as academic experts that unless those conditions are altered radically, farming will continue to be on a deficit economy, whatever progress may be attempted in other directions. Conformity of opinion, of course, is not so evident, when discussion proceeds to the question of remedy. Collective, co-operative, capitalist and peasant farming all have their advocates as well as critics, but so far discussion has had to proceed on the basis of the experience of other countries. The Baroda experiment will be watched with interest all over the country, as its results will provide the agricultural planners of tomorrow with data. The all-India importance of the scheme has been recognized by the Imperial Council of Agricultural Research, who have sanctioned a grant as part of their research and development programme for 1945-46.

RUMANIAN OIL

One of the geologist's puzzles has been the occurrence of mineral oil in region where continents meet, and one of the politician's worries is going to be its general occurrence in regions where the Great Powers confront one another. Hardly had the dangers arising out of the Soudi Arabian oil question been averted, when a more serious problem of oil diplomacy has appeared in Roumania. The capture of Ploesti oilfields by the Red Army will, no doubt, prove to be a vital factor in shortening the war, but its political significance is none too negligible. Before the war it was an area in which the British interests and policy clashed with the German. In April 1937, the weak kingdom of Roumania was cajoled and coerced by Germany to yield her broad economic rights including the right of prospecting for oil. It was followed by British diplomatic pressure which resulted in similar rights being granted to British interests. After the war Russia is going to be a new factor. The disposition to grab and control the oil resources of the world displayed by Britain and America recently is not likely to have been missed by Russia. There are already indications of its preparedness for a more positive foreign policy in the region—a recent instance is the diplomatic recognition of Lebanese sovereignty. The seriousness of the problem is aggravated by a further factor. Over 80 per cent of the capital invested in Roumanian oil had been British. After the German occupation of Roumania British capital, no doubt, lost all control over the investments and Russian bombing, and German sabotage have destroyed much of the installations physically. Russia has lost no time to start reconstructing the oilfields and Russian engineers are now rebuilding them with Russian equipment. Perhaps the recent history of co-operation in war will prevent a repetition of the historic case of the Leena gold mines, nevertheless the chances of restoration of British control over Roumanian oil are now remote. It is likely to prove one of the most formidable of the practical problems confronting the three Powers after the war.



Greater output, and still greater, is the urgent need not only of India but of the United Nations. To meet this need factories throughout India are producing at a level far in excess of what, in peace time, was thought possible. Many factors contribute to this success, not the least important being the ability of the worker to maintain a steady high level of effort. It is here that Indian Tea plays a valuable part. Tea served to the worker, on the job, has been proved in many hundreds of factories to be a wonderful reviver of failing concentration.



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SPECIAL ARTICLE.

A One-Shilling Rupee or A Four-Rupee Dollar ?

By S. K. Muranjan

II

The question of the future relationship between the rupee and the sterling involves the balancing of many considerations. There can be little doubt however that the factors which weighed in the past in favour of a link with the sterling have ceased to have their old force. While the direction of our foreign trade may not alter fundamentally in the near future, the trend is definitely away from the U.K. and more towards other countries, particularly the U.S. Except perhaps for tea, we have hardly an export commodity for which the U.K. is an exclusive or indispensible market. It is significant that the share of the U.S. in our export, import and total trade has more than doubled itself during the war. The share of the British possessions and other countries round the Indian Ocean and in the neighbourhood of India has mounted by about 1|3rd. While the return of peace is certain to restore the old channels of trade the fact that more than 55 per cent. of our trade is flowing today in these channels is not devoid of significance for the future. Our capital needs will perhaps be greater in the future than in the past. But for such capital, we shall have to look in the future outside the United Kingdom, particularly to the United States. Since the plea of such a stake will no longer hold good, the Britishers can no longer claim the rupee-sterling link as an assurance of the safety and stability of their investments in India. From the standpoint of monetary management, a debtor country—particularly when that country looks forward to managed money and controlled exchanges as the main basis of its full employment policy, is hardly a centre in which currency reserves can be accumulated, held and operated upon in safety or independence. The issues which have arisen out of our present sterling balances should be a sufficient and final warning on this subject.

As stressed before, it would be unwise to place too great a reliance on mere statistical estimates. The domestic costs, incomes and prices of different countries today are the outcome of factors which represent to a material extent purely temporary or local situations. When normal trade relations are restored, these levels are bound to seek new alignments. The price levels of predominantly agricultural countries in particular must settle down on a different basis. Nevertheless, we may not expect any substantial elimination of those financial or monetary trends and facts which have come to stay as the aftermath of a great war. In a world of free exchanges and peaceful trade, a devaluation from 18d. to 8d. or from Rs. 333 to Rs. 1,000 may not prove feasible or even necessary. Whether the devaluation of the sterling gives the rupee a relief of 10 to 20 per cent. against non-sterling currencies or not, it would be prudent on the basis of existing facts and probable future trends to prepare ourselves for a devaluation of about 33 per cent. both against the sterling and non-sterling currencies. A shilling rupee or four rupee dollar may be set as a safe goal towards which the rupee may be allowed to move according to the force of operative circumstances.

A consideration which might be regarded as favourable to a higher rather than a lower parity is the so-called creditor position of India. It should be noted in the first place that this change in the world economic position of India is rather overstated. There exists a distinction between an actual creditor position which adventitious circumstances sometimes create and the capacity to maintain such a position permanently. A capacity to maintain such a position must mean in the case of India the possibility in the post-war years to supply banking, insurance and shipping services, to dispense with British administrative personnel, to liquidate British investments in India, etc. It does not appear likely that India will be able or allowed to achieve these results. Our sterling balances so long as they are intact, will give us at the maximum an income of 25 million pounds at a rate of 2½ per cent. on 1,000 million pounds—an amount perhaps equal to the payments we have to make on the above-mentioned heads. But a mere equivalence will mean a balanced position and not a creditor position. If for any causes, the balances are dissipated or depreciated in course of time, the so-called creditor position will be more and more reversed. To the extent and during the time that capital from abroad flows into India, the rupee will have again a stronger trend ensuing from a creditor position.

The ultimate repatriation of our balances from abroad might appear to make a higher parity more desirable. If for every rupee invested in India, we could obtain British goods equivalent to 1s. 6d. instead of 1s. only; or for every Rs. 333 similarly invested, American goods equivalent to $100 instead of $66 only were available, a higher ratio appears more profitable. But such an arrangement presupposes that we need no other imports from abroad and our exports required to pay for these imports have no competitive markets to face. In other words, without a system of exchange controls, regulated imports and subsidized exports, an advantage of this kind cannot be achieved. Under such a system, exchange parities can have no meaning or relevance.

It is sometimes argued that the rupee is in a strong position because we have abroad a large accumulation of foreign exchange and assets running into 1,000 million pounds and in so far as these are not counterparts of loans raised in this country, they could be used to support the rupee in a phase of weakness. It is also pointed out that our quota to the International Monetary Fund is to run into 400 million dollars or about Rs. 130 crores. On the basis of this quota, India is entitled to obtain foreign exchange to the limit of a quarter of the quota in any single year and a maximum of five times that limit over a series of years. With an aggregate import trade of about 250 to 300 crores rupees, these resources should be quite sufficient to hold the rupee at any level we might prefer. Nevertheless, it must be pointed out that we have still to decide whether and on which occasions it would be in the economic interests of this country to use these resources to support the rupee. The inflation which was the source, cause and counterpart of this accumulation is now an accomplished fact. The sacrifice or forced savings which were inflicted on large classes of people in order to build up this so-called strength are also a thing of the past not to be recalled. The economic adjustments which these monetary developments implied have to a large extent materialized and will reach their full maturity in due course. In the face of these facts, it is absurd, not to say wicked, to suggest that instead of stabilizing conditions which are a *fait accompli*, we should force this country through the trials and tribulations of a deflation simply as a reversal of the process of inflation. It is clear that the use of our accumulated resources abroad without any devaluation at home is advisable only when the foreign disequilibrium is accidental and not fundamental in the sense of arising from our costs, prices and income levels. These resources cannot be used to cure a fundamental disequilibrium without corresponding deflation.

Foreign trade on the one hand and costs and income levels on the other are not two phenomena connected as cause and effect but co-existents. Costs and incomes in a country are what they are because of the presence of foreign trade and foreign trade is what it is because of particular levels of costs and incomes. Nevertheless, between the two, costs and income exhibit a greater degree of rigidity and permanence and may, therefore, be represented for practical purposes as defining long term trends of foreign trade and consequently exchange parities. Foreign trade at any particular time on the other hand is liable to much fluctuation arising from a variety of circumstances which influence consequently the short run course of exchanges. The termination of the war will confront every country with abnormal conditions amidst which the pressing circumstances of the hour and long-term economic trends are likely to become indistinguishable and hopelessly confounded.

A large part of our ordinary export markets was lost on account of the war. The commodities affected in this way are raw cotton, raw jute, pig iron and steel, leather, hides and skins. The recovery of raw cotton must await the recovery of Japan or expansion of our own productive power. The enormous expansion of the coal and iron industries of the belligerents makes it improbable that we shall recover much of our lost ground. Raw jute should show much recovery unless the construction of ships suited for bulk handling has progressed much.

The prospects of recovery in individual sectors of trade are conditioned by two general factors the significance of which cannot be underrated. Unlike in the last war, the ravages and destruction of this war are not confined to areas of military operations but are spread far and wide in all countries of Europe. As manufacturing countries, these are the chief consumers of our raw materials the demand for which must be postponed till their restoration to normal economic activities. On the other hand, the countries which have escaped the ravages of war are in the main the agricultural countries of the Asiatic and American continents which are our rivals in the world's markets for raw materials and agricultural produce. In the aggregate, therefore, our exports must be prepared to face great difficulties in the initial years of peace.

A factor of equal weight is the disparity of monetary trends in India and elsewhere which we have stressed above. Given the 18d. parity, our prices will prove far higher than those of our rivals. Prices of foodgrains in India have risen in the proportion of 100:303 and those of our chief export articles in the proportion of 100:240. The wholesale price-level in the United States records a rise from 77 to 103; and the price-level of farm products from 65 to 123. In Canada, wholesale prices have mounted from 75 to 100 while prices of farm products have risen from 64 to 96. With transport costs, the prices of farm products will show a much smaller change. Allowing for the approximate character of all such statistics, it is clear that adherence to the present parities is nothing short of a sentence of exclusion from world markets passed on this country.

While exports have these dubious prospects, our need for import for consumption and specially, investment will be more acute than ever before. And if the present parity is allowed to hold, imports will be facilitated. These circumstances point out inevitably to a prolonged control of our exchanges till a more economic parity for the rupee assures this country, a fair basis for international trade.

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EXPERT SERVICE: The tension of the chain must be just right, neither too tight or it will cause heavy wear, nor too loose or it may slip off and perhaps cause a nasty accident.

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THE WORLD ABROAD

Afterthoughts on Bretton Woods

(From Our Washington Correspondent)

WASHINGTON, Sept. 11, 1944 (By Cable).

THE Bretton Woods Agreement presumably will not be acted upon by the present Congress. Members are already, figuratively speaking, at least, packing up their baggage in the preparation to depart from Washington immediately the Reconversion Legislation, now pending, is passed. They will be absent until the elections are over, and Congress will probably not be reconvened until the middle of November. Christmas following closely Congress will adjourn within less than a month and the new Congress comes in in January. Several leaders adjudge the International Monetary Stabilization Agreement to be too important and too much lacking in support to expect its quick disposition in the post-election interim before its adjournment for Christmas. Senator Taft, one of the most influential Republican leaders, said that he was confident that this Congress will not complete action on the Agreement, although it was possible that the Senate Banking Committee may hold some public hearings on the subject in the post-election interim. He recalled that Senator Wagner, Chairman of the Banking Committee, has definitely ruled out the possibility of any action before the elections. Senator Taft saw the Bretton Woods Agreement as posing a "major issue" in the Senate because "it involves the whole post-war economic problem. One of the factors is how much we are going to help Europe." Senator Taft agreed that the issue would be one of the most controversial.

The nation, however, has by no means seen any great amount of discussion on Currency Stabilization on the part of responsible leaders either in public or private life. Much of the public as well as Press discussion so far is in opposition to the Bretton Woods conclusions and originates among New York banking and financial circles. On the other hand, the question of Monetary Stabilization has received potent support, last week, of the Foreign Policy Association, which is the nation's leading independent institution of its kind. The Association, in a pamphlet surveying the achievements of Bretton Woods, says: "Never, since world trade has become highly developed, has there been so much need for joint action in reconstructing international financial relations. If plans for the International Monetary Fund and the International Bank for Reconstruction and Development—designed as major foundation-stones in the post-war structure of international relations and overwhelmingly approved by the Bretton Woods Conference—are cast aside, there is apt to be a serious feeling of discouragement. Questions as to the possibility and the comprehensiveness of economic collaboration would then inevitably arise. In fact, all economic conferences in the next few years would be made very difficult and uncertain by failure to accept the workmanlike efforts and the honest results of international consultation as expressed in the acts of Bretton Woods." The Survey opines that it would be impossible to establish the true value of money in international exchange at the present time, adding, "It will be necessary for each country to set a rate of exchange as basis for doing business, but even though these rates are regarded as valid or near their true value, every one knows they will have to be set, to some extent, as a matter of guesswork and because of the necessity for a basis of calculation for trade in urgently needed goods. The extent to which rates are right and can be maintained will depend upon the degree of consultation between nations as well as the co-operation of a very critical nature." The Survey has further stressed two important needs, firstly, a basis for interchange of goods and an agency for short-term financing. It has pointed out shipments to Europe in normal channels must be paid for in stable currencies because "ordinary commerce requires predictable exchange rates." The second essential is an agency for long-term financing for rehabilitation and to develop the potentialities of backward nations.

The Association has also raised the question of what compensation Germany will be required to make as "one of the critical financial problems which will demand urgent attention and may threaten all other arrangements if unwisely handled. If either the amount imposed or the method of payment is such as to come in conflict with the broad general principles of international trade and international settlements, no reasonable prospect of healthy recovery can be envisaged." The Survey has pointed out that Germany, despite bombing and other damage, will have production plant capable of a large output in the post-war. "It would be politically and economically impossible to ignore the pressing demands of the devastated territories for a share in German production after the war.....a question that concerns those who are thinking about this. The question apparently is not so much what is Germany's probable capacity to supply goods and equipment or desirability of making it pay for some of the reconstruction expenditure of the devastated areas as one of determining what amount of damage to normal channels of trade will affect the recovery of world commerce."

The Guaranty Trust Company of New York has also added its opposition to the Stabilization Agreement to that of other banks throughout the country, stating that the Agreement was bound to fail and may "easily throw international currency relationships into chaos from which the entire world might suffer for years to come." Commenting thereon, the Financial Editor of the New York *World Telegram* said: "One wonders whether with all this opposition from the most practical minded people in the United States, Congress can possibly place its stamp of approval on the proposal." Guaranty have made a plea for the earliest return to the Gold Standard instead of risking a new untried theory. It has suggested that countries lacking gold then would tie their currencies to the American dollar which would be amply backed by gold. This apparently would result in the transfer to New York of much of international financing business formerly done in London. The financial leaders contend that in this way the dollar would be kept strong and thus provide a safe method for carrying on international trade.

(This is not a Prospectus nor an invitation to the public to subscribe for shares, but only an announcement.)

(Consent of the Central Government has been obtained to the issue under Defence of India Rule 94-A. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.)

KAMANI METALS & ALLOYS LIMITED.

(Incorporated under the Indian Companies Act 1913)

AUTHORISED CAPITAL ... ... Rs. 100,00,000

ISSUED CAPITAL ... ... Rs. 40,00,000

divided into 10,000 5½% Cumulative Preference shares of the nominal value of Rs. 10,00,000 and 3,00,000 Ordinary shares of the nominal value of Rs. 30,00,000.

Out of the above issue, the Managing Agents, Directors and their friends have agreed to take up 2,00,000 Ordinary shares of the nominal value of Rs. 20,00,000 and Messrs. Jhamb Brothers & Co., Calcutta, have underwritten the balance of 1,00,000 Ordinary shares of the nominal value of Rs. 10,00,000 and 10,000 5½% Cumulative Preference shares of the nominal value of Rs. 10,00,000 for an underwriting commission of 3%. All these shares have been taken up and no shares remain to be offered to the public.

BOARD OF DIRECTORS:

1. Raj Ratna Ramji Hansraj Kamani (*Ex-officio*) Chairman.
2. Sir N. N. Sircar, Kt., K.C.S.I.
3. Sir Adamjee Hajee Dawood, Kt.
4. Sir Chunilal Bhaichand Mehta, Kt.
5. Dawood Hajee Nasser, Esq., J.P. (Hon. Presidency Magistrate).
6. Lala Chhabildas Jhamb.
7. Poonamchand Ramji Kamani, Esq.
8. Girdharlal Hansraj Kamani, Esq. (*Ex-officio*).
9. Bhaichand Gopalji, Esq. (*Ex-officio*).

MANAGING AGENTS:

Messrs. Kamani Brothers, Limited, Bombay.

SOLICITORS:

Messrs. Motichand & Devidas, Nanabhai Lane, Fort, Bombay.

AUDITORS:

Messrs. Sharp & Tannan, Chartered Accountants, Bank of Baroda Building, Apollo Street, Fort, Bombay.

BANKERS:

The Bank of Jaipur Limited, Bombay.
The Bank of India Limited, Bombay.
The National Bank of India Ltd., Bombay.

REGISTERED OFFICE:

Devkaran Nanjee Building, 17-B, Elphinstone Circle, Fort, Bombay.

OBJECTS OF THE COMPANY:

The Company has been formed for the purposes of carrying on all or any of the objects which are set out in the Memorandum and Articles of Association of the Company and in particular to carry on the business of refining and manufacturing all kinds of non-ferrous metals and alloys including Bearing Metals for Railways, Phosphor Bronze, Manganese Bronze, etc., and the manufacture of sheets, strips, foils of brass, copper, lead, aluminium, phosphor bronze, etc., and wires of various Non-ferrous metals. The Company has acquired a well-equipped and up-to-date factory with the land and buildings from Messrs. Kamani Metal Refinery and Metal Industries at Kurla, Bombay.

Before the present war, India's requirements of Non-ferrous metals were very largely met by imports from foreign countries while at the same Non-ferrous metal scrap was exported to Germany, Japan and other countries. Practically all the Bearing metals for Railways, etc., were imported from abroad and there is a very wide scope for the manufacture of the same in India. There is a considerable production of Brass Sheets in India. But even here, the average annual imports for five years before the present war was 16,000 tons of brass sheets worth Rs. 90 lakhs and about 10,000 tons of copper sheets worth about Rs. 60 lakhs. The local production represented about 40% of the requirements of the country in brass sheets before the war and in copper sheets it was very much less. It is estimated that after the war India's requirements will be very much greater, both on account of the rapid industrialisation of the country and due to the higher standard of life of the people. The Non-ferrous Metals Industry is an essential industry and one of the key industries of the country and will occupy a prominent place in the future economy of the country.

Money Markets.

Preference For Liquidity Due To Early Peace Prospects—Recession In All Sections.

BOMBAY, Sept. 10, 1944.

The week under review saw an accentuation of the trends noticed last week. Markets and values are gradually adjusting themselves to the advent of early peace. Share prices have suffered a sharp decline. And we have had the first authentic flight away from bullion. Investors are keeping aloof from all markets. On every side, there is a tendency to realize profits, dispose of holdings and keep cash. The effect of these tendencies on the money market should be obvious. To the already abundant supply of short credits, there is now added a fresh large dose of liquid supplies. The money market is therefore passing through an easy phase, which may well continue until the cold weather makes money more useable or until new trends in foreign trade begin to manifest themselves.

SCHEDULED BANKS

These observations are amply borne out by the statement of the Scheduled Banks for the week ended September 1. Demand liabilities during that week were almost Rs. 9 crores higher at Rs. 593.3 crores, while time liabilities had increased by only Rs. 1.5 crores. Their cash position remained unchanged at Rs. 26 crores, while balances with the Reserve Bank were actually slightly lower at Rs. 99.78 crores. Advances decreasd by Rs. 3.8 crores, the largest decrease in recent weeks for which the reason is probably to be sought in the fact that there is a general disposition in all markets to unload holdings and thereby repay any advances that might have been taken out on the strength of such holdings. From the fact that Scheduled Banks' deposits have increased and advances decreased by Rs. 3.8 crores, the largest decrease same, one may conclude that investments of Scheduled Banks should have been higher by nearly Rs. 14 crores. It is also probable that a good part of this portion was in Treasury Bills, of which a fairly large sum was on offer owing to the borrowings of provincial governments as well as that of the Central Government.

TREASURY BILLS

In the circumstances, it is rather curious that bidding for Central Treasury Bills was not as keen as one might have expected. The total applications came to Rs. 14.57 crores against Rs. 14.53 crores on 29th August. But while tenders at Rs. 99-14-3 were accepted in full, as last week, tenders at Rs. 99-14-0 had to be allotted 38 per cent. against only 30 per cent. last week. The result was that the average rate of accepted tenders was higher by 3 pies, at Re. 0-7-10 per cent. per annum. This is probably to be attributed to the fact that provincial governments are in the market with Treasury Bills, and to the definitely higher yield available on those bills as against Central bills. Ever since July 7, the average rate of accepted tenders on Central Treasury Bills has been fluctuating within the range of a few pies below Re. 0-7-10. In view of the relatively easy tone of the giltedged market, banks are likely to be interested in Treasury Bills for some time more until they can find a more profitable use for money. As it is, the yield on Treasury Bills is stabilized around 8 as. per cent. During this month, maturities equal the offtake from the market. Strictly speaking therefore, there is no net outgo from the market, except what is provided for provincial governments.

RESERVE BANK

The Reserve Bank statement for the week ended 1st September shows Central Government balances at Rs. 139 crores. Since the middle of August, Central Government balances have been unchanged around Rs. 139 crores, although during this period balances held abroad have increased nearly by Rs. 17 crores. In fact, during the week ended September 1, sterling receipts have been over Rs. 10 crores. The slowing of the rate of investment in giltedged may partly account for the steadiness of Central Government deposits with the Reserve Bank, although by other tokens one would expect it to increase. Bank deposits were Rs. 2 crores. In the Issue Department, notes in *active* circulation continue their downward trend mainly because of the transfer of notes to the Banking Department. Rupee coin is again up by a few lakhs at Rs. 14.99 crores.

Marked Recession On All Sections—Stocks Of Jute Goods.

CALCUTTA, Sept. 11.

DRAMATIC developments in the war situation have naturally had a depressing effect on the Calcutta Stock Exchange. The reports about an imminent Roosevelt-Churchill meeting and the news of Allied advance caused heavy selling pressure. Consequently in Wednesday's session prices were marked down by several points. There was no panicky selling the determination of a group of bears caused the setback. Covering at the lower level resulted in a sharp recovery on Thursday, and the steadier tone continued to be in evidence in the early hours of Friday. *Indian Irons* recovered to Rs. 37-14 from Rs. 36-4 and *Steel Corporations* to Rs. 30-10 from Rs. 29-6. But the fears regarding major developments during the week-end brought about fresh selling and a good portion of the ground regained was lost. With the holidays not very far off there is no tendency to enter into any large-scale commitments.

This morning's news about Mr Churchill's arrival in Canada has induced a cautious atmosphere and prices are around Friday's levels at the time of writing.

The Committee of the Calcutta Stock Exchange is proposing to enforce delivery regulations strictly and henceforth deliveries will have to be completed on the third working day.

Cotton shares were very weak following the announcement that there would be a reduction of one anna in the rupee in ceiling prices of all cloth and certain kinds of yarn from September 1. There was, however, some buying in the latter half of the week as it was said that the better class shares would not be very much affected, and that there was prospect of satisfactory dividends. *Cawnpore Textiles* were noted as low as Rs. 12. They recovered to Rs. 12-12. Elgin closed at Rs. 62 after being lower at Rs. 60-8. *New Victoria* were higher by ten annas at Rs. 8.

The recovery noticeable in the coal section last week on the promulgation of a new ordinance authorizing a levy upto Rs. 1-4 per ton was not sustained. In mid-week *Burrakur* dropped five points from the peak level of the previous week to Rs. 38-12. There was a subsequent recovery to Rs. 41-4, but there was again a recession to Rs. 39-14. There is a big drop in *Bengal* to Rs. 600, the recovery to Rs. 615 being only temporary. *Bokaro* and *Rampur* were Rs. 36-4 and *New Beerbhoom* Rs. 33-4.

In the Jute section, the decline in prices has not been so pronounced, there being a feeling that the jute industry would stand to gain in the event of termination of hostilities. Nevertheless, prices were marked lower in sympathy with other sections, *Howrah* being done at Rs. 78 against Rs. 80-12. The close was little better at Rs. 78-12. *Champdany* were steady at Rs. 241-8 and India at Rs. 671. *Megna* were rather weak at Rs. 100, a decline of ten points. *Nuddea* were Rs. 122 and *Presidency* Rs. 10-3.

Engineering shares have been generally lower with *Indian Irons* done down to Rs. 36-4. There was a rise to Rs. 37-12 but there was a setback to Rs. 36-12. *Steel Corporation* were Rs. 29-14 and *Kumardhubi Engineering* Rs. 11-2 .

Sugar shares were quiet with *Balrampore* at Rs. 16-8 and Carew at Rs. 27-4. Transactions in Tea shares were few.

In the Miscellaneous section, *Burma Corporation* were firmer at Rs. 4-11, while *B.I.C.* recovered to Rs. 6 after being lower at Rs. 5-8. *Calcutta Trams* were Rs. 45-10 and *Aluminium Corporation* Rs. 18. Paper shares were also lower, *Titaghur* being Rs. 25-8.

Bank shares have been uninteresting with *Reserve* Bank at Rs. 131. *Bharat Bank* ordinaries were Rs. 111. *United Commercial Bank* have dropped appreciably to Rs. 22 8 premium. It is reported that there will be some delay in the issue of new shares, reported in these columns some weeks back. The necessary sanction for the additional capital of Rs. 2 crores has been obtained but the terms of issue have not yet been decided. Originally it was said that one new share was to be offered to shareholders at par for every share held. There may not be any change in the proportion, but the issue price is not clear.

RAW JUTE

In *loose* jute there has been only small business as mills have been very reserved. Earlier in the week, quotations were at last week's levels but there has been a decline of four annas per maund towards the close.

The *pucca* bales section has been more active but business recorded has been only at a slight discount in rates. Dundee has been a good buyer, *Dundee Daisee* 2|3 being done at Rs.79-8 for November shipment and Rs. 81-8 for December|January shipment. There was inter-baler business in old crop *Lightnings* at Rs. 76-12 per bale and *Firsts* at Rs. 84 per bale. Mill business has been rather poor.

JUTE GOODS

The jute manufactures market has been quiet with business very restricted. It appears that there has been a slowing down in shipments. Mills are free sellers for the forward portions, while second-hand dealers are even offering a discount in rates. In the absence of any tendency on the part of mills to discount rates business has naturally not been possible.

In the heavy goods section quotations are substantially below maximum rates *B Twills* especially quoting Rs. 61-8 for October|December delivery. Some selling by Indian managed mills at lower rates has been reported. There are reports that the Punjab Government has sold large stocks of heavy goods at rates lower than the market rates, and that there is no likelihood of any increase in buying in the near future for either internal consumption or export.

The local stock figures for the month of August do not make impressive showing as the decline is only 5,163 tons over the figures for the previous month. In view of the reports that the steam-driven units were able to work only one week in August it is not clear view of the reports that the steam-driven units were whether the reduction in stocks was due more to the lower output than a higher rate of offtake. There is a decline in *hessian* stocks on military account. Stocks on civil account show a slight increase. Total stocks showed a decrease of 3,000 tons to 69,810 tons. Sacking cloth and bags were 104,286 tons against 105,919 tons.

Following fixation by the Central Government of maximum and minimum prices for raw jute and manufactured jute goods and the Bengal Government's decision to set up machinery to ensure that the scheme should benefit jute growers the Provincial Government has appointed a Jute Prices Admisory Committee with the Commerce Minister, Government of Bengal, as Chairman.



THERE'S DANGER IN FOOD

Cholera is remarkable for the lightning rapidity with which it strikes its victims.

Impure water is the chief source of infection. Flies also carry the germs and contaminate food; in particular they swarm round damaged and over-ripe fruit and vegetables.

Be very careful to keep food covered and eat only what you know to be pure. Always boil drinking-water and unpasturised milk. For additional safety any doctor will readily arrange to have you inoculated, free of cost.

In India, Cholera takes a yearly toll of 98,000. Its chief symptoms are sudden collapse accompanied by acute diarrhoea, vomiting and cramps in the legs and abdomen.

Should these symptoms become apparent in anybody you know, send for a qualified doctor with all possible speed. By so doing, you better the patient's chances of recovery and help to check the spread of the disease.

This warning is issued by the signatories of this advertisement in the interests of Public Health in India.

THE

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***Head Office:*—New Asiatic Building Connaught Circus, NEW DELHI.**

Lucknow Office: LUCKNOW.

A DELHI DIARY

New Delhi is strangely quiet on the subject of the Gandhi-Jinnah talks. "It is too premature to say anything. Let us wait and see what happens" was all the response I got from a "key man" whom I tried to tackle on this delicate subject. It would be neither fair nor right to jump to conclusions, but who can deny that the length of the talks themselves offers a clue? It is evident that the preliminary hurdles have been got over—those very hurdles which on previous occasions had stood in the way of negotiations. That, however, does not mean the negotiations have succeeded or will succeed. Anyway, the secret of the Bombay talks is being kept so well that neither officials nor non-officials in Delhi seem to have any idea of the prospects. One possibility, however, is being actively canvassed in political circles. If the Gandhi-Jinnah talks disclose a definite basis of agreement, it may become necessary for the two leaders to address a joint letter to the Viceroy and ask for further clarification of the Government's policy in the light of these talks. The Viceroy is away in Simla, but if that stage is reached the Viceroy will have to call the two leaders to Delhi for talks. At present, however, everything is so uncertain that one can only hope for the best.

The Finance Member, Sir Jeremy Raisman, looks more of a "mystery man" than ever after his return from England. He is not likely to have an easy time when he faces the Assembly in November, for there is a good deal of disquiet in the public mind about the decisions of the Bretton Woods Conference. Though he was official leader of the Indian delegation Sir Jeremy was tactful enough to keep himself in the background and give full opportunities to the Indian members to have their say. That, however, is not sufficient guarantee for the future. An undertaking has been given that an Indian delegation will shortly proceed to England to discuss the question of sterling balances with His Majesty's Government. If this delegation is to serve the purpose intended, two things are essential. There should be no avoidable delay in sending the delegation, for it is clear that until the problem of sterling balances is satisfactorily settled, India cannot decide on the question of her participation in the International Monetary Fund Scheme. And secondly, the delegation will be worse than useless if the delegation has not in it effective non-official representation. Both these questions are expected to be raised during the ensuing session of the Central Legislature.

Sir Ardeshir Dalal, the new Planning Member, had to face a strong barrage of questions at his first Press Conference on Thursday, but though he had little to add to what he had already said in his public statements, his free and easy manner disarmed his critics. Unfortunately some correspondents seemed more anxious to make speeches of their own than put questions, but on the whole the discussion proved useful. While some correspondents emphasized the need and urgency of a National Government for successfully dealing with economic planning, Sir Ardeshir pleaded that because there was no National Government, they could not afford to stand still. It was their intention, he said, that such work as they were able to do now, should be really helpful to the post-war Government in dealing with these questions. At the conference Sir Ardeshir made a number of important announcements about the work of his Department. One important branch of the Industries and Civil Supplies Department *viz.*, planning and development of industries and the Council of Scientific and Industrial Research will be taken over by him on Monday next. This is a useful beginning, for as has often been urged in these columns, the haphazard arrangement of Departments and portfolios in the Government of India stands in the way of effective planning and co-ordination. Another announcement made by Sir Ardeshir was that the Government were keen on regionalization and the dispersal of industries as widely as possible subject to such considerations as the availability of natural resources, markets etc. This assurance is significant, for during the last four years the Government themselves have been responsible for concentrating factories in certain areas. Sir Ardeshir also promised to set up a separate policy committee for industries distinct from the present committee for commerce and industry. It is his intention that while questions of policy would be discussed with this committee the planning of different industries would be carried out by a number of panels for different industries or groups of industries. His last important announcement was that in order to solve the personnel question for post-war development the Government of India propose to send a large number of men for training in the near future to the U.K. and the U.S.A.

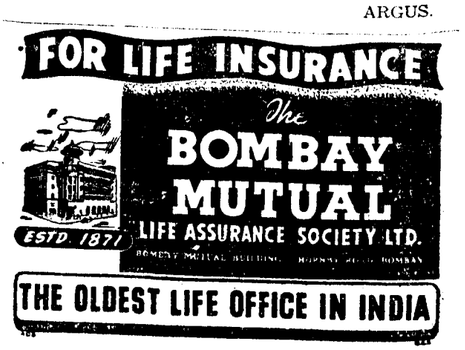
Even New Delhi, in the midst of its worries and anxieties, has its laughs—thanks to a gubernatorial exhibition in a neighbouring province.

