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THE EASTERN ECONOMIST

A WEEKLY REVIEW OF INDIAN AND
INTERNATIONAL ECONOMIC AFFAIRS

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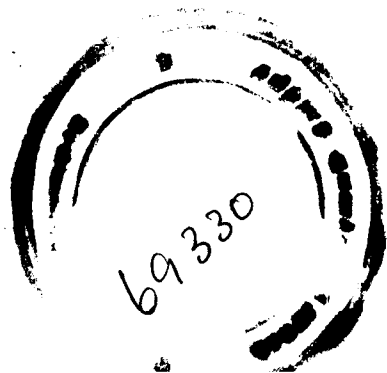
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Taxation and Industrial Policy

THE need of a clear-headed formulation of an adequate fiscal policy in relation to our industrial development has become increasingly insistent of late, as it has become more and more evident that there is a considerable amount of confused thinking in high quarters in this regard. While Sir Ardeshir Dalai is going about declaring the intention of the Government to promote industrial development on a large-scale by granting 'liberal' tariff protection, his Excellency Lord Wavell was very particular in his assertion that any ambitious economic programme must call for the maintenance of what he calls 'a war scale of taxation.' This is a position which almost gives the appearance that the advantages which are to be conferred by the right hand are to be withdrawn by the left hand on account of a fiscal system which is only imperfectly integrated and parts of which clash not only *inter se* but also with the formulated end of rapid industrial development. Certainly, a 'war scale of taxation' is different from a 'war structure of taxation.' The fiscal structure which has been hastily built-up during the war by the Government has been farthest from being satisfactory from the point of view maximum mobilization of our industrial potential. The Government with its consuming monetary pre-occupations of an essentially inflationary economy, has been more concerned with the so-called 'mopping up' operations or catching money by whatsoever fiscal means comes handy at the moment. In

this it has failed to count the present and prospective repercussions of its fiscal policy on our productive machinery and therefore on our economic capacity to bear the burden of war-effort now as also on our industrial strength after the war. Granted the economic burden of war which we have had to bear, the war scale of tax, in one form or another, could probably not be altogether avoided, although it could be more equitably distributed. But the fiscal structure such as we have borne during the war has undoubtedly hampered industrial development and strengthening, put a discount on incentive to economy and avoidance of waste and has withal left the industries with inadequate reserves for the tasks of postponed renewals, re-equipment and expansion after the war. Indeed, the inroads made by our fiscal structure have been so heavy that not only have they tended to eat into the fixed capital equipment of our industries, but our industries have in many cases found themselves even with a dwindled volume of working capital, having regard to the rising trend of turnover and prices.

Let it be recognized frankly and fully therefore, that our war-time fiscal structure has to be considerably adjusted in order to bring it in line with the needs and requirements of an expansionist economy. There are indeed two different aspects from which our fiscal system has to be reviewed and adjusted in order to serve better the new and strenuous demand of our

post-war economy. The first aspect is more of the constitutional question. Whatever the future constitution we may have, we have to accept the fact that the provinces and the acceding states will enjoy a very large measure of autonomy. Although the Centre may and should do its essential co-ordinating work, the all-India economic plan will have to be operated in the main through the agency of the peripheral governments, that is to say, the governments of the provinces and the acceding states. This means that the old question of provincial finance *vis-a-vis* Central finance, has to be reviewed *de novo* and the old arrangement of financial subventions and allocations will be clearly ante-dated. Even during the war a province like Bengal, which has found itself in serious straits on account of factors at least partly beyond its control, has felt the financial pinch very severely and has had to approach the Centre for extraordinary grants-in-aid. During the war, the different provinces have fared variously and there can be no doubt that if the provincial post-war economic plans have to conform to the respective financial wherewithals which the various provinces have separately accumulated in the course of the war or can command at the end of the war under present financial and fiscal arrangements, the emerging pattern of all-India development would be sharply at variance with the general industrial localization policy which may be laid down for the country as a whole. The delimitation of fiscal competence as between the Centre and the peripheral governments as also the system of financial subventions and allocations will have to be worked out anew with a strict eye on the general industrial localization policy which may be formulated for the entire country.

But even more important than the inter-governmental structure of fiscal competence and allocations, would be the task of formulating a tax structure which will simultaneously satisfy the needs of distribution and production. Undoubtedly, at the end of the war we shall be called upon to make substantial adjustments in our fiscal system in the light of modern ideas of progressivism and social justice; at the same time care must be taken to ensure that its impact on industrial development does not become too heavy and burdensome or have adverse effect on enterprise and employment. Indeed for a country like ours, standing on the lowest rung of economic development, distributional questions can be effectively tackled only if the prior problem of production is also effectively tackled.

As we pointed out on a previous occasion, high taxation is not in itself an evil but two conditions should be satisfied if it is to be acceptable. One is that it should be such as not to damp enterprise or clog industrial progress; and the other is that the proceeds of the tax should be spent in such a way as to strengthen the social and economic structure of the country. Today when the income and excess profits tax take away nearly 94 per cent. of the profits in business, and when the depreciation charges allowed are grossly inadequate in the light of the excessive strains of multiple shifts to which our industrial equipment has been subject during the war, industrial capital—both fixed and working—is being steadily squeezed out. As Prof. Hicks said, "With rising prices nothing can prevent a high rate of excess profits tax from gradually confiscating industrial capital." The building up of strong reserves both for working capital and for renewals and extensions is an essential condition of industrial progress in our country and the fiscal system has to be re-formulated in the light of this clear objective of industrial progress. From the point of view of industrial progress, the problem will acquire even greater urgency at the end of the war. This would be because while during the war, excess profits have been largely due to (a) the incapable bottlenecks caused by war exigencies, and (b)

the disequilibrium in cost-price structure caused by the inflationary financial policy adopted by the Government; in peace time, excess profits would be only an evidence of industrial initiative and enterprise which will have to be encouraged.

The essential aim of a valid fiscal system would indeed be to attain the distributional ends of social justice without imposing any impediment in the way of industrial enterprise. For during any period of future which we may now envisage or reckon with private enterprise must play an important role in our economy; and even if there is full-fledged socialism, the need for building up reserves to ensure maintenance and expansion of industrial capital would remain, although the fiscal means may differ. To reconcile the objectives of production and distribution, competent students of public finance have increasingly come to the conclusion that the fiscal system must make the essential distinction between individual income and industrial capital,—while the former should be strictly pruned down to suit the distributional end, the utmost expansion of the latter should not be hampered and should indeed be encouraged through differential taxation. The tax system must indeed be such as will stimulate industrial development, afford incentives for expansion, promote research and inventions and speed up progress by scrapping old machinery and putting up new.

One fiscal expedient suggested in some quarters is that the tax system should make the significant distinction between distributable profit (which is individual income) and undistributed profit which is ploughed back (which is industrial capital) and should positively encourage expansion of industrial capital through a big discrimination between the rates leviable on the two categories. It is true that even then there may be a tendency for anti-social concentration of industrial capital, but no mere income *cum* profits tax is suitable for dealing with what is essentially a capital problem. Realizing the deleterious effect of a high excess profits tax on industrial strength and efficiency, students of public finance like Professor Hicks and others in their *The Taxation of War Wealth* have urged that the high excess profits tax system should be replaced by a plan of a moderate excess profits tax *plus* a fairly high excess income tax: the moderateness of the excess profits tax serving to keep economic incentive intact while the high excess income tax serving the social and distributional ends. A further elaboration has been the "triple plan of an E.P.T. with a slice of free profits and a slice of blocked profits, together with an excess income tax to look after the war profiteer" and remove the main disadvantages of E.P.T. during the war. This is to be supplemented by special fiscal measures to facilitate the re-conversion of industries to peace footing at the end of the war on a sound and strong basis.

However, our purpose here is not to detail the precise ways in which our fiscal system has to be adjusted, if the Government's profession for rapid industrial development is not to be mere empty words. The present tax system takes admittedly inadequate cognizance of the requirements of industries for depreciation and reserves and also the need for progressive strengthening of capital structure. As a result our industries stand in peril of emerging from the strains of war-effort with worn-out equipment, inadequate financial strength and their competitive position undermined in relation to the industries in other countries. The competitive capacity of our industries require to be strengthened and not undermined by the fiscal policy of the Government. If the Government's professed interest for industrial development are more than mere words, a practical demonstration should be forthcoming at the coming budget session.

Economics of Reoccupation of Burma

THE rapid advance of the Allied forces during the recent months and the prospects of early liquidation of the enemy in Burma bring to the forefront the tasks of relief, rehabilitation and reconstruction which will have to be faced soon. As a result of the plural nature of the economic life existing in pre-war Burma, and consequent want of confidence among all sections in the future of the country, the approach to the problem has been made so far only in terms of compensation to certain groups and interests or to all. This is as unfortunate as it is amazing. The total stake of foreigners in several European countries exceeded that in Burma; and everywhere, at least formally it is the human aspect of the consequences of war which is receiving the first attention. The real task in Burma as in Europe will be, firstly, the relief of the people suffering hunger, malnutrition, diseases, and epidemics and needing the minimum of clothing and housing. Secondly, it will be again the rehabilitation of normal economic life and resettlement of dislocated population. Within its own proportions, Burma will have a problem of resettlement hardly less formidable in magnitude than Europe, for almost half a million of people with their normal avocation in the country were scattered with the advance of the Japanese into the country-side. Thirdly, Burma, like every economic dependency which has been given an occasion to reshape its development, may adopt now a new economic policy more conducive to her welfare. Although such a long-term policy must influence the direction of her present relief, reconstruction and rehabilitation, in so far as the main burden of the present would naturally rest upon the resources of other nations, it will be necessary to see that the immediate is not unduly sacrificed to the future and recovery unnecessarily protracted, in the interests of fundamental changes, howsoever desirable in themselves. The task of relief, rehabilitation and reconstruction needs elaborate preparation in the case of Burma as in the case of Europe; and, perhaps, the country likely to suffer for the want of preparations in this case will be not only Burma but also India, for it will result in sudden inroads upon the latter's economy directly, at least in the first instance, and a political need of relief measures in the task of pacification in Burma may deprive India of her essential requirements for a time.

What are expected to be Burma's needs during the period of relief which may last for six months after reoccupation? It need not be surprising if Burma which was the leading exporter of rice wants food during the period. Owing to a breakdown of transport Northern Burma has already been experiencing considerable shortage. The destruction in the event of Japanese retreat, and dislocation of agriculture while the country becomes an active war theatre have to be reckoned with, and then even Lower Burma may be short of food. Stocks may be needed to tide over the period to the next harvest. Obviously, the best method of maintaining such stocks is to keep the Indian larder full, so that demands can be reasonably made on Indian markets till supplies from countries with actual surplus arrive. Australia the nearest country from which such supplies could be expected earliest is going to have an abnormally poor crop this year; this lends a particular urgency to preparedness. From available reports it appears that Burma is suffering an acute cloth famine. Her minimum clothing requirements during the relief period may be considered to be 40 million yards. Her need of medicines and medical aid will also be equally large, and the unpreparedness of India to meet the emer-

gencies of relief of her neighbour is glaring. The relief works, to some extent, are inseparable from reconstruction. The building of boats, reconstruction of bridges and docks, repair of roads and railways and, in short, the rehabilitation of transport are bound to be indispensable to relief works. Organized corps of labour will be required to accomplish this task just as organized relief workers will be needed for its administration. The refugees from Burma including Indians who had their normal avocations in the country, and are prepared to return may easily help in the task. It will serve the double purpose of relief as well as rehabilitation of the displaced population. The financial burden of the relief period deserves to be borne by the United Nations, and it is high time the U.N.R.R.A. organizes for the purposes with headquarters in India drawing for its personnel upon people in the country having past connections and intimate knowledge of Burma.

The work of relief shades off into that of rehabilitation and reconstruction. The task of distribution may be expected to be undertaken by the normal channels of trade and credit after the initial period of relief. Complex moral issues are involved in the matter of the financial burden of the material destruction as a result of the war. Where the claims arise out of mere redistribution either of liquid or fixed assets between classes of citizens, such as have resulted from the occupation of lands belonging to Burma Indians by other Burmans, or non-payment of agricultural loans the obligations can be reasonably placed on the future Government of Burma, in case a restoration is considered politically and practically inexpedient. But so far as other forms of property destroyed such as houses, trade stocks, cattle, installation on the oil-fields and refineries and those in the saw, rice mills, and mines are concerned Burma should bear only that percentage of the obligation which can be justified, considering her relative capacity before the war to bear the total imperial war burden. Burma along with Malaya has been denied the elementary security of home and hearth as a result of the weaknesses in imperial defence, and it would not be fair to saddle her posterity with an unreasonable burden only because she happened to be the empire's battle-field and has suffered in consequence. The greater proportion of the burden deserves to be considered as an imperial obligation. An enquiry into the feasibility of socializing the oil industry in Burma has been suggested by some. It will not be enough if only the property covered under the War Risk Insurance is compensated. A vast amount of poor man's property consisting of houses and petty shops, boats and transport vehicles has been destroyed. It may be a difficult proposition to make a total estimate, but an effort, even if tentative has to be made. To a certain extent compensation may take the form of assistance to those willing to help in the task of rehabilitation, preference being given to those formerly in a particular trade in the country.