A few months ago I was called upon to be a referee for an Inter-University Elocution Contest at a Delhi college. The students who participated in the debate were each in his turn introduced by the Chairman. When it came to the turn of a young man from Agra the entire audience roared with laughter, I could not understand why. There was nothing in the mien or appearance of the youth to explain the merriment of the assembly and so I turned to my brother judge for light. The answer came that Agra had a lunatic asylum, and our young friends, of course, indulged in their flights of imagination and believed that Agra was itself a lunatic asylum. I had forgotten the incident completely. The other day when I read in the papers that Sir Maurice Hallett was weighed in the scales with gold bars and presented with gold by the citizens of Agra, I felt indescribable shame that the citizens of an Indian city could be found to worship the feet of one who had trampled upon the liberties of its people. What hope is there for people who could degrade themselves in this manner and abuse a very ancient and noble idea for such inglorious adulation. And then the incident flashed to my mind. Is Agra bedlam and are its citizens bedlamites?

It would be recalled that the practice of weighing a person's body against gold was a Royal prerogative in the days of the Moghuls who had borrowed it from Persia and that the money was used for charity.

While on this episode one feels tempted to ask a few questions. Where was all this gold? Was it all collected out of the hoards of the people of Agra or did some come from outside? Who gave transport for gold? The Bombay Planners have been apparently very moderate in their expectations of hoarded gold being available for investment. Rs. 50 crores is a flea-bite. If Sir Maurice Hallett can draw Rs. 5.25 lakhs of gold from his loyalist armies, a free India should be able to draw not Rs. 50 crores but three or four times the figure.

ARGUS.



THE BUSINESS WORLD

CO-OPERATIVE DISTRIBUTION IN U.P.

THE scarcity of foodstuffs and other essential commodities which faced the country last year has thrown into sharp relief the problem of equitable distribution. And the widespread prevalence of black-markets and hoarding with consequent hardship to the consumers have brought about a rather belated realization on the part of both the public and the Co-operative Departments that consumers' co-operative stores, if they had stepped into the vacuum in retail trading, left by the disappearance into the black market of goods from the normal trading channels, could have done yeomen service. An example of this belated recognition on the part of the public was the recommendation of the All-India Institute of Co-operation, meeting under the Presidentship of Mr. Haji recently urged which Government to entrust the distribution of controlled commodities etc. to consumer's co-operative stores.

But so far consumers' co-operation has not made much headway in other parts of India except in Madras Presidency. Interesting developments have however taken place in the U.P. where the co-operative institutions were brought into service but no well-planned efforts were made to develop co-operation among the consumers. But it must be said that the bulk which has been handled by the various institutions without much previous experience reflects credit on the men who successfully contributed to alleviating distress and providing many necessary commodities. In this task of distribution even Central Banks were pressed into service and they handled goods worth Rs. 6,21,206 with a consequent profit of Rs. 34,484. The largest business was done by the Co-operative Bank, Ghazipur (4 lakhs) followed by the Roorkie Bank (1.41 lakhs). But despite the readiness they showed when called upon in an emergency to undertake the work of distribution they are not suited for this type of work and hence they have been wisely advised not to participate in this work which can more successfully be done by the marketing unions and even more satisfactorily by the consumers' co-operative stores. The following table shows the quantities of various commodities handled by these institutions.

Description.	Mds.	Value in Rupees
Wheat and wheat products ..	21,027	1,98,977
Other cereals	21,822	2,21,945
Sugar	12,032	1,75,111
Salt	938	4,375
Kerosene oil (gallons) ..	2,696	4,656

The Co-operative marketing societies which are meant for the sale of primary commodities and the cane marketing unions were also made use of and handled large quantities of wheat and wheat products, as would be seen from the following table:—

	mds.	Rs.
Wheat and wheat products ..	52,667	3,80,394
Other cereals	83,890	6,73,170
Sugar	24,529	3,74,118
Salt	43,186	1,41,782
Kerosene (gallons)	28,229	44,504

The co-operative consumers' stores proper did, however, larger business, even though it formed only one-sixth of the whole business of the co-operative institutions in the province and handled goods worth Rs. 12,17,634. Most of these stores (95 in number) were registered during the year 1942-43, thus raising their total number from 31 on 30th June, 1942, to 132 on June, 30, 43. But their accounts and business management in almost all cases is very perfunctory which probably accounts for the low profits earned, for while the goods handled by them were worth Rs. 12,17,634 their profits came to only Rs. 59,741. The co-operative cane marketing unions, for example, on the other hand, made a profit of Rs. 1,33,943 by handling goods worth Rs. 8,37,343, which would even seem to be excessive. And it seems that very few of the consumers' stores will be able to survive in the post-war period. There were registered under the hope that essential commodities would be available through these institutions cheaply and easily while there was scarcity elsewhere. But it would appear that before the introduction of Government control and rationing these stores failed to obtain any preferential treatment which would have put them at an advantage in the distribution of the goods greatly needed and after the introduction of control and rationing "most of them found it unnecessary to make any bandobast of their own." It is a little surprising to find that while societies and institutions which were not designed for the purpose of distribution at all should have been successful while the institutions that would seem to be eminently suited for undertaking this type of work should have fared so badly that many should have been forced, even now when scarcity of all kinds of consumers' goods is yet so marked, to close down.

Co-operative Salary Earners' Societies with a limited clientele also took part in the distribution of these essential goods. They did on the whole extremely well and handled goods of Rs. 4,63,243 in value. But they were, in their very nature, products of an emergency and since the scarcity is no more so acute many of these have already ceased functioning. Some miscellaneous societies also rendered some service in this connection and commodities sold by them amounted in value to Rs. 46,426.

But by far the bulk of these essential commodities was handled by the Co-operative Development and Marketing Federation which was registered in June, 1943. This organization came into existence as a central agency to guide and administer the branches which had sprung up, without any preconceived plan at several places in the province. In 1941-42 there was a great scarcity of wheat and *atta* in Meerut town as a result of the activities of the profiteers. The District Magistrate entrusted the co-operative depots with the distribution of this commodity. This proved a great success, and distribution of wheat also was made over to this body. The successful experience in Meerut led to a branch being established at Bulandshahr in August 1942 when the District Magistrate allotted part of his district quota of sugar to be distributed by the co-operative depot. Three more branches were established at Muzaffarnagar (September 1942), Benares (November 1942) and Azamgarh (December 1942). At present, however, the functions of the Federation comprise both of the co-ordination of the activities of the co-operative marketing unions in the province and the supervision

and control of distribution through its branches. This latter function has been assumed only temporarily because consumers' co-operation in the province is in its infancy and it is proposed that before long it will be possible to separate it and entrust the work to a Provincial Consumers' Societies' Federation. But it may very well be questioned whether it would not have been better in the interest of the development of consumers' co operation in the province that this duplication had not at all been encouraged. A chain of co operative stores throughout the province during the present emergency would have created a fund of good-will which would have served as a distinct asset in the post-war. It appears that the success of the Federation is largely to be attributed to the patronage of district officers, and the Co-operative Department has placed at its service a very large number of Auditors, Inspectors, etc. Both these could and should have been bestowed in equal measure—perhaps even in preference to the Federation—to the consumers' co-operative stores.

At the end of 1942-43 the Federation had five branches and the number of depots run by these branches totalled 54. Of these 37 were interested in the distribution of sugar while 17 dealt with multiple commodities. During 1943-44, four of the branches were closed down, but the total number rose to nine, and the total number of depots has increased to 125. The Meerut branch distributed, within a period of a little over three months, in 1942, wheat|*atta* of over Rs. 5 lakhs. It even initiated limited rationing of sugar to Government employees and institutions in Meerut. During 1942-43 it distributed about Rs. 9 lakhs worth of sugar, over Rs. 2.5 lakhs worth of *atta* and over Rs. 40,000 worth of other grains. The branches at Bulandshahr and Muzaffarnagar distributed sugar worth Rs. 1.70 lakh and Rs. 1.59 lakh respectively during the year. The branch at Benares dealt with sugar worth Rs. 8.78 lakhs and rice and other grains worth Rs. 3.81 lakhs while that at Azamgarh distributed sugar worth Rs. 1 lakh. . In the aggregate, the Federation handled commodities worth Rs. 28,53,934 and made a profit of Rs. 1,15,228-3-4. It has been recommended that Rs. 1 lakh may be placed in the Reserve Fund and the balance in the Development Fund, as no dividends were to be paid because up to the 30th June, 1943, no shares had been subscribed to.

That the various institutions have rendered valuable service is evident from the very fact that they all came into existence in an emergency and continued in work. But what of the future? There is undoubtedly scope for further extension both in respect of area of operation and the commodities dealt in. If, as is suggested, the bottleneck in trained personnel prevented progress, this should have been remedied by an intensive scheme of training. The co-operative movement has relied, in the discharge of its duties in regard to distribution, to a very large extent on the patronage of the authorities. This, coupled with the goodwill created among the public by their adherence to the motto that "co-operation is business run as service," manifested, for instance, through such deeds of the Federation as the sale of three seers of sugar to a rupee instead of at the official rate of Re. 0-5-6 a seer, with a consequent sacrifice of Rs. 17,000, should stand co-operation in good stead in the post-war period. But it would be unduly optimistic to think that the societies would continue in numbers, strength and volume of turnover after the end of the war. Many have struck no deep roots. Called upon under official patronage to do an emergency task, some of them will disappear when the need no longer exists or official patronage lapses. But many will survive. Their survival and strength will depend upon the measures now taken to place the societies on a firm financial and administrative basis. Towards this end the Department can do a great deal by strengthening its inspecting and auditing staff, by continuing the forms of assistance which it has been rendering and above all by better co-ordination between the work of the non-official boards that manage the societies and that of those officials who control and guide their activities.

NOTES

FOREIGN TRADE FUNDS IN 1943-44

A review of our foreign trade figures for 1943-44 would lead to certain interesting, but not always very satisfactory findings. The total foreign trade of British India increased from Rs. 305 crores in 1942-43 to Rs. 329 crores in 1943-44. This recovery, however, is not particularly a matter for rejoicing, because the year 1942-43 was in itself an abnormal year, when due to a variety of reasons—the most important of which were the internal dislocation caused by political strife and the severe shipping shortages—our foreign trade had reached its lowest ebb since the outbreak of the war. On the other hand, it is significant that the 1943-44 level is still appreciaiy lower than any that was touched during the war years before 1942-43. It is also surprising that in the fifth year of war, the value of our foreign trade was only Rs. 8 crores more than what it was in the last pre-war year of 1938-39. It is of course, true that the volue of transactions on Defence account and under lease-lend has been excluded from the above figures, but our point is that given our vast resources in men and material, an adequate policy of creative exploitation would have resulted in a greatly increased volume and value of foreign trade even on private account than has been actually realized. It must also be said that the poor war-time expansion of our foreign trade is in part at least due to the very low priority, which this country's needs have received in the allocation of shipping. An attempt has been made in certain quarters to draw plausible, but misleading conclusions from a superficial presentation of the structural changes in our import as well as export trade. Thus, if the value of raw material imports constituted 54 per cent. of the total imports in 1943-44 as against 47 per cent. in 1942-43 and 29 per cent. in 1941-42, it is well to remember that a major item in this group is mineral oil, which is being imported in large quantities for war purposes and has not much significance as an industrial raw material. Again, if more raw wool is being imported now from Australia, the significance of the imports for our post-war industrial production is limited by the fact that in normal times the Indian woollen industry cannot expect to function on its war-expanded basis of large-scale wool imports from Australia. Similarly, the corresponding decline in importance of the import trade in "articles wholly or mainly manufactured' cannot certainly be taken as an index of progressive industrialization of this country. Thus, among the items, which showed significant declines in 1943-44 as compared with 1942-43, we find that vehicles and paper, paste-board and stationery are listed. From this, it would be obviously wrong to conclude that internal production has supplanted imports to a greater degree in meeting our requirements. As regards the direction of trade, the share of the non-empire countries has slightly increased. On the import side, it has been mainly due to higher receipts presumably of raw cotton from Egypt ond of mineral oil from Iran and Iraq. On the export side, the United States, whose share increased by 12.49 crores over the 1942-43 level, accounted largely for the increased off-take by non-empire countries.

A NEW INDUSTRY FOR THE FRONTIER

It is reported that a fruit-canning factory, the largest of its kind in India and with a capacity of nearly 50,000 cans or 45 tons of fruit per day, has been set up at Nassarpur in the North-West Frontier Province. The factory is run by an experienced private company under the control of the Food Department for meeting the needs of the Defence Services. The national importance and the bright post-war prospects of fruit products industry was discussed in detail in these columns on a previous occasion and there is no doubt that the North-West Frontier Province with its extensive fruit production, offers a particularly suitable field for enterprises of this sort. Provided the industry is developed on progressive lines, there is no reason why it should not bring much-needed prosperity to a particularly poor and economically bockward province and contribute substantially to the health of the nation.

WAR TRANSPORT DEPARTMENT

All importers who are desirous of importing spare parts and accessories for Motor Vehicles from the UNITED KINGDOM, during 1945 are requested to send their applications together with information in the form below to the CONVENER AND SECRETARY, U. K. Spare Parts Advisory Panel, 71, Park Street, Calcutta, so as to reach him on or before the *30th September, 1944.*

Classes.	Value of imports (Please furnish duty paid landed cost.) 1938 Rs.	1939 Rs.	1940 Rs.	Value of proposed indent at factory cost to cover requirements of 1945. (Details to be furnished separately for each class.) £
Proprietary Parts				
Replacement Parts				
Electrical Parts				
Spark Plugs				
Others				
Total ..				

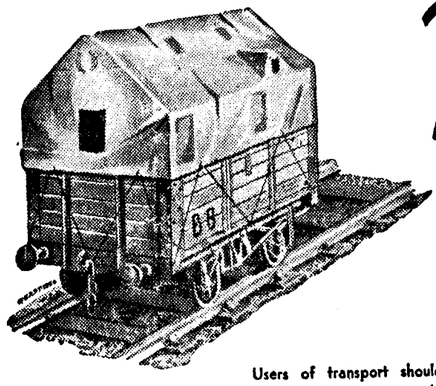
Name and Address of the Applicant.....
.....
.....

2. Applications should be accompanied by regular indents. No application received after the due date and no application received without the information required in para 1 above will be considered.

CONTROLLER OF ROAD TRANSPORT.

New Delhi,
Dated August 1944.
"30—28.8.44—D"

Wagon or warehouse ?



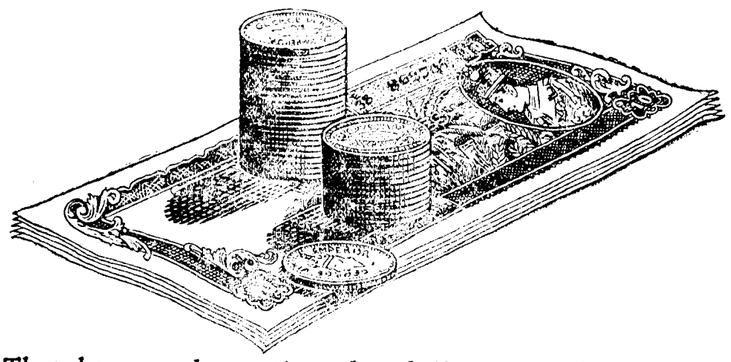
Users of transport should not treat wagons as warehouses. Prompt unloading will send the wagon back where it is most needed.

Help the war effort...

KEEP WAGONS MOVING

B. B. & C. I. RAILWAY

FRIEND OR FOE ?



There has never been a time when thrift was more important, more vital to India's future. During these war days there is a surplus of purchasing power in the country, and by "purchasing power" we mean money, cash, rupees. Thrift can make this surplus a blessed friend—for you and for the nation. Careless spending can turn it into the deadliest of foes—inflation. There is a shortage of goods in wartime India and unless the demand for them is reduced the prices remain high. Control measures have checked the upward trend of prices, but in this fight against inflation we need all the help *you* can give.

Invest wisely: Do not invest in jewels, land, buildings, manufactured goods or commodities. Today's best and safest investments are Insurance, Co-operative Societies, a Savings Bank Account or the Post-Office Savings Bank. Best of all invest in Government Loans or National Savings Certificates.

Every time you go into a shop ask yourself this question. "Do I really need it?" By self-denial now you help keep prices down and the value of money up. And you save money too.

SAVE ALL YOU CAN AND INVEST ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1111

FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, Sept. 8.

The Madras Government are earnestly engaging themselves in post-war reconstruction plans. A Post-war Reconstruction Committee had been constituted with eleven sub-committees to deal with different subjects. Both in the Central Committee and sub-committees, official element is over represented and it is hoped that this will be rectified when new additions are made. Speaking at the inaugural meeting the Governor brushed aside the question of connecting politics with reconstruction plans on the plea that no Government would dismiss away any sensible scheme which was financially sound. The non-official view that was noticeable at the meeting was that unless there was a promise that finance will be made available, there was no purpose in preparing big schemes. It has since been revealed that the Government of India would be allocating a few crores of rupees to this province and according to the Adviser to the Governor in charge of finance, a borrowing of Rs. 60 or Rs. 65 crores was not unreasonable, provided it was spent on paying enterprises.

The non-officials in the province are also making a concerted effort in regard to post-war plans. A conference of industrialists of the province to evolve a scheme of economic planning is being convened shortly. In this connection, the exploitation of the mineral wealth of the province is being urged with almost surprising unanimity. Recently, Dr. M. S. Krishnan of the Geological Department revealed the existence of magnetic iron deposits, the development of which would lead to the establishment of a first-class iron and steel industry in the province.

DEMAND FOR INCREASE IN PADDY PRICES

With the commencement of the agricultural operations in the districts, the agitation for a higher price for paddy has also begun. The landholders desire an increased price so as to bring it to the level in the other provinces. One view appears to be that this is a "ticklish question" as it would once again bring into operation the vicious circle of higher food prices and its attendant evils. However, the question of revising the ceiling prices is now being considered by the Government. While on this, it would be relevant to mention the progress of the Grow More Food campaign. Compared to the acreage in 1938-39, there has been an increase of a million acres under food crops in 1943-44 and an extra yield of 11 lakhs tons of food grains is expected. The tendency to grow commercial crops, according to official circles, has also been arrested. Striking progress has been made with the multiplication of improved paddy seeds and the ryots seem to take to these strains avidly.

The continuous Allied successes in Europe and the consequential early peace prospects with post-war uncertainties created a great slump in the share market. There was distress selling in all the counters without any consideration to intrinsic values. It seemed that the post-war slump had already begun. The announcement regarding the reduction of cloth and yarn ceiling prices followed by the disappointing dividend announcement by the *Bombay Dyeings* imparted an easier tendency to the textile shares of this market and many scrips have been sharply marked down. *Kaleeswarars* declined by 135 points to Rs. 750. Most of the other shares have declined by fifty to seventy points. The Planting section had suffered one of the worst shake-outs during the period. Since the withdrawal of the Rubber Bonus Scheme from August 1, there has been a precipitate fall in share values. To give an example, *Cochin Malabars* declined from Rs. 19-8 to Rs. 13-6. Some of the crop reports of well established companies received during the period have been very encouraging but the market has not been in a mood to take note of such factors. A report is now current that the Bonus Scheme will be restored shortly. Even Bank shares were not free from selling pressure. *Reserves* were down to Rs. 129. *Indians* were lower at Rs. 302-8 x.d. There was some support for *Andhra* Cements and Steel Rollings at the close of last week but that was shortlived. The Government Securities market was easy with 3½ per cent. Paper declining to Rs. 99-4. There was no support from institutional investors. State Loans and Provincial Loans were dull and quotations were fractionally lower.

In order to check the continuous decline in prices in the Share Market and life the market from the highly demoralized state into which it has fallen the Council of Management of the Stock Exchange have fixed minimum prices for leading local Textile Planting and miscellaneous shares which had suffered most. The fixation had heartening effect and buyers appeared for most shares particularly the Mysore Group. In consequence prices have risen substantially. It looks as if the attitude of the market due to the prospect of an early peace has changed now.

Bengal Letter

CALCUTTA, Sept. 9, 1944.

Quite an intriguing situation has developed in Calcutta as a result of the decision of the Calcutta Corporation to take action in the matter of the bad quality of foodstuffs that are being supplied from the ration shops. In view of the harmful effects of such foodstuffs on the health of the citizens the Corporation deems it to be its duty to proceed according to law against those who are responsible for the sale of such foodstuffs. The Corporation, therefore instructed its Health Department to take samples of foodstuffs from the ration shops and after proper examination of the quality of such foodstuffs take necessary action in the matter in terms of the authority enjoyed by it for the protection of the health of its citizens. The Corporation's move in this regard has led to a counter-move on the part of the Bengal Government who have instructed the ration shops not to give samples to the officials of the Corporation. This is an unfortunate decision; for it can only serve the purpose of strengthening the adverse rumours. The health of Bengal should be as much a matter of concern for the Government as for the Corporation and ways and means must be found to redress all legitimate grievances about the quality of foodstuffs.

BENGAL'S NEW WORRIES

Though the rice situation in Bengal is somewhat better than what it was before, Bengal is not wholly free from worries regarding food. Even the price of rice is nowhere less than Rs. 13 per maund which is really above the purchasing capacity of a large section of the people of the province. But the more significant fact is the steady increase in the prices of other essential articles and foodstuffs. Then there is the scarcity of fish quite apart any considerations of taste, in an essential nutritive element in the dietary of a rice-eating population. Prices of vegetables, *dals*, and other requirements of daily life have also gone up to the distress of the average Bengali householder.

THE NATION'S HEALTH

Doctors and chemists play an increasingly important part in the life of the nation. The alleviation of suffering and promotion of public health are the charge of the medical profession, which must be supplied with materials from the pharmaceutical industry and trade.

Patent medicines are compounds on approved prescriptions, on the accuracy and purity of which doctors can absolutely rely.

The resourceful Birla Laboratories are conducted on modern scientific lines. Chemicals and pure indigenous drugs are used to manufacture drugs which are scientifically exact and possess uniform and lasting potency.

In addition to standard injectules, vaccines, etc. Birla Laboratories manufacture a wide range of Biological and Pharmaceutical products some of which are :

- **CASPREN**—This is a caffein and aspirin tablet which disintegrates immediately and banishes any neuralgic pain without affecting the heart or stomach. Available in one anna packets.
- **GASTROSOL**—Banishes gastric troubles, chronic dyspepsia and indigestion.
- **RHINOL-O**—For stuffed-up nose due to colds, nasal catarrh and sneezing.

A complete list of all biological and pharmaceutical products manufactured by Birla Laboratories will be mailed to you free on application.

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8, Royal Exchange Place, Calcutta.
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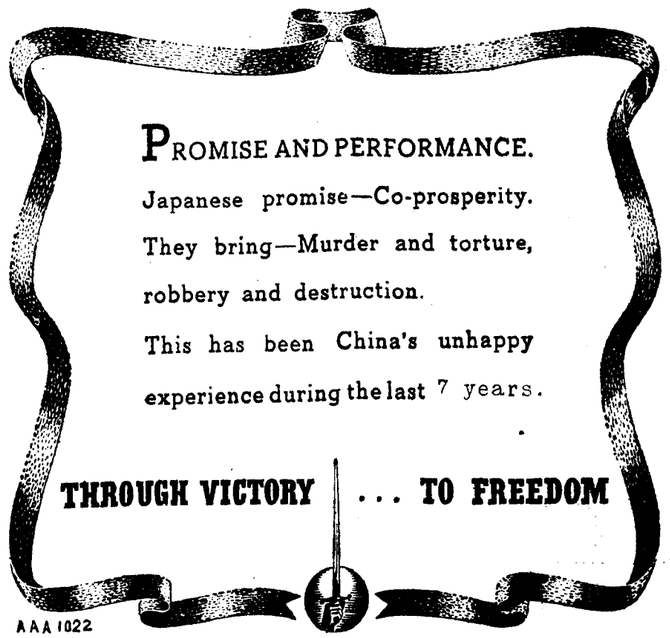
COMMODITY MARKETS

MADRAS Sept. 8.

TANNED KIPS PRICES RAISED

SKINS AND HIDES: Several changes are now to be made in the price schedule of the Ministry of Supply for the purchase of tanned kips in this market. Intimation has been received from New Delhi that the conference between the representatives of the British Ministry of Supply (Leather Control) and of the Southern India Skins and Hides Merchants' Association under the aegis of the Government of India has concluded. As a result of the conference, the Association is required to enter into a "Gentlemen's Agreement" to speed up and increase the production of tanned kips and co-operate with the Government. The price of average tannery lots inclusive of inferiors has been raised from the last schedule of Rs. 1-0-8 to Rs. 1-3-5, in the first instance, from September 1, and will be in force till December 31, 1934, allowing 12½ per cent. increase to hides of 5½ lbs. overage, 20 per cent to 8½ lbs. and 25 per cent. to 10-12 lbs. and inferiors. It has been agreed that this average price be progressively reduced first to Rs. 1-2-6 on January 1, 1945, and thence to Rs. 1-1-0 from April 1, 1945. In order perhaps to facilitate this reduction and increase production and supply, it has been resolved to convene immediately a conference of raw interests. An Advisory Council is also to be constituted with three representatives from the Association, two frou the European interests, one for the Ministry and one India Government Agent, who has been appointed for the purpose of purchasing kips on account of the Government of India on the same terms as the Ministry of Supply. An ordinance embodying the revised schedule and terms is to be issued shortly. Several other points raised at the conference such as buff hides, wattle, bark, etc., have been promised consideration by the Government. The supply of kips during the past fortnight has been poor. How the new scheme will work, it is too soon to say. Tanned skins have been stationary at previous levels. Demand from South Africa for tanned sheep has not been as conspicuous as before. Trade with America in goat skins has been at a standstill pending the announcement of Office of Price Administration's revised schedule, in keeping with the trend of world prices of this commodity and the increased costs of production. Enquiries from America have been good during the period.

GROUNDNUTS: The groundnuts market remained easy during the period and the quotation declined from Rs. 70 to Rs. 67-4-0. Reports about the crop position have been very encouraging with intermittent rains and sunshine and arrivals of the new crop will gain momentum in the next few weeks. All available indications point to the same yield as last year, if not a little more. The British Ministry of Food have been very successfully reducing their prices and during the past fortnight, the price has been reduced from £32-7-6 to £31-17-6 with the possibility of business being done at 5 sh. less. Due to larger arrivals and a falling off in the demand, the price for oil has declined was noticed in the Pollachi market from Malabar in connection with *Onam* due to high prices of coconut oil. There was good demand for cake.



TODAY'S SAFEST YET
MOST EXCITING WAY OF SAVING

GOVERNMENT OF INDIA

Prize Bonds

Prize Bonds are absolutely secure, yet owners have a chance of winning large cash prizes. Rs. 100 can win as much as Rs. 50,000 and the chance to win persists twice a year for the currency of the issue. Meanwhile the capital retains its full value and is repayable at par on or after 15th January, 1949.

You can get either a Rs. 10 or Rs. 100 Bond. There is no limit as to holdings.

Prizes are drawn half-yearly, on 15th January and 15th July. All bonds purchased before the 17th December 1944 will participate in the next draw on the 15th January 1945.

PRIZES ARE

★

All prize money will be free of Income-tax, Super tax, Excess Profits tax and Corporation tax.

★

Each series of 1 lakh pieces of Rs. 100 Bonds		
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 series of 1 lakh pieces		Rs. 1,00,000
Each series of 1 lakh pieces of Rs. 10 Bonds		
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 series of 1 lakh pieces		Rs. 10,000

Available at:—Any Indian Office of the Reserve Bank of India, Imperial Bank of India, Government Treasury in British India or in an Indian State conducting Government of India Treasury Business.

Prizes will be paid at all the above mentioned places and also at sub-Treasuries on or after the 15th August or 15th February following the date of the draw. Every Bond remains eligible for prizes at all drawings up to 15th January 1949. Payment of Prize money of the Rs.10 series will be made in cash; of the Rs. 100 series, half in cash and the balance in Government Loans.

Winning numbers will be published in the Gazette of India and the Press, before 15th August and 15th February following the date of the draw.

ISSUED BY FINANCE DEPARTMENT, GOVERNMENT OF INDIA

AAA 964

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT (Rs. in lakhs)

	1-9-'44	25-8-'44	3-9-'43	1-9-'39	1-9-'44 compared with 1-9-'39
Notes held in the Banking Dept. ..	16.98	18.57	9.56	35.04	— 18.06
In circulation T..	928.28	927.01	756.93	182.13	+746.15
Total Notes ..	945.26	945.58	766.49	217.18	+728.08
A. Gold coin & Bullion* ..	44.41	44.41	44.41	44.41	Nil
Sterling Securities	828.33	828.33	623.81	59.50	+768.83
Total of A ..	872.74	872.74	668.22	103.92	+768.82
B. Rupee coin ..	14.68	15.00	14.90	75.87	— 61.19
Rupee Securities	57.84	57.84	83.36	37.38	+ 20.46
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to Liabilities ..	92.328	92.297	87.18	63.149	+29.179

* Only those held in India, outside India being nil.

BANKING DEPARTMENT (Rs. in lakhs)

	1-9-'44	25-8-'44	3-9-'43	1-9-'39	1-9-'44 compared with 1-9-'39
Cash	17.24	18.83	9.67	35.15	— 17.91
Balances held abroad	258.67	248.79	96.12	10.08	+248.59
Investments ..	11.52	11.51	7.79	6.81	+ 4.71
Bills Discounted:—					
(a) Internal and External ..	..	..	..	..	..
(b) Treasury Bills	7	7	73	1.18	— 1.09
Loans & Advances to Government ..	..	..	1.12	31	— 31
Deposits:—					
(a) All Govts ..	157.27	156.10	18.47	14.89	+142.38
Of which G. of I.	139.00	139.17	4.70	14.89	+124.11
(b) Banks ..	100.75	102.39	77.54	26.91	+ 73.84
(c) Others ..	15.65	7.97	5.98	1.24	+ 14.41

* Including Cash and Short-term Securities.

IMPERIAL BANK

(Rs. in lakhs)

	1-9-'44	25-8-'44	3-9-'43	1-9-'39	1-9-'44 compared with 1-9-'39
Fixed Deposits	232.10	229.94	197.73	87.26	+144.84
Savings Bank, Current and other Accounts ..	133.52	133.63	130.39	51.03	+ 82.59
Govt. Securities ..	3.60	3.60	2.09	9.62	— 6.02
Other Investments	12.31	13.18	11.57	7.66	+ 4.65
Loans	41.35	40.95	21.06	19.76	+ 21.59
Cash Credit Overdrafts	7.65	3.10	3.00	2.95	+ 4.70
Bills Discounted ..	43.41	45.23	39.47	14.69	+ 28.72
Cash in hand, with R.B.I. and Other Banks					

BANK OF ENGLAND

(£ 000)

	6-9-'44	23-8-'44	8-9-'43	30-8-39
Total Bullion ..	1,779	1,773	1,725	263,700
Public Depsits ..	9,300	14,400	14,300	31,100
Other Deposits ..	230,700	258,100	193,600	291,000
Of which Bankers' Deposits ..	171,800	201,900	140,400	90,100
Govt. Securities ..	187,600	203,300	185,000	113,100
Other Securities ..	14,400	25,200	17,600	31,000
Of which Di counts and advances ..	4,000	6,200	2,400	6,400
Notes and Coins ..	52,000	55,700	20,900	34,200
Notes in circulation	1,149,800	1,148,000	980,800	529,500
% of Reserve to Liabilities ..	21.66	20.46	10.07	21.38

TREASURY BILLS SALES 3 MONTHS TENOR

(Rs. '000)

Date of Issue	Amount tendered	Amount accepted	Avearge rate	Interest	Sold in favour of Issue Dept.
June „ ..	30,62,50	30,00,00	0 7 3	..	8,52,50
July „ ..	37,36,75	16,00,00	0 7 9	..	13,76,00
Aug. 4	12,97,00	4,00,00	0 7 9	..	60,00
„ 11	14,91,25	4,00,00	0 7 7	..	3,30,00
„ 18	19,25,00	6,00,00	0 7 9	..	29,700
„ 24	13,32,50	6,00,00	0 7 10		2,05,50
Sept. 1	14,52,50	6,00,00	0 7 7	..	61,25
„ 6	14,57,50	6,00,00	0 7 10		

Tenders are invited for Rs. 6,00,00,000 by the 12th September at Bombay and 11th at other centres.

CLEARING HOUSE RETURNS

(Rs. in Lakhs)

Centres	19433-4	April-July 1944	July 1944	Aug. 1944	1-9-'44
Bombay ..	20,03,21	6,91,78	1,66,47	1,53,30	40,70
Calcutta ..	17,40,12	7,01,92	1,97,65	1,97,27	53,83
Cawnpore ..	1,02,41	37,55	8,05	..	..
Delhi	1,21,08	39,35	9,25	..	..
Karachi ..	1,02,84	38,28	8,32	..	..
Lahore ..	78,82	30,36	8,77	..	..
Madras ..	2,00,02	78,25	15,90	16,59	4,38
Total ..	43,48,50	16,07,49	4,14,49	3,67,16	98,91

U.S. FEDERAL RESERVE BOARD

(million dollars)

	7-9-'44	31-8-'44	9-9-'43	31-9-'43
Resources:				
Total Reserves ..	18,999	19,048	20,375	14,660
Total Bills Discounted ..	105	85	71	(6,190)
Bills bought in cepn market .	..	..	..	(550)
Total U.S. Government Securities	16,030	15,852	9,336	2,426
Liabilities:				
F.R. Notes in actual circulation	19,865	19,695	15,111	4,609
Deposits in Member Bank Reserve Account	13,221	13,132	13,351	10,951
% Total Reserve to Deposit and F.R. Note Liabilities ..	54.0	54.5	68.37	86.9

SCHEDULED BANKS

(Rs. in lakhs)

	1-9-'44	25-8-'44	3-9-'43	1-9-'39	1-9-'44 compared with 1-9-'39
Demand Liabilities in India ..	593,30	584,36	446,40	134,36	+458,94
Time Liabilities in India ..	188 71	187,26	137,20	102,24	+ 86,47
Cash in India ..	26,11	26,03	19,83	6,70	+ 19,41
Balances with Reserve Bank ..	99,78	100,54	76,16	25,17	+ 74,61
Advances in India	202,84	206,67	143,83	101,52	+101,32
Bills discounted in India	9,47	9,11	3,35	3,57	+ 5,90

TREASURY BILLS MATURITIES 3 MONTHS TENOR

(Rs. '000)

Date of maturity	Amount	Date of maturity	Amount
August 1944 ..	16,00,00	October 21 1944 ..	4,00,00
September „ ..	30,00,00	„ 28 „ ..	4,00,00
October „ ..	16,00,00	November 4 „ ..	4,00,00
November „ ..	20,00,00	„ 10 „ ..	4,00,00
October 7 „ ..	4,00,00	„ 18 „ ..	6,00,00
„ 14 „ ..	4,00,00	„ 25 „ ..	6,00,00
		December 1	6,00,00
		„ 8 „ ..	6,00,00

STERLING PURCHASES BY RESERVE BANK OF INDIA

	1943-44	Apl.-July 1944	July 1944	June 1944	July 1943	June 1943
Amount (000£) ..	105,309	32,882	1,24,00	6,824	7,006	6,338

Average rate of purchases remained £0-1-6 all along.

EXCHANGE RATES (T.T.)

(000's omitted)

	Sept. 4, '44.	Aug. 27, '44.
Bombay on London (s.)	1-5 31|32	1-5 31|32
„ „ New York (Rs.)	332 3|4	332 3|4
London on Bombay (s.)	1-6	1-6
on New York ($)	4.02 1|2—4.03 1|2	4.02 1|2—4.03 1|2
New York on London ($)	4.03	4.03

BANK RATES

	Date of last change.	Previous Rate.	Present Rate.
Bombay ..	28th Nov. 1935	3½%	3%
London ..	26th Oct. 1939	3%	3%
U.S.A.—New York	29th Oct. 1942	1%	1%
Fed. Res.	27th Oct. 1942	1½%	1%

B—General

INDIA'S FOREIGN SEA-BORNE TRADE WITH SOME PRINCIPAL COUNTRIES

	IMPORTS from (Rs.)			EXPORTS to (Rs.)		
British Empire:—	May 1944	April 1944	1943-44 (Apl.-Mar.)	May 1944	April 1944	1943-44 (Apl.-Mar.)
United Kingdom	2,93,29,267	3,22,59,519	29,80,37,482	4,05,57,568	4,79,18,565	60,19,11,852
Ceylon	18,55,738	9,76,481	3,59,68,303	1,54,03,343	1,65,51,488	14,35,76,039
Burma	4,58,540	4,09,685	2,52,390	..	..	..
Union of South Africa	25,55,447	24,07,329	2,58,54,141	90,57,823	69,00,257	9,90,42,345
Canada	17,03,051	11,34,034	2,51,93,321	33,17,309	40,39,978	4,92,69,463
Australia	30,75,647	22,22,304	4,92,16,352	1,05,19,541	48,24,284	13,31,23,711
New Zealand	75,435	18	27,52,822	24,85,923	7,74,489	1,89,19,559
Other British Possessions	1,91,57,743	1,75,96,205	13,37,38,071	1,99,29,551	1,79,57,132	13,91,99,281
Total British Empire	5,86,78,303	5,70,06,134	57,01,12,929	10,60,01,061	9,81,36,193	1,28,50,72,280
Foreign Countries:—						
U.S.S.R.	..	..	..	1,2920	..	1,66,428
Turkey (European and Asiatic)	..	..	..	17,11,442	25,12,591	3,31,13,824
Iraq	5,11,517	10,64,550	1,56,63,212	10,65,827	8,30,559	3,88,24,382
Iran	4,29,31,145	3,32,75,433	27,55,70,176	23,74,840	11,39,995	1,71,82,221
China	1,794	612	7,39,971	13,966	16,770	2,29,851
Egypt	2,29,69,523	1,93,67,157	11,18 66,756	28 51,026	33 69,609	2,97,88,049
U.S.A.	4,17,49,917	1,48,37,841	18,39,52,183	4,02,68,054	3,47,72,116	40,28,52,036
South America	..	..	..	72,667	1,57,99,150	6,31,70,083
Other Foreign Countries	39,35,432	7,56,572	23,03,91,016	59 77,853	51,92,419	12,15 92,867
Total Foreign Countries	11,21,32,358	6,93,02,215	61,84,22,314	5,43,35,875	6,39 37,239	70,67,61,624
GRAND TOTAL	17,08,10,661	12,63,08,349	1,18,85,35,243	16,03,36,936	16,20,69,432	1,99,20,36,904

† Export of foreign merchandise excluded.

LEAGUE OF NATIONS STATISTICS
Wholesale Prices and Cost of Living

	(Base I-VI 1939=100) I. N. of wholesale prices		I.N. of cost of living		
Countries	1941 average	latest	1941 Average	Latest figure	
Union of S. Africa	123	154 (1943-xi)	108	125 (1943-xi)	
Egypt	160	291 (1943-xii)	137	255 (1943-xii)	
Canada	123	140 (1944-iii)	112	118 (1944-iii)	
U. S. A.	117	142 (1944-iii)	106†	125 (1944-iii)†	
Argentina	141	199 (1944-i)	106	110 (1944-i)	
Chile	132	199 (1943-x)	133	231 (1943-x)	
Mexico	109	172 (1944-iii)	103	176 (1944-i)	
*China-Manchuria	145	175 (1943-viii)	109	231 (1943-x)	
India (Calcutta)	141	301 (1943-xii)	119	235 (1943-ix)	
Japan (Tokio)	124	147 (1943-xii)	126	143 (1943-ix)	
Germany	105	109 (1944-i)	108	111 (1944-ii)	
Spain	147	191 (1943-xii)	157	170 (1943-xii)	
Ireland	—	—	131	171 (1944-ii)	
U. K.					
Board of Trade	157	169 (1944-ii)			
Statistics	159	173 (1944-i)	129	130 (1944-ii)	
Economist	152	166 (1944-iii)	138	340 (1943-xii)	
Turkey	170	601 (1943-ix)	110	122 (1943-xi)	
Australia	117	138 (1944-i)	—	100 (1943-xii)	
New Zealand	125	149 (1944-i)			

† Bureau of Labour Statistics.
* China-Chungking Cost of Living I. N. 1941=958; 6074 (1943-viii.) months are denoted in Romans.

INDEX NUMBERS OF WHOLESALE PRICES†
(Base: Week ending 19th August 1939=100)

Months	Groups of Commodities	Raw materials	Manufactured articles	Primary Commodities	All commodities	Chief articles of export
December	1942 ..	171.3	221.5	175.6	184.7	171.3
July	1943 ..	182.8	259.5	234.1	229.3	236.8
August	.. ..	183.8	251.8	234.3	233.0	239.5
September	.. ..	181.4	251.3	232.4	236 4	238.3
October	.. ..	184 6	255 8	233.8	240 8	243.5
November	.. ..	189.1	256.9	235.6	240.1	240.7
December	.. ..	189.3	251.8	231.4	235.7	234 6
4th Dec.	.. ..	189 3	250 5	232.1	235.0	235.8
11th ..	.. ..	189.3	252.5	231.9	235.5	234.6
12th ..	.. ..	189 3	252.6	230 2	235 0	233.2
25th ..	.. ..	189.3	251.6	232.2	236.3	234.9

† Published by Economic Adviser to Government of India.

FOOD INDEX (WHOLESALE PRICES)†
(Base: Last week of August 1939=100)

Week ending		Increase or decrease
Average for April	228 8	..
,, ,, May	228.3	—5.5
,, ,, June	232.1	+3.8
,, ,, July	236 9	+4 8
,, ,, August	237.3	+0.4
6th August 1944	238.1	+ 0.7
13th August 1944	239.4	+1 3
19th August 1944	235 9	—3.5
26th August 1944	235 8	—0 1
22nd August 1944	237.3	+1.5

† Issued by the Economic Adviser to the Government of India.

INDIA'S MONTHLY IMPORTS AND EXPORTS
(June 1943 to May 1944)

	Imports.	Exports re-exports including	Balance of Trade
Total for 1943-44 (April to March) ..	118,85,35,243	210,16,55,813	+91,21,20,570
June 1943 ..	8.67,86,167	18,26,37,711	+ 9,58,51,544
July	7.64,95,300	13,82,13,313	+ 6,17,18,013
August ,, ..	9.58 01,938	17,20,20,762	+ 7,62,18,764
September ,, ..	8,92,70,023	14,48 53,322	+ 5,53,83,299
October ,, ..	8.32,90,611	21,00 95,453	+12,68,04,842
November	9.72,16.864	22,90,59,129	+13,18,42,265
December ,, ..	12,74,40,876	12,19,59,349	— 54,81,527
January 1944 ..	11,84,57,893	17,05,83,545	+ 5,21,25,652
February ,, ..	11,72,12,314	23,73,53,630	+12,01,41,316
March ,, ..	12,37,47,734	16,62,09,195	+ 4,24,61,461
April ,, ..	12,63,88,349	16,97,19 073	+ 4,34,10,724
May ,, ..	17,08,10,661	16,20,75,920	— 77,34,741

SUGAR POSITION SEASON 1943-44
(Figures in Tons)

Producing Areas.	Production upto 22-8-44.	Despatches during the period 16-8-1944 to 22-8-44.	Progressive total of dispatches upto 22-8-44.	Percentage of progressive despatches to production.	Physical stock on 22-8-44. as
U. P. ..	7,27,403	14,653	4,18 396	57.5	3,09,037
Bihar ..	2,12,309	3.709	1,37 559	64.6	75,330
Bombay ..	81,684	983	51,730	63.3	29,954
Madras ..	43,240	800	28.679	66.3	14,561
Punjab ..	11,162	351	7,855	70.4	3,307
Bengal ..	13,477	76	9,655	71.6	3,822
N.-W.F.P. ..	6,253	47	4,435	70.9	1,813
Orissa ..	1,690	37	1,163	68.8	527
Indian States ..	1,23,646	2,700	87 631	70 9	35,925
Total ..	12,21,331	22,953	7,47,053	61.2	4,74,311

Balance stock of 1942-43 sugar as on 22.8.44 was 1,981 tons

RAILWAY STATISTICS—CLASS I RAILWAYS
Earnings of 1st April to 31st July)
(In Lakhs of Rs.)

Railway System	Goods	Coaching & others	Total 1944-45	Total 11 days till July 31, 1944	Total 1943-44	1944-45 compared with 1943-44 Amt.	%
B. & A. ..	3.78	3.68	7.44	74	5.46	+1,98	+36.3
B N. ..	3.60	2.01	5.61	46	5.86	— 5	— .88
B. B. & C. I.	3 51	3 37	6 88	58	6.58	+ 32	+ 4.83
E I. ..	7.02	6.14	13.16	1,08	11.28	+1.88	+16.7
G. I. P. ..	5 37	5.21	10.58	'85	10.01	+ 57	+ 5 69
M. & S.M. ..	2 51	2.62	5 12	45	4 50	+ 62	+13.8
N W. ..	5.31	5.81	11.14	98	10 60	+ 54	+ 5.09
O. & T. ..	84	1,19	2.03	19	2 22	— 19	— 8.56
S. I. ..	1.67	1,99	3.66	32	3.18	+ 48	+15.1
Other Rlys.*	14	16	30	2	28	+ 2	+ 7.14
Total ..	33,74	32.18	65,92	5.67	59,75	+6,17	+10.37

* Jodhpur-Hyderabad, Beswada Extension and Dhone-Kurnool.

C—Prices

INDIAN STOCKS AND SHARES

	12-9-1944 Rs. a. p.	5-9-1944 Rs. a. p.		12-9-1944 Rs. a. p.	5-9-1944 Rs. a. p.		12-9-1944 Rs. a. p.	5-9-1944 Rs. a. p.
SECURITIES: Bombay			**TATA SHARES: Bombay**			New India ..	75 12 0	74 0 0
2¾% (1948-52) ..	99 12 0	..	Tata Chemical ..	21 14 0	..	**Lahore**		
3% (1946) Defence	102 4 6	..	,, Oil ..	70 0 0	..	United Commercial	75 0 0*	76 12 0
3½% G.P. Notes	99 4 0	99 8 0	,, Power ..	1,865 0 0	1,892 8 0	Hindustan Com.	54 8 0*	56 0 0
4% (1960-70) ..	112 13 0	..	,, Hydro ..	202 0 0	204 0 0	Bharat Bank ..	105 0 0*	110 0 0†
4½% (1955-60) ..	116 3 0	..	,, Steel Defd.	2,117 8 0	2,042 12 0	New Bank ..	..	37 0 0
5% (1945-50) ..	116 3 0	..	,, ,, Ordy.	387 8 0	384 0 0	Jup. In. Trust ..	..	10 10 0
Calcutta			,, Steel Pref. I	223 12 0	222 0 0	Pun. N. Bank F.P.	..	300 0 0
5% Loan (1945-55)	104 0 0	..	,, ,, ,, II	160 12 0	155 8 0	,, ,, ,, P.P.	..	..
3% Loan (1951-54)	101 1 0	..	**STEEL ENG.: Calcutta**			New Asiatic ..	..	12 10 0
3½% G.P. ..	99 5 0	99 8 0	Bhartya Elec. Steel	..	..	**MISCELLANEOUS: Bombay**		
TEXTILES: Bombay			Indian Iron ..	37 14 0	37 7 0	Ajmere	15 0 0	.. ..
Ahmedabad ..	430 0 0	440 0 0	Steel Corp. ..	30 9 0	31 0 0	Bom. Suburban ..	221 4 0	..
Bombay Dyeing	1,727 8 0	1,741 4 0	Jessop	..	23 3 0	Alcock	441 0 0	440 8 0
Central India ..	382 8 0	378 0 0	Kumardhubi ..	11 4 0	..	B.I.C.	6 0 0	..
Century	760 0 0	785 0 0	**COALS: Calcutta**			Belapur Sugar ..	233 0 6	233 8 0
Colaba	205 0 0	198 0 0	Amalgamated ..	..	44 0 0	Bom. Burma ..	517 8 0	523 12 0
Gokak	294 0 0	287 0 0	Bengal	620 0 0	..	,, ,, New	185 0 0	185 0 0
India Bleaching	163 0 0	182 0 0	South Karanpara	20 12 0	21 6 0	Bom. Steam ..	510 0 0	532 8 0
Kohinoor	561 0 0	561 0 0	Bhalgora	15 14 0	..	,, Tram ..	147 8 0	149 0 0
Phoenix	532 8 0	580 0 0	Burrakur	40 13 0	..	,, Petrol ..	4 4 0	4 4 6
Sholapur	6,270 0 0	6,800 0 0	East India ..	..	33 8 0	Scindia Steam ..	30 4 0	29 8 0
Simplex	328 8 0	323 0 0	Equitable ..	63 0 0	60 12 0	Shivrajpur ..	..	48 0 0
Swadeshi	493 0 0	486 0 0	North Damuda ..	..	..	Andhra Valley ..	1,805 0 0	1,875 0 0
Vishnu	452 8 0	455 0 0	Telcher	9 6 0	9 4 0	Prem. Construction	143 8 0	185 0 0
Calcutta			**SUGAR: Calcutta**			Indian Iron ..	37 8 0	37 12 0
Benares	..	..	Samastipur ..	18 6 0	..	Indian Copper ..	3 1 0	2 15 6
Bengal Nagpur ..	..	..	Champaran ..	45 9 0	42 8 0	Burma Corp. ..	4 8 6	4 8 0
Cawnpore Textile	12 11 0	12 12 0	Samastipur ..	18 60 0	..	Associated Cement	228 12 0	..
Dunbar	..	..	Belsund	16 2 0	15 8 0	**Calcutta**		
Elgin Mills ..	64 12 0	68 12 0	Carew	27 4 0	28 4 0	I.P.P.	208 0 0	205 0 0
Kesoram	..	15 8 0	Murree Brewery	..	..	Orient (ex. div.)	27 3 0	28 12 0
Muir Mill Pref.	..	..	New Savan ..	21 4 0	..	Titaghur ..	26 0 0	25 14 0
New Victoria ..	8 4 0	8 2 0	Cawnpore ..	37 12 0	41 14 0	Dalmia Cement ..	..	..
,, ,, Pref.	9 12 0	..	**Lahore**			Burma Corp. ..	4 11 0	4 8 0
Madras			Gokulnagar ..	..	44 0 0†	Indian Copper ..	3 0 0	2 15 0
Buckingham ..	294 8 0*	..	Jagjit	245 0 0*	..	Consolidated Tin	3 4 0	3 2 0
Bangalore Wool	..	505 0 0	Murree Brewery	..	26 0 0†	**Madras**		
Cambodia	..	..	Jaswant	..	11 13 0†	Andhra Cement	..	120 0 0
Coimbatore Cotton	199 0 0*	..	**Madras**			Bruntons	..	13 12 0
Fankaja	249 0 0*	270 0 0	Mysore	59 4 0*	..	India Steel Roll	..	8 1 0
Sitaram Spg. ..	..	151 0 0	Deccan Big ..	..	39 0 0	Mysore Chem. ..	..	..
Vasantha	265 0 0*	282 8 0	S. India	16 0 0*	..	Mysore Paper ..	..	25 0 0
Madura	..	..	Travancore ..	..	15 4 0	Mettur Chem. ..	115 0 0*	117 14 0
Lahore			**PLANTINGS: Madras**			Spencer	..	14 0 0
Ajudhia Textile ..	..	6 12 0	Cochin Malabar	13 12 0	15 2 0	**Lahore**		
Cawnpore Textile	12 6 0*	13 4 0	Chembra Peaks ..	9 2 0*	10 6 0	Rampur Distillery	14 4 0*	16 6 0
New Victoria Ordy.	8 11 6*	8 8 0	Woodlands ..	..	12 0 0	National Saltpetre	..	3 4 0†
JUTE: Calcutta			Thurbadi ..	3 12 0	4 1 0	N. India Oil ..	..	24 4 0†
Alliance	581 0 0	..	**TEA: Calcutta**			S.G. Paper Mills	..	..
Anglo-India ..	435 0 0	438 0 0	Elenath	41 14 0	43 10 0	Star	..	..
Barnagore ..	209 0 0	208 0 0	Sapa (ex. div.) ..	..	..	**Delhi**		
Champdany ..	242 0 0	239 0 0	Tezpore	..	19 0 0	Appollo	3 11 6	..
Ganges	511 0 0	..	**BANKS & INS.: Bombay**			New Victoria ..	8 3 0	8 3 0
India	675 0 0	..	Central	75 0 0	73 8 0	Raza Textiles ..	76 0 0	73 0 0
Howrah	80 8 0	78 4 0	Imperial F.P. ..	1,972 8 0	1,985 0 0	Ajudhia Textile	..	..
Kamarhatty ..	..	..	Imperial P.P. ..	482 8 0	495 0 0	Gwalior Brewery	25 15 0	..
Kanknarrah ..	539 0 0	536 0 0	India	147 0 0	186 0 0	Delhi Cloth ..	..	111 0 0
Nuddia	..	125 8 0	Reserve	131 0 0	134 0 0	Cawnpore Textile	13 0 0	13 2 0
Presidency ..	10 10 0	10 4 0	Prices marked (†) are for 4-4-1944.			Prices marked (*) are for 11-9-1944.		

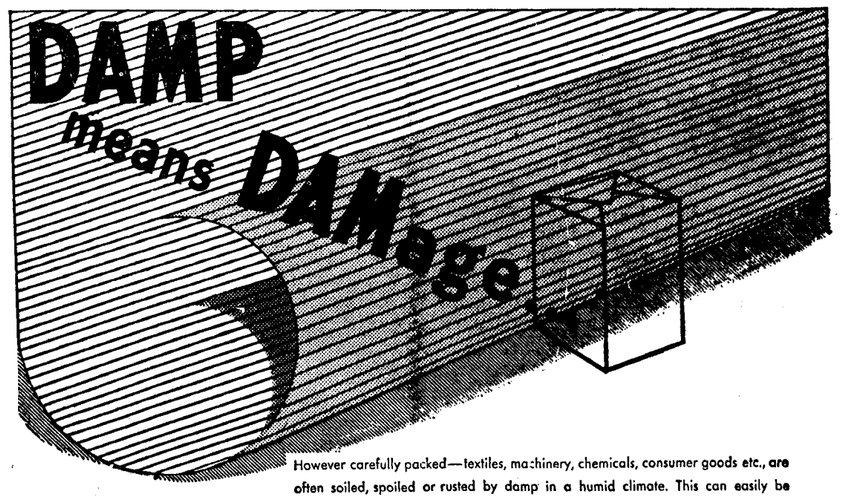
WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity and unit	Quality	Market	Latest Quotations Rs. a. p.
*Rice (per md.)	Basmati Old Sela	Amritsar	21 0 0
	,,		20 0 0
	Common rice	Cawnpore	17 12 0
	Seeta Kalma	Cacutta	..
*Wheat (per md.)	Average	Amritsar	8 4 0
	Average	Lyallpur	..
	Dara	Hapur	9 12 0
	..	Calcutta	10 7 0
*Linseed (per md.)	B. Bold	Bombay	10 9 8
	B. Small	,,	10 3 2
	B. Small	Calcutta	10 4 0
*Mustard (per md.)	Yellow	Cawnpore	13 0 0
Groundnuts (per md.)	Ready Bold	Bombay	11 12 0
	Karnels (Coromandel)	Madras	..
Potatoes (per md.)	Desi	Cawnpore	12 0 0
	Pahari	,,	23 8 0
**Oils (per qr.):		Bombay	
Linseed	Ready		10 10
Castor	Ready	,,	10 12 0
Groundnut	Ready	,,	10 6 0
†Cotton—Raw (per candy)	ICC Sep.	Bombay	401 0 0
†Piecegoods (per yd.)	Long Cloth (Standard qlty.)	,,	1 7 9
†Jute—Raw (per bale of 400 lbs.)	(1) Firsts	Calcutta	85 0 0
	(2) Lightnings	,,	80 0 0
†Bags (per 100 bags)	B. Twills	,,	65 4 0
†Cloth (per 100 yds., Hessian Cloth 8 oz. 10½ oz.		,,	22 2 0
		,,	29 0 0
†Tea (per lb.)	Indian market	,,	0 10 5
†Coffee (per cwt.)	Nilgiri— Peaberry	Bangalore	148 0 0
†Sugar (per md. ex-factory)	First Crystals	Cawnpore	15 6 0

† Indian Trade Journal, 7th Sept. 1944.
* Agricultural Marketing Adviser to G. of India Weekly Bulletin, dated 10th September 1944.
** "Times of India," dated September 12, 1744.

GOLD AND SILVER PRICES

	GOLD (Rs. per fine tola) Spot	Forward	(Rs.) Sovereign	SILVER (Rs. per 100 fine tolas) Spot	Forward
BOMBAY—					
Sept. 5, '44	75 2 0	75 4 0	51 8 0	131 0 0	130 0 0
,, 6, ,,	75 0 0	74 8 0	51 4 0	130 4 0	129 8 0
,, 7, ,,	72 7 0	71 15 0	48 8 0	127 12 0	126 2 0
,, 8, ,,	70 6 0	69 12 0	46 8 0	125 12 0	124 8 0
,, 9, ,,	72 13 0	71 7 0	.. ..	127 6 0	126 6 0
,, 10, ,,	.. ..	.. ..	.. ..	.. ..	.. ..
,, 11, ,,	72 8 0	72 0 0	48 8 0	128 12 0	127 0 0
,, 12, ,,	69 15 0	69 10 0	47 4 0	127 8 0	125 8 0
LONDON— Sept. 12, '44	£8-8-0 (Ready)			23½d.	23½d
NEW YORK— Sept. 12, '44				44¾ cents	



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THE
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Vol. 3 No. 13 NEW DELHI, SEPT. 29, 1944. ONE RUPEE

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Bretton Woods and After

THE attempts made in certain quarters to force a debate on the question of India's joining the International Monetary Fund and the Bank for Reconstruction and Development are, to say the least, a little unwise and premature. The Indian Delegation, official and unofficial, have returned from Bretton Woods; yet beyond the piecemeal reports cabled by *Reuters* and a summary of the texts released by U.S.O.W.I., the country has yet to be supplied with the full text of the constitution of the I.M.F. or the B.R.D. Without it it would be impossible to examine the schemes in all their aspects. We are surprised that Sir Jeremy Raisman, the Head of the Indian Delegation, has not chosen to issue the entire texts of the plans or a full report of the proceedings. Britain was able to publish the full text as early as the second week of August. It would be time enough to argue about India's participation after she has had ample opportunity of acquainting herself with the details of the plans; some of the details which are being retailed piecemeal are not, however, unimportant and may be examined in the meanwhile. For example, whether the initial exchange parity rates are to be fixed at the time of joining the Fund or may be determined in the future is a matter of some account. Mr Shroff in his recent article on the subject has stated that "every member at the time of joining the Fund will intimate to the Fund the initial par value of its currency in terms of gold," and added that the general impression in the Conference was that no important change in the existing rates of exchange of major currencies was expected If true, this is a very serious matter. No amount of elasticity in respect of subsequent revisions can compensate an initially wrong rate of exchange. After the last war Britain took 6½ years after the armistice to fix the parity and yet it was incorrectly fixed. If the sterling-dollar rate is not likely to be altered, that by itself does not constitute sufficient justification for our accepting the present rupee-sterling rate. In an article in one of our recent issues the case for a much lower rate of rupee-sterling exchange was argued. Without necessarily agreeing with the view that the rupee should be fixed at one shilling as was argued by the writer, one can certainly say that some devaluation is definitely indicated. We should have a more precise idea of the terms on which we may join the Fund than has been yet indicated to us; for everything depends on the accuracy with which initial exchange parities are fixed.

Again it is essential that we should have a sense of perspective and comprehension of the realities of our present condition. No national vanity, we hope, will be wounded if we point out that to the success

of the Fund and the Bank the attitude of the U.S.A., Britain and Russia is most vital. Until that attitude is more clearly defined it would be a useless waste of energy on India's part to express herself in favour of the schemes. The Bretton Woods Conference was, as a conference, a great success. The delegates assembled there agreed on the fundamental principles of the Fund and the Bank. But how far the Governments of the delegate countries would ratify the agreement remains doubtful. The United States, now in the thick of an election campaign, is unlikely to find time to consider the matter before next spring. As pointed out by our Washington correspondent in another page, important sections of opinion think that the Bretton Woods Conference has put the cart before the horse. In Britain opposition to the Fund is being vigorously canvassed and Mr Robert Boothby, Chairman of the Parliamentary Currency Committee is at the head of a campaign to stop the Bretton Woods "racket": Soviet Russia's attitude is always an incalculable and uncertain factor and it would be rash to base any policy on its intended action. France and China at the present moment are far from being in a condition to frame any permanent international policies—their internal problems being far more intractable and in a state of flux. In these circumstances ordinary prudence demands caution and circumspection before arriving at hasty and ill-considered decisions. *The Economist* (London) after examining the case for and against ratification of the agreements concludes in the following terms: "He is a fortunate man who can reach a definite conclusion in so difficult a dilemma" and in another place: "The only possible course for us is for *as long as possible* neither to accept nor reject."

The time between now and December 21, 1945, when India will have to take her final decision may profitably be spent in a careful and thorough examination of the provisions of the constitution of the Fund and the Bank. They will amply repay study. In our absorption with the questions of sterling balances and the quota, there is danger that some of the vital and significant details may suffer neglect. We cannot of course afford to compromise on the question of a permanent seat on the Executive, and in this connection we would recall the assurance of Sir A. Ramaswamy Mudaliar that the Government of India would fight for it. There is nothing to prevent an increase in the non-elective seats from 5 to 6, though why India should occupy a place inferior to China is incomprehensible except on political grounds. Reports to hand of the proceedings of the conference show that politics were largely the determining factor in the assignment of quotas, and the increase of the total subscriptions to the Fund from $8 billion to $8.8 billions was partly to satisfy the demands of certain countries politically important.

Some of the more significant changes adopted at the Bretton Woods Conference deserve to be widely noted. Subscription to the Fund is payable in gold to the extent of either 25 per cent. of a member's quota or 10 per cent. of its net official holdings of gold and *dollars*, and the par value of the currency of each member shall be expressed in terms of gold as a common denominator or *in terms of U.S. dollar of the weight and fineness in effect on July* 1, 1944 (italics ours). The significance of this cannot be missed. It explains the British opposition to the scheme. The future monetary standard of the world is sought to be made a dollar exchange standard, and the freedom to vary within limits the rates of exchange does not affect the essential nature of the standard which belongs to the same species as the gold standard. Penalties for unauthorized changes in par value have been provided. Not enough attention has been given to two other important features of the Fund scheme. Each borrowing member must pay the Fund a ¼ per cent. service fee, after 3 months half per cent., after 3 years 2 per cent., and so on at the rate of an additional one-half per cent. for each subsequent year. If a nation's borrowings reach more than 25 per cent. of its original quota the interest rates jump ½ per cent.; on borrowings over 50 per cent., another half per cent. etc. Thus large or prolonged borrowing soon becomes too expensive to continue. From these charges which go into the general income of the Fund, 2 per cent. per annum is payable to the surplus countries on the amounts of their currencies provided to deficit countries. Again to increase the power of the nations whose currency is being borrowed from the Fund, every borrower loses one vote for every $400,000 it borrows; the nation whose currency is lent gets that vote instead. If, e.g., India borrows $100 million from the Fund, she will lose 250 of her 4,250 votes to America. India can borrow in a year 25 per cent. of 400 million dollars i.e., 100 million dollars while the maximum up to which she can be in debt is 800 million dollars, representing 200 per cent. of the 400 million dollars which is her quota. Whether these amounts will be sufficient for India's trade deficits no one can definitely predict. But the Fund is not intended to save a country completely from its difficulties. At best it is merely a shock absorber for a temporary period of time. Another point in which India should be interested is the provision that gold belonging to the member countries will be deposited in one or other of the five countries having the largest quota. It means that India's gold might be in Moscow, Chungking or Paris, not to speak of London and New York. This again will not be acceptable to her. The head quarters of the Fund and the Bank are to be in the U.S.A.

It has been said that India should join the Fund if only to avail herself of the facilities for long-term credit which the International Bank will be able to provide. It is therefore necessary to examine its provisions in some detail. The objects of the Bank are to assist in the reconstruction and development of countries damaged by war and to promote private foreign investment for the economic development of the borrowing countries. In ordinary operations the Bank will guarantee loans floated privately. The proposed capital of the Bank is $10 billion and of this a large tranche—about 80 per cent.—will be set aside to guarantee such loans. The remaining 20 per cent. only will be applied to direct loans. Membership is open only to members of the Fund and original members will be those who join before December 31, 1945. Only 20 per cent. of the capital will be paid-up and members will not be called upon to pay the unpaid balances except when necessary to pay the lenders of the defaulted loan. Each borrower will have to pay a service fee of 1 to 1.5 per cent. on the unpaid balance of his borrowings. The commission charged by the Bank will amount to such a sum that the Bank will be in a position to make good one of every four loans which is the percentage of defaulted loans between the wars. Loans are subject to very careful scrutiny; the Bank will lend only for specific projects which promise to be productive and on the assurance of ability to repay and the loans will be paid out only as work is completed. Again the Bank would make no loans or investments that could be secured from private investors on reasonable terms. Before a loan is sanctioned it will be subjected to a careful scrutiny by a committee regarding its merits and the Bank will make arrangements to assure that the Funds are used only for the purpose for which the loan was granted. Since the U.S.A. will in any event have to supply most of the post-war loans the effect of the provision will be "to make the rest of the world foot the bill for over 65 per cent. of the losses if any." But it is open to question whether it is a satisfactory arrangement to provide for commission at the highest possible rate to cover defaults.