The task of rehabilitation and reconstruction will warrant allocation of priorities in the matter of import of goods and machinery, and a general direction of economic activities. Since over 70 per cent of the people depended directly on agriculture, the task of its rehabilitation deserve the first attention. Possibly the most difficult problem with which agriculture will be faced will be that of cattle shortage. Agriculture in Burma was not only for subsistence. In Lower Burma it was a highly organized industry with large farms, and an elaborate credit and marketing struc-

ture. Most of the land consisted of the reclamation of the delta and owed its value principally to considerable capital expenditure, and the organization of production for export. The lowland rice cultivation under conditions of a tropical delta in surplus of local needs everywhere calls for a seasonal immigrant labour supply at the time of the harvest. The timing of the floods restricts the varieties of rice which can be profitably cultivated and the period of harvest is consequently short. The mechanization of the process being impracticable there is an acute seasonal shortage of labour. This fundamental factor is not always recognized in considering the importance of immigrant labour to the agricultural industry of Burma. A capitalistic direction either by the State or individual and immigrant labour either from within or without the country is of vital importance to the industry in a delta under proper cultivation for hardly half a century and a density of population no more than 200 to the square mile—the lowest under similar conditions in the old world. The analogy of land alienation or foreclosures—terms with which one is familiarized in connection with old peasant proprietary communities under economic transition—is hardly valid in respect of transfers of land, so far as Lower Burma is concerned. Here the land has passed from practically what was waste to a most effective economic organization; and not from efficient peasant proprietors to ignorant absentee landlords. It is true, that the profitability of this form of organization has caused its extension even beyond the delta causing a strain on subsistence husbandry. Proper adjustments and control of enterprise may ease and remedy such a strain. Burma will be ill-advised and can ill-afford to go without such an efficient organization and experiment with untried methods in the immediate post-war period. The special problems facing this agricultural industry will be the reclamation of considerable proportion of land over again, and labour shortage.

The predominance which India enjoyed in Burma's agricultural industry calls forth into question the entire post-war relations between the two countries. Burma is right in thinking that it is not enough that her resources are developed through the most efficient methods. She must have an appreciable share of the economic activity in her territory. Although the Indians are not using up exhaustible natural resources like oil over which few really independent nations allow the creation of foreign interests, and have never wanted anything beyond a fair field and no favour, an understanding between India and Burma with regard to their future economic relations is necessary. Neither country has been oblivious in the past to the advantages of trade between them. Most of Burma's exports consisting of oil, rice and teak wood have found a natural market in India. The natural resources of the two countries are so complementary that they can always have advantage in

harmonious development. Burma lacks iron and coal and is ill fitted for heavy industries. She has lead, zinc, silver deposits and mineral oil of which India has a serious deficiency. If the two countries which were politically united till recently, are encompassed by an integrated plan of economic development, a planned localization of industries may facilitate the development of certain light industries in Burma. Her want of experienced industrial personnel and enterprise will be considerably solved.

But such a development will need the solution of the question of Indian immigration to that country. Here it is necessary to differentiate between the question of Indian settlers who have long been settled in the country, and fresh immigration. No canon in political philosophy can sanction any other status for the settlers than that of the Burmans themselves. But future immigration may be regulated through an agreement. The Indo-Burma Immigration Agreement of 1941, which was never put into practice deserves to be abrogated not only because it was conceived in an altogether different atmosphere, but because it is not based on a correct understanding of the Indo-Burma problem. The problem in Burma was more political and social than economic and was inspired through a fear of the indigenous population and society being swamped through immigration. That an alien minority of about 20 per cent, grew up in less than half a century was alarming enough for the small population of the country. The feeling was not racial, though it was often spoken of wrongly as such, for the Burmese have been conspicuously free from such arrogance and they mixed freely with the immigrants. In fact, it was really the very freedom with which the native population mixed which made the danger of plural society real for the Burmese. The Burmese may be rightly expected to protect their way of life, and make Indian immigration conditional in practice, on its acceptance. Such a discrimination exists in every country inviting settlers. The problem in Burma is very different from that in South Africa where the white settlers are not prepared to assimilate the Indian immigrants. Burma on the other hand can solve much of her man-power and distribution problems by encouraging Indians to settle through fair and equal treatment in every walk of life. Perhaps a reciprocal relation of goodwill and amity is not too much for India to expect in view of the fact that whatever the later financial adjustments between India and Britain or between the Empire and the United Nations the burden of re-occupation as well as relief and rehabilitation of Burma falls today on the poor and considerably overstrained resources of her big neighbour.

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The Week's Notes

THE NEW FINANCE MEMBER

About a week after his Excellency the Viceroy announced from the platform of British commercial interests in India that the end of the European war would in all probability mean an increase rather than a diminution of the economic burden of war on India, came the announcement that Sir Archibald Rowlands, at present Adviser to the Viceroy on War Administration, has been appointed a member of the Viceroy's Executive Council in succession to Sir Jeremy Raisman, whose tenure of office expires in April, 1945. This announcement dashes to the ground the hope long deferred that an eminent Indian incumbent for this key post would be found at an early date and has been taken to mean that the British Treasury is now the more firmly in saddle over India's financial destiny during the crucial years to come. Certainly Sir Archibald's training and tradition have related intimately with Britain's war finance and in view of the crucial nature of the financial problems which must engage his attention immediately, doubt has been openly expressed whether he is entering his new appointment with a becoming detachment. Two questions, in particular, which have to be faced immediately relate, *firstly*, to the prospective operations of the Financial Settlement after the shift of the centre of war gravity to the Far East, and *secondly*, the impending negotiation regarding the orderly liquidation of the sterling balances. At a time when the United States and Great Britain would be reconverting for peace to the extent of about 40 per cent. and preparing for a commercial drive throughout the world, if the operation of the Financial Settlement imposes increasing economic burden of war on India, it would constitute a case of glaring injustice, made possible only by reason of our political dependence. As we have already pointed out in our last issue, if the Government of India has committed itself to this, in principle, it has clearly failed to advance our legitimate interests and rights which have to be pressed vigorously in high Allied counsels. Secondly, the misgiving about the orderly liquidation of the sterling balances has not yet been dissipated, in the absence of a clear announcement of policy, and doubts are felt whether we could secure the liquidation of our balances at a rate warranted by our own economic programme and ambitions. The further problem would be to adjust our war-time fiscal structure—which has borne heavily on our industrial progress during the war—to suit the requirements of our new expansionist economic temper. Sir Jeremy Raisman will no doubt remain to present us another budget, but Sir Archibald Rowland's influence will be at work presently even before his formal assumption of the stewardship of our finances, and the unfolding months will reveal whether the worst fears of the public are really justified.

REGISTRATION FOR CAPITAL GOODS

The Press Note on the registration for capital goods adds very little to what the Member for Planning has said on the subject in his recent speeches. On the deficiencies of policy-making and machinery of administration in regard to this most important control which is going to determine the shape, pace and even cost of the country's industrialization, we have already commented in a recent article entitled *Planning and Import Policy*. The Chief Controller of Imports is the authority with whom registration is to

be made, and he is to work under the direction of a committee, composed of the representatives of the Commerce, Supply, Industries and Civil Supplies and Planning Departments. The device of the Inter-Departmental Committee is being increasingly adopted to assist in the task of policy-making an executive officer where he is in charge of major economic controls, as in Disposals, Capital Issues and the present case of import of capital goods. Though it may have the merit of securing inter-departmental co-ordination, the failure to associate representatives of trade and industry, intimately conversant with the question and vitally affected by the decisions reached will be felt as a serious lack. In regard to the registration itself, certain important issues need clarification. It is said that orders considered deserving of priority will, wherever it is possible to do so by arrangement with the manufacturing country, be given a priority grading. Again, objections might be raised to registration by the authorities within three months of application. It is important that Government set out even now the grounds on which they would raise objections. On the question of priorities, the Government have yet to give out their schedule of preferences or urgency, but take care to emphasize in every statement of policy that priorities will be enforced. In view of the Planning Member's statement that the volume of industrial expansion contemplated is so large that no harm would come from implementing the ready-made schemes of individuals and that desirable projects should get started even now by means of the proposed registration for capital goods, we would urge that refusals of registration should not be made except on exceptionally strong grounds. This would seem to apply to priorities as well; for if the scale of industrial expansion contemplated is so high, schemes which will materialize only at a later stage are hardly likely to be prejudiced by free licences for earlier applications. For the import of capital goods to be really encouraged, the administration of capital issues control, especially in regard to release of funds for machinery, also requires to be liberalised. The Press Note emphasizes the scarcity of U.S. and Canadian dollars and Swiss francs. The Empire dollar position has distinctly improved of late and the Government of India should spare no effort to get the largest quota for India out of the Empire dollar pool. Government also owe it to the country to say what steps they have taken to build the proposed dollar fund. On the all-important question of the prices at which capital goods will be available, Government are hardly helpful, but leave it to the entrepreneurs to decide. On the whole, at the present stage, the best help they can render is not to administer the control in an unduly stringent manner.

PRESS NOTE

The Government of India have decided to afford free Marine War Risks Cover on yarn transported by sea between Madras and or Tuticorin to Calcutta from 16-12-44 to 15-1-1945. Free Marine War Risks will be given provided the consignor or consignee has already insured the consignment against Marine Risks with an Insurance Company or Underwriter and an application for Free Marine War Risks accompanied by a certified copy of the Marine Risk Policy is made to the Textile Commissioner, Bombay, prior to shipment.

INSTITUTE OF ECONOMIC RESEARCH

We warmly welcome Sir Ardeshir Dalal's announcement, on behalf of the Government, to start a National Institute of Economic Research, which will be mainly non-official in composition and management, but have at its disposal funds provided by Government for carrying out systematic and scientific research surveys connected with questions of planning. The task of planning is at present hindered almost at every stage by a deficiency of primary data and although the collection and analysis of all the basic statistics on a satisfactorily comprehensive basis would be a greater task than could be undertaken by the proposed body, there can be little doubt that the Research Institute can offer great help to Government in the formulation of policy by enquiring into such of those aspects as become of immediate importance in the course of planning. No harm would be caused, on the contrary its practical usefulness only enhanced, by the Institute undertaking study in certain lines at the instance of the Government, provided, of course, it is ensured that the Government do not give any 'lead' in regard to facts and findings so as to prejudice impartial enquiry. If the Institute is non-official in management and composition as promised and genuinely national as its name indicates, it can certainly offer the Planning Member much more impartial guidance than the Government's advisers themselves. In fact, we conceive it to be the function of the Research Institute to place at Sir Ardeshir's disposal precisely that type of economic information and advice of a truly scientific and national character which the officials of the present Government, with its constitution, outlook and tradition, cannot offer. The serviceability of the Institute will be in proportion to the extent Sir Ardeshir succeeds in securing for it independence from officialdom.

FOOD AS A POLITICAL WEAPON

After the last war, the supply of food to starving Europe by the Anglo-Saxon powers came in for much criticism, for such relief and the implied threat of withdrawal of relief were used as a method of influencing the people of Europe in the choice of their political and economic systems. Long after the Armistice, food was refused to Germany so long as she did not surrender her ships. In fact, what impelled the Anglo-Saxon powers most to supply food to Germany, Austria and Poland in 1919 was the fear that Bolshevism would spread to those countries if the people were left to starve, and the relief administrators claimed as their principal triumph the saving of these countries from the "fate of Russia." The Supreme Economic Council refused to contemplate supplying Hungary while the Communist regime of Bela Kuhn lasted. When relief to the U.S.S.R. was proposed in 1919 one of the conditions made was that hostilities against the White Russian adventurers invading the Union should cease, while such supplies were made unconditionally to Yudenitch and Denikin. When the U.N.R.R.A. was proposed to take over the

OFFICE OF THE CHIEF CONTROLLER OF IMPORTS.

Import Trade Control.

Licences for the import of goods falling under Parts I to V of the Import Trade Control Schedule from any country, which are valid for shipment in the period July-December, 1944, except those for the import of Raw Cotton (Serial No. 2 of Part III), will stand automatically re-validated to cover shipment up to the 30th June, 1945, and do not require formal re-validation by the licensing authorities.

work of relief in liberated territories the objective was to avoid the experience of the last war through placing relief work in the hands of a non-political body, so that suffering is mitigated without regard to the politics of those who suffer. But from the reports available from the Balkans it appears that food is again being used as a political weapon by the Allies. The U.N.R.R.A. with its vast relief work organization located at Cairo is not allowed to do anything to relieve starvation in Greece or Yugoslavia. The distribution of meagre and inadequate supplies is wholly through the Allied military command. Marshal Tito is suspicious of supplies which are promised to him only on condition that their distribution is supervised by external authorities. Even the U.N.R.R.A. has failed to inspire confidence because even though its funds are built up through the contribution of 44 nations, it is manned by nationals whose impartiality is not always above board. A drastic reversal of policy at the highest levels and greater internationalization of its personnel must take place if the U.N.R.R.A. machinery is not to be used as a weapon by means of which the victors impose a body of doctrines on the helpless.

LOP-SIDED PLANNING

The various official memoranda on the subject of agricultural planning have all along given the impression that the Government of India have chosen to regard agricultural development as a problem mainly or even merely of persuading the farmer to adopt better cultural practices and educating him in the cardinal virtues of more water, more manure and better seeds. It will be recalled that the Burns Memorandum limits itself to an examination of technological possibilities, while the Kharegat Memorandum is essentially a scheme for the reorganization and expansion of agricultural research, education and extension activities. Valuable though these reports are in their own relevant spheres, they can only show what is possible and what is needed on the technical side; they cannot serve and they should not be made to serve as the whole basis for a comprehensive planning of our agriculture. Such planning involves much more than attempts to improve the level of agricultural technique and in fact would take us in the direction of creating a rural economy and a social milieu, where better farming will have meaning only as an aid to better living. It can be undertaken only on the basis of a rounded outlook on the rural economy as a whole and its contents and contours can be determined satisfactorily only after searching and exhaustive factual studies have revealed the needs of the agricultural situation in its economic and sociological aspects as well as on its technical side. The planners at the Centre have not so far betrayed any evidence of their possessing the broad and all-embracing vision which agricultural reconstruction—honest and downright—demands, although the Second Report on Reconstruction Planning is more satisfactory than earlier official documents to the extent that it alludes also to problems of agricultural planning other than those of technical improvement merely, such as crop planning, reform of land tenures, rural finance, agricultural prices policy, etc. We are glad, therefore, that Sir Manilal B. Nanavati, presiding over the Fifth Conference of Agricultural Economists held at Naini recently, has taken the opportunity to warn the Government against their lop-sided thinking and to stress the importance of the sociological and the economic along with the technological requirements of our agriculture. He rightly pleaded that the elimination of absentee landlordism and the social and economic rehabilitation of the actual cultivator lie at the very root of agricultural planning.