If India is to rest any hope on this new institution she must be politically free; and also secure a permanent seat on the Executive. Unless these conditions are fulfilled it is doubtful if she would be able to derive substantial advantages from joining the Bank. On the other hand on account of her political subordination, difficulties may be placed in the way of her securing loans, and the result of her membership would only be to bring home her dependence in a poignant manner. Of course there is always the right to withdraw from the Fund and the Bank. Indeed the best part of the scheme is the provision for withdrawal. But why join without a full awareness of all the implications of membership, its advantages and disadvantages?

Exchange Policy and Planned Economy

EVEN those who with Professor Hayek, regard exchange control as the most vicious and unmistakable symbol of the totalitarian economy, cannot fail to be impressed by the fact that at no time from 1931 to 1939, except for limited parts of 1935 and 1936, were abandonments or abatements of exchange control as important in the aggregate as new introductions or extensions thereof. Indeed in spite of the clear-cut doctrine about the advantages of international specialization such as are professedly secured by a common stable money, as amongst nations, the trend towards a widespread adoption of the technique of exchange control, in spite of its administrative burden and inconveniences has been so sustained and continuous that it can hardly be regarded as a fortuitous event and not as the result of sustained pressure of deep-lying economic factors. It is true that the trend has been more pronounced during abnormal periods of financial crisis, but what is even more significant is the fact that during the war when the maximum utilization of national resources is the first consideration, recognition of the necessity of exchange control has also been universal. If exchange control and maximum utilization of national resources are not regarded as incompatible in an economy geared to war requirements, and if indeed the former is regarded as an essential adjunct for the latter, it would naturally require some explaining why in peace economy the "diseconomies of exchange control" in the shape of the foregoing of the advantages of 'comparative costs'—would necessarily stand in the way of maximum utilization of national resources. It is hardly to be wondered at that even Professor Viner had to agree that "if national economic planning on a comprehensive scale and involving direct regulation of internal trade persists, we may be sure that exchange control will persist, unless it gives way to outright state monopoly of foreign trade."

However, while it is generally recognized that in a planned economy exchange control would be an essential adjunct unless we could count on specially favourable circumstances which did not exist in any adequate measure during the inter-war period, it is often found puzzling that the exchange policy which is generally regarded as advantageous in a planned economy, is often not so regarded in an unplanned economy. Thus, in a 'free' economy, if a preference has to be made, the general bias is to secure an undervaluation of one's own currency rather than an overvaluation in terms of foreign currencies and the characteristic exchange gesture when the various national economic interests are not fully accommodated with one another, takes the form of competitive currency depreciation. On the contrary, Germany which after the Great Depression had gradually elaborated an intricate exchange control machinery, invariably preferred to have the mark as over-valued as possible especially in the Balkans, where she enjoyed economic primacy. For thereby she was enabled to buy as cheaply as possible in foreign markets and sell dear in terms of her own currency. In other words, by over-valuing the mark, Germany had to pay less for its imports in terms of domestic goods and services while at the same time it could sell its own goods abroad at a higher price. In short, by over-valuing the mark, Germany obtained better terms of trade. What then are the characteristic differences between the free economy and the planned economy that while the latter might prefer an over-valued currency, the latter would often prefer to depreciate the currency, even though this means worse and worse terms of trade?

When a planned economy starts on an expansionist career, it is faced with urgent problems of securing external finance which would enable it to import the natural resources and special equipments which it cannot procure from domestic resources. Obviously this means that the country must strive to secure not only as much foreign resources as possible at least real cost, but also must be able to convert those resources into necessary imports at the most advantageous rate of exchange. If the national currency is over-valued, then the country concerned could secure any quantum of import in return for a smaller quantum of exports. If now this quantum of import is sufficient for the tempo of economic development which it envisages, the advantageous terms of trade which the country has been able to secure, would be a matter of satisfaction from its national point of view. But if the quantum of import is not sufficient, the country has several courses open to it. The exchange rate defines a general and homogeneous price level for imports and exports in relation to each other. If there is no intention to break up this general and homogeneous price-level, policy may indicate a depreciation of the exchange up to a point. The elasticity of foreign demand for the country's exports may be such that the depreciation of the exchange up to a point would tend to increase the value of exports more than the consequent adverse turn in the terms of trade. The adverse turn in the terms of trade measures the increase in the "real" cost of obtaining the increased quantum of resources from abroad. The ability to import this increased quantum of resources should enable the country to secure a higher tempo of development and a multiple increase in national income. As long as this increased "real" cost of imports is balanced by the multiple increase in national income, a net gain can be secured by depreciation of the currency.

But there is always a rigid limit to what could be secured by currency depreciation, for the increased share of the country in the world's export trade could only be at the expense of other countries who would not be slow to take effective measures. And it is found that the general elasticities of demand of *all*

exports and *all* imports are such as do not allow much leverage for such policies. Germany, therefore, devised and perfected a system of multiple exchange rates. The general homogeneous exchange rate was broken up into special rates for special purposes to take advantage of differential elasticities of demands on the principle of discriminating monopolies. The objective again is to secure maximum foreign resources at minimum real cost, having regard to the higher rate of increase of national income which is made possible by the ability to secure a larger import. The increase in 'real' cost of imports is weighed against increase in national income which is made possible.

If a high tempo of economic development is envisaged and the domestic resources of the country concerned do not allow a more or lesser degree of autonomous and self-sufficient growth, even this twin exchange policy of depreciation and multiple rates, might not be enough and it may have to envisage rigorous economy of foreign exchange resources. It may thus have to resort to systematic appropriate use of synthetic products and exploitation of lower grade resources. But this means increased real cost and as the process is extended, the real cost of obtaining thus the necessary raw materials, etc., from domestic resources will continually rise at first gradually and then more steeply. The use of synthetic products and low-grade resources would be profitable up to that point at which the extra real cost of obtaining raw materials, etc., thus from domestic resources just balances the extra national income which the country is able to produce by such economizing of foreign exchange resources.

These then constitute the triple prongs of a co-ordinated exchange policy which a country which is not self-sufficient and is not able to count on an adequate supply of foreign resources by the normal course of international trade and investment, finds itself obliged to resort to. From the point of view of the world as a whole, a system of international co-operation and specialization whereby the resources of the richer countries are easily available for the benefit of the comparatively poorer countries, would mean a more economical utilization of the world's resources. But in a world in which international purchasing power and resources are not distributed in general consonance with regional requirements, individual countries desirous of achieving a higher rate of economic development than is allowed by the general rate of development of the world as a whole, would be forced to adopt such exchange policies as an instrument of national economic interests. If the choice is between obtaining a rapid rate of economic development at a proportionately higher 'real' cost on the one hand, and of securing economic development at a lower 'real' cost level which obtains internationally, but at the same time at a slower time rate, on the other hand, many countries would prefer the former. The comparative advantages which may be squeezed through a well-co-ordinated exchange policy would necessarily be smaller for the smaller countries. But unless these countries are assured of effective access to world resources in the course of their tasks of a programmed rate of economic development, they might still feel tempted to resort to exchange policies which have the effect of fragmenting the world economy.

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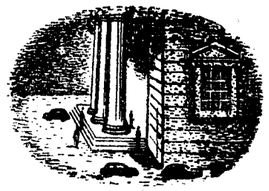
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The Week's Notes

BLIND LEADING THE BLIND

The B.B.C. talk on Indian agriculture, broadcast on September 18, was a disappointing affair. Mr. Wickam Steed, a jack of many trades, is certainly no master of our agricultural problems. But, surely, the other two speakers, Sir John Russell, a very eminent practical agricultural scientist, who has produced a Report on the work of the Imperial Council of Agricultural Research, and Sir Malcolm Darling, a retired civilian, who has seen long years of service in the Punjab, might have given a more satisfactory account of themselves. As it was, the discussion was superficial, inconclusive, unhelpful and, in places, basically wrong and misleading. Take, for instance, their first two "conclusions" that "the landlord must either do his job or make way for the peasant" and that "where holdings are badly fragmented they should be consolidated." What is there revealing in these truisms, which have been repeated in every text book on Indian agriculture and dinned into undergraduate ears? And, how is one more repetition on the ether going to be helpful in deciding the complex questions of land tenure and tenancy and of inheritance laws? Again, Sir John Russell was not able to say definitely whether or not collective farming has been successful in Russia. At one place, he said it was and in another that "it is not clear that there has been any increase in yield per acre of grain." As to the suitability or otherwise of collectivisation to Indian conditions, he was more decisive and answered in the ngative, his grounds being that by economising labour collective farming would induce a greater degree of unemployment and it would also go against the grain of the Indian peasant, "who is much too attached to his land to give it up." The first reason is entitled to greater validity than the second. To such of us as are aware of the progressive lapsing of land to non-cultivating classes, the emphasis on the too much advertised attachment of the peasant to his land comes with a hard jar of unreality. At any rate, the tendency to raise intangible sociological generalizations to the objective level of concrete facts cannot be too strongly deprecated.

HAVE WE ENOUGH FOOD

These, however are relatively minor matters. Where we disagree most profoundly with the speakers is when they conclude, in the words of Sir John Russell, that "it is possible that sufficient calories are produced in India" and, to quote Sir Malcolm Darling, that "what is deficient in Indian diet is quality rather than quantity." Such statements are facile assumptions, contrary to facts and, what is worse, are likely to influence certain quarters, who are only too ready, for reasons of their own, to take a too optimistic view of the food situation in this country. The Indian diet is, of course, notoriously ill-balanced and lacking in protective foods. But, overshadowing this condition of malnutrition is the even more alarming state of under-nutrition, which is endemic among the people of this country. Let Dr. Aykroyd testify: "The author's estimate (of the proportion of population which is underfed in normal times) is 30 per cent. .....The degree of under-nutrition is naturally not uniform, either in time or place.....But, by and large, there is no doubt that a high percentage of the population does not get *enough* to eat, and this is a fundamental fact which all concerned with the task of improving the diet of the Indian people must realize. 'Enough food' takes precedence over 'the right kind of food.'" It is surprising that the B.B.C. speakers were so shockingly ill-informed regarding such a vital aspect of their talk. Sir John Russell also made another statement, which again was far too wide of the mark. He claimed that "the production of food crops has increased rather more rapidly than population." We do not find this to be so. During 1920-21|1929-30, the area under all the foodgrains (including miscellaneous food crops and pulses) was, on an average, 236 million acres, the corresponding figure for the period 1930-31|1937-38 being 248 million acres. This increase of 12 million acres over a period of some twenty years, during which population has increased from 306 millions to 389 millions does not certainly warrant the statement that food production has kept pace with population, even apart from the fact that large masses of the Indian people were underfed in 1920-21 and are underfed now. As for the increase in food production in recent years, the figures publicised in connection with the "Grow More Food" campaign are obviously to be taken with a grain of salt and even if there has really been some increase, it is to be remembered that such increase is the result of an artificial and hastily improvised make-shift emergency campaign and not of a planned policy of agricultural development and cannot, therefore, have relevance when long-term tendencies are to be appraised.

MR. CASEY AGAIN

Speaking again over the radio, Mr. Casey, the Governor of Bengal, struck a note of optimism. Apart from his indiscreet reference to meddling and ignorant outsiders, even his presentation of salient facts of the Bengal food situation has not gone without criticism and at least one person in a responsible position who ought to know the actual situation and is no outsider, was impelled to make the hazardous guess that many facts have been suppressed and only cooked figures are placed before His Excellency. Certainly it must be a big claim for His Excellency to suggest that in the year immediately following the biggest famine in the history of Bengal, or as a matter of fact of India, "the extent of distress approaching destitution is not sufficient to cause serious concern—nor it is likely to overstrain the Government organization which is now fully equipped to deal with it on a much larger scale." In a neighbouring province when the epidemic was killing off a few lakhs of people, the head of the administration could describe the situation as "disturbing but not alarming." Apparently not all disturbances can cause alarm or even concern in all quarters. But the food situation in Bengal, as elsewhere, has to be measured in the background of the famine last year which has left the masses with impaired economic strength and vitality so that even a comparatively better technical situation may create worse havoc. Few feel re-assured by Mr. Casey's assurance that "every one knows that the Government now holds large and growing stocks," for many also know that these stocks cannot influence the situation unless they move in proper time to proper places. At least a part of the stocks which the Government holds are in various stages of decomposition and unedibility—and a grievous danger to public health. The *aus* harvest has been "not so very good," though partly compensated by a larger acreage and the coming *aman* crop which is the decisive factor in considering our prospects for 1945, gives ground for only modest hope. It is not very consoling to know that only today the "Government is in course of approaching" the tea gardens, zemindari companies, railways, collieries, district boards, local bodies and other organizations owning or occupying large areas of land, "asking that they should exert themselves to the utmost in respect of the full 100 per cent. use of the land under their control for the growing of food crops." Prices have no doubt come down from the fantastic levels obtaining last year, but things are not wholly without disquieting features in many regions. Many eminent medical authorities fear that the next two months may see a serious deterioration in the public health position. And we must never forget that when after the end of the war in Europe, the centre of gravity shifts to the east, it may place, (unless the United Nations take special care to prevent this), just that additional quantum of strain on Bengal which could topple her over again. The food situation in Bengal cannot be seen in isolation from either the world situation, particularly with regard to shipping or the Indian food situation as a whole. The Food Member told us that India would be importing 8 lakh tons of foodgrains (as against 15 lakh tons recommended by the Gregory Committee) by this week. The Food Member owes it to the public to give out how much have actually arrived.

NO FAMINE-STRICKEN EUROPE?

Germany lay sprawling over the entire continent of Europe like a giant octopus for over four years and all the resources of Europe had been regimented to serve the massive requirements of her totalitarian war economy. Certainly during this period of occupation, there has gone on a spoliation of the occupied countries on an unprecedented scale through overt or covert measures, and especially, a large fraction of the industrial wealth of these countries has passed to direct German ownership and control. But it must be said that Germany proceeded to harness the resources of Europe with thoroughness and efficiency and laboured under no inhibitions such as prevented the Government of India from developing the full war potential of the country. In the agricultural sphere, the usual picture has been of an impoverished and famine-stricken Europe for the post-liberation relief of which vast stocks of food had to be accumulated by the Allies, while the famine in India could be more or less ignored. In Italy itself, the liberating Allies found agriculture in a rather bad state. But in liberated France which had the benefit of more direct German organization, evidences so far forthcoming hardly suggest a famine-stricken continent. When the Allied armies landed in France, they were agreeably surprised to find an abundance of food in Normandy. Normandy was, of course, normally a predominantly agricultural province with a surplus of food. But even farther inland there was no evidence of shortage, although France had to maintain a large army of occupation. In Belgium, the food situation was, if possible, even better than in France. The common housewife's larder was far from being bare, and the Allied armies themselves were eager to exchange fresh food from the Belgian people for their own tinned ration. No doubt, the productive capacity of the continent has been labouring under considerable strains imposed by total war, and especially by Allied bombings. But within those well-understood limitations, Germany took all pains to ensure the maximum utilization of the industrial and agricultural resources of the continent. In South-east Europe, in particular, agriculture had been re-oriented under a co-ordinated crop plan, but agricultural production as a whole—especially food supply—has been stepped up rather than deliberately ruined. Germany did her best for organization to maximum advantage of the agricultural production in the scorched and denuded Ukrainian fields left behind by the retreating Russians. The agricultural situation on the continent at the end of this war is likely to be much better than it was at the end of the last war. The real danger would rather lie in the disorganization consequent on the shifting of population across the continent on an unprecedented scale and particularly in the possible large-scale dislocation in the food-deficient industrial areas such as might ensue in the interregnum of chaos after the war.

THE COST OF THE WAR

Although the real cost of the war can hardly be adequately measured by the financial effort involved, nevertheless the magnitude of the cost of the present war as compared with the last can be seen from the following figures:—

(In £ million)

	Last war (1)	Present war cost up to 1943-44 (2)	Ratio of 2 to 1 (3)
U.S.A. ..	7,435	48,282	6.5
U.K. ..	9,002	18,236	2.0
Canada ..	5.2	2,844	5.4
Australia ..	331	1,342	4.1
S. Africa ..	29	333	11.5
India ..	212	596	2.8

The total cost of the last war has been estimated at £42,840 million, of which Britain's share was 21.4 per cent. In the present war it will be noticed, the war expenditure of Britain has grown in a smaller proportion than that of every other country, while of the total cost of the above-mentioned countries, *i.e.*, £71,613 million Britain has contributed about 25 per cent. America's share in the cost is 2-2|3 times as much as that of Britain and exceeds already the entire cost of the last war. India's part is an underestimate not only because of the exclusion of Allied expenditure in India from the figures, but also because in this country of the smallest margins above subsistence, the present financial effort has entailed a much greater real effort, whereas in the other countries where living standards permit of a considerable degree of tightening of the belt without detriment to efficient waging of the war the financial cost overstates rather than understates the real cost of the effort.

BRITISH SOCIAL SECURITY

The White Paper on social security dispels the misgivings which regarded the Beveridge Plan as shelved. From the summary report available it appears that the British Government has almost wholly accepted the Plan. The few differences are not substantial and are in certain respects improvements while in others fall short of the original plan. There were three basic assumptions in the Beveridge Plan; allowances for children, comprehensive health services and full employment. The White Paper fulfils the first two while the third by its very nature is a larger problem deserving separate treatment and can not be included in a social security plan. The children's allowances are to be 5s. per week, for every child, as against 8s. in the Beveridge Plan, except for the eldest who is entitled to receive only when the parents are not gainfully occupied. But the Government intends to extend services and benefits in kind which will make up for the reduction, although the precise nature of these benefits is not mentioned. This change may detract to some extent from the object

of such allowances in Britain to prevent the methods rate. There are provisions for free health services re-ab and compulsory training and training centres after a prolonged period of unemployment. The basis behind the broad assumption. The rates of benefit for unemployment, 40s. for married couple and 24 for single, the same rates for sickness, widows benefits of 40s. for 13 weeks and maternity benefits are the same as in the Beveridge Plan. There is a more compassionate consideration for a permanent condition of widowhood and 20s. a week has been provided for while the Beveridge Plan provided for such benefits only during a training period for some new occupation. One important improvement over the Beveridge Plan is in respect of retirement pensions. Beveridge Plan basing itself on actuarial calculation and realizing that contributions would be inadequate for many years for a minimum rate of 40s. proposed a rising scale starting at 24s. a week and reaching 40s. in 20 years. The Government has accepted a fixed benefit of 35s. for married and 20s. for single persons from the very start. Other improvements are the provision of 21s. for orphans and a death grant of £20. There have been some changes in the scheme of contributions. While the maximum beneficiaries' contribution in Beveridge Plan was 4s. 3d. and minimum 1s. 6d. per week, it is now 4s. 2d. and 1s. 10d. respectively. This means an increased contribution from the younger people, with corresponding obligation on the employers. But more important than the bases of contribution is the vastly increased sphere of benefits in kind which the state is going to undertake. Although a pretence to its being self-supporting after some years is kept up, it is obvious that an important part of the cost of the scheme is to be met by the tax-payer. The assumption of a surplus national economy to meet all these heavy charges is implicit in the scheme, and for India with its poverty and undeveloped resources any such comprehensive and ambitious scheme must remain for long a distant vision.

AS AN INDUSTRIALIST SEES IT

Mr. B. M. Birla's presidential address to the Indian Chamber of Commerce, Calcutta, is remarkable alike for the wide field it covered and the liberal spirit that informed it. We are not concerned here with the political aspects although it may be said that by his confidence in a National Government as an essential preliminary to full-blooded industrialisation, he courageously laid the ghost conjured up by certain interests, into whose *bona-fides* it is needless to inquire, that the industrialists are prepared to strike a bargain with the powers that be. After emphasising the importance of industrialization and what it means in terms of popular well-being, political power and strategic potential, he rightly pointed out that without the Government's full backing and protection, Indian industry, a late comer on the scene, may not be able to establish itself against entrenched foreign rivals. He therefore urged the Government, now that the Planning and Development Department has been set up under Sir Ardeshir, to pursue "a vigorous policy making up for apathy and neglect in the past." His emphasis on consumer goods industries is necessary and timely, as being relatively more labour-consuming and needing less capital per worker, they have obvious advantages in the initial phases of planned industrialisation. Besides, by assigning them their due place in the economy, the too rapid pace of forced capital formation may be eased to some extent. Mr. Birla's reference to the question of agricultural prices is particularly opportune and welcome. It is no secret that attempts have been made in the past and will, perhaps, continue to be made in the future to work up an artificial conflict of interests between agricultural development and industrialisation and in this connection it has often been glibly alleged that the industrialists are out to exploit the agriculturists. Mr. Birla's plea that "in any economic plan which may come to be adopted, care should be taken to see that agricultural produce has not to be sold again at the low prices at which it was selling before the war and the agriculturist is guaranteed freedom from want and distress" should be enough to give the quietus to all such baseless propaganda.

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SPECIAL ARTICLE

The General Sales Tax in Madras

By P. S. Narasimhan

II

WHATEVER might be said of the General Sales Tax in Madras from other points of view, from the point of view of its yield it has been a phenomenal success. Without doubt it has proved to be the most fruitful of the new taxes introduced by the Congress Ministry in Madras. Within five years of its introduction it has established itself as one of the main sources of revenue of the Provincial Government as the following figures will show:-

(In lakhs of rupees) R

	Yield of the Sales Tax	Total Revenue from other Taxes and Duties.	Total Yield of the Principal Heads of Revenue	Column 2 as a percentage on column 3	Column 2 as a percentage on column 4
1939-40 ..	33.99	79.28	1936.57	42.9	2.60
1940-41 ..	71.78	130.02	1377.82	55.4	5.21
*1941-42 ..	65.14	115.59	1473.39	56.3	4.41
1942-43 ..	89.03	145.48	1699.70	61.2	5.23
*1943-44 ..	220.00	283.07	2224.95	77.7	9.98
1944-45 ..	364.80	427.21	2544.26	85.4	14.3

* Revised estimates. v4E

† Mostly taxes introduced by the Congress Ministry in 1939.

‡ Budget figures.

This rapid increase in the yield of the sales tax can be attributed partly to the rapid rise in prices caused by the war which has naturally inflated the turnover of the dealers, partly to the perfection of the Governmental machinery for collecting and assessing the tax with more and more of experience, and partly to the steep increase in the rates of the tax in October 1943. If prices fall at the end of the War the sales tax might not of course yield as much as it does at present, but there is no doubt that its yield will be considerable.

Actual experience in the working of the sales tax has also revealed that the administrative difficulties in the way of successfully working a sales tax are not as great in India as they were imagined to be. In a country like India with innumerable small dealers who do not maintain proper accounts a sales tax is, of course, bound to be difficult to administer and costly to collect. But in Madras the exemption of all dealers with a turnover of less than Rs. 10,000 a year has spared the Administration the trouble of collecting the tax from a number of petty dealers; at the same time the low rate of the tax has made uneconomical the splitting up of the larger businesses into a number of smaller establishments just to evade the tax. It has been found that all dealers with a yearly turnover of Rs. 10,000 and above were maintaining accounts even before the tax was introduced, and the levy of the sales tax with the consequent need to maintain proper accounts and submit regular returns of turnover to the taxing authority has not materially added to the costs of business. Evasions, of course, there have been, but considering the number of dealers assessed and the relative inexperience of the staff in administering a wholly new tax, they are few. As the report of the Administration of the General Sales Tax Act, put it the Act has functioned, "with the minimum of friction and commendable efficiency."

Another lesson revealed by actual experience is that the sales tax has not proved till now to be as great a catastrophe to the dealers or to the producers as it was painted to be at the time of its introduction. It was argued by the representatives of the business community that; (a) it may be impossible to shift the sales tax to the consumer and the tax might fall upon the actual producer thus harming the industry of the Province; (b) many products such as cotton passed through a number of hands before they are placed in the hands of the home or the foreign buyer, and the levy of a turnover tax of ½ per cent. at each stage might raise the ultimate price by as much as 5 per cent., thus virtually killing the export trade of the Province; (c) businesses will move into the neighbouring States of Cochin and Mysore or to the neighbouring Provinces to escape the sales tax; and (d) in most trades the levy of a tax at each will wipe out two or three intermediaries and "about 8 to 10 lakhs of families will be thrown out of employment." Up to the present, fortunately for Madras, none of these fears have materialized. In almost every case the tax has been shifted on to the consumer. When the tax was levied at ¼ per cent the shifting was not regular, but with the raising of the rate to 1 per cent. almost invariably the tax is shifted to the consumer. Experience has, again, revealed that most commodities pass through only three stages and the cumulative burden of the tax does not affect appreciably the final price of the product. Especially after the institution of the war-time control in the movement of food-grains, normally food-grains that come under the scope of the Food-Grains Control Order pay the sales tax only twice. The crop is bought in the surplus district by the Food-Grains Purchase Officer and passed on to the wholesale dealer in the deficit district. A sales tax is paid, therefore, only by the wholesaler and the retail-dealer in the deficit district if he happens to possess during a year a turnover exceeding Rs. 10,000. In fact, when food-grains are distributed in the deficit areas of Government Reception Officers through a number of small dealers to ensure equitable distribution no sales tax might be levied at all. Nor does business seem to have moved to any appreciable extent out of the Province; migration of industry outside the Province always involves costs, and it might not be economical to wholly change the location of a factory just to evade ½ per cent or 1 per cent. sales tax. Lastly, judged by the returns submitted to the Commercial Tax Officers and the number of licences issued every year the number of dealers has actually increased during the past five years. In fact the dislocation caused to the dealers by the institution of the war-time controls seems to have been greater than the dislocation caused by the levy of the sales tax.

In the course of the working of the sales tax a few difficulties have of course been brought to light. One of these is the common practice adopted by the dealers of not entering in their accounts proper their credit sales until payment is received, to avoid the sales tax. Again, considerable difficulty has been felt in administering the concession given to hides and skins of taxation at a single point. Hides and skins cannot be easily indentified or stamped and there has been difficulty in ascertaining whether in a given case they have already paid the tax or not. Another concession which has been found difficult to administer is the exemption from the tax given to transactions by licensed brokers and agents on behalf

of known principals specified in the accounts. In actual practice in many cases the agents are also dealers in respect of the same commodity and it has been found difficult to ascertain what part of their business has been done on a mere agency basis. Again, there are cases in which agents have not maintained separate accounts in respect of each transaction, and when such accounts are available the cross checking of the agent's accounts with the principal's accounts has invariably meant considerable trouble. Difficulty has also been caused by the presence in Madras of a number of Gujerati and Marwari merchants who keep their accounts in their own language. A special set of clerks has had to be recruited to examine their accounts.

Thus the general sales tax in Madras has been found to be extremely productive. Its cost of collection is not exorbitant as the Government have been able to make use of the Commercial Tax Department to collect a few other taxes besides the sales tax. The administrative difficulties in the way of assessing and collecting a general sales tax have not been found to be insuperable. The tax has not adversely affected business and is generally passed on to the consumer. The indifference of the public has made the shifting to the consumer extremely easy.

But in coming to any final conclusion regarding the sales tax in Madras it is necessary to remember that the experience we have had of its working during a time of war might not be wholly relevant under peace time conditions.

Firstly, up to the present the industries within the Province of Madras have been able to shift the tax to the buyers mainly because of the intense demand caused by the War. Consumers and Government have competed to buy the products of industry and international and inter-provincial competition have for the present ceased to exist thus facilitating the shifting of the tax to the buyers. But with the end of the war the shifting of the tax might not be so easy. For instance, the output of the Madras mills will again have to compete with the product of the Bombay mills. In this competition the sales tax at its present pitch is bound to handicap the industries of Madras, especially those in which a number of sales intervene between the first and the final processes of production. This is likely to depress the value of the industrial property in Madras, and even if the established industries may not be able to move out, the starting of new enterprises might be discouraged. Again, articles imported into the Province for retail sale will pay the tax at only one point, while the same article manufactured within the Province will pay the tax at a number of points. We can even go further and argue that a general sales tax will harm the industries of the Province even when it can be shifted to the buyers. A general sales tax is likely to raise the cost of living within the Province and hence the price of labour. This will certainly make the Province a less desirable place to start business. There is, therefore, little doubt that the general sales tax as it is levied in Madras and in its present height will under peace-time conditions check the industrial expansion of the Province and encourage the development of industries in the neighbouring Provinces and States which do not levy the sales tax.

Secondly, the general sales tax comes down more heavily upon some firms and industries than upon others, and thus violate one of the fundamental principles of a good tax that equals must be treated alike. Of two firms earning the same net profit, one firm may turn over its stock rapidly say 10 or 12 times a year, while another in a different line of business may turn over its stock only once or twice a year. Under these circumstances, the former will pay a heavier sales tax than the latter though both earn the same profit. "To tax all sales alike" it has been aptly remarked, "is to tax some less and some more than the traffic will bear."

Thirdly, the sales tax in so far as it is passed on to the consumer is regressive in its incidence. It is a tax on consumption and its burden on the higher income groups who save a larger proportion of their income is lighter than on the lower income groups who spend all their income. Though the object with which the sales tax was introduced was to secure a more equitable distribution as between the different sections of the community of the total tax burden, with the recent suspension of Prohibition the distribution of the tax burden in the Province has been made more repressive. The poorer sections of the population now pay as much by way of excise duties on liquor as before, and something in addition by way of the general sales tax.

Fourthly, a good tax must not take from the ultimate tax-payer more than what the Government receives by way of the tax. But in the case of the sales tax the consumer pays more than what the Government receives, as even the dealers who do not pay the sales tax have been able to raise the prices to the levels charged by the dealers who actually pay the sales tax.

The general sales tax is thus regressive in its incidence just at present; in the post-war years, when the competition for markets becomes intense, it is likely to become repressive on business in the province of Madras as there will be less possibility of shifting the tax to the buyers. The main justification for the sales tax at the time of its introduction was (a) the need of the Provincial Government to secure quickly additional revenue to make possible a rapid extension of Prohibition; (b) the difficulty of introducing at short notice the other alternative taxes such as a tax on agricultural incomes and death duties; and (c) the low rate of the sales tax. But the present Government has suspended the policy of Prohibition recently, and actually quadrupled the rate of an 'unsound' tax for which the only justification was the good policy it was intended to finance. The result has been an aggravation of the regressive character of the tax system in the province. In thus flouting public opinion and raising the rate of a tax which has dangerous potentialities for the industries of the province, the Government have been helped by the present pre-occupation of the business community with making its war-time profits, and the indifference of the public. The right policy would be to make immediate use of the large revenue given by the General Sales Tax to extend Prohibition and to readjust the burden of the land revenue. In the meantime the Government must make use of the respite given by the General Sales Tax to explore the possibility of introducing into the province really good taxes, such as a tax on agricultural incomes and death duties on agricultural property which conform to the ability to pay. This would enable the Government in course of time either to abolish the General Sales Tax, or at least to replace it by a selective sales tax at a fairly high rate on the retail sales of luxury products in the province, and thus render the distribution of the tax burden more equitable than it is at present.

Madras.

THE WORLD ABROAD

Alternative to Bretton Woods

(From Our Washington Correspondent)

WASHINGTON, Sept. 24, 1944 (By Cable).