PLANNING THE PLAN

Urging that the plan should itself be planned in the light of "the basic facts of the rural conditions not only in respect of agricultural technique but also of social and economic conditions," he urged the setting up of "a Department of Agriculture at the Centre, not on orthodox lines, but one which would take a full view of all problems which have, directly or indirectly, a bearing on agriculture." He further pointed out that, if the complex and varied land problems of this vast sub-continent are to be adequately studied and the issues correctly appreciated and tackled, it is necessary for the Department to have a number of sections staffed with well qualified and trained personnel, administrative and advisory, and each charged with the responsibility for a "specific aspect of this manifold task of reconstruction and planning." This question of organization raises the problem of proper personnel, and, as Sir Manilal has pleaded, the Government must provide for the necessary training of a sufficient number—which would be very large, indeed—of technicians, economists, statisticians, social workers and agricultural experts. As important as the need for adequate personnel is the availability of accurate data, and Sir Manilal suggests that the scope of our agricultural statistics should be widened into that of a rural census, which would lay bare the basic framework of the agricultural economy and the rural social structure and also their strong and weak points. In particular, he wants the rural census to collect information on the following points, which would show how far and in what respects the present land system does damage to our agriculture and what changes are necessary in our agrarian system as a whole: (i) who owns the land, (ii) who cultivates the land and on what terms, (iii) what is the equipment of the cultivator, (iv) what crops he raises, and (v) what is the approximate value of the produce. The rural censuses are to be supplemented by typical village surveys dealing not merely with the economic conditions of the agricultural community, but also with rural sociology, rural health and other important subjects which directly or indirectly influence the cultivator's efficiency and outlook. The success of agricultural planning (as of all planning), in conception as well as in operation, depends greatly on the wealth of the statistical material, which would reveal the real nature of the issues, and the trained personnel who can make fruitful use of them. Sir Manilal has done well in drawing attention to these desiderata.

LATIN DEVELOPMENTS

Under the pressure of the exigencies of and impetus given by the global war, there has been recently a profound change in the international localization of industries. The United States has redoubled its giant industrial stature; Russian and European continental industries have been disorganized, destroyed and shifted on a massive scale; British industries have to a large extent been rationalized and concentrated, although financially Britain may also have been somewhat weakened in the international accounts; and above all new clusters of industrial power have sprung up throughout the world. One of the new areas which have come into prominence in the course of the war is Latin America—the continental stretch south of the Rio Grande with 130 million population and untapped, but very rich and varied natural resources. Latin America constitutes along with India and China, one of the three industrial low pressure areas in the world, of continental extent and endowed with a sufficiency of man-power and natural resources for rapid economic development as well as with near-favourable political conditions which promise possibilities of early

realization of their vast economic potentialities. Latin America today is in fact on the eve of an industrial revolution. Latin America always had intimate cultural and economic ties with Europe, but with the virtual isolation from Europe during the war, she has become increasingly oriented economically towards her giant neighbour in the north, the United States. During the war new industries have sprung up with unprecedented rapidity—partly as overseas supplies have been cut off, but partly also under the stimulus of increased Allied demands. At Volta Redonda, Brazil, an orange grove is being turned into a steel mill with the initial capacity of 350,000 tons a year. In Brazil, Argentine, Chile and Mexico, mechanical and electrical engineering capacity has been greatly expanded because of acute shortage of equipment. Mexican oil industries have been modernized; paper mills, textile, oil, cement and steel industries are thriving and new humming industrial centres like Monterrey have appeared on the map. Again in Brazil a large aluminium plant is in an advanced stage of completion while there has been remarkable expansion of facilities for the production of automobile tyres, electric appliances, electric elevators, boilers, sheet steel, machine tools, pumps, sugar, textiles, etc. In this development, Latin America has received industrial assistance from the United States, but has also been to a large extent thrown upon her own resources and resourcefulness. What is even more significant, by supplying the Allies with goods and materials during the war, these countries have built-up large foreign exchange balances with the United States and Great Britain, which would stand them in good stead after the war in their task of further industrialization. Undoubtedly this vast continental mass is rich with promise and potentiality and we shall witness a startling quickening of the economic pulse in the coming years.

MEDICAL RELIEF

Public health, in this country, is a sadly neglected subject and the medical services, 'designed to protect the health of the Army and the Europeans' restricted their field of activity 'almost till the Reforms of 1919—to the promotion of sanitation.' Some progress has since been certainly made both in regard to the scope of their work and the area over which they operate. Of the extreme inadequacy of that progress, however, proofs are innumerable. We may take the case of Bengal, where of the 116 recorded municipalities only 27 are provided with full-time medical officers of health. Even sanitary inspectors are not employed by some. The 'horrifying' conditions in the slum areas, to which His Excellency Mr. Casey testified the other day, and in other towns all over the country furnish abundant proof of neglect. The country has less than half a lakh of qualified medical practitioners. What is much worse, even this small number is mainly concentrated in the urban areas and caters to no more than 12 to 15 per cent. of our total population. The remaining 85 per cent. of the people scattered in over 700,000 villages 'are not served by more than, say 10,000 duly qualified medical men and women or hardly one to every 32,000 of the population.' This neglect yields of course a rich harvest of deaths. About 2 million men annually die of malaria and tuberculosis takes a toll of another half a million every year. Apart from humanitarian considerations which might shock one at this colossal wastage of life, this means an enormous loss in terms of money. Malaria, for instance, entails an economic loss of Rs. 10 60 crores annually. In any plan for the future, therefore, adequate provisions must be made to eliminate this deficiency. The National Planning Committee estimated that the country would need

PRESS NOTE

On 8th November, 1944, a Press Note was issued directing the attention of all persons possessing Hosiery machines to the notification in the *Gazette of India* of 21st October, wherein the Government of India called upon all such persons to furnish details of the various types of hosiery knitting machines in their possession and of the types of hosiery needles required for these machines.

The information received by the Textile Commissioner up to the end of November is believed to be far from complete and it has been decided to keep the record open until 15th January, 1945.

All persons possessing hosiery knitting machines should note that any arrangement made for the procurement and distribution of hosiery needles will be directly related to the records compiled from the information received and any person possessing hosiery machines who has not submitted the required details will not receive any assistance to obtain hosiery needles, hosiery machine parts, etc.

some four lakh qualified doctors. The Bhole Committee, however thinks this minimum can still be reduced and places India's requirements at 3 lakhs. To train the numbers required the medical schools and colleges that exist today will not suffice and an extension of these facilities should receive attention first; for everything here depends on the provision of training. It is welcome news, therefore, that the Bhole Committee is understood to have recommended the establishment of one medical college for every 30 lakhs of the population. Given an extension of training facilities in the auxiliary services on a similar scale, this should meet the country's need in this direction. The Bhole Committee has also reportedly recommended the establishment of a Public Health Ministry both at the Centre and the Provinces. But the provision of medical relief does not merely mean the setting up of dispensaries to cure the victims. There is an equal need, as Dr. Jivraj Mehta rightly pointed out for 'a fuller spread of the elementary knowledge for keeping fit, and proper food and habits of living' as this would substantially help to prevent the occurrence of disease itself.

Tea and Industrial Output

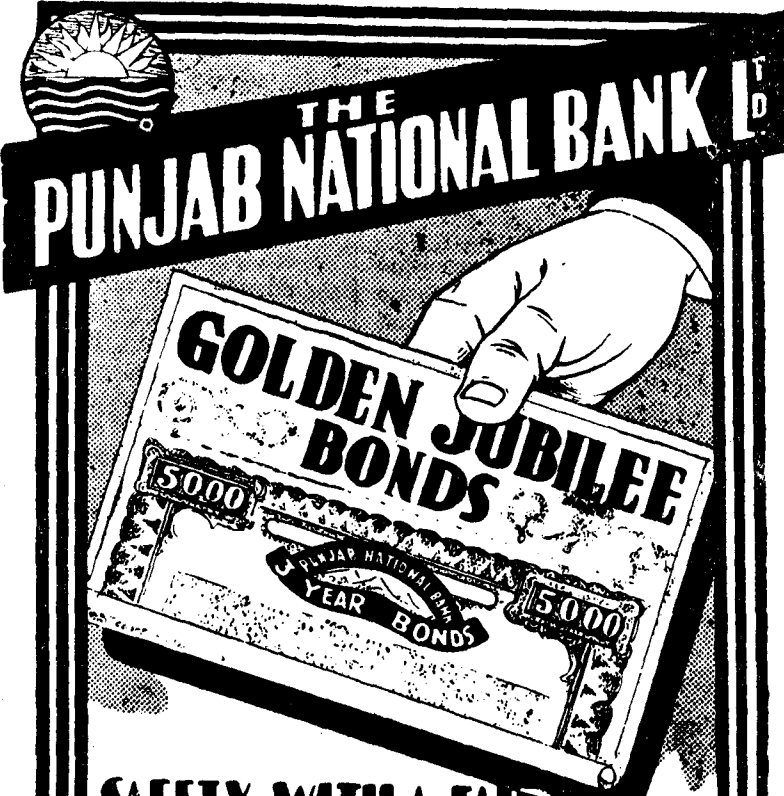
Few matters have received such detailed attention since the war began as the efficiency of industrial production. In India the problem has been greater than in most other countries because, to meet the basic needs of the fighting forces, a great new industry has had to be created without the help of either a large machine tool industry or a large mass of skilled labour accustomed to factory conditions.

That tea—India's own product—has played a valuable part in achieving unprecedented output figures is a matter for no small satisfaction. The part that tea has played—is playing and will

continue to play—is to promote concentration. In the old days it was accepted throughout the world, as an unavoidable fact that output would fall towards the end of a working shift. Today this is no longer accepted, because it has been proved over and over again that tea served to the workers on the job renews concentration and flagging energies with the result that output remains at its peak level right to the end of the shift.

To those interested in this subject much valuable advice and assistance will be gladly given by the Indian Tea Market Expansion Board, 101, Clive Street, Calcutta.





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YODH RAJ, GENERAL MANAGER.

A National Mineral Policy

By P. L. Bhandari

WITH the appointment of a separate Member of the Viceroy's Executive Council for Planning and Development, economic planning has assumed an important role in the country. Selection of Sir Ardeshir for this portfolio is an evidence of the seriousness with which the present Government has been compelled to attack this subject. The country has made a substantial headway in the task of preparing framework for the planning programme and it may not be long before the final blue print will be ready with clear aim and ways and means to achieve the same.

Economic planning and development of a country pre-supposes a national industrial policy directed with the sole aim of developing the country, industrially and agriculturally. Every plank of the planned programme is cast with that end in view. However, a national industrial policy in its turn pre-supposes a national mineral policy. Unfortunately in all the plethora of literature emanating from the Government sources we do not see as yet adoption of any definite mineral policy by the Government. Minerals—major and minor—form a base for super-structure of industrialization. In the absence of a definite policy to develop the base, any industrialization is incomplete. The present war has revealed beyond shadow of doubt the extent to which industries based on minerals have helped prosecution of war. It has also revealed the lopsidedness of its present development or shall we say lack of development. For instance, the largest quantity of the produce of our manganese, mica, chromite refractory and other minerals are extracted mainly for the purpose of export and at a rate which will in course of a few years deplete the valuable reserves, which unlike forest and agricultural products are irreplaceable. If the rate of export of these materials is continued for some time more, a time may come—which may not be remote—when the country will need these minerals in large quantity in its key industries, and then it will have to pay many times the price it received. Nay, their lack may prevent growth of industrialization and set at naught a number of plans for certain important key industries.

Therefore, if a real national industrial policy is to be implemented and for that matter, if the development programme is to go through, we should pause and investigate the matter with a view to evolve and adopt a national mineral policy which should form a base of our industrialization. Such a policy should take definite shape and should form an integral part of the development plan.

What is the nature and content of such a national mineral policy? It should, in the first instance, contain that the minerals of the country should be exploited only by the nationals of the country. No national industrialization can make progress in the desired direction if important mineral rights are held by foreigners whose sole object is to see that industrialization in India is discouraged so that their countrymen may continue exploiting this country economically. Apart from this, the present war has taught us the lesson. No country whose mineral and industry is not in hand of its own nationals can press its policy of war and peace in the comity of nations. Therefore, the first objective of a national mineral policy would be to see that mineral rights in the country are held only by Indians. Our present political helplessness may not enable us to acquire the interests of the present foreign-holders for the present, but in future no mineral rights should be conceded to non-nationals. When once this objective has been adopted the rules

governing certificate of approval, prospecting licences and mining leases in force at present should be amended with a view that no mineral rights may henceforth be acquired by non-nationals. No transfer of mineral rights should be permitted to non-nationals.

Secondly, though Geological Survey of India has done good work in collecting materials and disseminating the information, the work has been slow, tardy and more of an academic nature. If the Survey is meant to serve industrialization, it should develop itself in such a way that its information may be of value to the industrial minded people of the country as quickly as possible. The limited strength of the staff is another cause of slowness. In this connection, we welcome the assurance from Sir Dalal during the course of his broadcast talk on December 16, to the effect that Government is considering to double the superior staff of the Geological Department immediately and to quadruple it within five years.

Thirdly, the Geological Survey should estimate reserves of each mineral that may be found in this country. Should estimated reserves of particular minerals reveal a surplus quantity after liberally estimating the requirements of this country, as may be the case with mica, iron ore and titanium ore, we may enter into agreements to exchange this surplus with other countries who can supply us minerals in which we are deficient, such as nickel, petrol, sulphur, lead, zinc, tin, mercury, tungsten, platinum, graphite asphalt, potash. In other words, any export of mineral will be purely on barter basis.

Fourthly, the tariff policy has to be cast in such a way that the country may be able to develop some strategic mineral which in absence of tariff protection cannot be done owing to unfair foreign competition. Sulphur is an instance in point.

Fifthly, a Mineral Research Board should be constituted forming an important wing of the Geological Survey Department on the lines of the United States Bureau of Mines.

May we hope that the present Government will adopt a National Mineral Policy as indicated above?