THERE is widespread feeling among financial interests and Congressmen that the Bretton Woods Conference attacked symptoms while ignoring the deep-lying causes of exchange instability. This has been given forceful expression in a substitute proposal which will, it is virtually certain, receive the most serious consideration when Congress commences study of the recommendations relating to the Stabilization Fund and the Reconstruction Bank. Mr. Aldrich, Chairman of the Board of the Chase National Bank, New York, proposes in a very comprehensive document that the United States should not adopt the Bretton Woods proposals but rather that international agreements to remove trade barriers should be negotiated and that a sound dollar-sterling exchange rate should be established. Mr. Aldrich sums up his position with the statement: "Currency manipulation will not solve basic economic problems of a war-ridden world. I wish to emphasize the fundamental truth that credit extension cannot serve as a substitute for adoption of appropriate commercial policies." Senator Taft, commenting on Mr. Aldrich's statement, said, "I agree substantially with his views," and pointed out that the Republican platforms stand on direct credits and other means to accomplish reconstruction." Senator Taft agrees with Mr. Aldrich that the first step taken should be to establish common ground with Britain on trade policies. There should be agreement to avoid what Mr. Aldrich calls "totalitarian tactics in international trade" on the part of both Brtain and the United States. Senator Taft echoing the opinion expressed by many financial quarters, said that the Bretton Woods Conference "put the cart before the horse" in considering stabilization before studying policies regarding trade relationships. He added that the Congress wants to know what the various nations have in mind with respect to putting their own economies in order and what are the outlines of international commercial policy likely to be prior to appropriating vast sums for the I.M.F. and the Capital Bank. The New York *Times*, commenting on Mr. Aldrich's proposal, writes: "Whatever may be the final verdict upon the merits of his proposal, his analysis of the proposals for the International Monetary Fund and the World Capital Bank is thoughtful and impressive. His own positive proposals make it obvious that his viewpoint is far from that of an economic nationalist.....There would clearly be some embarrassment in setting aside the plans which have been agreed to at Bretton Woods even if they have defects and dangers as Mr. Aldrich believes they have. It is by no means certain either that an Anglo-American agreement of this type could be brought about. But he puts forward carefully reasoned arguments and constructive proposals that deserve serious and open-minded study." The New York *Herald Tribune* opines: "His approach to the problem is essentially more realistic than that of the Bretton Woods Conference.....He translated widespread criticism of the Bretton Woods proposals into a program of positive action and he has succeeded where Bretton Woods failed in putting currency stabilization in its proper perspective and relationship with world commerce and exchange." Mr. Aldrich's statement says: "The Bretton Woods proposals are no substitute for the real job of economic reconstruction. They are unrealistic and unnecessarily complex. They are unrealistic in their implied assumption that the creation of credits as counterpart of creation of debts will even in the absence of appropriate fiscal, credit and commercial policies in each member nations, solve those complicated international monetary problems that beset the world. The all important economic problem of the post-war world is the removal of trade barriers" which, he says, got only "passing recognition" at Bretton Woods. Mr. Aldrich lists tariffs, arbitrary import quotas, regional preferences, linked utilization arrangements, bilateral barter agreements, import monopolies, export subsidies and arbitrary customs procedure as the factors hampering pre-war trade. He says that the Bretton Woods proposals would be an obstacle to the immediate solution of these basic problems. He calls for the removal of trade barriers in consonance with the spirit of the Atlantic Charter and the master lend-lease Agreements, Mr. Aldrich's proposals are briefly as follows: Firstly, that the United States, the United Kingdom and other countries of the British Commonwealth would hold conversations immediately on the problems of tariff barriers, imperial preference, export subsidies, bulk purchasing and regional currency arrangements; secondly, if reciprocal adjustments are successfully worked out—Mr. Aldrich places a large share of the burden on the United States so far as lowering of tariffs are concerned—the United States should help the British Commonwealth in meeting financial needs arising from the war. "Financial assistance would thus follow joint modification of trade barriers both of which are essential to the stabilization of the dollar-pound rate and to subsequent stabilization of the world's currencies." The stability between the dollar and the pound should be established through the United States grant-in-aid to Britain which would be given only if the trade conference successfully worked out means for outlawing trade barriers; thirdly, the next step would be the stabilization of other currencies which depends on internal political stability, elimination of trade barriers, and absence of inflation. Because other nations have large gold holdings and dollar or sterling exchange, many of them can stabilize their currencies "without external aid"; fourthly, once the dollar-pound rate has been stabilized, an international institution for consideration of monetary credit problems perhaps could be set up. Mr. Aldrich makes it clear that in his opinion, the problem of economic reconstruction will fall mainly on the United States and adds that this country should take these steps, cancel international debts which have been carried over from the first World War, follow a generous policy in settling lend-lease debts, repeal silver purchase legislation, thaw frozen dollar assets of foreigners as rapidly as is politically feasible and maintain a high level of income at home, by avoiding booms and depressions.

* * *

Five representatives of industry and banking interviewed on the Bombay Plan unanimously agreed that the plan is practical but differed on actual means or extent of American aid and participation. Mr. Moies Hart, Vice-President, National City Bank, citing India's favourable trade balance as "excellent

credit in the United States market," said he believed India would "inherit facilities for borrowing," but he opined that whether India would be able to borrow depends to a large extent on Britain's position in the post-war money market. He expressed the view that unblocking of present sterling balances is an "economic impossibility," declaring it questionable as to whether in future, Britain would permit India to convert her sterling into dollar balances wherewith to buy goods from the United States. He believed that in this case India would not need to borrow. Mr. William Kunz, Vice-President, Chase National Bank, concurred with this view by cautiously stating that he believed that India would probably be in a position to borrow after the war, but much would depend on Britain's financial status. Mr. Vernon Whitney, Director, Standard Vacuum Oil Company, who lived in India for 25 years as the representative of the Standard Oil, termed the Plan a "most statesmanlike" concept for improving living standards for the people of India for industrial and agricultural development. . . . . There can be no question that the Bombay Plan or some modification of the principles contained therein will come about, because India with her vast natural resources and, above all, brains, could make some plan of this kind successful." While avoiding positive statements on how or to what extent American industry might co-operate, he said, "as a lay man in finance" he believed that "American or any other foreign financial participation will depend in a large measure upon Indian agreement on majority control in the management of investments remaining in the hands of the investors. John W. White, President, Westinghouse Electrical International Co., agreed that investors should control their own investments if made by them but held the view that the United States business men should not invest in industrialization of India and other undeveloped countries. Such nations, he said, should build up their own industries through purchasing goods abroad and buying technical assistance. He added that India "should look to the United States industry for technical and managerial aid but if she wants capital, she should go to investment bankers." He opined that it is "inconsistent and unrealistic" to appeal to industry for capital which it must use for its own development, adding that he felt there was much "confusion of thinking" on this issue. The Westinghouse would be willing to sell its technical information "worth millions" as also small industrial parts but would not want to invest in plant equipment to help build up competing industry. He endorsed the Bombay Plan as "very sound" and said that India has the "wherewithal" to carry it out. John B. Chevalier, Secretary, American Asiatic Association, which promotes trade and cultural relations with the Far East, believed that if American industry invested in India, it would not demand majority control but "only fair return on investment." He opined that big business must expand foreign trade after the war if it expects to maintain full production and employment. He added that he is convinced that nothing will prevent India from industrializing, declaring that "they are going to do it' just as Russia did it." The five interviewed are among the small group of business men who met and discussed the Plan with Mr. A. D. Shroff during his recent visit to the United States. Mr. Nihabou Checker, Chairman of the Indo-American Association of Commerce, said that he was preparing to distribute immediately about 1,000 copies of the Plan to Chambers of Commerce, exporters and banker's associations throughout the country. He will follow up with letters asking for their reaction preparatory to the expected arrival here within a few months of several Indian industrialists after their proposed visit to England.

Trade Union Plan for Public Ownership of Industry

(From Our London Correspondent)

LONDON, Sept. 5 (By Airgraph).

THE Trade Union and employers' representatives of the engineering industry of Great Britain have, according to report, agreed on principle that when it is necessary to reduce works personnel, the names of dilutees should be submitted to the National Service Officer for removal. This is a disquieting piece of news. It shows just how difficult it is for the people to change their outlook. We are daily told that the old world is dead and that a new era is opening. Yet here we have the representatives of a vast industry, representatives of workers and employers alike trying hard to restore one of the least desirable practices. If it had not been for the dilutees, this war could never have been fought to the present stage by either this or any other allied country. The Trade Unions held out a long time to prevent the necessary degree of dilution to take place; they were forced to agree in the end by sheer force of circumstances. Yet the last four years have shown what industry is capable if the adaptability of the available personnel is made use of. It was one of the drawbacks of the system of closed trades that the men and women who had not had the chance of a proper apprenticeship were confined for their lives to unskilled and casual work. What is more, it prevented large numbers of workers trained for one trade, who did not feel at home in that trade or whose capabilities were better fitted for other trades, to change their occupation with a chance of making good in another trade. The closed trade practice is both uneconomic and inhuman. Naturally, if trade is such that an employer has to reduce his staff, he will want to cut out the least economic units. This does not always mean that those recommended for release are necessarily bad workers. It mostly means that the work they do is less economic than that of the others. That the bad worker gets the sack first is clear, but more often than not he is not a dilutee.

Very many of the dilutees are in fact much better workers, and not a few of them as skilful if not more so than those who have languished in the trade to which they were trained but for which they have no other interest than the pay-packet. Industry is in need of those men and women and to force them out of the production process under the cover of the National Service Act is little less than a national crime. But we will hear more this sort of thing as time goes on.

Another bit of trade union news is contained in the report that the General Council of the Trade Union Congress is considering a draft plan for the public ownership of certain primary undertakings. The plan, it is reported, concerns itself about public ownership of undertakings providing fuel and power, *i.e.*, coal, gas, electricity and internal transport. These groups are listed as first priority. At a second stage, but still high in priority, would follow iron and steel and the associated industries. The reason given for this priority classification is that coal-mines, railways, and associated undertakings will furnish a means of extensive control of other industries. These industries are essential to other industries and the control over them by public ownership would enable the managers of them to exercise a fair amount of control by their policy over the industries dependent on their products

and services. Railway policy, for instance, could be used to influence the location of industries. By a policy of rates differentiation according to region and trade the railway management could effectively encourage and discourage not only the location, but the development of existing and new undertakings.

The idea that public ownership of the coal industry and of the main avenues of transport give the State a direct and not merely legal means of control of policy of most industries, is rather an advance of thought on the part of the trade union movement. But there are dangers which must be faced at the outset. Firstly, how and in how far is the will of the public allowed to influence the policy through Parliament? If Parliament has no sufficient initiating and supervisory power, then the fate of the country's industries and trade will be largely in the hands of un-responsible boards; un-responsible, that is, *vis-a-vis* the country. Secondly, and this danger is indeed indicated in some of the explanations given, this control is considered too much, almost entirely from the purely mechanical point of view. Public ownership of land, which almost automatically would lead to the public ownership of most avenues of transport, and would automatically include all mines, the hydraulic power sources, would allow a sufficient measure of control over the rest of industries—except for legislative measures for the protection of the public and the employees, such as already exist—to leave the free play of private enterprise to do the rest. However, it is wise to wait for the final plan before offering further criticism.

* * *

A census of hours worked and wages paid in industries covering 6,000,000 workers has just been published. The census was taken covering the last pay-week in January this year, and the results are compared with a pay-week in October 1938. The weekly earnings shown include overtime, longer hours, night work, piece work, etc., and they are shown to have been 79 per cent. over those of the week in 1938. Changes in different industries vary considerably. In some the increase in earnings was as little as 50 per cent., whilst in others it was up to 90 per cent. The average hours worked (including overtime but excluding meal times) were as follows:—

	January 1944	October 1938
Men (21 and over) ..	52.0	47.7
Youths and boys ..	47.1	46.2
Women (18 and over)	45.2	43.5
Girls	49.2	44.6
All workers ..	49.2	46.5

The average increase in hourly earnings in the same period was:—

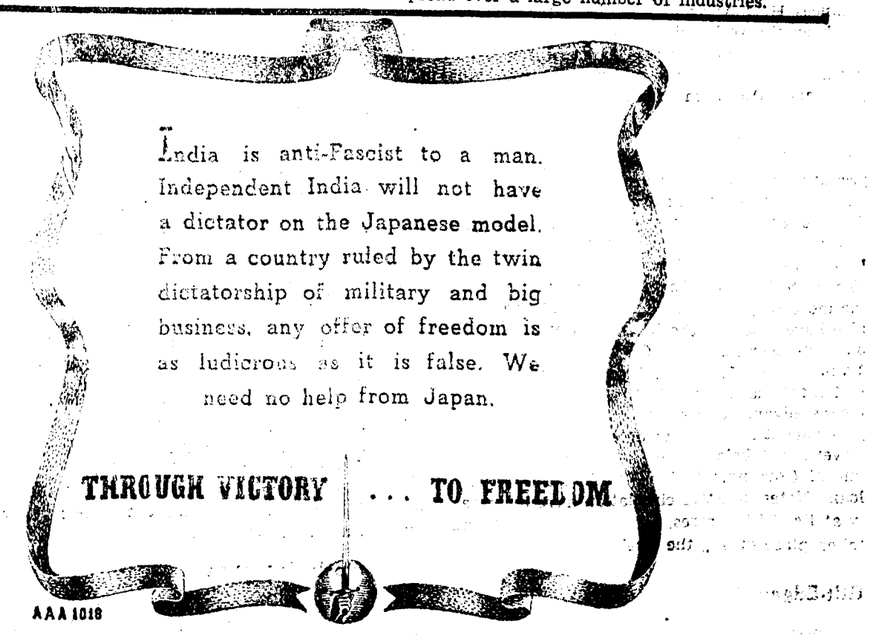
	Earnings per hour January 1944	% increase since October 1944
	s. d.	
Men (21 and over)	2 4.5	64
Youths and boys ..	11.9	76
Women (18 & over)	1 4.9	89
Girls	9.2	85
All workers ..	1 11.3	70

Weekly earnings show a similar picture. The average weekly earnings were:—

	January 1944	% increase since October 1938
	s. d.	
Men (21 and over) ..	123 8	70
Youths and boys ..	46 10	80
Women (18 and over)	63 9	96
Girls	34 3	85
All workers ..	95 7	79

Coal mining was not included in the above-mentioned census. But figures collected by the Ministry of Fuel and Power show that the average increase in earning per man-shift since the first quarter of 1939 was 77 per cent. for the first quarter of 1944. In this all groups of workers, including juveniles, were included. These earnings were exclusive of special allowances in kind. The average cash earnings per man shift were approximately 20s. 3½d. in the first quarter of 1944 as compared with 11s. 5½d. in the corresponding quarter of 1939. The average weekly earnings were 105s. 9d. compared with 60s. 8d. in the earlier period.

Changes in rates of wages which have come into operation in this country in July last are reported to be amounting to nearly £100,000 in the weekly full-time wages of about half a million workers. These are spread over a large number of industries.



Money Market

Steadiness in Money Conditions—Downward trend in Bullion Prices—Firmness in Gilt-Edged

BOMBAY, Sept. 24, 1944.

MONEY conditions have been a shade steadier during the past week, thanks to the transfer of a good deal of funds from the public to the government coffers. There is no change in the quoted rates but there was a reduction in the applications for the Treasury Bills by Rs. 3 crores, and tenders at Rs. 99|14 had to be allotted 51 per cent. to secure the required amount, with the result that the average rate of accepted tenders rose slightly to Rs. 0|7|11 per cent. per annum. The rise in the Treasury Bill rate is hardly in consonance with the week's developments, of which the deflation in bullion values is one factor making for augmented supplies of money. Banks are apparently expecting a higher yield on Treasury Bills very soon; or it may be that the issue of Treasury Bills by Provincial Governments is imminent if one may judge from the ways and means advance granted by the Reserve Bank to certain Provincial Governments. Though nothing has occurred to reduce the supply of floating credits appreciably, a firmer trend in money rates may develop with the coming of the cold weather.

Reserve Bank

During the week ended September 15 the deposits of Scheduled Banks with the Reserve Bank declined by over Rs. 5 crores. This may have been due to withdrawals by the public in order to pay taxes, but a more probable explanation is that a good part of this amount was invested in 3½ per cent. Rupee Paper which had declined to Rs. 99|4 and was sharply rising as a result of substantial support from institutional investors. The statement of the Reserve Bank also shows Central Government balances at the high altitude of Rs. 160.2 crores. It is strange that sterling receipts during that week were only about Rs. 8 crores, as may be seen from the increase in Balances Held Abroad. So the Central Government has been the recipient of funds to the tune of Rs. 3 crores from other sources. Among the latter may be mentioned tax payments and payments by other governments. The item 'Other Government Accounts' shows a decline by Rs. 3 crores at Rs. 14.28 crores. While this may indicate a decline in the balances of Provincial Governments the decline also possibly represents the payment of credit to the Central Government by foreign parties who keep accounts with the Reserve Bank, especially as bullion sales have practically stopped and payment to the Government of India cannot be made out of the proceeds of such sales. The high level of Central Government balances is the more surprising since the Central Treasury should also have paid out the half-yearly interest falling due on September 15, on the Central Loans like 3 per cent. 1951-54, 4 p.c. 1906-70, 4½ p.c. 1955-60. The Bank's statement also reveals that a substantial ways and means advance of Rs. 1.17 crores had been granted to governments. In view of the high level of Central Government balances, it is certain that only the Provincial Governments have availed themselves of this loan. Notes in active circulation have increased slightly at Rs. 938.22 crores, but no currency expansion has taken place during the week.

Gilt-Edged

Slightly firm conditions prevailed in the gilt-edged market, thanks chiefly to some investment demand and the sudden cessation of sales by a leading operator who, in the past few weeks, was consistently unloading large blocks of G.P. notes. Business was almost entirely confined to 3½ per cent. Paper and there was a disposition to wait and watch. After declining at one time to Rs. 99.3; the 3½ per cent. G.P. notes suddenly spurted to Rs. 99-11 during mid-week. Later, however, they declined a little to Rs. 99.9 and closed steady at Rs. 99.8 Next to G.P. notes, 3 per cent. 1949-52 loan was popular. A substantial volume of business was done in this paper at Rs. 101.7, and the 4 per cent. 1960-70 loan changed hands at Rs. 112.10.

Bullion

The downward trend in the bullion market gathered momentum during the week. Continued favourable news from all theatres of war, increased up country arrivals and heavy sales by bears caused a precipitous fall in prices of gold. The rate for one week delivery which was standing at Rs. 68.8, at the close of last week, dropped to as low a level as Rs. 63.2 during mid-week and still further to Rs. 61.14 on Friday. On the last day of the week, however, a steadier feeling set in and the rate improved to finish at Rs. 63.14 on heavy bear covering. The persistent rumour that the Reserve Bank was likely to sell gold at lower rates and that, with that end in view, it had invited offerings from leading brokers was responsible for heavy short sales early in the week which depressed prices to a considerable extent. As the week advanced, the rumour was found to be baseless and no sales were made by the Reserve Bank of India. Another noteworthy development was the disappearance of the heavy premium commanded by sovereign over the metal. It is stated that, during the week, the Reserve Bank sold the coins at rates lower than those warranted by the gold price of bullion *plus* Rs. 4.8 premium which was being charged all along. Apart from this factor, there were substantial offerings of sovereign by small hoarders who seem to have been unnerved by the rapid decline in the price of gold during the past fortnight. Consequently, the price of sovereign dropped from its opening level of Rs. 45.4 to Rs. 41.4. At the lower level, there was some demand which pushed up the rate to Rs. 41.12 towards the close. During mid-week, owing to heavy bear covering and the consequent large-scale demand for ready gold, the rate for spot delivery commanded a premium of As. 12 as against As. 6 in the previous week. After the settlement was over and with fresh arrival from the interior, this premium as gradually reduced to As. 4. Floating stocks of gold are estimated at 2,00,000 tolas. The average daily offtake is estimated at 20,000 tolas. The highest and lowest touched were: Rs. 68.12 and Rs. 62.4 for ready and Rs. 68.8 and Rs. 61.14 for one week forward. The trend of silver was closely in consonance with that of gold. After showing some resistance in the earlier part, silver rapidly declined in the second part of the week after the weekly settlement was over. The rate for ready silver, which stood at Rs. 127.8 at the opening, dropped to Rs. 119 towards the close. Similarly, the rate for one week's delivery fell from Rs. 125 to Rs. 174.4.

Stock Exchange

On the Stock Exchange, a steady undertone prevailed early in the week due partly to speculative support and partly to investment buying. Later, however, profit-taking set in followed by renewed selling by bears. The result was that earlier gains were entirely wiped out.

In spite of the report that the management of the Tata Iron and Steel Co. Ld., are endeavouring to put through their scheme for converting deferreds into ordinary shares, Tata Deferreds, which recorded a smart rise from Rs. 2,067½ to Rs. 2,135 in the first-half of the week, were subjected to heavy bear selling in the latter half of the week which brought down the rate to Rs. 2,070. The closing however, was a shade better at Rs. 2,090. After gaining five points to Rs. 382, Ordinaries declined to finsh at Rs. 369.

In the cotton mill section, Bombay Dyeings, after touching Rs. 1,735 mid-week closed lower at Rs. 1,706.4 and Central Indias stood lower at Rs. 361 at the close after being quoted at Rs. 368 earlier in the week. Kohinoors were in request at Rs. 546, but subsequently declined and closed at Rs. 533 on profit-taking. New Greats lost, on balance, about 16 points to Rs. 355, whilst Swadeshis, which had hardened to Rs. 484 in the middle of the week, dropped again to Rs. 475 at the end. Hydro-electric and Bank shares were comparatively in the background; Andhra Valleys were quoted in the vicinity of Rs. 1,805 and Bombay Trams kept almost static at Rs. 147. Tata Hydros receded to Rs. 201 and Tata Power from Rs. 1,875 to Rs. 1,860 in the absence of any enquiry. Central Banks showed small variations around Rs. 74 and Bank of Indias around Rs. 175. Imperial Bank Fully Paids around Rs. 480. Rs. 175, and Imperial Bank Fully Paids around Rs. 480. There were stray transactions in Reserve Banks at Rs. 131. Among the miscellaneous shares, Belapurs and Associated Cements encountered heavy selling pressure, the former declining from Rs. 230 to Rs. 220 and the latter from Rs. 227 to Rs. 220. The selling pressure in Belapurs was due to fears that the compulsory restriction of acreage under non-food crops under the "grow-more-food" campaign might considerably affect cane supplies and thereby result in a lower profit to the company. The reason for the Associated Cements going out of favour with the operators is the report that scarcity of coal supplies has very adversely affected the profits of the Company for the official year ended June last.

Stock Exchange Closed for Puja Easy Condition in Raw Jute

CALCUTTA, Sept. 23.

The Calcutta Stock Exchange closed for the Puja holidays on Monday this week. Towards the close on that day a rather quiet feeling was noticeable though the undertone was quite steady. Markets will re-open for business only on October 3, 1944. The raw jute market has not been very interesting and business has been restricted. The period under review is short of two working days on account of the *Id* festival. With the beginning of the Puja holidays there is little incentive for mills to enter into fresh commitments though it is reported that some have taken advantage of the present conditions in the market and slightly lower rates. Sellers have been rather anxious to do business as arrivals in up-country centres have been coming in rather more freely in spite of the unfavourable weather conditions for transport, especially by river. The publication of final forecast figures for most of the districts has not had any effect on the market, as it is felt that the reduction in both the area and yield in the case of the important growing centres is an underestimate. The trade estimated that, in view of the full maturity of the crop and the late sowings, it would be possible to obtain a greater yield on a smaller area. Thus the total yield is estimated to be twelve annas of the crop last year. The industry does not seem to be particularly worried about supplies of jute at the present moment, as it is felt that it would not be possible to consume more than five lakhs of bales every month and that as the new crop has just begun to move there can be no manner of difficulty. The complacency of mills is due to the fact that requisitioning is still going on and that military requirements do not take into consideration the difficulties of the producing units. Only during the past few days two electrically driven units have been told that a portion of their premises would be taken over by them. Production might not be appreciably affected, as it is being proposed that the other mills would be worked double shift. But it has not always been possible to ensure full efficiency and that in actual working there has been a drop in output by 15 to 20 per cent. Also, the requisitioning of the electrically driven units defeats the purpose of the industrial pool scheme, details of which were given in these columns sometime earlier. It might be that the requisitioning of electrically driven units has been done having regard to the improvement in the coal situation, though the jute industry as such has not been benefited so far. Even increased arrivals will not materially affect the position now, as it would not be possible to make up lost production without the electrical units being allowed to work longer hours. There have been reports that the U.N.R.R.A. might be an important buyer, but no orders have been placed so far.

In the loose jute section business passing has been rather poor. Mills have not taken much interest in the market. Sellers have not been anxious to do business, but are not prepared to offer any substantial discount in rates. For forward deliveries, however, a slight discount in prices has been offered. *Indian Jat Middles* and *Bottoms* were done at Rs. 16-8 and Rs. 13-8 per maund with *Indian District Tossa* four annas lower.

In the *pucca* bales section shippers have been idle and only a small business was reported in *Dundee Daisee* 2|3 at Rs. 77-4 per bale. Mills purchased *Lightnings* at Rs. 77 and *Firsts* at Rs. 84 per bale. A small business was also reported in *Cuttings* and *Rejections*.

There is a very interesting situation in the goods market. Bazar operators are very keen on depressing prices, and the easier tone of the raw jute market has to a certain extent been helpful. But beyond the fact that some mills are prepared to offer a slight discount for heavy goods, no business has been so far reported in the lighter fabrics at below maximum rates. Mills are holding out and are not prepared to consider any discount just at present. The unwillingness of mills is perhaps due to the tendency to await further developments. The bazar seems to be convinced that present prices cannot be maintained. For sacking especially production is relatively at a higher level and there is practically no demand.

A DELHI DIARY

While both Sir Jeremy Raisman and Sir Theodore egory are keeping mum about their recent mission London a 'solution' of the sterling balances issue being thought of, it appears, on the following lines. iere should be a readjustment of financial ırdens between India and U. K. Part of the ılances should be wr tten off by increasing ıdia's share of the cost of the war. India should not :eive dollar credit for any part of the balances. The erling balances will not be used outright for supply- g to this country capital or consumer goods. Whatver orders India places in the British market, she ıould pay for a substantial part of these through ırrent transactions, sterling balances to be utilized or the remaining part. Since Britain will be the chief ıpplier of goods this arrangement will help revive ritish industries and secure for British goods a high rice. Competition with American and continental oods will be eliminated by India's inability to finance urchases in foreign currencies.

Whoever has thought of such a plan for liqui- ation of sterling balances has assumed that the Indian Government is a subordinate branch of British Governnent and that London can impose its will on Delhi. It s not known whether Sir Jeremy Raisman has taken his colleagues into confidence about the negotiations he ecently carried on in London. He is bound to do so sooner or later, since he will have to face the Central Legislative Assembly in November and will have to answer searching questions and even reply to a debate. He must, therefore, arm himself before-hand with the verdict of the Executive Council. Before he left India Sir Jeremy Raisman was credited with the intention of 'fighting' for a square deal for India. Whether the city of London has converted him to the imperialist theory will be known next November. Since the Executive Council consists of a majority of Indians and economic questions are above party politics one may hope that the Indian members will scrutinize the deal carefully. The proposals outlined above will undoubtedly be rejected by India as being outrageous.

The Gandhi-Jinnah correspondence released after the breakdown of the talks which lasted 17 days is, naturally, the chief topic of discussion in the capital. Both charitable and uncharitable interpretations are being put on the correspondence. The charitable ones declare that Mr Jinnah is a victim to the slogans he has played up in the last five years and that since no settlement was possible on the basis of a 100 per cent. surrender to him, he thought it best to wait on events to find a solution. The uncharitable critics say that the correspondence shows clearly that Mr Jinnah had no intention whatever to come to an agreement and that he welcomed the opportunity of meeting Gandhiji only to revive his political credit which had suffered a terrible set-back after his failure in the Punjab and Kashmir. His talks with a Muslim member of the Viceroy's Executive Council and Lord Wavell's refusal to release Congress Working Committee members also contributed to Mr Jinnah's intransigence.

Neutral observers declare that Gandhiji emerges from the correspondence as a great leader and a statesman. He really went to the utmost length to accommodate Mr Jinnah without conceding to him the two-nation theory. Gandhiji made a short shrift of the League's leader's argument by asking whether the two nations would become one if all the Hindus embraced Islam. Since Sikhs, Dravidians, untouchables and many others are putting forth the theory of separateness any concession to Mr Jinnah on the score would have resulted in utter disruption of India. Gandhiji, however, proceeded on the basis of finding a solution for family members who wished to effect a separation. He conceded the right of self-determination to predominantly Muslim areas but very wisely he laid down that such problems as defence, communications and customs must remain a common concern of the entire country. Mr Jinnah found escape from this proposition by sticking to his two-nation theory and denying the right of plebescite to non-Muslims.

The fact is that Mr Jinnah has placed his own interpretation on the Lahore resolution of the Muslim League whereas Gandhiji has contended that the Rajaji formula and the new proposals adumbrated by him have conceded the substance of that resolution. The Mahatma realizing the weakness of the Muslim League as a political party even suggested that the League need not participate in any direct action which the Congress might launch to win independence. But Mr Jinnah did not respond. The League leader failed even in the use of his weapon-dialectics. Gandhiji turned the tables on him by a searching analysis of the Lahore resolution. All that Mr Jinnah was left with was an argument "I am a fuehrer of my people and since you are not I cannot come to an agreement with you." Gandhi, the democrat, pleaded in vain that he could only pledge himself to persuade the Congress and the country to follow his lead.

Despite Governor Casey's recent broadcast and the statements issued from time to time by the Food Department the food situation in the country is still not satisfactory. There is a general complaint from various towns that rationed food is of poor quality. This is entirely due to the wholly corrupt machinery that is responsible for purchasing and distributing foodgrains and other rationed articles. The Punjab Premier, accompanied by Sir Chhotu Ram and Sardar Baldev Singh, has held consultations in Delhi with the Food Department to prove that rationing was a costly farce and that while the Punjab had yet a lot to spare there were no buyers. Even if one were to hesitate to take Punjab's representation at its face value it does expose the bad functioning of food administration.

The Government of India promised some time ago that 400,000 tons of foodstuff would reach Indian ports before the end of September. There is no news as to whether this promise has been kept up. Sir Henry French, Permanent Secretary to the British Food Ministry who toured India for over a month, has left without disclosing his recommendations. It was stated that His Majesty's Government would review the food situation in August. Has this been done? If so, with what result? It is time that the Government of India made a comprehensive statement on the whole situation.

Argus.

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THE BUSINESS WORLD

CHEAP MONEY

FOR thirteen years now, since Britain abandoned gold and adopted monetary expansion, low rates of interest have been prevailing and for about the same period cheap money has been avowed as policy in this country too. It is therefore almost taken for granted that the battle for cheap money has been won once and for all and that its full potentialities, in so far as monetary policy alone can help, have been fully exploited. In a sense, the assumption is correct. A return to the 1929-31 rates of interest is out of the question. The low bank rate is going to be maintained after the war. In Britain, the Chancellor of the Exchequer has emphasized Government's intention to maintain it for the purpose of reconstruction and development as well as in the interest of the Exchequer itself. In India, the Finance Member made it clear in his last budget speech that the Government are convinced that "an enhancement of the rates of interest would be infructuous and is fraught with the risk of heavily mortgaging the future development of the country, apart from its immediate illeffects on the balance sheets of institutional investors, who have for the last four years steadily supported the securities market." Thus the triumph of cheap money seems complete.

But have we derived its benefits fully? Has the abundance of money percolated to every corner of the economy and where it has percolated, how has the complex of interest rates reacted? We can consider the matter with respect to, (1) Rates on Government borrowing, (2) Rates on business advances and loans, (3) Rates allowed on bank deposits, and (4) Rates in the rural areas. Not on all of them have we full or satisfactory data, but we have enough evidence, empirical and other, to point to definite trends.

The biggest gainer in India, as everywhere else, has no doubt been the Government which has also been the largest borrower. Take, first, the Government's short-term borrowing, Treasury Bills. Only those who remember the extremely costly and rising terms of Treasury bill borrowing in 1929-31 can adequately appreciate the extent of the gain. The rate on three months' Treasury Bills was as high as 6.64 per cent. in February and 7.38 per cent. in September, 1931 while the rate on six months' bills averaged 6 per cent. Progressively the three months' rate was brought down to 5.44 in March 1932, 1.62 in 1933-34, 1.58 in 1934-35, 1.21 in 1935-36 and .78 in 1936-37.

The war-time rate on the large-scale Treasury bill borrowings in India compares quite favourably with that abroad:-

Average	U.K.	Canada	Australia	S. Africa	India
1938 ..	0.61	0.59	1.75	0.75	1.30
1939 ..	1.19	0.71	1.75	0.75	2.01
1940 ..	1.03	0.70	1.58	0.75	1.21
1941 ..	1.01	0.58	1.50	0.75	0.74
1942 ..	1.00	0.54	1.50	0.75	0.86
1943 ..	1.00	0.48	1.46	0.75	0.96

In the last three years it has been even more favourable than in Britain. The saving to the treasury, if computed, will run to some crores of rupees.

Government have gained distinctly on their long-dated loans as well since 1932, though not in the same degree as on Treasury bills. The yield on 3½ per cent. Rupee security which averaged 4.6 in 1927-1929 went up to 5.5 in 1931 and 5.7 in 1932, but thereafter declined until it stood at 3.55 in 1938. In fact, one of the remarkable changes brought about by the policy of cheap money was that the short-term rates which almost always and markedly in 1929-31, stood above the long-term rates on Government bonds were brought down and ever since 1933 they have stood low.