PRESS NOTE

Under the Cotton Cloth and Yarn (Control) Order, 1943, the manufacturers are required to mark on the cloth and yarn produced by them the maximum ex-mill and retail prices prescribed by the Textile Commissioner. The duty to mark the prices correctly initially rests on the manufacturers, and the Textile Commissioner desires to impress upon them the desirability of providing scrutiny of the markings at the time of packing so as to prevent any incorrectly marked cloth or yarn being packed. The dealers should also ascertain, by reference to the notification on the subject, that the markings made on the cloth which they have in their possession, and which they may hereafter acquire, are correct. In case of doubt as to the correctness of the markings on any such cloth and yarn, they should at once report the matter to the Provincial Cloth Control Officer for guidance and should not dispose of the cloth or yarn unless authorized by him so to do. This is necessary in the dealers' own interest because a dealer commits an offence punishable under the Defence of India Rules if he sells cloth or yarn at a price in excess of that prescribed by the Order despite the fact that the price may be in accordance with the markings.

THE WORLD ABROAD

Labour and Agriculture in War-Time America

(From Our Special Representative)

NEW YORK, Dec. 25, 1944 (By Cable).

TWO important banking groups, the American Bankers' Association, and the New York State Bankers' Association are understood to have finally arrived at a decision defining their attitude to the International Monetary Fund and the International Bank. They are agreeable to the establishment of the Bank and quite unfavourable to the idea of the Fund. Their conclusions have not come upon the public here as surprise. Apart from Mr Walthrop Aldrich, Prof. John Williams of Harvard, the Vice-Chairman of the New York Reserve Bank, has been expressing himself in the Foreign Affairs rather strongly against the Fund, and his influence as economic adviser in currency matters in banking circles is profound. In course of an interesting conversation Prof. Williams explained to me the reasons why he felt the Fund unnecessary, and likely to do more harm than good. In the transitional period the call upon the resources of the Fund would be very great, and even if large sums are placed at its disposal, the countries that needed foreign exchange would find them inadequate. The effects of the breakdown of the Fund would be disastrous. What countries would need immediately after the war is fairly substantial loans which the Bank could provide. The machinery of the Bank once established would in his view be capable of handling stabilization functions through the Exchange Equalization Loan Department. It appears Prof. Williams pressed this viewpoint upon Lord Keynes who apparently conceded its force. Now that Bankers have expressed themselves against the Fund, they would exert their pressure on the Congress, but it is extremely doubtful if the Bankers' opinion go with the country. Further, the Administration is still keen on ratifying both the Bretton Woods schemes, and, very likely, it will be able to get Congressional support.

The State Department is strengthening its propaganda side exceedingly; countrywide programme of lectures and meetings and pamphlets are being organized under official auspices to win public support for the Dumbarton Oaks Plan of Security. It is rather difficult for an outsider to catch up with or follow the techniques employed by the Administration, the Congress, political parties, and others to further their own policies and objectives.

Labour and Agriculture will, it is widely feared, provide strong headaches to the Government after the war. While this talk of annual income of 170 billion dollars and employment of 57 to 60 million persons is freely indulged in, more thoughtful among the public are already asking themselves whether these goals are consistent with the Labour demand for increased wage rates and other conditions. The policy that is going to be pursued after the war by Labour would be a big factor in industrial costs. There is a genuine fear that Labour policy in the future would not be as helpful to employment and low cost as in the past. The Labour Members War Loan Board is now pressing for general increases in hourly wage rates from 50 to 72 cents., and although the present indications are that they would not succeed, it will not be long before they gain fresh strength. The history of war-time wage regulation is extremely interesting, and many in India do not understand the methods employed by the American Administration to stabilize wages.

A comprehensive social control of changes in wage rates was inaugurated only in October 1942, by the decision of what is known as "little-steel cases" (those of smaller steel firms) whereby any increase above 15 per cent., which then represented increase in cost of living, was not permitted. The "Little-Steel formula" was not based as many imagine on the relation between wage rates and cost of living. Precisely the opposite was the case. Having found that the cost of living had gone up by 15 per cent. the administration decided to freeze the wages to that level. Even if the prices and cost of living went up further the wages would not be permitted to increase. That was the principle, but, of course, action was also being taken to control the prices and cost of living. Politically, this was possible, and Labour too accepted this decision because, although unjust in theory, in practice it worked not badly. Hours of work had increased by 40 to 48, and shifts had increased, and these were accompanied by high over-time rates. Further, it was also possible under the formula for employers to increase the rates of individual workers on grounds of efficiency, urgency of work, etc., up to a certain level. Now that all those processes have been completed Labour has become restive, and anxious to secure a revision of the formula, and relate wage rates with cost of living.

But from the viewpoint of war-time wages a more important factor was the Wage Stabilization Order of October 1943, which provided that no increase in wage rates above the September 1942 level should be granted "unless such increase is necessary to correct mal-adjustments or inequalities, to eliminate below-standards of living, to correct gross inequalities, or to aid in effective prosecution of war." The elimination of below-standards of living which was the official policy since 1941 was not held in check even in 1942. Hence, while in January 1941, one-sixth of all the factory workers received only 30 cents, hourly in 1943, only 1/10th received less than 50 cents. The 40 cents minimum has been extended in nearly all factories, and recently it was raised to 50 cents, and it is this minimum that is sought to be increased by Labour to 70 cents hourly. On the whole, wages in industry and agriculture increased very substantially.

The problem of agriculture is also exciting great concern. The future of cotton and wheat in America is not as bright as for other crops. How long can subsidies go on or how far would reduction in the acreage of cotton and wheat feasible or how far can men be drawn off from agriculture are all questions which excite deep interest. Momentarily, however, agriculture is at the crest of prosperity. The effects of the war on agriculture has been thoroughly studied by the Department of Agriculture, and the results published. Unlike as in India which indulges in the past-time of pitting one uninformed opinion against another, people in the United States are not satisfied unless their demand for reliable information is gratified and results revealed in figures and statistics. Higher prices together with increased production has raised the net income of farmers by 160 per cent. above pre-war levels. An increase of 1/3 in the physical volume of production has been achieved, not through any increase of acreage or man-power (indeed the latter has declined), but through mechanization and other technological developments. The index of prices received by farmers in 1944, averaged 81 per cent. above pre-war period, but prices paid by farmers have not risen as rapidly as prices received

by them. Never before have farmers been so prosperous as now. They now hold in bank deposits and currency 9.7 milliard dollars, which are twice the amount held in 1941. Their holdings of Savings Bonds have increased from practically nothing in 1940 to 2.4 milliard dollars in 1944. Their mortgage indebtedness has been reduced in spite of the fact that their assets of all kinds have increased substantially. During the first world-war, the total mortgage-debt increased by more than 2,100 million dollars. But this time, in the four years ended January, 1944, the debt has decreased approximately by 952 million dollars. While in 1919, the total outstanding debt was 7,137 million dollars, in 1944, it is only 5,635 million. On the other hand their assets in the form of real estate and non-real physical capital have increased. The value of farm land has increased from 34 milliard dollars to 46 milliard, but land prices have not been moving up too rapidly. A survey of the Bureau of Agricultural Economics indicates land being bought only by farmers and not by speculators. The incomes and saving of the farmers have so improved that much of the

operating expenses of agriculture is being financed without recourse to borrowing. From 1940 to 1943, the farmers' cash income from products sold and from Government payments rose from 9.1 milliard dollars to nearly 20 milliard. The gross farm income increased faster than production costs and the final net return to farmers and their families increased from 4.8 milliard dollars in 1940 to 12.4 milliard in 1943.

The report concludes, "The rapid growth of quick assets—deposits, currency and bonds—and reduction in debt has added unusual elements of flexibility to the farmers' financial position. This gain in flexibility will facilitate many of the readjustments which will have to be faced in the post-war period. The growers of cotton and wheat may have to shift into other types of farming. If it is found possible to maintain full industrial employment and shift growers of some of our surplus crops into other agricultural lines, a very large part of what the present agricultural establishment can produce will be bought at home at favourable prices."

Washington Letter—I

Tasks Before the New Congress

(From Our Washington Correspondent)

WASHINGTON, Dec. 25, 1944 (By Cable).

THE new Congress convened in January will have to consider a number of international agreements and recommendations made in recent months by the International Conferences or in bilateral negotiations in connection with commercial and financial matters. It can also look forward to the formulation of various other pacts on matters urgently requiring the United Nations' attention. In the former category are the Bretton Woods proposals for a World Capital Bank and Stabilization Fund, the Chicago International Air Conference, the new Civil Aviation Convention, and accompanying agreements, and possibly also the Anglo-American Oil Agreement, although Senator Tom Connally, the chairman of the Senate Foreign Relations Committee, has indicated that the Committee has pigeonholed that pact. In the second category are such matters as commercial policy and commodity price stabilization.

Almost certainly, the Bank and the Fund will not get through the Congress intact as projected by the Monetary Conference. The criticisms of banking, financial and business communities and certain Congressmen have been reported earlier in detail in dispatches since the Bretton Woods Conference; this week three more powerful voices have been raised against certain portions of the recommendations. The *New York Times* reported that two important banking groups are said to have determined their stands on the Bretton Woods monetary propositions. Their attitude is described as generally favourable to the Bank of Reconstruction and Development but unfavourable towards the proposed Monetary Fund. Quoting "financial sources, usually well informed on such matters," the *Times* said that special committees of the American Bankers' Association and New York State Bankers' Association which have been studying the proposals for several months "have reached their conclusions but have agreed not to make them public until later." "Later" could have reference to the plans by bankers to divulge their views when the Congress begins the consideration of the proposals. However, three men who criticized the Bretton Woods recommendations this week, incidental-

ly displaying considerable conformity with the views previously stated by others, gave evidence in plenty of the banking community's position. The critics were Mr. Beardsley Ruml, the chairman of the Federal Reserve Bank of New York, Mr. John H. Williams, the vice-chairman of the New York Reserve Bank, and the Dean of the Harvard School of Public Administration, and Mr. W. L. Hemingway, the president of the Mercantile Commerce Bank and the Trust Company of St. Louis. Mr. Ruml told the questioners in Washington that the bankers were generally favourable to the proposed Bank but had serious concern that the Monetary Fund might fail to achieve its objectives in respect of currency stabilization, particularly during the immediate post-war or transitional period. Mr. Ruml further said that the bankers feared that there would be disastrous international consequences should such stabilization machinery be established only to fail. His position and attribution of it to other bankers was borne out by Mr. Williams writing in the magazine *Foreign Affairs*, as well as by Mr. Hemingway in the current issue of *Banking*—the American Bankers' Association journal. Both of them recommended that the Bank's functions may be expanded to perform the stabilization functions, and seemed to agree that action should be deferred regarding the Fund. Mr. Williams, as he had done before, recommended that attached to the Bank there should be an "Exchange Stabilization Loan Department" which would dispose of the need for fund. He said: "As this would operate selectively and provide exchange only where needed, it would require a much smaller sum and, at the same time, probably, would be much more flexible and effective than the proposed Monetary Fund. As authors of these plans themselves recognize, it will be on the Bank (and other parts of general policy and commodity price stabilization) that the main task of the international plan including commercial policy and international adjustment must fall. If that work is well done, the monetary regulation will be less difficult and less costly. The *Express* have insisted that the Monetary Fund cannot work without the Bank. I raise the question: if the Bank's work is well done and is supplemented as I suggest, how much need will there be for the Fund?" Mr. Hemingway

said: "It is generally agreed that one international financial institution is desirable for the following reasons: *First*, it will provide a place for the representatives of most nations to discuss the conditions and problems that may be of interest to them. This should prove very helpful. *Second*, through such an agency the statistical information can be gathered and disseminated. Such information would be of great help not only to the Treasuries and Central Banks of the member countries but also to all those having any interest in foreign business. *Third*, with limited capital it could come very close to an

Washington Letter—II

Renewed Emphasis on War Production

(From Our Washington Correspondent)

WASHINGTON, Jan. 1, 1945 (By Cable).

PREOCCUPATION with reconversion measures which was so obvious from August and throughout the autumn has been replaced in the official circles in Washington by a renewed concentration on increasing war-production and tightened war-time controls generally. The Treasury, the Congress and the War Production Board, for example, have been jolted by von Rundstedt's offensive into the awareness that there is a long road to be traversed before reconversion can be accomplished in any appreciable degree. Should the unexpected occur and Germany's drive actually result in a disadvantage to her, as some military reviewers here have predicted—as this is being written news from Europe indicates that the initial thrust has been halted—several reconversion laws are already on the Statute Book and can go into effect. However, two developments during the last week serve to illustrate the trend in Washington's current thinking. It has been reported on the most reliable authority that of the \$149,233,000 worth of civilian production authorized under the "Serot reconversion programme" for the first three months of 1945, less than half is expected to be produced on account of growing stringencies in war materials. Also new construction has been sharply cut. The two new developments referred to relate to taxes and War Production Board plans.

Originally it was planned to bring in the post-war tax programme, presumably entailing considerable reductions, when the new Congress convenes. But now it is doubted in many quarters that post-war taxes will even be considered early in the new Congress session. Experts state that reductions in the present high level of Federal taxation will probably be put off until 1947. Military setback in Europe is said to have caused the abandonment of the recommendations Government authorities

PRESS NOTE

The Textile Commissioner to the Government of India desires to inform all quota-holders in the City and Suburbs of Bombay that with respect to the 20 per cent. of the stocks that they are permitted to sell in unbroken mill-packed bales to dealers in Bombay, they must do so only after obtaining from the purchaser a declaration in writing that he is a Bombay Government Licensed Cloth Dealer and he is neither a retailer nor a quota-holder. Those quota-holders whose total quota per month from all mills does not exceed 8 bales, are permitted to dispose of all such bales to any Bombay Government Licensed dealer other than a quota-holder or a retailer.

absolute stabilization of currencies once they are brought into equilibrium. Experts are agreed that in normal times a modest sum, as governmental figures go today, is all that is necessary for that purpose. In times like these no amount attainable will do the job all at once. *Fourth*, it could act as the originator of loans that may be desired by the nations by preparing all factual data and presenting them to prospective lenders on behalf of borrowers. It may well be that between private investors and direct government lending all worthy loans can be taken care of."