The large-scale borrowings of the Government in the years of war have also been effected at very cheap rates. The gilt-edges market comprises a wide variety of securities of varying degrees of maturity and attractiveness, catering to the differing types of investors and their yields vary. But Government have periodically fixed the minimum prices of Govevrnment securities on higher and higher levels, which has had the effect of reducing the yield. At the end of March 1944 the value of rupee securities stood at Rs. 1002.60 crores, but their market value at Rs. 1014.91, the percentage of the latter to the former being 101.14, indicating a corresponding decline in their yield.

Perhaps this advantage can be concretely illustrated by means of figures of interest payment by Government on their rapidly mounting ordinary debt:-

(Rs. crores)

	Ordinary Debt	Interest on Ordinary Debt
1938-39	Rs. 949.11	35.57
1942-43	Rs. 1100.00	31.02
1944-45 (Budget)	Rs. 1495.54	37.18

The figures exclude unfunded Debt composed of Postal Savings, Service Funds, Depreciation and Reserve Funds, etc. and interest on it, and thus represent the effects of open market loans, the replacement of external by internal debt, and improved borrowing technique. The ordinary debt touches the Rs. 1,500-crore mark, but the interest comes to only Rs. 37.18 crores, averaging only 2.48 per cent. falling below even the 2½ per cent. rate at which it was the ambition in 1939 to finance the war.

Has the benefit of cheap money been passed to other sectors of the economy? In a well-knit money market a change in the bank rate brings about a corresponding adjustment of the other rates, since the margins between the various rates are fairly fixed and conventional. But in India all that we can say is that cheap money has exercised a downward pressure on all rates generally, but it is difficult to say in what measure. The rates on advances and loans charged by the banks are dependent not only on the volume of funds created by monetary policy and the bank rate, but also on the rates allowed on deposits. Even among the bigger banks there is no standardisation of practice in regard to rates on deposits and loans, which vary according to the locality, state of competition, status of the bank, etc.

But since 1932 deposit rates have been dictinctly downward. The Imperial Bank of India which allowed 3½ per cent. on Savings Account and fixed deposits in 1931 had reduced it to 2½ and 2 respectively by 1934. The Bank of India reduced the rates from 3½ and 4½ per cent. to 2½ per cent. respectively. The Central Bank of India had lowered the Savings Account rate from 4 to 2½, fixed account rate from 5 to 1 and current account rate from 2 to 1 by 1934. The lowering of deposit rates was certainly true of the larger banks, though we cannot be so sure about the smaller banks which might have been tempted to offer competitive rates to attract deposits. Nevertheless even

A word about the working of the Maternity and Child Welfare Scheme would not be out of place here. It is indeed gratifying to note that 11,227 out of the total of 29,498 births, came under the care of the Scheme. Out of these, there were only 27 cases of maternal mortality. We are glad to note that pre-natal clinics where health visitors give advice to expectant mothers are being continued. Special attention must be paid to this aspect as it is essential that pre-natal care and pre-natal examination should be given great importance in the scheme of Maternity and Child Welfare.

It is true that 1943 was an exceptional year, and that many factors contributed to this state of affairs. But, taking into consideration the difficult conditions under which the health staff had to work, it could safely be said that the Health Officer and his team did good work against odds. But there are certain improvements which we should like the authorities to make.

First of all, as everybody knows, there is in Madras the river Cooum which is kept in a very bad state and it must be improved at a very early date. We hope the Corporation and the Government will attend to it without delay.

The second important point that must be tackled is the beggar problem. Beggars in our city come under many groups. There are the able-bodied beggars, there are the diseased beggars and there are the professional aged beggars. The diseased beggars are a source of nuisance and they are to be found at all crowded places, exhibiting their disease to earn the sympathy of the citizens. The able-bodied beggars and the diseased beggars must be removed from the field, and the only way to do it is to start homes for these two sets of people. The Commissioner of the Corporation, MR. J. P. L. SHENOY, with his characteristic energy, has started a fund for the purpose of tackling this problem. We hope the response from the citizens and others will be really encouraging and will enable him to carry through his scheme. After that legislation will have to be undertaken to house and segregate such beggars. It may now be contended that without the provision of a home, it may not be possible to legislate. The Commissioner's action and the response made by the public thereto will surely prevent any such plea being put forward.

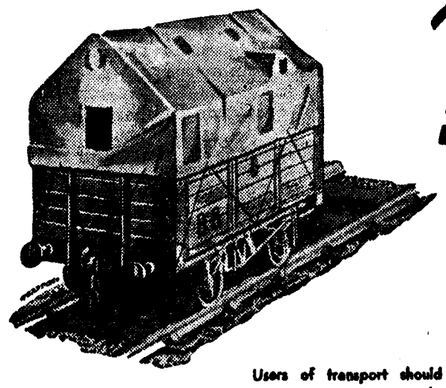
Slum improvement is another reform which must be undertaken as early as possible. As the Health Officer rightly points out, underground drainage to all the slums and butting grounds in the city is a very urgent necessity. The Health Officer correctly emphasises the fact that where the owners are too poor to bear the cost of the work, suitable concessions should be shown as it will ultimately benefit the city. In the matter of slum improvement every effort must be made by all concerned. Employees of large labour like the Railways, Port Trust, Mills &c., must be compelled to construct suitable tenements for their workmen. We hope the Health Officer will have a better report to give next year.

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by the protection obtained in all parts of the world through patents and trade marks by the use of each country's legislation." He alleges that many vital and important products were not made at all in Great Britain owing to the existence of these patents, which not only prevented their manufacture but also hampered research in the wide fields covered by the patents. He, therefore, suggests that the patent law should be so amended that all patents would be compulsorily and automatically endorsed "Licences of Rights." This means that any manufacturer would be entitled to use the patent upon payment of royalties to the owner and it would thus become impossible for a patent to be deliberately "shelved" or the manufacture of an article or commodity prevented by owners of the patent in the interests of their monopoly. The views of the opponents of change are voiced by Mr. Bingden, solicitor to the I.C.I., whose pamphlet carries a preface by Lord McGowan. He contends that the law as it exists is an effective safeguard against the abuses described. An inventor, if he so desires, can have his patent endorsed "Licences of Rights" by the Comptroller, which means that any person under licence can make use of the patent, the Comptroller settling the terms in the event of no agreement being reached. Further, on being convinced that abuse of monopoly rights is taking place, the Comptroller can order the patent to be endorsed "Licences of Rights" or grant a licence to the applicant either exclusively or with others. In reply to Mr. Sugden's arguments that whatever may be the legal position, the safeguards have been notoriously ineffective in practice and of no value except to the largest concerns, owing to the complexity of the legal proceedings required and the consequent great expense and delay, Mr. Bingden pleads that only if we are to go into a socialized control of all industrial activity and commerce would compulsory licensing be justified or necessary.

In this country also, the shortcomings of the patent system have come in for a great deal of criticism. It will be recalled that the Indian Chamber of Commerce recently addressed the Government on the subject and made a number of constructive suggestions for establishing closer contact between patentees and manufacturers. This is but one aspect of patent reform and the subject is comprehensively dealt with in the August number of the Journal of *Scientific and Industrial Research*. The writer suggests that there is a need for appointing a Patent Planning Commission charged with the duty of investigating in what respects the patent laws require to be modified so that they may act as a positive encouragement to inventors and make for the better and prompter exploitation of new processes by the industrialists. He would also leave it to the Commission to study and report on such highly controversial matters as the dedication of essential inventions to public use by the Government, the reservation by the latter of the right of purchasing patents and permitting others to use them and the introduction of a system of compulsory licences.

Wagon or warehouse



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Users of transport should not treat wagons as warehouses. Prompt unloading will send the wagon back where it is most needed.

Help the war effort...

KEEP WAGONS MOVING

B. B. & C. I. RAILWAY

FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, Sept. 22.

THE food situation in the Province is now causing anxiety due to the failure of the South West Monsoon. This, coupled with the low levels in the irrigation reservoires, makes the prospects of a good harvest rather gloomy. Thus, the position in regard to rice and millets will be unsatisfactory in the immediate future. While the supply of rice quotas allotted to the deficit districts has been in heavy arrears, complaints have been heard in the surplus districts that there has been excessive draw offs. Stocks of foodgrains in some of the rationed areas have also been below the prescribed level of buffer stocks. While such is the case of rationed areas, the villages have been left to shift for themselves and consequently, greater distress has been felt. The authorities are now busy trying to build up stocks by more stringent procurement methods and imports. In the expectation of a successful outcome of these methods, it has not yet been proposed to cut the quantity of the rations allowed for the present.

Medical Co-operative Stores

The inauguration of the Madras Provincial Indian Medical Practitioners' Co-operative Pharmacy and Stores, the first of its kind in India, is bound to satisfy a great want in the sphere of Indian medicine. The organization has been started with a view to manufacturing Indian medicines and appliances of high quality under expert supervision and direction. Several local bodies in the Province are maintaining dispensaries of Indian medicine and spending enormous sums but the institutions are working under great handicaps, due to the non-availability of suitable drugs in the market and the new stores are expected to fulfil their needs. The opening of the new organization marks another important stage in the development of co-operative enterprise in this province. It is therefore no wonder that the Registrar of Co-operative Societies claimed the other day an even greater future for the co-operative movement in the post-war reconstruction plans as it was the "most democratic of all methods."

Compensation to Labour

The Madras Government have accepted the principle enunciated by the Government of India in the matter of payment of compensation to labour for involuntary short-term unemployment during the war due to shortage of fuel or raw materials or changes in lines of production. This is an outcome of the Tripartite Labour Conference and the benefit would not cover closure of factories or departments due to special Government orders or closure of which adequate notice has been given. The liability for payment would fall on the employer who could recoup it by an addition to the cost. The scheme would cover all industries whether engaged in war work or not. The local Government have now directed all industrial establishments to conform to the scheme. They have also been asked to send proposals to the Government upon the passing of the extra cost to the consumers.

Panicky Selling Arrested

After the fixation of minimum prices for the leading local shares by the authorities of the Madras Stock Exchange Association, the panicky selling was arrested to a large extent. Buyers appeared for many of the shares and the volume of business expanded. Quotations also improved substantially in the Textiles and Planting sections. The Mysore group of shares did not show any great improvement for want of upcountry demand which had been a regular feature of this counter. In the textiles section, *Cambodias* rose from Rs. 26-2 to Rs. 27-4. *Coimbatore Cottons* recorded a rise of 25 points to Rs. 225. *Sitarams* were supported upto Rs. 156. In the Planting section, *Cochin Malabars* rose from Rs. 13-5 to Rs. 15, *Be Be Rubbers* from Rs. 6-14 c.d. to Rs. 7-8 c.d. *Midlands* and *Rajagiris* were taken upto Rs. 12-2 and Rs. 13-2 respectively. *O. Valleys* recorded a rise of two points to Rs. 11-12. *Consolidated Coffees* and *Pullangodes* were also active recording fair rises. At the close today, there was slight profit taking with quotations fractionally easier. With the fall in the prices of gold and silver and a generally easier tendency in the gilt-edged market, Bank shares were inclined to be lower. Both *Indians* and *Indo-Commercials* were a shade easier. *Reserves* were steady at Rs. 129. Chemicals, utilities and sugars were featureless. In the Government Securities market, there was some support for 3½ *per cent. Paper* at Rs. 99-10. All the dater loans remained fractionally lower. Provincial and State Loans too were dull. The New Madras Loan was still quoting at a discount of four to six annas.

Crude Rubber Scheme

The Government of Madras, in furtherance of their scheme to prepare crude rubber from *cryptostegia grandiflora* (rubber vines), which are found in plenty as wild growth in many parts of the Madras Presidency, especially in Kurnool District have now appointed a botanist, a chemist and the necessary staff with a view to opening a training centre at Bannur village, about 20 miles from Kurnool town, where *mistries* will be trained and sent to various centres in the presidency to work the scheme. A feature of the scheme is that the villagers are also in their respective villages and the Government will buy it from them.

Punjab Letter

LAHORE, Sept. 19.

SIR Henry French, Secretary to the British Ministry of food, was here the other day. A representation met him urging the withdrawal of wheat rationing in view of the fact that "at two places, Lahore and Rawalpindi it has proved an utter failure." The British Food Ministry Secretary expressed his helplessness in the matter, although he viewed with concern that wheat could be had at a cheaper rate in the districts where the price control order was not in force than in those in which it was in force. When it was pointed out to him at a Press Conference that the Punjab Government was not in favour of food control in the Province, he while refusing to dabble in politics, emphatically said that people living in the surplus areas should realize that they must make the fullest possible contribution to help the deficit provinces. In no case, he asserted a compromise could be made on that issue. This unambiguous statement on Sir Henry's part nips the agitation of the oppositionists of wheat rationing in the bud.

The Punjab Government, on its part, has devised a plan—a part of the Grow-More-Food-Campaign—to enhance production of rice to its maximum by resorting to undermilling of rice. This undermilling process, it is hoped, would not only result in one to one and a half per cent. higher returns of milled rice, but also would yield a product of higher nutritional value. The average annual production of paddy, it may be remembered, is about 5,00,000 tons. Undermilling would add annually from 2,700 to 4,000 tons

The sugar industry in the province is threatened with a serious crisis, for want of sugar-cane supply. This supply was coming from within the radius of 25 miles or so of the factories. The Government made it obligatory on the part of the cultivators within that area to supply their production only to the sugarmills. But it appears that the cultivators are now carrying out the supply to those parts where *gur* and *shakkar* are being manufactured. *Gur* and *shakkar* are being sold at a premium and the price of sugar-cane given to the cultivators by the factory-owners is considered to be unprofitable. A representation on behalf of the factory-owners has been made to the authorities to enforce their recent order more rigidly than before so as to compel the cultivators to hand over their production of sugar-cane to the mills. Within the last fortnight or so three conferences were held here The All-India Postal and R.M.S. Employees' Annual Conference urged upon the Government to grant 100 per cent. dearness allowance to the Postal and R.M.S. employees, revise the scale of pay of all non-gazetted grades and grant adequate family pension and compassionate gratuity to the survivors of those employees who die in harness. The annual general meeting of the All-India Telegraph Union (Lahore Branch) also demanded substantial increase in pay to all subordinates at an early date "to relieve acute distress and ensure efficiency." Further the revision of the scales of pay of the clerical as well as the technical staff including telegraphists, telephone operators and mechanics was stressed. The annual conference of the N.W.R. Commercial Staff Union drew the attention of the Railway authorities that for years together the clerks getting pay from Rs. 40 to Rs. 60 were not given any increment. It was urged that their grades must be revised forthwith and dearness allowances at an increased rate must be granted, irrespective of the zonal system.

Sind Letter

KARACHI, Sept. 22

Food grains amounting to about 15,000 tons are Sind Government's latest contribution to feed deficit areas in India. This is in addition to 2,00,500 tons already despatched since November last year to the middle of the month. Out of the new quota, 5,000 have been allotted to Cochin, which is expected to expedite the introduction of rationing in the State, 5,000 tons to Madras, and 1,000 tons to Western India States. Besides the allotment of foodgrains to the deficit areas, the Regional Food Commissioner, Karachi, has recently devised ways and means of co-ordinating the food requirements of all civil and military establishments and thus eliminate wastage and extravagance in demand. An import advisory board has been constituted. It consists of representatives of leading firms, military authorities and civilian establishments in the city, and its function will be to fix allotments as between these competitive sources of demand. The prospects of poultry to supplement, and to that extent reduce the strain on food requirements of the military locally, are also under examination of the local Food authorities, and it is likely that a representative on behalf of the military will be shortly sent to Agra to be trained at a poultry farm there.

Fisheries in Sind

The hope for a bright future for the development of fisheries in Sind which would help the province to capture the world market for shark liver oil and eventually replace cod liver oil, was expressed in an interview by Dr. Ramaswami Naidu, Fisheries Expert to the Government of Sind. In the opinion of Dr. Naidu, the Sind coast abounds in vast supplies of sharks, whose oil-yielding potency is extraordinary. There is also an abundance of fish for diet and he envisaged a great field for dehydration and canning. Dr. Naidu has in view schemes of starting an uptodate aquarium in Karachi, which will serve not only as a source of recreation to people, but would be invaluable for researches in fisheries. Government have not yet, however, decided, he revealed, whether to start a shark oil industry themselves, as in Calicut in Madras, or to provide necessary support and encouragement to private enterprise, which is already organized in Karachi, and whose products are also on the market.

More Barrages

Plans are now complete for the construction of two new barrages in Sind to divert Indus water for irrigation. The projects are estimated to cost Rs. 16 crores. It may be recalled that the Sukkur Barrage project cost about Rs. 24 crores, and the debt that the Provincial Government owed the Centre, has been repaid only recently. Extinction of this great burden has encouraged the Government to launch on these new projects, which, when completed, are expected to bring about 50,000 more acres of land under cultivation. Orders for the required machinery have already been placed and their arrival is awaited. One barrage will serve Lower Sind and the other Upper Sind. Canals will take off from both these barrages to irrigate land.

An appeal for increased dearness allowance for lower grade employees of the North Western Railway has been made by the Karachi Union to the Secretary of the Department of Labour in the Government of India. The representation draws attention to the fact that the cost of living index shows an increase of 400 per cent. over the pre-war, costs and points out how the Government have even refused to accept the modest recommendations made by the Rau Committee of Enquiry for an automatic increase of dearness alloance by Rs. 1-8-0 per month per employee for a rise of 5 points in the cost of living index. While suggesting that a definite dispute has, therefore, arisen between the North-Western Railway Employees' Union, and the Railway Board, the memorandum asks for the appointment of a board to inquire into the grievances of the labour union and adjudicate within two months of its appointment.

AGRICULTURE

Sugar-Cane Price

THANKS to the rigid and wearisome control to which the sugar industry is subjected at every step, a bitter controversy over the fixation of cane price has become an annual feature at the advent of every crushing season. The disruption of the normal price structure and deliberate and arbitrary inter-relation of prices during the war has further complicated the already complex problem of a fair price for cane. Unquestionably sincere, nevertheless conflicting viewpoints force themselves for consideration and need to be adjusted if the experiment of interference with the natural forces in an isolated sector of the economy is to succeed.

To the vast bulk of subsistence farmers the cane is a cash crop, and the measure of its adequacy is its capacity to meet their cash needs. The various measures of control, whatever success they might have achieved in the towns have mostly been ineffective for the villages. The rural price index numbers for whatever they are worth show that the prices for clothing and miscellaneous groups are as high in the latest month available (July) as in January last in Bihar and U.P. They further reveal considerable difference in the price-level in the two provinces in respect of these groups over which the subsistence farmer may be expected to be spending most of his income. The clothing group in U.P., which refers to the price of standard cloth, has remained constant at 90 while it has been so at 138 in Bihar. The miscellaneous group has moved in U.P. from 117 to 133 and in Bihar from 139 to 168. The significance of this disparity in price levels is that a price which may appear tolerable to a cultivator in the U.P. will be less so in Bihar and the incentive for a change over to a different crop is greater in the latter than the former. Such a substitution has actually occurred despite every effort on the part of the factories and concerted propaganda by Government to keep up cane acreage in Bihar. The cane crop in Bihar as a consequence of an unsatisfactory price last season is estimated to be 30 to 40 per ent. less and a larger proportion of the crop is known to be under ratoon. Even last season the target sugar production for the province of 3½ lakh tons could not be attained, and the production was as low as 2 lakh tons. The effect of the unsatisfactory price is not so pronounced in U.P. and the fall has been estimated at about 4 per cent. in acreage.

What concerns the industry under present conditions is a competitive price which may ensure satisfactory supply during the season and in the next. In this respect the circumstances of the U.P. and Bihar factories differ. In the U.P. some of the leading factories have extensive cultivation of their own and are less dependent on the growers. The price of wheat is much lower in proportion than rice, or chillies or maize. The range of crops which can be profitably cultivated in Bihar is far greater than in U.P. But more important than all these factors has been the *Gur* control and want of transport for *Gur*, the effect of which has been disastrous to the cottage industry. The price, last season, fell even below the minimum considered justified under the control, for the want of transport facilities. This diverted more cane to factories than was hoped for on most sanguine expectations.

Not to one who has the larger interests of the industry in view can acquiesce in the discreditable affair that has been the *Gur* control. Its result has been abnormally high prices of *Gur* in the Punjab, Bengal and Madras, which reacted on sugar industry in those provinces. Despite the raising of the cane price to Rs. 1|2 in the Punjab and 0-15-0 in Bengal and regulations seriously interfering with the economic liberties of the cane grower, cane was diverted to *Gur* making. While the U.P. factories profiting by the lack of transport for *Gur* showed a record crush those in the Punjab suffered on account of abnormal *Gur* prices. Such a state of affairs must not be allowed to be repeated and adequate transports must be arranged for *Gur* from U.P., even as it is arranged for sugar, and a record of despatches published. Assuming that the *Gur* industry will receive its due share of consideration, the only method of being assured of sufficient cane supplies is a remunerative and competitive price for sugar-cane.

There are various estimates, and estimates are bound to vary as the conditions of cultivation differ and can be anywhere between 14 as. to Rs. 1|4|- in Bihar and U.P. The quality of cane also differs, for while the recovery in North Bihar and Eastern U.P. are well above 10 per cent. those in South Bihar and Western U.P. are considerably less. A further consideration must be what amount of cane is really wanted for this season. If we want more cane we have got to provide for higher cartage from distant fields, if less a lower cane price may prove adequate. There is an opinion that we have stocks of two lakhs of cane and do not need the maximum crush for the next season. For lakhs of India's villages sugar is a forgotten luxury and even in the rationed town a miserable allotment of two pounds is the unenviable lot of the consumer. If under such circumstances a stock pile of two lakh tons has been built up, it condemns the system of control existing. It is highly dislocating both to the industry and the cultivator to face them with a year of restriction of production on the basis of stocks piled up. Considering the consumers' needs and, prospects of shipping facilities and exports to the neighbouring countries starved of sugar we must aim at a maximum crush. For that purpose a higher price of cane will be necessary in most areas while the present price may be suitable in a few.

There is no justification for adopting one universal price. There may be a system of maximum and minimum prices and the price of sugar should be adjusted accordingly. Under the peril of the factories closing the crush in the middle of the season the Punjab and Bengal allowed higher prices last season giving freight advantages to the factories. A similar system has to be developed on an All-India basis if the control is to function successfully, and a drastic reduction in the cane acreage and undoing of every improvement in the quality of cane achieved so far is to be avoided.

Commodity Markets

FORWARD TRADING IN COTTON

BOMBAY, Sept. 22.

COTTON: On Tuesday the 19th instant, permission was granted both by the Government of India and the Government of Bombay, permitting forward trading in cotton within the limits of Rs. 350 to Rs. 550 for the Jarilla Contract with safeguards on the lines prevailing. The March Contract which was the earliest delivery permitted, opened at Rs. 433, but thereafter went up to Rs. 444, and is now quoted at Rs. 438. Trading at Karachi has also been resumed. It is possible that the market may decline further owing to the impending movement of the crop in Sind, which will be the first crop to move to the market. As against this, mills have not made commitments of their purchases of long staple Sind cotton known as NT. It is difficult to predict any definite trend in the cotton market, the complicating factors being that the Jarilla seed cotton which is the basis of the Contract and which is grown in Khandesh, Berar and C.P. is reported to be damaged by very heavy rains, and that in Khandesh which is the home of the Jarilla, the crop has been considerably reduced as a result of the legislation by the Government of Bombay for the purpose of increasing food crops. The same applies to Broach, Gujerat and Surat districts also. Further owing to sufficient rains, the quality of the crop, despite the quantity being small, is expected to be better than the average; last year the lack of moisture produced very poor quality. However, in the last analysis, the price of the Contract is determined by the intrinsic merit of the last variety tenderable against the Contract, and one would, therefore, surmise that the prices would be steadier.

Several important changes have been made in the constitution of the Hedge Contract, which deserve attention. First is the reduction of the discount of 18 per cent. to 12½ per cent. This is applicable to the premium for varieties other than Jarilla cotton tendered against the Contract. The justification is that this 18¾ per cent discount instead of becoming a handicap against Bear raids, became in actual practice a prohibition against the tendering of 'other varieties,' and it was argued that rather than put a prohibitive premium in regard to the tendering of 'other varieties' and tell the growers that their cotton is tenderable in the Contract, the honest thing would be to make the 'other varieties' altogether untenderable against the Contract. Even the 12½ p.c. discount is too much, and it is expected that next year it would be reduced to 6¼ only. Further, especially as the Jarilla crop has been reduced in quantity as a result of the Grow-More-Food Campaign, there is less burden of the crop on the Contract, and in order to prevent squeezes and Bull manipulations, it is necessary that the premium on 'other varieties' should be reduced to a nominal figure or better still be done away with.

Another change made in the Contract is that the buyer is given the right to refuse taking delivery, and invoice back with a penalty of Rs. 7|8|0 per candy. Lest this be misunderstood, it should be clarified that the invoicing back price in any case be not lower than the 'floor' price of Rs. 350 less Rs. 7|8|0 *i.e.*, Rs. 342|8|-. Even at the level of Rs. 375, or for the matter of that, at any level, if the buyer refused to take delivery, he can invoice back the cotton only at the price of Rs. 342|8|0. It must be added that this provision of penalty of Rs. 7|8|0 against the seller for "failure to tender" is made for certain reasons which space will not permit the writer to go into, but the important thing to be borne in mind is that this facility to the buyer has been allowed only because the Government are firm buyers at the 'floor' prices for all tenderable varieties, so that the seller can always offer his cotton to the Government without any loss in addition to receiving the penalty. It is definite that should the Government of India not be firm buyers at the 'floor' prices next, the concession to the buyer will certainly be deleted.

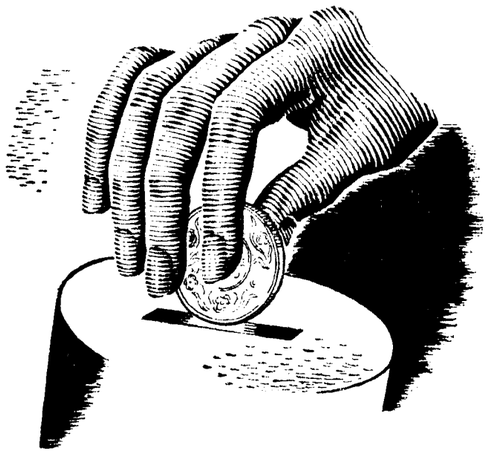
MADRAS, Sept. 22.

SKIN AND HIDES: The excitement that prevailed in the Hides market, consequent on the revised schedule of the Ministry, has subsided and merchants are now busy studying the position with particular reference to long-term supply and demand for both internal and export purposes. The market has been open for only few days during the period due to *Id* and other holidays and during the days the market was open, merchants have not been trading as usual pending the official announcement of the new policy. But deliveries have been made to the Buying Organization subject to the payment of increased prices when the new schedule gets the official sanction.

The future position is now viewed with anxiety. The revision in the prices has only yielded a better return for the tanned stocks on hand and those in the process of manufacture at the tanneries. The purchases now made at the raw goods centres at high prices—consequent on the higher prices for the tanned products—will come out of the tanneries only by the New Year when, as a result of the agreement, it will be liable to a reduction of one anna all round with a further step down in April next, leaving a net rise of four pies on April 1. With the raw material and production costs standing at higher levels, the supply will be retarded unless very effective control is imposed on the raw market to enable tanners to peg their cost of production to the prospective basis that will be enforced. Ceiling prices for the raw market, a Purchase Board of all interests and a sub-pool for Madras tanners have all been promised, but how soon these organizations will be enabled to start functioning and with what result, it will be too soon to say. But it must be mentioned in this connection that local and up-country demand should not be discouraged as the Ministry and the Government of India cannot take in all that is produced. For, the export demand has always been for superior selections up to fifths, more for run lots. It was the local and up-country demand that had supported the trade at better prices for round lots than what the Ministry would pay for the better selections.

The notification by the South African Trade Commissioner at Bombay to all eporters of tanned sheep and goat to the Union that no further certificates of essentiality for the importation of such skins into the Union will be given until further notice has been received with great dismay. This notice closes down a bright patch of business which this market had recently developed with the Union.

GROUNDNUTS: The groundnuts market ruled very easy during the period. There has been a steep fall in the price of the British Ministry of Food from £31|17|6 to £31|5|0. Knowing that a gradual and consistent reduction in the price is the settled policy of the Ministry and with bright prospects for the new crop, there have been heavy sales to the exporters who in turn have sold large quantities to the Ministry. During the past fortnight nearly 40,000 tons have been sold. Sales to exporters during the current week have been so heavy that they have been unable to take delivery what with the restricted accommodation for storage at port centres. In the local market, the quotation declined from Rs. 67|4 to Rs. 64 during the period. It is stated that Argentina and Brazil have offered attractive terms to the Ministry for the purchase of linseed and castor seed and reports indicate that the Ministry may not show great interest in the Indian market. Oil was very week declining from Rs. 158 to Rs. 145. Demand was indifferent. Cake showed no change. Reports are current that the Madras Government are contemplating a reduction in the ceiling prices fixed recently.



EVERY RUPEE SAVED NOW...

will buy more when the war ends. With prices as high as they are today it is plain commonsense that you are getting bad value for your money. Besides, remember that prices are falling. Compare the prices of cloth, foodgrains, medicines etc. a year ago with prices today. The wise man saved his money and can now buy cheaper than before. The wisest thing of all however, is to save all you can now in order to get twice as much for your money when peace returns.

Be sure that the money you save is safely invested. Jewels, Land, buildings, manufactured goods and commodities are bad investments these days. Their prices are abnormally high and you will certainly find one day that they are coming down.

For security and fair return put your money into Government Loans, National Savings Certificates, Insurance, Co-operative Societies, Post-Office Savings Bank or a Savings Bank Account

save ALL YOU CAN AND INVEST ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1113

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

(Rs. in lakhs)

	15-9-44	8-9-44	17-9-43	1-9-39	15-9-44 compared with 1-9-39
Notes held in the Banking Dept.	9.17	10.30	13.53	35.04	— 25.87
In circulation	938.22	937.08	760.40	182.13	+756.09
Total Notes	947.39	947.38	773.93	217.18	+730.21
A. Gold coin and bullion*	44.41	44.41	44.41	44.41	Nil
Sterling Securities	831.33	831.33	641.78	59.50	+771.83
Total of A	875.74	875.74	686.20	103.92	+771.82
B. Rupee coin	13.81	13.79	14.35	75.87	— 62.06
Rupee Securities	57.84	57.84	73.39	37.38	+ 20.46
Silver bullion under coinage	..	..	..	..	..
% of Reserve to liabilities	92.437	92.439	85.684	63.149	+29.288

* Only those held in India, outside India being nil.

IMPERIAL BANK

(Rs. in lakhs)

	15-9-44	8-9-44	17-9-43	1-9-39	15-9-44 compared with 1-9-39
Fixed Deposits	230.93	231.21	191.05	87.26	143.67
Savings Bank, Current and Other Accounts	133.13	129.54	128.86	51.03	+ 81.10
Govt. Securities	3.73	3.60	2.16	9.62	5.98
Other Investments	11.08	12.96	12.17	7.66	+ 3.38
Loans	41.95	41.87	21.26	19.76	+ 22.19
Cash Credit Overdrafts	2.81	5.23	2.74	2.95	14
Bills discounted	49.23	47.86	33.83	14.69	+ 34.59
Cash in hand, with R.B.I. and other Banks					

BANK OF ENGLAND

(£ 000)

	29-9-44	13-9-44	22-9-43	30-8-39
Total Bullion	2,180	2,010	1,965	263,700
Public Deposits	11,500	13,200	7,200	31,100
Other Deposits	230,900	232,000	217,500	291,000
Of which Bankers' Deposits	175,100	170,400	164,400	90,100
Government Securities	192,100	193,300	203,300	113,100
Other Securities	14,800	15,200	16,800	31,000
Of which Discounts and Advances	2,800	2,800	900,000	6,400
Notes and Coins	51,700	51,400	21,300	34,200
Notes in circulation	1,150,500	150,600	980,700	529,500
% of Reserve to Liabilities	21.24	20.90	9.46	21.38

TREASURY BILLS SALES 3 MONTHS TENURE

(Rs. '000)

Date of Issue	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
June	50,62,50	30,00,00	0 7 3	..	8,52,50
July	37,36,75	16,00,00	0 7 9	..	13,76,00
Aug. 4 ..	12,97,00	4,00,00	0 7 9	..	60,00
.. 11 ..	14,91,25	4,00,00	0 7 7	..	3,30,00
.. 18 ..	19,25,00	6,00,00	0 7 9	..	2,97,00
.. 24 ..	13,32,50	6,00,00	0 7 10	..	2,05,50
Sept. 1 ..	14,52,50	6,00,00	0 7 7	..	61,25
.. 8 ..	14,57,50	6,00,00	0 7 10	..	2,00,00
.. 15 ..	14,61,50	60,00,00	0 7 10	..	
.. 22 ..		6,00,00	0 7 11	..	..

CLEARING HOUSE RETURNS

(Rs. in lakhs)

Centres	April-July 1943-44	April-July 1944	Aug. 1944	Sept. 1944	15-9-44
Bombay	20,43,21	6,91,78	1,53,30	1,17,42	39,89
Calcutta	17,40.12	7,01,92	1,97,27	1,64,74	53,90
Cawnpore ..	1,02.41	37,55	7,52	..	..
Delhi	1,21,08	39,35	8,40	..	..
Karachi	1,02.84	38,28	7,90	..	..
Lahore	78,82	30,36	7,11	..	..
Madras	2,00,02	78,25	16,59	12,77	4,20
Total	43,45,50	16,07,49	3,98,27	2,94,93	97,99

* For three Centres only.

CASH POSITION

(Rs. in lakhs)

	15-9-44	8-9-44	17-9-43	1-9-39	15-9-44 compared with 1-9-39
Reserve Bank of India	9,45	10,55	13,68	35,15	— 25,70
Scheduled Banks ..	125.40	131,36	86,35	31,87	+ 93,53

BANKING DEPARTMENT

(Rs. in lakhs)

	15-9-44	8-9-44	17-9-43	1-9-39	15-9-44 compared with 1-9-39
Cash	9.45	10.55	13,68	35,15	— 25,70
Balances held abroad*	283,66	275.47	99,72	10,08	+273,58
Investments ..	11,57	11,52	7.66	6,81	+ 4.76
Bills discounted:—					
(a) Internal and External ..	..	..	..	..	Nil
(b) Treasury Bills	37	7	10	1,16	— 79
Loans and Advances to Government	1,17	..	28	31	+ 86
Deposits:—					
(a) All Govts. ..	175,93	163,48	27,04	14,89	+161,04
Of which G. of I.	160,20	144,56	16,48	14,89	+145,31
(b) Banks ..	100,42	105,61	68,02	26,91	+ 73,51
(c) Others ..	13,31	13,69	9,95	1,24	+ 12,07

* Including Cash and Short-term Securities.

SCHEDULED BANKS

(Rs. in lakhs)

	15-9-44	8-9-44	17-9-43	1-9-39	15-9-44 compared with 1-9-39
Demand Liabilities in India ..	583,51	586,70	456,12	134,36	+449,15
Time Liabilities in India	190,63	191,28	130,81	102,24	+ 88,39
Cash in India ..	25,45	25,12	20,59	6,70	+ 18,75
Balances with Reserve Bank ..	99,95	104,24	65,76	25,17	+ 74,78
Advances in India	202.24	203.40	144,77	101,52	+100,72
Bills discounted in India	9,72	9.74	3,95	3,57	+ 6,15

U.S. FEDERAL RESERVE BOARD

(million dollars)

	21-9-44	14-9-44	23-9-43	31-8-39
Resources:—				
Total Reserves	18,975	18,981	20,379	14,660
Total Bills discounted ..	171	116	21	(6,190)
Bills bought in open market	..	..	..	(550)
Total U.S. Government Securities	16,540	16,407	9,204	2,426
Liabilities:—				
F.R. Notes in actual circulation	20,001	19,943	15,138	4,609
Deposits in Member Bank Reserve Account ..	13,445	13,526	12,487	10,951
% Total Reserve to Deposit and F.R. Note Liabilities	52.9	53.3	68.37	86.9

TREASURE BILLS MATURITIES 3 MONTHS' TENURE

(Rs. '000)

Date of maturity	Amount	Date of maturity	Amount
August 1944 ..	16,00,00	October 28 ,, ..	4,00,00
September ,, ..	30,00,00	November 4 ,, ..	4,00,00
October ,, ..	16,00,00	,, 10 ,, ..	4,00,00
November ,, ..	20,00,00	,, 16 ,, ..	6,00,00
October 7 ,, ..	4,00,00	,, 25 ,, ..	6,00,00
,, 14 ,, ..	4,00,00	December 1 ,, ..	6,00,00
,, 21 ,, ..	4,00,00	,, 8 ,, ..	6,00,00
		,, 15 ,, ..	6,00,00
		,, 22 ,, ..	6,00,00

STERLING PURCHASES BY RESERVE BANK OF INDIA

	Apl.-July 1943-44	1944	Aug. 1944	July 1944	Aug. 1943	July 1943
Amount (000£) ..	105,309	32,862	10,218	12,400	8,546	7,006

Average rate of purchases remained £0-1-6 all along.

EXCHANGE RATES (T.T.)

(000's omitted)

	Sept. 4, '44.	Aug. 27, '44.
Bombay on London (s.)	1-5 31/32	1-5 31/32
,, ,, New York ($)	332 3/4	332 3/4
London on Bombay (s.)	1-6	1-6
on New York ($)	4.02 1/2—4.03 1/2	4.02 1/2—4.03 1/2
New York on London ($)	4.03	4.03

BANK RATES

	Date of last change.	Previous Rate.	Present Rate.
Bombay ..	26th Nov. 1935	3½%	3%
London ..	26th Oct. 1939	3%	2%
U.S.A.—New York	29th Oct. 1942	1%	1%
Fed. Res.	27th Oct. 1942	1½%	1%

B—General

EMPLOYMENT IN FACTORIES IN INDIA
(Average daily number of workers)

Industries	1943	1942	1941	1940	1939	1938
1. Government and Local Fund Factories:—						
Clothing	29,359	28,552	19,155	8,944	2,155	1,532
Ordnance Factories	131,076	113,077	76,488	49,999	30,709	22,657
Railway Workshops	93,084	89,816	69,098	61,456	55,784	55,359
Total (Perennial and Seasonal)	255,873	230,893	220,081	169,163	132,146	121,640
2. All Other Factories—A. Perennial:						
Cotton (spinning, Weaving and other Factories)	650,524	608,975	593,707	538,853	386,854	516,037
Hosiery	9,919	9,331	10,618	8,578	7,708	7,939
Jute Mills	302,304	309,962	310,624	293,777	298,967	295,162
Silk and Woollen Mills	19,640	18,708	18,339	14,771	13,056	11,594
Miscellaneous	19,506	18,483	20,032	13,182	10,491	8,253
Total	1,001,893	965,459	953,320	829,162	**817,077**	**838,985**
Engineering	253,948	223,820	204,056	156,665	148,424	143,257
Minerals and Metals	92,694	82,493	76,162	62,357	55,123	51,746
Food, Drink and Tobacco	124,779	121,311	119,888	104,038	97,405	87,005
Chemicals and Dyes, etc.	82,710	72,626	71,150	57,485	55,945	55,118
Paper and Printing	60,534	48,501	48,245	46,445	44,377	42,053
Wood, Stone and Glass (Cement, Lime and Pottery)	89,324	82,334	77,627	59,122	52,290	46,364
Gins and Presses	15,098	17,029	21,533	22,846	25,987	26,504
Skins and Hides	33,669	29,608	23,516	18,097	12,906	11,710
Miscellaneous	37,401	38,465	35,346	21,679	19,712	18,324
Total Perennial	1,792,550	16,81,646	1,630,848	1,379,896	1,329,248	1,321,066
Total Seasonal	288,823	300,698	305,443	295,369	289,443	295,049
Total for all other Factories	2,081,373	1,982,344	1,936,291	1,675,265	1,618,619	1,616,115
GRAND TOTAL	2,437,246	2,282,237	2,156,377	1,844,428	1,751,137	1,737,755

LEAGUE OF NATIONS STATISTICS
INDEX NUMBERS OF INDUSTRIAL PRODUCTION
(Base: 1939=100)

Country	1941†	1942†	1943†	Latest Indices	
Canada:					
General	168	216	259	268	(1944—iii)
Mining	182	186	242	223	(1944—iii)
Industries—Manuf.	169	234	283	289	(1944—iii)
Iron and Steel	273	456	142	590	(1944—iii)
Textiles	144	149	142	139	(1944—iii)
U.S.A.:					
General	149	184	221	222*	(1944—iv)
Minerals	118	122	125	132*	(1944—iv)
Industries—Manuf.	155	194	237	237*	(1944—iv)
Iron and Steel	163	175	182	187*	(1944—iv)
Machines	213	329	428	432*	(1944—iv)
Transport	241	453	716	716*	(1944—iv)
Textiles	136	141	137	136*	(1944—iv)
Chile:					
General	115	114	114	106	(1944—4)
Mexico:					
General	104	110*	..	118*	(1943—viii)
India:					
Iron and Steel*	122	116	..	126	(1943—x)
Textiles*	113	117	..	108	(1943—x)
Paper	139	116	..	101	(1943—x)
Bulgaria:					
General	118	111	..	115	(1943—vi)
Denmark:					
General	77	81	81	83	(1944—ii)
Ireland:					
General	72	78	77	77	(1943—x to xii)
Sweden:					
General	84	87	88	88	(1944—ii)

* Provisional.
† Average for the year.

FOOD INDEX (WHOLESALE PRICES)†
(Base: Last week of Aug. 1939=100)

Week ending		Increase or decrease
,, ,, July	236.9	+4.8
,, ,, August	237.3	+0.4
2nd September	237.3	+1.5
9th ,,	235.4	—1.9

† Issued by the office of the Economic Adviser to the Government of India.

SEA-BORNE TRADE OF INDIA

	April-May 1944	April-May 1943	Increase or decrease in (1) Compared with (2) Rs.
	RDLU HRDL THR		
	(1) Rs	(2) Rs.	
Exports (Indian)	32,24,25,441	32,01,60,105	+ 22,65,336
Exports (foreign)	1,03,88,625	87,15,869	+ 16,72,756
Exports (Total)	33,28,14,066	32,88,75,974	+ 39,33,092
Imports	29,71,19,010	17,41,91,944	+12,29,27,066
Balance of Trade in merchandise (private)	+3,56,95,656	+15,46,84,030	—11,89,88,984
Total Trade	62,99,33,076	50,30,67,918	+12,68,65,158

INDIAN CUSTOMS STATISTICS
(Rs. '000)

	1944-45 (Budgeted Estimates)	1943-44 (Actual)	5 months April to Aug. 1944	August 1944
Sea Customs:—				
Imports	50,80,00	45,45,90	30,30,89	6,43,78
Exports	2,49,00	2,44,17	1,02,77	23,23
Total Gross Customs†	54,15,00	48,91,31	31,75,50	6,72,94
Net Customs	28,00,00	46,10,85	30,90,27	6,51,21

INDUSTRIAL PRODUCTION IN INDIA

Months	Jute Manfactures (including twist & yarn) 1942-43 (Tons (000))	1943-44	Paper 1942-43 Cwts (000)	1943-44
April	97.41	114.27	110.35	132.94
May	82.98	100.41	102.26	148.78
June	79.66	97.84	104.51	129.54
July	87.57	69.15	115.20	135.77
August	85.98	42.50	109.84	121.09
September	87.65	51.90	104.47	118.61
October	75.65	64.51	115.85	111.87
November	85.58	81.24	113.32	101.42
December	87.61	63.48	125.29	110.90
January	73.12	80.45	113.66	108.54
February	90.04	77.32	105.01	107.57
March	109.04	..	79.12	..
Total	1,042.29	833.07	1,300.90	1,327.03

Note:—All the figures are provisional.

WORKING COST OF LIVING INDICES IN INDIA†
(Base: August 1939=100)

Centres	1944 July	1944 June	1944 May	1944 April	1943 July	1943 June
Bombay	(a)	225	224	220	225	224
Ahmedabad	(a)	281	278	278	288	289
Sholapore	(a)	267	267	284	266	252
Jalgaon	(a)	295	277	265	288	289
Cawnpore	327	315	315	316	341	336
Nagpur	265	259	258	271	354	361
Jubbulpore	324	324	327	320	319	312
Lahore	(a)	286	272	292	286	275
Madras	207	208	206	205	185	185

† Indian Labour Gazette, September 1944.
(a) Not available.

SUGAR POSITION FOR 1943-44 SEASON
(Figures in tons)

Producing areas	Production up to 7-9-1944.	Despatches during 1-9-1944 to 7-9-1944.	Progressive total of despatches up to 7-9-1944.	Percentage of progressive despatches to production.	Physical stock as on 7-9-1944.
U.P.	7,27,403	15,465	4,51,601	62.1	2,75,802
Bihar	2,12,809	2,380	1,43,324	67.6	68,985
Bombay	81,684	1,804	54,974	67.3	26,710
Madras	43,677	1,035	30,834	70.6	12,843
Punjab	11,162	53	8,070	72.3	3,092
Bengal	13,648	344	10,477	76.7	3,171
N.-W.F.P.	6,253	94	4,620	73.9	1,633
Orissa	1,690	20	1,287	76.2	403
Indian States	1,23,813	2,553	92,397	74.6	31,416
Total	12,22,139	23,748	7,98,084	65.3	4,24,053

Balance stock of 1942-43 sugar as on 7-9-1944 was 1,898 tons.

C—Prices

INDIAN STOCKS AND SHARES

	25-9-1944 Rs. a. p.	18-9-144 Rs. a. p.
SECURITIES: Bombay		
2¾% (1948-52)	99 12 0	99 12 0
3% (1946) Defence	102 4 0	102 4 6
3½% G.P. Notes	99 8 0	99 7 0
4% (1960-70)	112 10 0	112 11 0
4½% (9155-60)	116 2 0	116 2 0
5% (1945-50)	103 15 0	103 15 0
Calcutta		
5% Loan (1945-55)	..	..
3% Loan (1951-54)	..	101 2 0
TEXTILES: Bombay		
Ahmedabad	405 0 0	417 8 0
Bombay Dyeing	1,697 8 0	1,711 4 0
Central India	365 8 0	362 8 0
Century	795 0 0	760 0 0
Colaba	200 0 0	200 0 0
Gokak	285 8 0	288 0 0
India Bleaching	172 0 0	164 0 0
Kohinoor	545 0 0	530 0 0
Phoenix	552 8 0	534 0 0
Sholapur	7,025 0 0	6,400 0 0
Simplex	226 8 0	223 0 0
Swadeshi	482 0 0	476 0 0
Vishnu	457 8 0	462 8 0
Finlay	..	269 0 0
Morarji	..	580 0 0
Apollo	..	3 10 0
Calcutta		
Benares	..	..
Bengal Nagpur	..	..
Cawnpore Textile	..	12 11 0*
Dunbar	..	..
Elgin Mills	..	63 12 0
Kesoram	..	15 4 0
Muir Mill Pref.	..	..
New Victoria	..	7 12 0
,, ,, Pref.	..	9 12 0
Madras		
Buckingham	300 0 0	..
Bangalore Wool	..	455 0 0
Cabodia	..	26 12 0
Coimbatore Cotton	..	..
Pankaja	..	225 0 0
Sitaram Spg.	154 0 0	158 0 0
Vasantha	..	275 0 0
Madura	..	..
Lahore		
Ajudhia Textile	5 12 0†	..
Cawnpore Textile	12 11 0†	..
New Victoria Ord.	7 11 0†	..
JUTE: Calcutta		
Alliance	575 0 0	
Anglo-India	435 0 0	
Birla Pref.	145 0 0	
Barnagore	207 0 0	
Champdany	..	
Ganges	..	
India	670 0 0	
Howrah	80 6 0	
Kamarhatty	638 0 0	

	25-9-1944 Rs. a. p.	18-9-144 Rs. a. p.
Kanknarrah	..	532 8 0
Nuddia	..	126 8 0
Presidency	..	10 6 0
TATA SHARES: Bombay		
Tata Chemical	..	21 6 0
,, Oil	..	70 0 0
,, Power	1,855 0 0	1,872 8 0
,, Hydro	201 0 0	202 0 0
,, Steel Defd.	2,091 4 0	2,110 0 0
,, ,, Ordy.	371 0 0	377 0 0
,, ,, Pref. I	223 12 0	223 12 0
,, ,, ,, II	153 0 0	160 8 0
STEEL ENG.: Calcutta		
Bharittya Elec. Steel	..	..
Indian Iron	..	37 12 0
Steel Corpn.	..	30 0 0
Jessop	..	22 12 0
Kumardhubi	..	11 4 0
COALS: Calcutta		
Amalgamated	..	45 8 0
Bengal	..	616 0 0
S. Karanpara	..	20 4 0
Bhalgora	..	15 1 0
Burrakur	..	40 0 0
East India	..	32 4 0
Equitable	..	63 8 0
North Damuda	..	..
Telcher	..	9 0 0
SUGAR: Calcutta		
Rahrampur	..	17 1 0
Samastipur	..	17 12 0
Belsund	..	..
Carew	..	27 0 0
Murree Brewery	..	..
New Savan	..	..
Cawnpore	..	..
Lahore		
Gokulnagar	41 8 0†	43 13 0
Jagjit	250 0 0†	270 0 0
Muree Brewery	..	..
Jaswant	10 2 0†	11 5 0
Madras		
Mysore	..	..
Deccan Big	..	37 0 0
S. India	..	16 0 0
PLANTINGS: Madras		
Cochin Malabar	14 12 0	14 8 0
Chembra Peaks	10 6 0	10 0 0
Woodlands	..	10 0 0
Thurmbadi	45 0 0	..
Travancore	15 8 0	13 2 0
TEA: Calcutta		
Bisnath	..	40 12 0
Sapa (ex.-div.)	..	..
Tezpore	..	..
BANKS & INS.: Bombay		
Central	74 8 0	74 8 0
Imperial F.P.	1,972 8 0	1,975 0 0
Imperial P.P.	480 0 0	482 8 0
India	174 12 0	175 0 0

	25-9-1944 Rs. a. p	18-9-144 Rs. a. p.
Reserve	131 0 0	131 0 0
New India	75 8 0	75 8 0
Lahore		
United Com.	75 0 0†	..
Hindustan Com.	52 12 0†	..
Bharat Bank	..	..
New Bank	33 0 0†	35 12 0
Jup. In. Trust	..	..
Pun. N. Bank F.P.	..	..
,, P.P.	..	..
New Asiatic	..	..
MISCELLANEOUS: Bombay		
Ajmer	15 0 0	15 0 0
Bom. Suburban	220 0 0	220 0 0
Alcock	417 8 0	412 8 0
B.I.C.	..	6 1 0
Belapur Sugar	220 8 0	230 0 0
Bom.-Burma	513 12 0	520 0 0
,, ,, New	180 0 0	185 0 0
Bombay Steam	527 8 0	530 0 0
,, Tram	147 0 0	147 4 0
,, Petrol	4 4 6	4 4 0
Scindia Steam	29 6 0	29 11 0
Shivarajpur	49 8 0	51 0 0
Andhra Valley	1,807 8 0	1,805 0 0
Prem. Cons.	..	187 0 0
Indian Iron	..	38 0 0
Indian Copper	..	3 0 0
Burma Corpn.	..	4 10 0
Associated Cement	219 4 0	..
Calcutta		
I.P.P.	..	..
Orient (ex. div.)	..	..
Titaghur	..	26 0 0
Dalmia Cement	..	16 10 0
Burma Corpn.	..	..
Indian Copper	..	..
Consolidated Tin	..	..
Madras		
Andhra Cement	..	114 0 0
Bruntons	12 4 0	11 4 0
Mysore Chem.	..	38 0 0
India Steel Roll	7 12 0	7 12 0
Mysore Paper	23 12 0	..
Mettur Che. Ordy.	17 12 0	16 6 0
Spencer	..	13 12 0
Lahore		
Rampur Distillery	10 10 0†	14 3 0
National Saltpetre	..	..
N. India Oil	..	..
S. G. Paper Mills	17 0 0†	..
Star	..	..
Delhi		
Apollo	3 6 0†	..
New Victoria	7 10 0†	8 0 0
Raza Textiles	64 8 0†	..
Ajudhia Textile	..	..
Gwalior Brewery	..	..
Delhi Cloth	103 12 0†	..

Calcutta Stock Exchange remained closed for Puja holidays.
Prices marked (*) are for 18-9-1944.
Prices marked (†) are for 24-9-1944.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

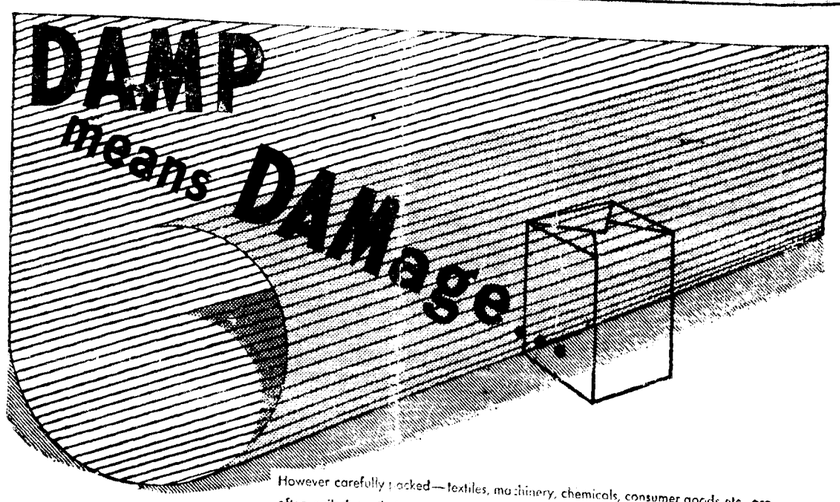
Commodity and unit	Quality	Market	Latest Quotations Rs. a. p.
*Rice (per md.)	Basmati Old	Amritsar	21 0 0
	Sela	,,	23 0 0
	Common rice	Cawnpore	..
	Seeta Kalma	Calcutta	15 10 0
*Wheat (per md.)	Average	Amritsar	..
	Average	Lyallpur	..
	Dara	Hapur	9 12 0
	Dara	Calcutta	10 7 0
*Linseed (per md.)	Ready B. Bold	Bombay	10 0 2
	Ready B. Small	,,	9 11 10
	Ready B. Small	Calcutta	10 4 0
*Mustard (per md.)	Yellow	Cawnpore	13 5 0
Groundnuts (per md.)	Ready Bold	Bombay	10 1 8
	Karnels (Coromandel)	Madras	.. ..
*Potatoes (per md.)	Desi	Cawnpore	14 0 0
	Pahari	,,	25 0 0
**Oils (per qr.):			
Linseed	Ready	Bombay	10 8 0
Castor	Ready	,,	10 12 0
Groundnut	Ready	,,	9 8 0
†Cotton—Raw (per candy)	ICC Sap.	,,	400 0 0
†Piecegoods (per yd)	Long Cloth	,,	..
	(Standard qlty)	,,	

†Jute—Raw (per bale of 400 lbs.)	(1) Firsts	Calcutta	84 0 0
	(2) Lightnings	,,	79 0 0
†Bags (per 100)	bags) B. Twills	,,	63 8 0
†Cloth (per 100 yds., 10½ oz.	Hessian Cloth 8 oz.	,,	22 2 0
		,,	29 0 0
†Tea (per lb).	Indian market	,,	0 10 1
†Coffee (per cwt.)	Nilgiri— Peaberry	Bangalore	143 0 0
†Sugar (per md. ex-factory)	First Crystals	Cawnpore	15 6 0

† Indian Trade, 21st Sept. 1944.
* Agricultural Marketing Adviser to G. of India Weekly Bulletin, dated 24th September 1944.
** "Times of India," dated September 24, 1944.

GOLD AND SILVER PRICES

	GOLD (Rs. per fine tola) Spot	Forward	(Rs.) Sovereign	SILVER (Rs. per 100 fine tolas) Spot	Forward
BOMBAY—					
Sept. 19	66 0 0	65 4 0	42 8 0	124 8 0	122 0 0
,, 20	..	..	..	..	..
,, 21	64 0 0	63 12 0	..	120 10 0	119 2 0
,, 22	63 12 0	63 8 0	42 4 0	120 0 0	119 0 0
,, 23	63 15 0	63 11 0	42 4 0	120 2 0	119 2 0
,, 24	63 15 0	63 11 0	42 2 0	120 2 0	119 2 0
,, 25	65 8 0	65 [illegible]	42 0 0	121 4 0	120 12 0
LONDON 25th Sept.	per [illegible]		48-8-0	Ready 23½d.	23½d.
NEW YORK 25th Sept.	[illegible]		oz.	44¾ cents.	



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Banking in War-Time

BEYOND doubt the most outstanding development in war-time banking in India, as elsewhere, is the enormous growth of deposits. In August, 1939, the deposit liabilities of Indian scheduled banks stood at Rs. 249.45 crores, by the end of July, 1944 they had risen to Rs. 759.9 crores, representing an increase of about Rs. 510 crores or over 300 per cent. Contrast this with the snail's pace in pre-war which was almost a state of stagnation. In the three years ending March, 1939, deposits grew by only Rs. 20 crores.

It is the expansion of currency, inescapable in war, which has caused this accrual of deposits to banks. In peace, when the currency expansion is normal or modest, the growth of deposits could in a certain sense be attributed to the banks themselves in the performance of their traditional job, *viz.*, collecting savings. But in war the banks themselves are a passive agent and the increase in their deposits is merely the counterpart of monetary inflation, an important by-product of the fundamental monetary convulsions of a total war, over which the banks have very little control.

But on the foundation provided by an enlarged currency, each country has built a super-structure of bank credit, widely varying in size and depending upon the monetary habits of its people. Speaking generally, countries whose economy remains in important sectors uncovered by the cheque habit, but rests largely on currency, have experienced an expansion of bank credit smaller in size than the increase in note issue, while in countries based mainly on credit the initial currency base has supported a much bigger corpus of bank credit. Completely satisfactory data are not available. But the following table, giving figures of the increase in note issue and bank deposits, of certain important countries illustrates the truth:—

TABLE I

	Notes		Commercial Bank Deposits			
	XII|1939	XII|1943	XII|1939	XII|1943	Increase in Bank Deposits	Increase in Notes in circulation
U. S. A. ..	7598	20449	23842	40050	12851	16208
Canada ..	233	874	2774	4395	641	1621
U. K. ..	555	1089	2441	4031	534	1590
Australia ..	57	164	335	497	107	162
Iraq ..	5.2	33.7	2.0	15.5	28.5	13.5
Iran ..	1010	5195	..	..	..	..
Palestine ..	8.5	35.7	16.2	53.6	27.2	37.4
Japan ..	3818	9667	19794	40652	5849	20858
India	2172	9442	2366	7644	7270	5278
	(Sept. 1 '39)	(Aug. 11 '44)	(Sept. 1 '39	(Aug. 11 '44)		

(In millions of national currency)

In the U. K., the growth of bank deposits is thrice as much as the increase in note issue; in the U. S. A. 1-1|3; in Canada 2-2|3; in Australia 1-3|5 and in Japan 3-1|2 while in Iraq the rise in bank deposits is about half the size of the increase in note issue. Figures of Iran and Egypt, if available, would prove the same point. Palestine alone among the inflation-ridden backward countries has recorded an increase in bank deposits larger than the enlargement of the currency base. In India between September 1, 1939 and August 11, 1944, bank deposits rose by Rs. 528 crores against the larger increase of Rs. 727 crores in the note issue.

How closely deposits have grown as the concomitant of currency expansion can be seen from the fact (see Table II) that right till March 1941, the growth in deposits was negligible because currency expansion had not gathered strength then and thereafter when the pace of note issue went up sharply from October 1941, deposits too mounted fast, but with an inevitable time-lag:—

TABLE II

(Rs. in crores)

	Notes Issued	Deposits
August 1939 ..	216.78	249.45
March 1940 ..	252.21	259.26
March 1941 ..	269.25	284.64
October 1941 ..	307.39	332.66
March 1942 ..	421.06	322.16
March 1943 ..	655.11	493.60
March 1944 ..	891.78	688.65

Whereas from August 1939 to March 1942 the increase in deposits amounted only to Rs. 72.7 crores, in 1942-43 it was Rs. 170 crores, in 1943-44 Rs. 195 crores and in April-July 1944 Rs. 70 crores, the rate in the last 15 months being roughly Rs. 16 crores per month.

Of this big increase in deposits, time liabilities have risen only very slightly, from Rs. 102 crores in

September 1939 to Rs. 186 crores, i.e., by about 30 per cent., while demand liabilities have gone up by Rs. 445 crores to Rs. 578 crores, or by nearly 130 per cent. Figures for other countries reveal a similar small increase in time, and big increase in demand, liabilities indicating the preference for liquidity which has been so common a feature since the '30's.

This big increase in demand deposits calls for a higher degree of liquidity. Has that been attained? The volume of cash and balances with the Reserve Bank does not show, like the deposits, one continuous upward trend, but is subject to seasonal fluctuations. Thus in every year there is a decline in the proportion held as cash in the months roughly from November to March. Apart from this, and with the exception of the first nine months of war when there was some little decline in the cash position, the proportion of cash and balances with the Reserve Bank to total deposits has always been above 12 per cent., while for the greater part of the war period it has been considerably above that. The highest point was touched in November 1940 at 21.16 per cent., while the lowest was in April 1943 at 12.17 per cent. The annual average, 19.0 per cent. in 1939-40, 16.66 in 1940-41, 14.58 in 1941-42, 13.73 in 1942-43 and 14.65 in 1943-44, compares quite favourably with the average of three pre-war years ending March 1939, which is 12.16 per cent. The average of four years ending March 1944 is 15.5 per cent., 3.34 per cent. greater. The lowest point in April 1943 is higher than this pre-war average. If it is remembered that the high ratio has been maintained also in the last two years of rapid growth of deposits, the cash position of scheduled banks should be said to be beyond all damage.

It is in respect of advances and bills discounted that the most significant variations are noticeable. Here again it would be difficult to disentangle the effects of seasonal changes, ups and downs of business, panicky war developments and of recent measures of control from the basic trend in advances, and it would also be tedious to illustrate them. But the main facts as to their volume and their proportion to total deposits may be set down. In the six months following the outbreak of the war there was a boom in commodity trade and prices, and the volume of bills and advances rose from Rs. 109.3 crores or 43.80 per cent. of deposits in August 1939 to Rs. 163.1 crores or 62.91 per cent. in March 1940. From April 1940, and markedly from June there was a continuous decline, but in the first three months of 1941 there was an increase, so that in March 1941 it stood at Rs. 117.22 crores or 36.39 per cent. of deposits. From June 1941 set in a persistent downward trend which continued right till October 1942. The bottom was touched in the three months September to November 1942, when they averaged Rs. 81.76 crores or 19.3 per cent. of total deposits. But after this spell of decline began the consistent and remarkable upward movement in advances which continued right through 1943 and has continued even in the first half of 1944. In November 1942 bills and advances amounted to Rs. 84.18 crores or 19.18 per cent., in April 1944 they had risen to Rs. 230.87 crores or 33.07 per cent. of deposits, an increase of Rs. 146.69 crores which represented an increase of nearly 275 per cent. in 16 months, more than twice the pre-war figure of Rs. 112 crores, and a record for the volume of bills and advances. Lately in the three months from May to July 1944 there has been a slightly downward trend, but perhaps mainly because of seasonal factors.

Despite the erratic course taken by advances, there are two fundamental facts which cannot be missed and which provide the key to the understanding of war-time banking. In the first place, with the exception of the short spell from May 1942 to January 1943, the volume of bills and advances was never below the pre-war figure of Rs. 112 crores, and for the greater part of the war period, was considerably above it. This provides a sharp contrast to British banking which was suffering a contraction of advances even before the war and has experienced further contraction now. The significance of this must be clear. In Britain, the secular trend itself appears to be downward in respect of advances, and even those British bankers who look forward to a striking expansion of advances after the war to finance reconstruction do not expect the pre-war levels to be exceeded. But in India the frontiers of banking are only slowly expanding in the unorganized credit structure and the secular trend is one of growth.

In the second place, despite the absolute increase in their volume, advances have not grown at the same pace as other assets and in consequence have lost their former proportional importance or pride of place in the bank's balance-sheet:—

TABLE III

Advances and discounts as percentage of deposit liabilities.

1936-37 ..	43.48
1937-38 ..	49.49
1938-39 ..	50.71
1939-40 ..	53.31
1940-41 ..	46.86
1941-42 ..	39.23
1942-43 ..	23.83
1943-44 ..	26.98
1944-45 (4 months)	31.50

Before the war they were growing faster than other assets of the bank, but in the last four years they have definitely lost their first place. Even the striking improvement in advances in 1943-44 has raised their share barely to 27 per cent. and in the four months of 1944-45 to 31.51, and even the most sustained improvement that we can envisage may not raise it to anything like 50 per cent. This is a trend which India shares with other countries.

The first place in the bank's portfolio has been taken by investments, mainly Government bonds. The accumulation of Government securities in the vaults of the banks is the inevitable result of war finance in every country, arising from the enforced restriction of commercial investments to the minimum and the canalization of funds to the war loans. In most of the countries these bonds provide the counterpart of the credit created and the bank's balance-sheet now-a-days resembles more or less the Issue Department of the Central Bank or the portfolio of an investment trust rather than that of an agency for the collection of savings.