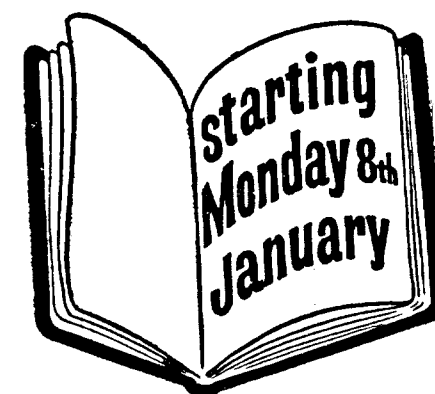
had prepared in respect of lower taxes. Early in the summer Senator Walter F. George, Chairman of the Senate Finance Committee, and Representative Robert L. Doughton, Chairman of the House Ways and Means Committee, asked the Treasury, that the Internal Revenue Bureau and the Congressional tax experts should work the post-war tax programme for presentation before Congress. Conferences were held for about six months and a report was said to be ready before the adjournment of Congress last month, but Congress could not receive it because of other business. This is now regarded as fortunate. For example, some high officials are said to have been ready with an optimistic finding that tax reductions could be made on 1946 incomes. Now it is likely that experts on whom Mr. George and Mr. Doughton called will have any programme when Congress convenes. In fact, there are reports that President Roosevelt may recommend increases in present tax rates in spite of the fact that slight advances will occur anyway owing to the so-called Simplification Act which becomes effective from January 1, 1945. It may be remarked, incidentally, that business and Government specialists alike, in discussing post-war taxation, have utilized the basic assumption that the post-war Federal debt will be 300 billion dollars, the national income would be from 120 billion to 150 billion dollars and the annual budget would be from 18 billion to 25 billion dollars. Reductions in taxes will be influenced entirely by military requirements to be incurred in defeating Germany and Japan, the Federal and domestic aid programmes and expenses for relief and rehabilitation. (In respect of the latter matter the Treasury announced last week that it is planning to purchase 15 million dollars' worth of miscellaneous apparel for the use of the U.N.R.R.A. Other programmes—this one will take about two months—are likely to follow since it was said that "some 170 million people are in need of relief.")

Regarding war production plans, Chairman J. A. Krug told the Press in Philadelphia last week that the War Production Board now operates on the theory that the European war will last indefinitely. He exemplified new factories being built to supply demands for trench mortars. These factories will cause large increases in production by August and will cost about 200 million dollars. Thus, if the war ends before August that money might be considered lost, but if the war is not over by then, as "it probably won't be," many lives will be saved. Mr. Krug noted that the German offensive had cost much Allied equipment and consequently caused large increased in production requirements here. He said that over-optimistic statements by "wise boys in Washington" had affected war produc-

tion, and reported that the aircraft programme has been stepped up from four to five per cent. within a week along with an increase in the merchant shipping programme by about 3 million tons in 1945.

Reference was made last week to the fact that the Senate Foreign Relations Committee apparently pigeonholed the Anglo-American Oil Agreement signed in Washington in August. The New York *Herald Tribune* reported last week that there is "good possibility" that the agreement will be formally withdrawn so that the United States and Britain can work out a new one to incorporate the changes suggested by the American oil industry. The industry's proposals would result in the elimination of all

mandatory features requiring thus both Government and private companies to act on the recommendations of the International Petroleum Commission. The aim of the industry is to remove its fear of regulation by an international body. According to the *Herald-Tribune* report, the U.S. Government feels it can accept the industry's proposals with the exception of the clause which would grant oilmen exemption from anti-Trust laws. The industry has proposed that "unless the signatory Governments decide otherwise in any particular case, all reports of the International Petroleum Commission shall promptly be published by each Government. Upon such publication by a Government any action taken in compliance therewith shall not be deemed an infringement of its laws in reference to restraints of trade."



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A DELHI DIARY

THE legacy of 1944 and the prospects of 1945 were the main topics in the capital during the past fortnight. There is no prospect of an early move on the political front which remained static throughout last year in spite of many promising efforts by political leaders to break the deadlock. Gandhiji took the Viceroy and Mr. Jinnah at their words and made constructive proposals but failed to move either. The result of this failure is that two dozen distinguished citizens have taken upon themselves the responsibility of sitting in a Conciliation Committee under the chairmanship of Sir Tej Bahadur Sapru to consider the problem of minorities from the constitutional and political angles. The report of this Committee is likely to be ready in April and will offer much thought for reflection.

The past year proved better than 1943 for the Government on the financial and economic fronts. The budget for 1944-45 was primarily framed from the point of view of fighting inflation by absorbing surplus money through taxation, compulsory deposits and large-scale borrowing. Success was achieved to some extent, the range of prices was narrower compared with the previous year, and price levels showed a tendency to settle down to war-time conditions. But will the same phenomenon be witnessed in 1945?

The Viceroy told the Associated Chambers of Commerce last month that India would have to suffer further privations in 1945 since there would be increased defence expenditure both by India and by the British Government. Inflation will again try to raise its ugly head and there will be further shortage of supplies for the civil population. But if rationing and the various control measures are enforced efficiently, it may be possible to prevent serious effects on the Indian economy.

The war demands on Indian industries were not as exacting during 1944 as in 1943, but the partial failure of coal supplies prevented them from rendering as full a service to the civil market as they could have. There is no doubt that unless the coal situation improves many industries may find it difficult to maintain, much less to step up, their production.

There is much speculation as to what Sir Jeremy Raisman will unfold in the sixth war budget. He knows that direct taxation has reached its utmost limit and that it is not possible further to tap resources without adversely affecting the country's economy. Opinion held in commercial quarters is that borrowing alone should be the sheet-anchor of the Finance Member. The response to loans should be considerable in view of the success that has attended the efforts made in 1944 and the confidence born of Allied victories.

The question of sterling balances loomed large throughout the year and will assume further importance during the new year which will mark the opening of negotiations with the British Government for their liquidation. Indian opinion recognizes that it is not possible to recover all at once the debt England has incurred, and that its liquidation will have to spread over a number of years. But this period must be correlated to the needs of the economic plan for India's development. The delegation which will represent India during these negotiations will have to press England for paying interest on the balances. This country has borrowed money on 4 per cent. basis and the sterling balances should, in equity, bear the same rate of interest.

An interesting feature of the past year's finance is that the volume of imports increased considerably. Imports practically doubled during the first half of the

year, the largest being from the U.K., U.S.A., Iran and Egypt. This is due to improved shipping as a result of Allied victories in the Mediterranean theatre. But imports also show that the Government of India is not encouraging imports with an eye to national well-being. Luxury goods and those which compete with Indian manufactures are imported. There is no indication yet whether the Government will appoint a committee of commercial and industrial representatives to advise on the classes of goods needed by the civilian market. The situation regarding exports is that there was an improvement of only about Rs. 11 crores in the first five months of the year. In August they were actually less than in the previous months. The Government does not appear to be interested in pushing up exports from the commercial and industrial viewpoint.

The Chinese situation has created considerable interest in New Delhi. The British Government has never liked the Chinese support to the Indian freedom movement. Interesting light on the subject is thrown by Sir Muhamed Zafrullah Khan who was India's Agent-General in Chungking for several months. In a paper on "India and China" Sir Muhamed has prepared for the coming Commonwealth Relations Conference, he remarks: "China's sympathy with India's political aspirations is deep and genuine, but whether it is altogether disinterested may not be capable of categorical affirmation. It is a legitimate assumption that as it is in the interest of India to see China free, independent, united and prosperous, it is equally in the interest of China to see India free, independent, united and prosperous."

Leading economists of India held their annual conference at Delhi. Their next conference will be held at Lucknow under the presidency of Professor E. G. Karve of Poona. Dr. Qureshi has been elected Secretary and Prof. Radha Kamal Mukerjee local Secretary. The subjects for discussion at the next session will be post-war currency policy for India, the food problem, and post-war transport policy with special reference to commercial rate fixation.

ARGUS.

PRESS NOTE

"Sir T. S. Venkataraman, the eminent Sugarcane Breeder has endowed a prize to be called the 'Bombay Koushika Prize.' The prize will be of the value of Rs. 500 and will be awarded to the person who is adjudged to have shown, during the preceding year, greatest practical improvement in the cultivation of the sugarcane crop or the manufacture of the end product including sugar, gur and bye-products of cane and sugar. The award will be made by the Sugar Technologists' Association of India, Cawnpore, on the recommendation of a Committee consisting of the Presidents of the Deccan Sugar Factories' Association, The Indian Sugar Mills' Association and the Sugar Technologists' Association of India, the Vice-Chairman of the Imperial Council of Agricultural Research, New Delhi and an agriculturist, technologist or a scientist co-opted by the above four.

The prize will be awarded annually during the next five years after which the position will be reviewed. The award may be in cash, or in the form of tools or equipment useful to the recipient.

All application for the prize accompanied by relevant documents should be submitted for consideration to the Secretary, The Sugar Technologists' Association of India, Cawnpore not later than 15th June, 1945."

MONEY MARKET

The Investment Market in 1944

By S. K. Muranjan

DURING the closing year, the stock exchanges were confronted with the task of adjusting themselves to quite fundamental changes or prospects of fundamental changes in the economic situation. In the earlier half of the year, investment values were largely and inevitably at the mercy of the varying fortunes of military operations. In the latter half of the year, since the collapse of German resistance in France and the attempt on the life of Hitler, the exchanges have been seeking, in accordance with every fluctuation in expectations, levels more appropriate to the probable economic trends of peace. Within the scope of these broad and overruling influences, incidents of economic policy or those special to individual scrips or sections of the market have been neither few nor insignificant. The taxation and financial policy of the Indian Government, the many administrative controls and interferences relating to textile industry, the gold and silver policy or rather lack of policy of the Reserve Bank, precautionary reductions in dividends in anticipation of peace, etc., have in the aggregate proved much more potent factors than the usual, unavoidable spates of rumours, inferences, half-truths and falsehoods which in many cases are after all efforts at intelligent anticipation.

With the unprecedented inflation of currency during the previous twelve months and the expectation of unprecedented dividends in the near future, the opening of the new year found the stock exchanges stoutly declining to allow their optimism to be overclouded by the premature shadows of the inevitable budget, now only two months ahead. The markets moved up in an unbroken curve till, about the first week-end of February, *Tata Deferreds* raised themselves from the opening year level of Rs. 1,960 to Rs. 2,170; *Ordinaries* from Rs. 396 to Rs. 430; *Dyeings* from Rs. 2,050 to Rs. 2,170; *Centuries* from Rs. 890 to Rs. 1,175; and *Kohinoors* from Rs. 640 to Rs. 730. The precautionary tendency to seek shelter in the protected asylum of native States from the dimly apprehended swoop of the Indian Finance Member did not find much expression in the prices of native State scrips as most of them had already reached very high levels by the close of the previous year. In the textile group, *Osmanshahis* crawled from Rs. 360 to Rs. 376; *Raza Textiles* from Rs. 100 to Rs. 121, while *Azamjahis* hesitated about the level of Rs. 655-700. The only exception was the spectacular rise of the ordinarily quiet *Minervas* from the opening year level of Rs. 225 to Rs. 327 by the first week of February.

After the first settlement day of February, however, the approach of the budget began to cast its shadows on the opening optimism of the year. From the peak levels of February 8, the eve of the budget recorded a fall in *Deferreds* of about Rs. 100; *Ordinaries* of about Rs. 25; *Dyeings* of about Rs. 100; *Centuries* of about Rs. 75; and even in *Associated Cements* of about Rs. 2. Native State scrips kept very steady by contrast. Although the market was in practically full possession of budget proposals on the eve of the budget day, the first reaction on the D-day itself was one of rather hesitant decline as if the market found difficulty in grasping the full implications of the proposed immobilization of excess profits after payment of E.P.T., compulsory deposit and other income-taxes. On the second day, however, the scrips of companies with standard years of low profits recorded precipitous falls while steels, cements, jutes, native State scrips,

certain textile companies whose standard years were good, declined but slightly or were quite steady. In less than a week, the realization that the immobilized profits must tend to strengthen the post-war position of all concerns appears to have enabled the market to recover its buoyancy and till the third settlement day of March, all scrips advanced rapidly, steels giving a spectacular lead. *Deferreds* which had reached a pre-budget low level of Rs. 2,060 advanced to Rs. 2,250 and *Ordinaries* from Rs. 408 to Rs. 430. *Dyeings* improved by about Rs. 100, *Centuries* by about Rs. 75 and *Kohinoors* by about Rs. 30, although these were still unable to make good their total pre-budget and post-budget deterioration.

This contagious optimism of the market was suddenly disturbed and destroyed when the third week of March brought the news of the appearance of the Japanese army on the Indian soil. By the time of the second settlement of April, *Deferreds* collapsed from the high level of Rs. 2,250 to Rs. 1,967 and *Ordinaries* from Rs. 428 to Rs. 388. During the same interval, *Dyeings* lost more than Rs. 100 and *Centuries* Rs. 60. Even native State scrips showed substantial losses. On the Calcutta market, jutes which had till now shown stolid steadiness except for adverse reaction to the budget fell in a substantial manner, *Howrahs* losing Rs. 10, and *Anglo-Indias* about Rs. 30.

Towards the second settlement of April, when prices were about to take their second and bigger plunge, the pre-requisites of an active market were once more seen in conflict with attempted control of its technique by government when the authorities of the stock exchange issued a severe warning on the illegality of *budla* transactions. It is quite clear that where sellers and buyers are agreeable and have a status and reputation to maintain, prohibition of *budla* within the ring must remain at best a dead letter. Secondly, it has to be remembered that the *budla* is nothing more than a penalty interest which, according to the technical situation of the market, should impel the buyer or seller to close the transaction rather than carry it over from week to week. Finally, it is an elementary principle of exchange value that fewer and more ill-balanced the buyers and sellers, the larger is the number of possible points of equilibrium and greater the fluctuations in values on even a slight alteration in demand or supply. Because of their long and intimate experience of the market, the large fringe of the crowd which trades on differences is really an important factor in widening the multilateral basis of the market and making values continuous and stable.

With the absence of further bad news from the Burma front, the military factor began to recede into the background from the third week-end of April to give fuller scope to economic factors. From this time onward, however, steel and textile sections parted company till German reverses in France and attempt on Hitler's life involved them in a common relapse. Between the second settlement of April and the third settlement of July, expectations of high dividends and periodic rumours of higher and higher rates of conversion of *Deferreds* into *Ordinaries* led to more and more acquisition of *Deferreds* till their value rose from Rs. 1,967 to above Rs. 2,300, while *Ordinaries* staged a sympathetic rise from Rs. 390 to Rs. 430. The withdrawal of Japanese forces from India about the end of May and early June reinforced the upward trend in a marked manner. In contrast with the buoyancy

of steels, textiles appear to have fallen on evil days. As the Textile Control Board got more and more busy, issued and threatened successive price reductions and, in extreme cases, took over direct management of offending mills, the gathering pessimism about dividend prospects weighed down the prices of textile scrips more and more. Particularly severe falls were experienced in the third weeks of April and July. In the upshot, despite minor recoveries, *Dyeings* climbed down slowly from Rs. 2,050 to Rs. 1,900, *Centuries* from Rs. 1,000 to about Rs. 900 and *Kohinoors* from about Rs. 680 to Rs. 630. Even native State textile scrips exhibited an uneasy downward trend.

While the successful invasion of France in June and earlier military successes imparted an actual buoyancy to the market at first, the attempt on Hitler's life during the third week of July caused moderate uneasiness over the prospects of an earlier peace and perceptible falls in almost all scrips. Steels, however, resisted the earlier falls on rumours of unusual dividends and bulls took full advantage of the opportunity to raise *Deferreds* to more than Rs. 2,300 while *Ordinaries* just recovered lost ground. By the third week of August, the rapid advance of Anglo-American arms and the optimistic speeches of Allied leaders and commanders initiated a peace panic and rapid relapse all round. From that week to the first settlement of September, *Deferreds*, now quoted ex-dividend at about Rs. 2,200, lost about Rs. 200; *Ordinaries*, quoted ex-dividend at about Rs. 405, about Rs. 25. The collapse of textiles already serious on account of the military factor was much aggravated by a short fall in the expected dividend of Bombay *Dyeings* by Rs. 10. *Dyeings* fell in the aggregate by about Rs. 200, *Centuries* by about Rs. 150, *Kohinoors* by Rs. 100, *Osmanshahs* and *Azamjahis* by Rs. 60; *Raza Textiles* by about 25. *Associated Cements* which had actually improved in the earlier phase of general relapse by about Rs. 25, no doubt as a post-war investment, was struck about this time by the unpromising results of the rival Dalmia concerns and fell from Rs. 238 to as low as Rs. 219. Even plantations which throughout the whole year had maintained and slightly improved their values succumbed to the general trend. In the south, *Kalpettas* went down from Rs. 50-52 to Rs. 41 and *Peermades* from Rs. 54 to Rs. 49. In the North-East, *Patracolas* lost about Rs. 20 and *Gungarams* Rs. 5. Jutes, another generally accepted post-war investment, kept very steady.

By the first settlement of September, the confidence in the early advent of peace began to give way to doubts about an indefinite prolongation of the conflict. This change of sentiment and perhaps the reflection that the war with Japan must in any case outlast by some months if not years the war in Europe found expression in a marked and steady improvement of cotton textiles which had met with a special recoil from the adventitious announcement of a fall of Rs. 10 in the interim dividend of *Bombay Dyeings*. From September 8 to the second week of December, *Dyeings* advanced steadily from Rs. 1,700 to Rs. 1,860; *Centuries* from Rs. 750 to Rs. 840; *Kohinoors* from Rs. 540 to Rs. 620. Native State scrips shared in the general trend, while *Associated Cements* flared up from Rs. 219 to Rs. 247 on rumours of some special expectations.

The course of steels which has much to fear from the advent of peace in Europe and little to hope from a prolongation of the conflict in the Pacific was different. For about one month from the first settlement of September the market improved at first and then values rose and fell within a narrow range of about

Rs. 50 for *Deferreds* and Rs. 10 for *Ordinaries*, as if the market was unable to adopt any particular view. From the first settlement of November, however, under the influence of a few bold spirits who voted for a long war, *Deferreds* were raised rapidly to a hectic level of Rs. 2,280 from Rs. 2,050 and *Ordinaries* to Rs. 420 from Rs. 370.

As the year is at its close, the market is trying to resolve certain doubts which have crept over it. How will the military reverses of China influence the military prospects on the frontiers of India? To what extent are the buyers prepared to leave their position open over the year-end holidays? To what extent will certain banks withdraw their funds in order to present a strong balance-sheet on the New Year day?

This account of events in 1944 establishes one fact clearly. In the absence of new issues and alternative outlets for investment, the inflation of currency and incomes have expressed themselves in a certain basic level for each scrip round which actual values fluctuate according to military prospect within more or less definite ranges. According to the basic price and degree of activity and speculation of each scrip, the range is as great as Rs. 400 (*Deferreds*) or Rs. 300 (*Dyeings*) or as low as Rs. 30 (*A.C.C.s*) or Rs. 20 (*Howrahs*), etc. The close of the year finds the market unwilling to anticipate peace unless peace presents itself as an unavoidable fact and is on the whole adjusted to an indefinite prolongation of hostilities. Any early and sudden descent of peace must find the market in an unenviable situation. It would ameliorate conditions if Government found its way to permit new issues on a fast rising scale and relax progressively restrictions on other forms of investment. It is also much to be feared that some of the more recently created banks unable to find much scope for loans and advances of the safer variety have tried to earn or maintain profits by placing their funds to an imprudent degree in the stock exchanges. Among the many controls which the Government has attempted under the special conditions of war, enforcement of drastic margins for loans against stock exchange securities should have found a place long ago. The protection of investors and safety of banks no less than a joltless transition from war to peace conditions are likely to be safeguarded more effectively by this means than by some of their more doubtful interferences with the market technique.

Since prices have fluctuated over a wide range and inflation of prices and dividends has run a parallel course, absolute yield percentages do not hold out more than a strictly limited significance. But relative yields are more instructive as recording the market's appraisal of individual quality and possibilities of the near and distant future. In the following remarks, the calculations are based on prices as they stood at about the time of the declaration of dividends and when on the whole they represented the inflated phase. Among cotton textiles, the most highly rated shares offered a yield nearer 5 than 4 per cent., while medium quality scrips which account for the bulk yielded 5 to 7 per cent., approaching more often than not the higher limit. As may be expected, plantations as a class, stood out by their large yields, a fall below 8 per cent. being the exception. Banks as a non-speculative investment hovered round the gilt-edged yield of 3½ per cent., while steels and engineering scrips varied their out-turn between 4½ and 5 per cent. Coal yields as a rule maintained the poorest levels at about 2 to 3 per cent. Among jutes, another post-war scrip, a yield of more than 5 per cent. as in the case of *Howrahs* was a fortunate exception, the common out-turn being less than 3 per cent.

Poor Bidding For Treasury Bills—New Money Goes Speculating

BOMBAY, Dec. 31, 1944.

CONDITIONS in the money and investment markets during the fortnight under review were on the whole easy, except for what steadiness was imparted to them by the approach of the year-end. The banks were not much interested in adding substantially to their investment portfolio, partly owing to the need for the traditional window-dressing operations and partly owing to the still impressive demand for accommodation.

The discounts on the Treasury Bills of both the Central and Provincial Governments hardened. In the third week, the Central Government Treasury Bills were placed at As. 8-3 per cent. per annum, showing a rise of 3 pies over the previous week. In the current week the tender limit was kept unchanged at Rs. 6 crores and total applications were meagre at Rs. 8.58 crores. The change in the complexion of the short-term money market can be readily imagined from the fact that there were very few tenders at Rs. 99-13-9 and above, while the bulk of the tenders were offered at lower levels. The Reserve Bank could accept only Rs. 2.53 crores as against the Rs. 6 crores it had called for on behalf of the Central Government. Even with such a low acceptance, the authorities could not help a rise in the average rate by as much as 7 pies over the previous week and the average rate of accepted tenders was Re. 0-8-10 per cent. per annum. This policy seems somewhat strange since it was quite open to the authorities to reject all tenders during the week, especially as the Central Government's ways and means position is impregnable strong and would certainly admit of rejection of all treasury bill tenders which called for an onerous rate being paid. After all, it was fairly obvious that the poor bidding for treasury bills during the week was more or less entirely due to the fact that the payments on the accepted tenders fell due on almost the last working day of the year for banks. In this context, the Assam Government's Re. 1 crore treasury bills did not evoke much keen bidding. The total amount offered was just Rs. 1.25 crores and naturally the average rate registered a jump of nearly an anna over the Central treasury bill rate for the week. Tenders for Rs. 6 crores of Government of India treasury bills have again been called for on January 2. It is to be hoped that the authorities would stabilize the treasury bill rate at least around the current level.

The Reserve Bank returns for the week ended December 22 are notable for the fact that total currency issued crossed the Rs. 1,000-crore mark. In the fortnight ended December 22, there was a fresh transfer of Rs. 5 crores to sterling securities in the currency reserve, against which currency has been expanded. But this time, part of the expansion has been against a Rs. 4-crore increase under 'Rupee coin.' In the Banking Department, the prevailing firmness of the money market is reflected in the large withdrawals by banks of their balances with the Reserve Bank. These stand at Rs. 76.3 crores as against Rs. 92.25 crores a fortnight ago. The Reserve Bank has also had to discount treasury bills to the tune of nearly a crore in the same period. The Imperial Bank's return dated December 22 sharply emphasizes four factors: first, deposits at Rs. 236 crores have not looked up since the middle of November; secondly, investments at Rs. 151 crores have been virtually unaltered since November 10; thirdly, advances have been steadily on the up-grade since November 1, having increased by about Rs. 7 crores since then; lastly, there has been a decline of nearly Rs. 17 crores in cash since November 1. The latter date may, therefore, be said to be the turning point

in the banking situation. It is obvious that the increased demand for advances, not yet in its full swing, has had to be financed almost out of the cash balances. An interesting factor is the comparatively slow growth of deposits in the last three weeks, which has been a period of substantial currency expansion. The explanation for the curious lag of deposits is probably that all the new money created by the currency authority either is being utilized for speculative operations or is being employed in the black market. The sudden rise and fall in bullion and cotton springs to the mind in this connection. The point to be noted here is that, as currency expansion proceeds at this rate, it cannot but unleash inflationary forces a great deal more intensely than what has been seen hitherto.

PRESS NOTE

The Cloth and Yarn (Export Control) Order, 1944, has been amended by a notification in the *Gazette of India*, published on the 4th November, 1944, providing that no person other than a manufacturer shall sell, offer to sell or store for sale to an exporter cloth or yarn meant for export except under and in accordance with a licence which will be issued by the Textile Commissioner on application in the prescribed form. This form has been published by the Export Trade Controller in his notice War No. 647 dated 3rd August, 1944. A fee of Rs. 1,000 will be charged for each licence. It will be issued for a period of three months only in the first instance and may, at the discretion of the Textile Commissioner, be renewed and it is also liable to cancellation by the Textile Commissioner. It has been further laid down that a dealer holding such licence should not charge a price which exceeds the "standard price" by more than 10 per cent.

"Standard price" in regard to sale by manufacturer to exporter of cloth meant for export is the ruling ceiling ex-mill price notified by the Textile Commissioner under the Cotton Cloth and Yarn (Control) Order, 1943, applicable for the first month of the export quarter mentioned in the quota licence granted to the exporter by the Export Trade Controller.

In relation to sales by manufacturers to export wholesale licencees, "standard price" means the ex-factory price ruling on the date of issue of the export wholesale licence.

Manufacturers are entitled to charge "standard price" plus 7 per cent. thereof in either case. The same notification defines export price to mean the F.O.B. price so far as export by sea is concerned and the F.O.R. price in case of exports by land.

The notification also provides that no person shall export cloth or yarn intended for domestic consumption which have been tex-marked and price-marked.

By another notification published in the *Gazette of India*, dated 25th November, 1944, the Central Government have further amended the Cloth and Yarn (Export Control) Order, 1944, introducing a new clause which lays down that no person shall, save in accordance with the general or special permission of the Textile Commissioner, sell or agree to sell for export cloth or yarn of any class or specification, other than cloth manufactured on handloom, the standard price thereof has not been specified under Clause 10 of the Cotton Cloth and Yarn (Control) Order, 1943. By this notification the word "export" is now defined to mean taking out of British India by land, sea or air to any place outside India or to any tribal area or Indian State beyond the Western and Northern boundaries of the North-West Frontier Province.

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In 1943 it was Rs. 1,05,00,000

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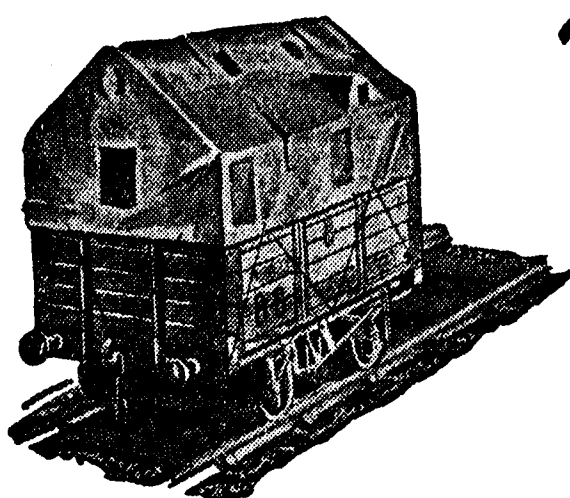
Head Office: New Asiatic Building, Connaught Circus,
New Delhi.

Calcutta Office: 8, Royal Exchange Place.

Bombay Office: Imperial Bank Annexe Building,
Bank Street, Fort.