Unfortunately, the figures about the bond portfolio of banks in India are not so satisfactory or comprehensive as those about other items. The weekly statement of the scheduled banks does not contain figures of investments at all, while the annual publication about banks does not give separate figures of Government securities. But we can get roughly at the volume of Government bonds residually from the proportions of other assets and get some confirmation of it by an analysis of the balance-sheets of some important banks.

The capital and reserves, the own resources of the banks, have lagged far behind their fast accumulating deposits, and their proportion to total liabilities undoubtedly has declined. It is only in the last two years that hundreds of banks have increased their capital, and many more are seeking permission now; and it was only very recently that legislation regarding the capital structure and reserves of banks came into effect. Even if the capital and reserves had been doubled in the last four years they could hardly have kept their former ratio, because deposits have meanwhile risen by more than 300 per cent. The following table of figures of capital and reserves of Imperial Bank of India and other scheduled banks shows that there has been less than a doubling in capital and reserves:—

TABLE IV

(In lakhs of rupees)

	1938	1942	1943
Imperial Bank of India ..	11,18	11,38	11,48
Other banks with capital and reserves above Rs. 5 lakhs	13,14	19,02	26,48

The proportion of cash and balances with the Reserve Bank, which is 15.5 per cent. on the average in the last four years, is 3.34 per cent. over pre-war, but this has absorbed only a tiny part of the decline in advances. We may, therefore, reasonably assume that almost the entire place lost by advances has been taken by investments. The proportion of investments to deposits went on increasing till the end of 1942 and is reflected in the low proportion of 23.83 per cent. held by advances in 1942-43. But the grip of the gilt-edges seems to be relaxing now with the recovery of advances to 27 per cent. in 1943-44 and 30 per cent. at present.

The balance-sheet of the Imperial Bank of India typically illustrates the trend. Its bond portfolios, high enough even before the war, rose continuously from 37.2 in December 1939 until it was as high as 65.2 per cent. at the end of 1942. But at the end of 1943 it had fallen to 55.9 and in June 1944 it was only 50.6 per cent., indicating a decline of 15 per cent. in 18 months. The Central Bank of India also increased its bonds from 26.3 per cent. to 42.8 per cent. in December 1942, and, though at the end of 1943 it stood at 44 per cent., the biggest rise was in 1940-42. The Bank of India, too, increased its holdings of Government securities mainly in 1942. The Punjab National Bank kept 43.2 per cent. of its assets in the form of Government bonds in December 1943, while the United Commercial Bank kept 44.9 per cent. and the Bharat Bank 31.6 per cent. in gilt-edges in March 1944. All these point to the conclusion that even though in 1941-42 the Government securities might have accounted for about 60 per cent. of the banks' assets, at present they stand somewhere about 50 per cent., diminished in their dominance.

TABLE V

Name of Bank	Dec. 1939	Dec. 1940	Dec. 1941	Dec. 1942	Dec. 1943	June 1944
Imperial Bank						
1. Total Liabilities	99,79	108,04	121,01	175,08	226,26	24,09
2. Govt. Securities	37,06	47,60	63,20	114,46	127,13	12,24
3. Percentage of 2 to 1 ..	37.2	44.0	52.2	65.2	55.9	50.6
Central Bank of India						
1. Total Liabilities	26,08	28,18	50,12	68,16	92,17	
2. Govt. Securities	9,47	9,40	17,15	29,17	40,59	
3. Percentage of 2 to 1 ..	26.3	24.7	34.2	42.8	44.0	
Bank of India						
1. Total Liabilities	20,97	24,06	28,30	39,34	57,80	
2. Govt. Securities*		981	10,79	19,48	30,61	
3. Percentage of 2 to 1 ..		39.8	38.0	49.5	52.9	

* Includes Central and Provincial Treasury Bills also.

The Punjab National Bank	Dec. 1943
1. Total Liabilities ..	30,55
2. Government Securities	13,00
3. Percentage of 2 to 1 ..	43.2
The United Commercial Bank	March 1944
1. Total Liabilities ..	14,22
2. Government Securities	6,24
3. Percentage of 2 to 1 ..	44.9
The Bharat Bank	March 1944
1. Total Liabilities ..	19,00
2. Government Securities	6,00
3. Percentage of 2 to 1 ..	31.6

So far the striking changes in the balance-sheet of the commercial banks have been only barely enumerated, *viz.*, an enormous increase in deposits, especially demand deposits, a volume of capital and reserves which has inevitably been left considerably behind the fast growing deposits, an improved state of liquidity, an increased volume of discounts and advances but holding a much smaller proportional importance, a huge mass of gilt-edges which holds the pride of place, but is less stern in its tyranny of the banks than it threatened to be at one stage. What are the consequences of these changes to the future of banking? Will there be a decline in deposits, what will be the future of advances and what is the significance of the greater bond holding to monetary and banking policy after the war? All these questions are considered in the succeeding article.

Future of Banking

JUST as during war the banks have been relatively a passive agent in the striking transformation of their own balance-sheet, so in peace the destiny of banking will depend primarily and essentially on the level of economic activity and employment that will prevail and the economic and monetary policies that will be associated with it. True, if the banks themselves take a more positive view of their part in maintaining employment and adopt a bolder policy than has been the case so far, they can to that extent shape not only economic life, but also decide their own fortunes. In Britain at any rate even bankers of orthodox tradition are to this end thinking, on bold lines, of financing reconstruction and thereby recover-

ing their own initiative and autonomy. But this they can do only within the limits set by high economic and monetary policy on which the State might decide.

At any rate, as far as Indian banking is concerned, the issues are (1) what will be the consequences of a cessation of the war-time monetary expansion which has been at the root of the changes in the banking; (2) what will be the results, in non-monetary or real terms, of the stoppage of commercial and industrial activity which has been engendered purely by war; and (3) what monetary forces and economic policies are going to take their place. These can be considered concretely with reference to (1) deposits (2) loans and advances and (3) investments.

Deposits

Will there be a large-scale decline in deposits after the war? The basis of the present increase in deposits is the expanded volume of currency and after the war unless there is economic development on a giant scale the pace of war-time increase in note issue will not be kept up: and there is already the slack caused by inflation to be taken up. A rapid increase in deposits after the war as at present may perhaps be ruled out. But what will happen if monetary expansion dries up, and deflation overtakes the economy? The experience of other countries as well as that of India after the last war throws some light on the matter. In Britain even during the period of deflation, unemployment and falling prices in the years after the restoration of the gold standard, the contraction in the volume of bank credit was hardly commensurate with the decline in national income, and the credit, once created, was hardly ever destroyed. In India also there was a state of deflation and falling prices from 1921-25 and again from 1929-33. Throughout the first period and even thereafter until the abandonment of gold, the Government of India effected a continuous contraction of currency, but available banking data do not support the conclusion that it was accompanied by a corresponding decline in bank deposits; there was some decline in the deposits of class 'A' Banks in 1924-26, but not in the degree warranted by currency contraction or decline in prices.

There are some who take the view that the using up of India's external assets will bring about a decline in bank deposits. Sir C. D. Deshmukh, for example, is of opinion that the principal factor which may cause a decrease in deposits is an unfavourable balance of payment on international account and that increased imports after the war "will result in a contraction of India's external resources on the one hand and of the deposits with her banking system on the other," although he admits that in a country with a large amount of industrial slack to be taken up there need be no appreciable reduction in the volume of deposits. An unfavourable balance of payments will certainly reduce the size of our external reserves, but it need not necessarily reduce internal bank deposits, unless—in fact, even if—currency deflation is enforced.

The reasoning which links the volume of internal bank deposits with the volume of external reserves is of the same kind as that which links internal currency expansion or contraction with the growth or decline of external reserves. The volume of India's sterling assets is considerably in excess of the requirements of a currency reserve to meet a chronic adverse balance for many successive years; and if the export trade is reasonably well-managed, such a chronic deficit will be improbable in the extreme, and the volume of sterling assets in excess of, say, Rs. 250 crores to be kept as reserve, can safely be employed for capital import without calling for a corresponding contraction of currency.

The technique employed for repatriating sterling debt illustrates the point. The Government of India took sterling from the Reserve Bank, and paid off foreign creditors, but did not contract currency, in stead gave *ad hoc* securities to the Reserve Bank as cover for currency in place of sterling. Thus the link between sterling accretion or depletion on the one hand and currency expansion or contraction on the other was made optional. Where deflation is the alternative to be feared, the link must be made optional.

But there is a contingency, in which positive policy on the part of Government will become necessary if currency contraction is to be avoided. Suppose, after the war, private traders and industrialists pay rupees to the Reserve Bank and get sterling in exchange to pay for imports. In the first instance, the raising of the rupee finance will cause a decline in bank deposits (unless the money comes from hoarded currency or the banks are free to create deposits) and in the second place the Reserve Bank, having received rupees in the place of sterling, will most naturally in the performance of its currency function, cancel the rupee currency deprived of its sterling cover. This should be prevented and can be prevented only by Government, which must give its own bonds to the Reserve Bank and take over the currency already created without allowing it to be killed. The Government will, without having to resort to fresh or inflationary issue of currency, or taxation or borrowing, have command over so much internal finance which it can employ on development projects got ready in advance. The significance of this policy to the volume of bank deposits is clear. If the contraction of currency is avoided and the money put back into circulation, the initial decline in bank deposits, caused by withdrawals to finance imports, will be offset and fresh deposits will flow in. Otherwise the initial decline in deposits will remain and it will lead to contraction of currency. The fact that the greater part of the deposits is owned by business firms and individual business men who will make the use of their reserves for post-war plans lends strength to the likelihood of the initial decline in deposits. We may, therefore, conclude that given the right policy by Government, there need not result a contraction of currency from the using up of sterling assets, or a contraction of bank deposits either from the contraction of currency or a decline in external reserves.

There is another possibility whereby bank deposits may be maintained even in face of currency contraction. Provided the Reserve Bank does not adopt offsetting or neutralizing measures such as selling securities in the open market to enforce a contraction of credit, the commercial banks themselves can finance a portion of the initial finance needed by business to buy imports by creating deposits. This will be possible so long as the banks have a larger margin of cash than usual and are willing to reduce it. The latter is a matter of banking policy while the former is borne out by the present high cash ratio. To the extent to which the initial finance is for long term investment, the banks may not be willing to accommodate the demand; but they certainly will meet the requirements of working capital for the import of raw materials. Thus to some extent even if there were currency contraction, deposits could be maintained by a liberal policy of lending by banks. But when once the imports are got and business activity is stimulated, there will be a natural resulting increase in the deposits of banks which the Reserve Bank must make possible by affording cash by issue of fresh currency or by means of rediscounting facilities and it is to this possibility that the Reserve Bank Governor referred when he discounted fears of a decline in deposits.

There is yet another method by which the volume of bank deposits can be considerably increased even without an increase in the note issue, *viz.*, orthodox way of banks spreading and tapping savings. This is very important in India not merely because the credit habit is still in its infancy, but because the war-time expansion of currency alone affords the basis for a far bigger superstructure of credit. As pointed out in the previous article, in India the growth of bank deposits is a smaller quantity than the growth of the note-issue. Does not an increase of Rs. 800 crores in currency furnish the base for Rs. 8,000 crores of bank credit on the assumption of 10 per cent. cash or an appropriately smaller amount if a higher cash ratio is assumed? Equally the opposite contingency of a large-scale diminution in deposits arising from public lack of confidence leading to withdrawals and a preference for cash, must be theoretically conceded; but even in India where banking has progressed with so many failures such a general crisis of confidence must be ruled out as highly unlikely. Both banking and the people's education in modern monetary habits have proceeded very far from that stage. Thus the above examination of the possibilities as to the future of deposits would seem to offer a safe assurance against a decline, indeed a promise of reasonable improvement, provided a suicidal currency policy is avoided.

What of the future of advances? As stated in the preceding article, advances have stood at a higher volume than before the war. But that does not mean there are no restricting causes. As elsewhere, in India too there has been a relative decrease in the demand for bank accommodation on the part of trade and industry for various reasons. Firms and individual traders have made handsome profits and are now enjoying a sufficient degree of liquidity to finance themselves. Government have their own agencies of procurement, have instituted the system of progress payments and are also advancing raw materials to contractors, with a resulting decline in bank credit accommodation. Moreover, the loss of overseas markets, the restrictions on exports and imports, the impediments to the internal movement of produce—all these have checked bank advances. But in India we have not seen the concentration of industries, the restriction of civilian trades and the ousting of private finance from all Government-controlled and foreign markets to any thing like the same extent, as for example, in Britain.

With the re-opening of trade with enemy countries, the relaxation of purely war-time control over imports and exports and the removal of bans on inter-provincial movement of goods there will be a new stimulus to the demand for advances after the war. Speaking generally also, in the transition period a greater demand for bank loans may be expected, its volume being dependent upon the level of economic activity. If with the cessation of hostilities a slump should overtake our economy because Government policy fails to fill the gap caused by the stoppage of war activity, the call for bank aid may not go up very much, if indeed it does not decline as it did during the depression, and the volume of advances may not exceed the wartime record. In such a case the banks will retain the present high proportion of Government investments as the only outlet available and finance trade and industry from other resources. If, on the contrary, there is a post-war boom in employment generated both by public and private investment, the demand for bank loans will greatly rise; can the banks then switch over their resources from gilt-edges to advances and loans without any hitch, if they find it necessary?

Grip of the Gilt-Edged

It is here that the bank's holding of bonds gains the utmost significance. The banks are vitally interested in maintaining the value of Government bonds, for a decline will mean the depreciation of their and other institutional investors' capital assets and it is not to their interest either to allow an increase in bank rates which will bring about the depreciation in giltedges or to liquidate the bonds in the market at capital loss. If the banks want to keep a smaller proportion of their assets in the form of bonds, they must transfer them to other hands gradually avoiding both dear money and loss of capital value.

This is conditioned by (1) the manner in in which the banks have spread their investments over short, medium and long-dated Government securities and (2) the loan policy of the Government after the war. Details of Government securities held according to the period of maturity are not to be found in the published balance-sheet of most banks. The Imperial Bank of India does not give the details. But the Central Bank of India held in December, 1943 Government bonds of the value of Rs. 17.35 crores falling due between 1944 and 1953 as against Rs. 21.04 crores falling due in 1954 and after. The Bank of India has always held a good volume of Treasury Bills, Rs. 12.96 crores of Treasury Bills in December, 1943 as compared with Rs. 17.65 crores of other Government securities. Other banks must also be keeping a good proportion of short-dated bonds. That this was the case was testified to by the Governor of the Reserve Bank of India himself in a speech some months back when he said that although the ratio among the different kinds of securities was a matter for the management of each bank to determine in relation to the circumstances of their institution, the majority aimed at a substantial proportion of short and medium-dated loans. Trends in the giltedge market in recent months also indicate that the banks have been taking increased amounts of short and medium-dated loans while loans of later maturity have been passed on to insurance companies.

From the point of view of the banks the position might seem to be easy because they will get repaid when the loans fall due, and they get released from the grip of the giltedges. But in reality there will be no real relief unless the greater part the public debt has been funded even now and short-term bonds are not merely replaced by further short-dated ones, but are replaced by long-dated bonds which are taken up by other investors than banks. Otherwise immediately after the war Government will enter the money market and raise the amount (by conversion loan) to repay its creditors. This amount must come either from withdrawals of bank deposits by individuals or the renewal of a further series of short-dated loans to be taken up by the banks themselves, in which case there will be no net release of bank's funds for trade and indutsry.

Have the Government so far succeeded in funding a good part of their vastly increased debt? The position has certainly improved from what it was in March, 1943. At the end of March, 1943, the rupee debt was composed of:—

	Rs. (crores)	Percentage of total.
Treasury Bills	264.70	21.9
Loans under 5 years	172.80	14.3
Loans between 5 and 10 years	91.75	7.6
Loans over 10 years	238.41	19.7
Undated loans	245.50	20.3

About 35 per cent of the debt was due for repayment within 5 years and about 43 per cent. within 10 years. But at the end of 1943-44 and 1944-45 it was revealed in the last budget, the Treasury Bills were to be only Rs. 127.70 crores, *i.e.*, 6.7 per cent of the estimated total rupee debt of Rs. 1920.69 crores in 1944-45. Again, of the Rs. 279 crores raised through borrowing in the twelve months ending January, 1944, the sum of Rs. 149 crores was secured by loans which were due only after 1950, while a good part of the rupee counterparts also

is due only about that date. If we reckon loans falling due after 1950 as having been funded which we may reasonably do in these days of preference for medium dated, and relative decline of long-dated, scrips – we must admit that there has been substantial funding. Even if funding loans are not going to be important immediately after the war, Government demand for huge sums for post-war plans might lead to a collison with the demands of trade and industry and consequently the cost of credit might go up. But this should be averted any how, if need be, even by enlarging the currency base.

The fact that the banks now keep only 50 per cent. of their assets in Government bonds and not 60 – 65 per cent. as at an earlier stage, that there has been some substantial funding of loans and that these relatively long-term loans are being gradually transferred to insurance companies and other investors, while the banks themselves aim at holding short and medium dated loans—all these suggest that the banks can offer increased accommodation to trade and industry without any insuperable difficulty.

Even within the present proportion of giltedges they can increase the volume of advances by (a) slightly lowering their cash ratio and (b) increasing the rate of turnover of bank deposits. The present 15 per cent. cash ratio may admit of reduction to, say, 12 per cent. as before the war, without prejudice to liquidity, in which case they can draw on cash up to about Rs. 25 crores more, *i.e.*, 3 per cent. of Rs. 750 crores of deposits enabling further advances of Rs. 208 crores. The second source, viz., an increase in the turnover of deposits is even more important. The ratio of demand deposits to cheque clearings has declined very much from 14.5 in 1928-29 to 9 in 1942-43 and 9.5 in 1943-44. This means that if the ratio of 15 had been maintained in 1943-44, Rs. 457 crores of demand liabilities would have led to total cheque clearing of Rs. 6,855 crores as compared with Rs. 4,349 crores now. This is and should be one important source of increased bank accommodation After the war.

Even if all this should offer insufficient scope for full bank aid to trade and industry—which would seem rather improbable how can Government securities be rendered liquid even before their maturity? That is a matter of central banking technique. The Reserve Bank of India can afford rediscounting facilities for Government bonds of longer duration than tradition has so far permitted or make a complex offer to buy and sell giltedged bonds of all maturities at a stated price. The latter was suggested by Lord Keynes as early as 1935 while the former was suggested by the *Economist*. Rediscounting affords liquefaction without liquidation of the bonds by the banks while the other method makes for ready marketability of all bonds without a loss in capital value and both make for increased liquidity and maintenance of present cheap money. The Reserve Bank must examine this device, as well as others to widen the concept of rediscounting to suit the expansionist aspirations of post-war years.

The post-war future would therefore seem to promise the banks a bright prospect which would be brighter still if the right economic and monetary policies are pursued. Deposits are unlikely to decline, advances will be in great demand and the grip of giltedges will be no serious obstacle to the banks' fullscale participation in financing recovery and reconstruction. They can increase the rate of turnover of their deposits and draw on their excess cash for this purpose and can even liquety their bond holding if central banking practice is altered appropriately. If all this should prove unequal to the calls made on the banks by a very high rate of economic development, we may safely assume that the necessary expansion in the volume of currency will be effected so as to provide a larger basis for bank credit. If all this materializes, not only will the banks stand to gain, but also the community. If, unfortunately, there should be a steep fall in prices, currency contraction and decline in activity, the banks will not be the principal sufferers. They will keep their giltedges and take up such other business as might be available. But the community will suffer. Hence the need for the right over-all policy not so much for the welfare of banking as for the health of the entire economy.

Branch Banking

IN one important respect war-time banking in India presents a striking contrast to contemporary experience abroad. Scarcity of man-power and restriction of private commercial activity have led to the closure of innumerable banking offices and the release of personnel for war work in England, Australia, Canada, Germany and elsewhere. In India, on the other hand, there has been an astonishing increase in the number of banking offices. There is no surprise or defect in this if it is remembered that in India there is no scarcity of man-power as experienced by other countries, that the extension of banking offices is the natural development of an economy in which institutional banking is gradually replacing individual bankers and that, above all, the abnormal liquidity of war-time inflation has only quickened the process already at work before the war.

The arresting fact about the growth of banking offices is the consistent, rapid and almost sensational increase in the years 1943 and 1944. As will be seen from Table I, in the eighteen months ending June 1944 alone, the increase in the number of offices amounted to 683, and in the quarter ending December 1943 was 130, while in the first three months of 1944 there was an increase of 156. In the succeeding months the pace has distinctly fallen, the figure being 100 only, and it would appear that the peak has passed. The explanation for the astonishing increase in this period lies in the fact that it was only in these two years that monetary expansion gathered its full momentum and banks felt the impetus to expand. (It is interesting to note that the control of new banking ventures from May 1943 has not discouraged branch banking.)

TABLE I

Branches of Scheduled Banks (including Head Offices, Pay Offices, Sub-Offices, etc)

	31-3-'42	30-9-'42	31-12-'42	31-3-'43	30-6-'43	30-9-'43	31-12-'43	31-3-'44	30-6-'44
		Increase or decrease ..			—21				
Imperial Bank	400	392	392	393	396	393	398	402	
Five leading Joint Stock Banks	343	349	359	375	410	431	457	491	
Exchange Banks ..	94	85	85	86	85	85	85	80	
Other Scheduled Banks ..	607	597	617	658	716	816	945	1,068	
Total	1,444	1,423	1,453	1,512	1,607	1,725	1,885	2,041	2141
		−21	+30	+59	+95	+118	+160	+156	+100

Progress in the first three war years was neither rapid nor steady. In the year 1939, 150 new offices were opened (of which 7 new scheduled banks accounted for 119), but in the last three months of the year

which witnessed the initial war boom in prices, only 26 new offices came into existence. In 1940 and 1941 the growth was respectively 73 and 103, while in 1942 which saw the loss of Burma and the closure of Burma offices as well as so much insecurity, there was no increase at all.

If these figures are compared to those of the four pre-war years 1936-1939 (Table II below), which show an increase of 555 offices from 723 to 1,278, the conclusion emerges that real progress has been made only in the last two years and that early war-time progress was rather below normal.

TABLE II

Number of Offices of Scheduled Banks
1935 to 1941

Date	No. of Offices	Increase	
31-12-1935 ..	723		
31-12-1936 ..	828	105	
31-12-1937 ..	1,138	310	
31-12-1938 ..	1,128	10	
30-9-1939 ..	1,252	124	150
31-12-1939 ..	1,278	26	
30-6-1940 ..	1,322	44	73
31-12-1940 ..	1,351	29	
30-6-1941 ..	1,404	53	
31-12-1941 ..	1,454	50	103

It will be seen from Table I that the scheduled banks have accounted for practically the entire increase, since the Imperial Bank has not opened more than 25 new offices and the number of Exchange Bank offices has declined. Among the scheduled banks again, in the year ended June 1943, new scheduled banks opened 94 and existing scheduled banks opened 101 offices, while in the year ended June 1944 they accounted respectively for 155 and 379 offices. Considering individual banks, the following records seem important. The Punjab National Bank had 66 offices in December 1939 and 72 in December 1941, but has now the high figure of 139. The Central Bank of India had 114 in December 1939 and 155 in December 1941, and has at present 230 offices. The most spectacular and sensational increase is recorded by the Bharat Bank, which, starting to work in 1942, had 186 offices in March 1944 as against 101 in November 1943 and 6 in 1942. The United Commercial Bank, one of the big new scheduled banks, has 18 offices now.

Despite the large increase in the number of offices, the volume of resources per office of the scheduled banks has on the average risen from Rs. 19.67 lakhs in December 1939 to Rs. 34.91 lakhs in June 1944 due to the greater increase in the growth of deposits. This would surely be the sign of a strengthened banking structure, had we evidence that the rise in resources per office applies to every individual bank. But there is no evidence of the kind. On the contrary, the Imperial Bank and the larger scheduled banks have appropriated to themselves the greater part of the accruing deposits, while the smaller scheduled banks have extended their branches without a corresponding improvement in resources. There is a concentration of resources with some of the larger banks, but there is not the same degree of concentration with the big banks in the extension of offices. Thus the strong elements have become stronger while among others there should be serious elements of weakness concealed in the general picture.

It is not possible in the course of a single article to furnish figures in proof of this. But the following table illustrates the point:—

TABLE III

	End of 1939			Latest available date.		
	Total Resources	Number of Offices	Resources per office	Total Resources	Number of offices	Resources per office
Imperial Bank	99,06,66	381	26,00.2	242,08,40	405	59,77 (June '44.)
Punjab National Bank	7,62,33	66	11,55.0	27,06,27	123	22,00 (Dec. '43.)
Central Bank of India	32,67,33	114	28,66.1	85,00,06	230	36,96 (Dec. '43)
Bharat Bank ..	..	..	..	16,03,56	186	8,63 (March '44.)
United Commercial Bank ..	..	..	..	13,77,19	13	1,05,94 (March '44.)
All Scheduled Banks ..	251,33,00	1,278	..	747,44,00	2,141	34,91 (June '44.)
			19,67			
			(In 000's of rupees)			

The Imperial Bank has improved its resources per office from Rs. 26 lakhs to Rs. 60 lakhs, while the Punjab National Bank and the Central Bank have raised it from Rs. 11.55 lakhs to Rs. 22 lakhs and Rs. 29 lakhs to Rs. 37 lakhs respectively. Among the new big banks the volume of resources per office of the United Commercial Bank is as high as over Rs. 1 crore, which is due to the small number of offices opened so far relatively to its funds, while the Bharat Bank has only Rs. 8.6 lakhs per office which is due to the very large number of its branches. Another defect is the unhealthy concentration of too many offices in some parts and industrial centres leading to wasteful competition, while there are still vast areas and innumerable places which are yet to be opened up to institutional banking. Thus, offices were opened only in eight new places in 1940, six places in 1941 and 22 places in 1942, while in the year ended June 1944, 88 new places were so opened up, totalling in all the negligible figure of about 130.

Should there be any positive policy for the regulation of banking extension? Prescription of minimum capital requirements (a paid-up capital of Rs. 50,000 for every bank as laid down in the 1936 amendment, or Rs. 1 lakh for any bank, and Rs. 5 lakhs for each place for a bank doing business in Calcutta and Bombay and Rs. 2 lakhs for each place for a bank doing business in a place of population of over 1 lakh; as proposed by the Reserve Bank in 1939) will prevent the formation of small banks and their operation in the bigger towns, and thereby discourage the opening of new offices in over-banked ports and towns. But this it will do only indirectly, and even if the regulation could be applied to all towns of a population of over 1 lakh or even 50,000, the rest of the field, *viz.*, places with a population of less than 50,000 will give sufficient scope for wasteful, uneconomic and unhealthy competition. Moreover, such an insistence will eliminate the small banks from the bigger cities where they, too, may have a part to play. Therefore a more positive and direct regulation of branch banking as such would seem to be called for, to supplement the criteria of capital requirements.

Perhaps the first positive step would be for the Reserve Bank to investigate which areas and towns stand in need of banking and to use its influence with the banks for getting offices opened in them. When permission to open offices in old places is sought, its re-

final might prove unjustified because it will only favour the established banks, however inefficient, and avoid even healthy competition by new ones. But permission might be made conditional upon the Reserve Bank inspecting the applying bank's position and satisfying itself as to its soundness. Again, the inspecting staff can periodically examine the worthwhileness of newly opened offices and recommend their closing down if uneconomic. This is necessary because not all the branches of even the biggest banks prove profitable even after a time. In fact, in 1938-39 on the advice of the Central Board of Directors of the Reserve Bank the scheduled banks closed 36 of their branches. Why has not the Reserve Bank exercised the same supervision in the last two years of rapid branch banking? If the inspecting staff is inadequate, clearly it should be strengthened.

There are other aspects of branch banking, apart from its extension, which require scrutiny—*viz.*, a proper and strict system of audit and inspection of branch accounts, recruitment and training of qualified staff, and adequate discretion to local managers combined with a proper degree of regulation from the headquarters. Already before the war not all was well with regard to these matters, and now the position must be definitely worse. In regard to personnel alone, 638 offices have sprung up in 18 months; whence did the staff come? Have they any training and experience at all? Again, war-time banking may be smooth to transact; will it be so in peace and will the staff prove equal to the job then? All these are matters less for statutory regulation by Government than salutary direction by the Reserve Bank. The initiative which the Reserve Bank has so far taken in them has been mild and fitful. Mainly it must come from the banks themselves. The machinery of common consultation for them is at present being devised. As soon as the All-India Bankers' Association comes into being, it should actively take up these matters, create the consensus of banking opinion on them and effect the reform in consultation with the Reserve Bank and Government.

NOTES

GROWTH OF DEPOSITS

The article on war-time banking developments takes into account the deposits of scheduled banks only. The table below (taken from the latest publication of the Reserve Bank relating to banks) shows the increase in the deposits of the various classes of banks in India during the last three years as compared with the year 1938:—

	(In lakhs of rupees)				Percentage rise as compared with 1938
	1938	1941	1942	1943	
Imperial Bank of India ..	81,51	108,92	163,46	214,43	163.1
Exchange Banks	67,20	106,73	116,85	140,19	108.6
Other Scheduled Banks	91,87	129,04	189,34	319,65	247.9
Non Scheduled banks with capital and reserves over 1 lakh ..	14,94	20,05	29,01	40,23	169.3
Total ..	255,52	364,74	498,66	714,60	179.6
Cooperative Banks ..	35,23	38,18	44,05	47,95	36.1
Post Office & Defence Savings	140,28	102,26	90,26	108,01	—23.0
Grand Total ..	431,03	505,18	632,97	870,56	101.9

It will be seen from the above figures that of the 101.9 per cent. increase in deposits, the scheduled banks have appropriated the greater part, and the rise in deposits of non-scheduled banks and cooperative banks and other Government savings institutions has been negligible.

NON-SCHEDULED BANKS

These banks have been divided into four classes, (a) banks which have paid-up capital and reserves of Rs. 5 lakhs or over including a number of banks registered and working in Indian States and having no branches in British India; (b) banks having paid-up capital and reserves between Rs. 1 lakh and Rs. 5 lakhs; (c) banks having paid-up capital and reserves having between Rs. 50,000 and Rs. 1 lakh; (d) banks having paid-up capital and reserves of less than Rs. 50,000.

The details of the structure of assets and liabilities of non-scheduled banks with capital and reserves of over Rs. 1 lakh, *i.e.*, classes (a) and (b) above, are as follows:—

	(In lakhs of rupees)			
	1938	1941	1942	1943
Deposits ..	14,94	20,05	29,01	40,23
Cash in hand and with banks ..	1,85	4,16	8,12	13,05
	12.4%	20.7%	28.0	32.4
Investments	3,41	5,86	8,32	10,01
	22.8	28.9%	28.7%	24.9%
Loans and Advances ..	11.10	14,58	17.56	22,45
	74.3%	72.7%	10.5%	55.8%

The percentage rise in deposits at the end of 1943 as compared with 1938 is 169.3. It will be noticed that the non-scheduled banks, as compared with the scheduled banks, have (a) a much smaller percentage of their assets in investments, and (b) a much bigger ratio of loan and advances. At the end of 1943 there were 35 non-scheduled banks with capital and reserves of Rs. 5 lakhs and over, and 152 non-scheduled banks with capital and reserves between Rs. 1 lakh and Rs. 5 lakhs. These banks also have been steadily expanding their branches from 717 in 1941 to 898 in 1942 and 1,161 in 1943.

SMALLER BANKS

The smaller non-scheduled banks comprise those having paid-up capital and reserves; (a) between Rs. 50,000 and Rs. 1 lakh; and (b) less than Rs. 50,000. The latter category has been shrinking fast since the law of 1936 regarding minimum capital for a banking company.

Banks having paid up capital and reserves between Rs. 50,000 and Rs. 1 lakh:—

(In thousands of rupees)

Year	No. of Reporting banks.	Paid-up capital and reserves.	Deposits	Cash in hand and at banks.	Bills discounted, loans and advances	Investments
1939	112	77,15	2,93,17	51,98	2,64,74	42,09
1940	124	83,96	2,85 82	58,72	2,58,69	43,62
1941	124	89,69	3,93,22	97,58	3,08 83	65,04
1942	137	97,45	4,94 58	1,55.74	3,39,73	79,64
1943	141	98,26	6,25,96	1 97,22	4,11,69	1,05.07
Banks having paid-up Capital and Reserves less than Rs. 50,000						
1939	400	75,79	2,63,23	38,03	2 86,06	22 62
1940	332	60 21	2,71 90	46 69	2,32,15	24,60
1941	147	26,15	83,82	13,19	84,40	6,60
1942	133	22,50	74 86	13,20	69,19	6,21

The figures of the first group of banks above show that at the end of 1943 (a) deposits have more than doubled; (b) capital and reserves have shown only a small increase; (c) loans and advances and bills discounted account for as high a ratio as 65 per cent. to total assets; (d) investments amount only to about 15 per cent.; and (e) cash stands high at 31.6 per cent.