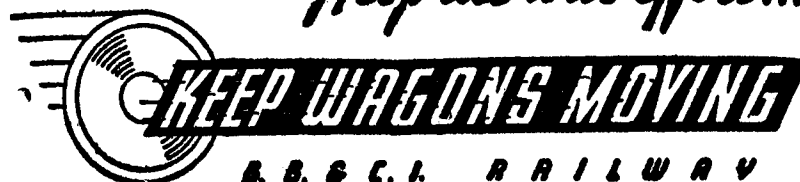
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Users of transport should not
treat wagons as warehouses.
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THE BUSINESS WORLD COMMERCIAL POLICY

THE International Monetary Fund, the World Bank for Reconstruction and the Permanent Food and Agriculture Organization are only the first three in the order of agreements and institutions through which a system of international economic co-operation is sought to be worked out for a post-war economy of abundance. It is obvious that an orderly machinery for the settlement of trade balances, an adequate institution to secure the free and easy flow of finance from the capital-heavy to the capital-hungry countries and a development organization for the promotion of improved agricultural methods and nutrition standards in the interests alike of the prosperity of the primary producers and of public health the world over, important though they are for wealth and welfare, are not by themselves enough to complete the milieu in which international commerce may develop into one great co-operative endeavour for the achievement of world prosperity. Necessarily many other international agreements will have to be worked out and appropriate institutions set up to cover such subjects as commercial policy, involving questions of eliminating trade restrictions and tariff barriers, commodity policy, raising problems of the orderly regulation of the international trade in agricultural and mineral raw materials and cartel policy, aiming at the control of the restrictive and anti-social activities of powerful international monopolies.

It is no secret that, in accordance with the practice, now become favourite with them, of the 'key nations approach,' the Governments of the United States and of the United Kingdom have already held preliminary discussions over all these subjects through official delegations and that while these discussions have revealed certain significant differences of opinion and divergence of interests, they have also helped in the laying down of a substantial foundation of general agreement on basic issues, which makes further progress possible. It has been reported that those talks will be taken up again in a less informal manner and on an expert level. Now that the Keynes Mission to Washington has succeeded in greatly easing Great Britain's over-riding problems of recovery by securing for her a great measure of economic aid from the United States, it is very likely that the Governments at Washington and London and the experts of both sides will feel free to discuss in the near future further problems of international economic co-operation. In the meanwhile, it would be profitable to examine the general principles that should govern international co-operation in some of these spheres and in particular to discuss wherein this country's interest lie in relation to possible international agreements.

The central aim of international co-operation in the sphere of commercial policy, obviously, is to make for a freer flow of goods and services between the various countries of the world through the elimination or reduction of trade and tariff barriers, conceived in a narrow spirit of national interests or as an avowed means of achieving autarchy. It is now economic history that a great deal at least of the Great Depression and the scarcity economy (in the context of potential plenty) of the inter-war period was due to the shrinkage of the world markets for the products of the primary industries as well as for manufactures, brought about by the restrictions placed on interna-

tional trade by the various countries as part of a policy of economic nationalism or even of a deliberate programme of preparing for war. If the future is to be better than the past, if the highly industrialized nations are to maintain full employment and the backward nations to develop their productive resources, it is necessary that the countries of the world, speaking generally, should show a greater willingness than they have done hitherto to import and export on a fair and free scale. From this it follows, almost as a truism, that an international agreement on commercial policy would be deemed satisfactory to the extent that it is successful in inducing its signatories to reduce their tariff or give up devices for quantitative restrictions, such as import quotas. There are two different kinds of procedure through which the mitigation or the elimination of restrictions on international trade may be attempted. The proposed agreement, for instance, may enjoin upon its signatories to negotiate, within a reasonable period of time, bilateral settlements for the removal of tariffs and quantitative restrictions, with provision for a most favoured nation class. This method, if adopted by a sufficiently large number of countries, would in effect result in an almost general elimination of trade restrictions. It would, however, involve a long series of negotiations and bargaining, with possibilities of delays and even deadlocks. The more direct and certain and therefore the more satisfactory method would be the multilateral approach of including within the terms of the agreement itself a formula for the general reduction of tariffs and a convention prohibiting specified devices of quantitative restriction. It is important of course, that the formula for tariff reduction should be administratively convenient and also equitable, as between different countries in so far as it is consistent with the central objective of reduced tariffs; it is evident, for example, that a formula fixing a maximum limit for tariffs would involve a greater degree of sacrifice from a highly protectionist country than from a country with relatively low tariffs.

While the central aim of an international commercial agreement for the furtherance of world trade can only be the removal of restrictions on the movement of goods and services between the various countries and while its being considered satisfactory or otherwise is dependent in a directly proportionate manner on the extent to which it induces its signatories to remove or reduce trade restrictions, it would be idle to ignore the very definite limiting factors to which the protagonists of such an agreement will have to reconcile themselves in practice. For instance, it is highly doubtful whether a post-war Great Britain, embarking on a full employment policy, would agree or could afford to give up all quantitative control over her import trade. Again, it is not likely that she would consent to liquidate the laboriously built up system of imperial preference as she might be required to do on the ground that such a system is discriminatory and restrictive and therefore incompatible with a liberal international commercial policy. Further, it is obvious that industrially backward and undeveloped countries cannot forego in the same way, as highly industrialized countries, the advantages which tariff protection can confer on their economy. This point becomes even more significant in the context of the loudly proclaimed intentions of the leading manufacturing countries to launch after the war gigantic export drives that would capture the

world markets. Taking the specific instance of India itself, it is not difficult to imagine what would happen to a host of vital industries if tariff protection is suddenly and altogether withdrawn. As regards quantitative restrictions, they are likely to be at least as necessary for an India planning for rapid economic development as a Great Britain embarking on a full employment policy and it has been shown on previous occasions that quantitative trade controls need not necessarily be restrictive or discriminatory. So long as the various countries of the world are in different stages of economic development, their special needs should be recognized in any reasonable international agreement; it would be idle to ignore those needs and

count the sheep with the goats. If an international commercial convention is to be acceptable to nations other than those within a narrow range, it should be liberal in more than one sense and should not seek to achieve a theoretical state of free trade at the expense of vital national interests. A very grave responsibility, therefore, rests on the 'key nations.' If they really want to draw up a Commercial Charter that would command the willing adherence of economically backward countries, they should be prepared to acquiesce in such tariff policies and trade controls as may be necessary and for so long as they are necessary for the economic development of the latter.

NOTES

PLANTING INDUSTRY DURING 1944

1944 was a year of bottlenecks and strains for the planting industry in India. Despite the limiting conditions, it enjoyed a fair measure of prosperity unknown in the pre-war years. The demand for rubber, a vital war material and for tea and coffee, the articles of universal drink, continued to be as strong as ever. In rubber especially certain producing and supply areas in the Far East passed out of the reach of the United Nations and hence necessitated the intensification of production in other parts. The rubber plantation in India was carried on under unfavourable climatic conditions, and labour shortage caused by migration to other comparatively more remunerative industries, high labour costs and acute shortage of several chemicals. The cumulative pull of these factors was countered by the Government of India. At the first instance Government offered to pay for intensified tapping or 'slaughter-tapping' at the flat rate of Rs. 450 per acre late in 1943, but they raised the figure to Rs. 600 in April 1944. The Government's expectation of a higher production having been belied a further bonus was offered to the planters. The Government agreed to pay a graded bonus ranging from Rs. 11-1-9 to Rs. 33-5-3 per 100 lbs. over the basic price of Rs. 75-5-0 per ton. The basic annual production was fixed at 16,000 tons divided into quarterly quotas of 4,640, 3,360, 2,830 and 5,120 tons, which if attained entitled the planters to the benefits of bonus. The schemes may be adjudged moderately successful in view of the estimated production figure of 18,000 tons in 1944 as against 16,629 tons in 1943.

The tea industry had also to face problems similar to those as in rubber. Shortages in labour, managerial personnel, coal and fertilisers coupled with inadequate transport facilities were present all the year round. The regular aerial and land poundings by the enemy and the invasion scares in the North-East Zone reduced the acreage under production and the output declined to 452.7 million lbs. in 1943 as against 476.2 million lbs. in 1942. The estimated figure for 1944 is 450 million lbs. Tea production in the south did increase, progressing from 94 million lbs. in 1942 to 98 million lbs. in 1943, and 105 million lbs. in 1944, but the total output of tea remained as low as 510 million lbs. in 1944 as compared with 551 million lbs. in 1943, and 570 million lbs. in 1942. The progressive decline warranted a decrease in the export quota which was 421.56 million lbs. or 110 per cent. of the standard export in 1942, 364.08 or 95 per cent. in 1943 and 379.41 or 99 per cent. in 1944.

The plantation industry as a whole, including coffee, was under the strict control of the Government. The Government imposed a central excise duty of 2 annas per lb. on tea and coffee which has been a notable event in the year just ended.

COAL AGAIN

Recently Press reports had it that Mr Young, the Coal Commissioner, would be going back to the United Kingdom on the completion of his one year's contract. It would be obviously unfair to pass a final judgment on his work in the absence of relevant details, but it must be said that at least one aspect of his policy has caused considerable misgivings among wide sections of the public and particularly among business interests. We are alluding, of course, to the supply of coal to the national industries. It is common knowledge that during the past few weeks a number of textile mills had to close down in spite of the very difficult cloth position. Again, recently it was revealed at a meeting of the Federation of Indian Chambers of Commerce and Industry held in Calcutta that the Government are intending to arrange for substantial imports of glassware, while as many as some twenty indigenous factories are threatened with the prospect of having to close down because of coal shortage. It is shocking that in the sixth year of the war, the Government are as far as ever from having worked out an even remotely satisfactory system of coal distribution, especially in view of the fact that raisings have been reported to have improved in recent months. To what extent blame should attach to the Coal Commissioner, we are not, at present, in a position to say. But, there is widespread uneasiness that his attitude has been far from sympathetic. Will his early departure, assuming it to come about, mean a revision of the Government's policy in the matter of coal supplies to vital industries?

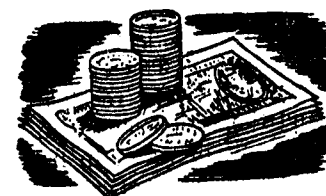
CHINA'S TECHNICAL TRAINING PLANS

While a mission of twenty-one leading industrialists from China has toured Canada, and is proposing to spend almost one full year in the U.S.A., the Chinese Government is planning to send to the United States in the next twelve months for industrial training a total of 4,200 million. The training is to be imparted in hydro-electric power plants, industrial management and accounting, ferro-alloys, chemical engineering, automotive engineering, oil refining, diesel engines, radio, petroleum, geology, etc. In this programme, China is receiving the co-operation of a number of American commercial companies and Government agencies. In particular, the China-America Council of Commerce and Industry, organized in October, 1943, as an association of American business concerns, with headquarters in New York city, and offices in Washington and San Francisco, has prepared a variety of plans for the training of Chinese nationals in industries and companies in the U.S.A. as well as in the American-owned concerns in China and for the import of necessary American technical experts into China to give training to the Chinese in schemes sponsored by their Government and by financial and educational institutions.

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FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, Dec. 31.

MADRAS has a gigantic programme of road development in the post-war period. According to this scheme, all the villages with a population of 500 people and above are to be connected with a road grid and thus 95 per cent. of the population will be served. The present 36,000 and odd miles of roads of the Presidency are to be regraded, reconditioned and renovated to take heavier loads of the increased traffic after allowing sufficient elbow room in all the congested areas. In addition, 20,000 miles of new roads have been proposed to be constructed at a cost of about Rs. 66 crores. The work is to be completed in ten years. Two thousand and five hundred miles of road would be cement-concreted, 3,000 miles would be provided with black top and the balance would be water-bound macadam. The provision of adequate cross-drainage works and suitable bridges across water-ways are also to be made.

The Madras Post-War Reconstruction General Committee rightly rejected the recommendation of its Transport Sub-Committee that the Government should participate in running the road transport system with the Railways and the road operators. That the time had not come for the nationalization of the road transport system, that the schemes would be very costly and that the interests of the demobilized transport workers would be best served by a private agency undertaking and working the transport system were some of the serious arguments advanced in favour of the decision of the Sub-Committee, which is dominated by the representatives of the present transport interests. But the General Committee refused to create additional and new vested interests thus making it more difficult for nationalization at a later stage. The time is quite propitious now for the Government to take over the transport system with the nationalization of the railways operating in the province. The bogey of cost was the most unconvincing of all the arguments.

Co-operative Central Banks in this Province are enjoying the patronage and confidence of the investing public and this is evidenced by the fact that their borrowed capital has exceeded Rs. 6 crores. The Registrar of Co-operative Societies, in a recent address, referred to their growth and pointed out that their cash balances were over 11 per cent, while holdings in Government Promissory Notes were about 17 per cent. and their loans and advances a little less than 54 per cent. of their assets. This is a position which nearly approximates to the banking standards set up by the Reserve Bank of India. The Registrar regretted that while the general position in the Province was sound, the Ceded Districts presented a problem due to the backwardness of the area. But it is heartening to note that an Enquiry Committee with the Hon. Sir N. Gopalaswami Ayyangar as Chairman is to be appointed to investigate the conditions and report to the Government.

Irrespective of the controversy whether or not the

Bombay Letter

BOMBAY, Dec. 30, 1944.

A PROPOSAL of the Government for increasing educational facilities was revealed by Mr. Taunton during his recent visit to Surat. The scheme consists in the establishment of an institute of higher technology at Surat, at a cost of Rs. 10,00,000. The proposal seeks to impart instruction in courses up to

rise in agricultural prices are adequate or fair to the producer, it has been evident from the accounts of the co-operative banks that the agricultural classes have been borrowing less and therefore, the banks have shifted their activity to the financing of consumers' organizations, the advances in 1943-44 alone amounting to Rs. 7.58 crores. Apart from this, the Madras Government are now anxious to find out the extent to which the agriculturists have been repaying their debts to co-operative organizations as a result of the rise in the prices of the agricultural commodities, and the remaining agricultural indebtedness. In order to conduct an enquiry and report on these matters, the Government have appointed Dr B. V. Narayanaswamy Nayudu as Special Officer.

In spite of the Grow More Food campaign, the acreage under paddy has declined during this season and a decrease of over two million tons in the yield is anticipated according to official reports. The area sown with paddy up to the end of November has been estimated at 9,313,000 acres compared with 9,523,000 acres for the same period last year, representing a decrease of 2.2 per cent. The decrease in area has been mainly due to the late receipt of North East Monsoon rains and the insufficient rainfall and consequent inadequate supply of water in irrigation sources in the South-West Monsoon period. The decrease is marked in South Arcot—(125,000 acres, Tinnevely—(50,000 acres) and Malabar—(36,000 acres). The total yield is estimated at 88,544,000 cwts. of cleaned rice as against 92,730,000 cwts. estimated for the corresponding period of the previous year, representing a decrease of 4.5 per cent. The harvest of the main crop has just begun and there are indications to show that requisitioning will be more rigorously resorted to.

Sir Jogendra Singh, Member of the Viceroy's Executive Council who toured this Province a few days ago, met the various trade organizations and discussed with them various problems relating to the development of India's resources. In his view, India which was deficient in the supply of milk fat, should not export any oil seeds as they needed the oil for themselves and cakes for cattle and soil. He stressed the importance of research in oil technology and said that he was hoping to constitute an "Oil Committee," on the lines of the cotton and rice committees, to take up the question of oil seeds and oil products.

In order to review the working of the existing labour legislation in the State so as to provide a coherent body of labour laws which would ensure the prompt and effective settlement of labour disputes, the Government of Mysore have appointed an enquiry committee composed of officials and non-officials. The committee has also been asked to enquire and send proposals on the question of introducing a scheme of compulsory insurance against unemployment of industrial workers and the desirability of making separate legislative provision for regulating employment of children in industrial undertakings.

the diploma standard including certificate and tradesman courses in mechanical, electrical and automobile engineering. Textile, dyeing and printing, carpentry and wood-carving and hand-made paper-making are also included in the certificate course. It is not clear whether this scheme is to be put into effect before the war or after it. As Surat already possess some highly

developed cottage industries requiring technical skill, this scheme would give considerable fillip to the cottage industries by supplying the technical personnel.

Speaking at the Annual General Meeting of the East India Cotton Association held in Bombay recently, Sir Purshotamdas Thakurdas, the President, discussed many important cotton problems. Referring to the purchase during the year by the Government of some 2¾ lakhs cotton bales, he said that this was the first time in history that the Government had entered the cotton market on such an appreciable scale. The influence of these purchases on the cotton market, the strongest critics of the Government must admit, was beneficial, as it did prevent further deterioration in cotton prices which was the objective of these purchases. These purchases by the Government have naturally created the problem as to the disposal of this cotton by the Government. Sir Purshotamdas's suggestion that the cotton expert of the Government who is at present in the U.S.A. should on his way back to India go to Liverpool in order to sell the Government cotton to U.K., is very timely and sound as it will solve this problem without disturbing the Indian market. As India produces at present one million more cotton bales than she needs, Sir Purshotamdas welcomed the proposal recently put forward by the Sub-Committee of the Indian Central Cotton Committee to plan the cotton crop of India, with a view to adjusting produc-

tion to internal demand as a short-term policy. In this connection, Sir Purshotamdas referred to the recent move for starting forward trading in Liverpool and said that if a solely consuming centre like Liverpool wants forward trading, its usefulness for a producing, distributing and consuming country like India needs no emphasis. So far as this cotton season is concerned, the opponents of forward trading should note that the grower is getting a higher price for his produce, thanks to forward trading, than he would have otherwise got.

It is common knowledge that the worst hit class due to the present high prices is the lower middle class. With a view to ascertain the effects of inflation and price control on the lower middle-class families in Bombay City, the School of Economics and Sociology of the University of Bombay is conducting an inquiry. It is possible that as a result of this inquiry, some conclusions will be arrived at which will suggest directions in which relief could be given to the lower middle-class families. However, for commodities which are not available at controlled prices, if the black market prices are taken into account the results of the inquiry will give a much more realistic picture of the position and it is to be hoped that this will be done.

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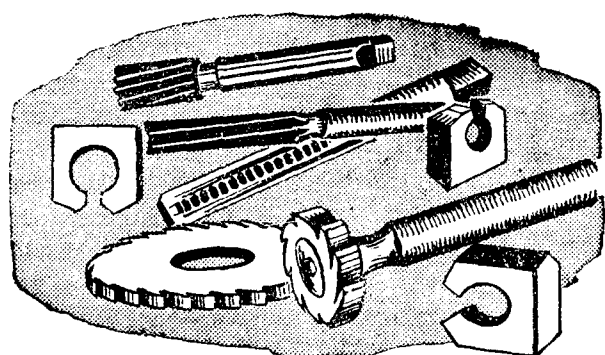
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PRESS NOTE

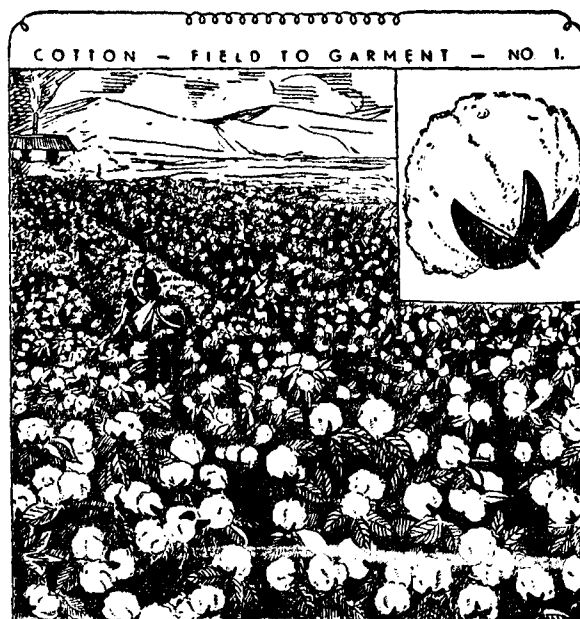
Under Clause 4 of the Cotton Textiles Fund Ordinance cotton cloth and yarn contracted for export prior to the date of the Ordinance is exempt from the levy of the cess of 3 per cent. The Government of India have now decided that with effect from 1st February, 1945, all cotton cloth and yarn exported out of India shall be liable to the cess irrespective of the date of the contract. They have also decided that in cases where no maximum ex-factory price has been fixed for the cloth or yarn meant for export, the 3 per cent. cess will be levied on the basis of the value of the cloth or yarn as declared in the shipping bill.

These amendments will be given effect by an Ordinance to be promulgated shortly.

PRESS NOTE

An amendment to the Textile Industry (Miscellaneous Articles) Control Order, 1943, published in the *Gazette of India*, dated 2nd December, 1944, includes 'the ordinary loom pickers of all types' among the articles controlled by that Order.

By a notification issued by the Textile Commissioner, published in the *Gazette of India*, of the same date, it is provided that no person should sell ordinary loom pickers of all types required by the Textile Industry, (other than Jute and Hemp) at a price exceeding Rs. 210 per gross F.O.R. port of entry or town of manufacture in India with effect from 1st December, 1944.



5000 YEARS OF INVENTION

India wove the first cotton into cloth at least five thousand years ago, and was an exporter before 500 B.C. Until the power-loom and spindle were invented in Great Britain, India clothed much of the world besides herself with the fine products of her CHAKA and hand-loom.

We were over a century behind the West in adopting power-machinery for manufacturing cotton. Meanwhile our 'khadi'-producers were driven to making coarse, cloth only for local village use and the cultivation of our finer growths of cotton died out.

For twenty years Indian Mills have sponsored research into better growths of Indian cotton, from which both Mill and Hand-loom industries are now making better cloth every crop. We can only make enough to clothe all India on the miserable scale of 18 yards for each person in a year. India is the second largest cotton producer in the world; she can and must produce more and better cloth.

Four hundred Mills with one crore of spindles and two lakhs of looms, employ more than ten lakhs of workers and about Rs. 50 crores of capital—making the biggest of India's National Industries.

Kesotam
CLASSIC COTTONS

KESOTAM COTTON MILLS LTD. — Mgrs. : BIRLA BROS. LTD., CALCUTTA

COMMODITY MARKETS

MADRAS, Dec. 23, 1944.

THE groundnuts market was firm during the first part of the fortnight under report but became easier towards the second part. With the sanction of the export licences to Bengal, large purchases were made in the Andhra Districts which kept up the market earlier, but with the permission being granted by the Nizam's Government for export of seeds on a quota basis, the market eased this week. With bright weather conditions, arrivals were brisk and there were also good sellers throughout the period. Exporting houses bought up to Rs. 67, but later reduced their limits to Rs. 63. The British Ministry of Food still kept away from the market. In sympathy with the earlier firm tendency of the seeds market and due to small ready stocks, the oil market was steady at Rs. 175. There was good internal demand as also from Calcutta. The cake market continued to be steady, demand being in excess of available stocks.

Hides and Skins

Arrivals of hides were fairly good during the period under report, but this should be so, in view of the fact that ceiling prices would be reduced by As. 1-6 per lb. from the New Year. Arrivals of raw hides were meagre and therefore the supply position would suffer early in the New Year. Transport difficulties continue to persist in spite of the cancellation of the Leather Movement Control Order. Internal demand continued to be good and inferior fifts and rejections were selling at high prices. Export figures for the past month are as follows: Tanned cow hides 1,800 bales, cow calf 265 bales, and buff calf 80 bales. Tanned skins; goat 1,220 bales and sheep 400 bales.

The recent Press Note of the Government of India regarding the export of skins surprised the market and it has been characterized as a virtual monopoly granted to the importers in the United Kingdom, United States of America, and South Africa without any regard to Indian interests. Shippers to the U.S.A. were particularly aggrieved that a lead has been given to Britain.

HAPUR, Jan. 3, 1945.

Grains and Pulses

THE prices of all grains and pulses were firm owing to good trade demand and decreased arrivals. Wheat arrivals from rural areas were almost negligible, and at present an acute scarcity of wheat is being felt here and consumers have been forced to buy above the controlled price from the rural areas. It is being urged that Government should release some *khattis* to the public and arrange for opening retail depots. The stock of wheat belonging to Government is estimated at 565 *khattis*. Stocks of other grains were almost unchanged.

The present position of wheat in the Punjab is firm on good demand. Arrivals of wheat at Lyallpur averaged 1,400 bags daily. Flour demand was brisk. Stocks in villages are gradually declining. Prices of other grains also ruled firm.

The first acreage report of all-India rice has been computed at 7,34,75,000 acres whereas the corresponding and final forecasts of last year were 7,23,91,000 acres and 7,99,60,000 acres respectively.

Heavy showers during the week in many parts of

the up-country are expected to be very beneficial to the standing *Rabi* crops.

Gur

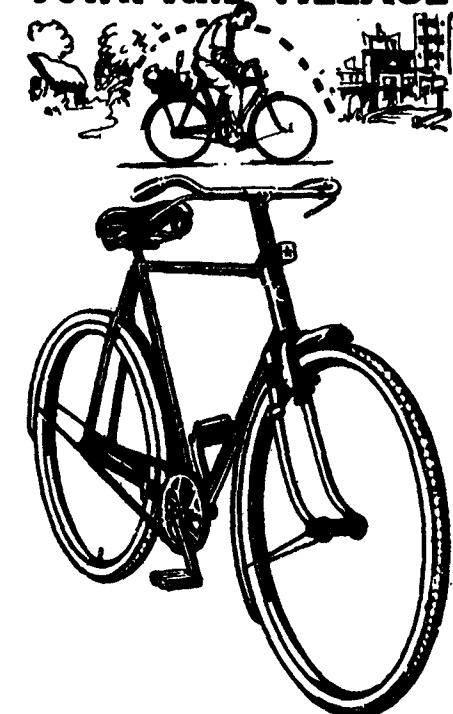
Prices maintained a firm tendency on brisk demand. Arrivals averaged 6,000 maunds daily. The U.P. Government have prohibited the exports of *gur* by road and river from the Benares region.

Juwar

The *juwar* market during the early days of the week ruled firm and prices registered a good rise in sympathy with firmness of other commodities and encouraging ready demand, but latterly quietened on favourable showery weather and speculative realizations. Turnover was active. The following are the latest quotations:

Wheat: Ready Dara Rs. 9-12; Stock 565 *khattis*. Gram Rs. 7; Stock 51 *khattis*. Barley Rs. 5-8; Stock 156 *khattis*. Peas Rs. 5-12; Stock 142 *khattis*. *Arhar* Rs. 6-4; Stock 130 *khattis*. *Urad* Rs. 10-11. *Moong* Rs. 10. Maize Rs. 5-12. *Bajra* Rs. 6-8. *Guwar Magh* Rs. 7. *Baisakh* Rs. 6-12-6. *Gur* Rs. 8-4.

THE LINK BETWEEN TOWN AND VILLAGE



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KOHIMA TO KABAW AND BEYOND

JAPAN'S OFFENSIVE against India having failed disastrously, their once proud armies are now on the run. The last Japanese has been driven out... and the war is now being fought beyond the frontier of India. Our offensive presses on into Burma.

KOHIMA WAS THE TURNING POINT. From Kohima to Kabaw and beyond is a long road, but it leads to Victory.

TAMU

WE RECAPTURED THE KEY-TOWN OF TAMU months ago. Much of the history of the war in Burma is linked with this place. It had witnessed much fighting. TAMU was one of the earliest places captured by Japanese after they had crossed the Chindwin. Its capture was their big boast! To-day, their bones lie scattered on the paddy fields of TAMU.



OUR BRAVE AND GALLANT MEN have inflicted a tremendous defeat on the enemy. Tokyo no longer repeats arrogant heroics about the "Invincible Sons of Heaven."

OUR FIGHTING MEN HAVE PROVED THAT WE CAN BEAT THE JAPS

-AND WE ARE BEATING THEM BACK

ISSUED BY THE NATIONAL WAR FRONT

AAA 1931

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT					BANKING DEPARTMENT						
(Rs. in lakhs)					(Rs. in lakhs)						
22-12-44	15-12-44	24-12-43	1-9-39	22-12-44 compared with 1-9-39	22-12-44	15-12-44	24-12-43	1-9-39	22-12-44 compared with 1-9-39		
Notes held in the	8.30	8.91	10.61	35.04	- 27.01	Cash	8.59	9.20	10.77	35.15	- 26.56
Banking Dept. ..	999.90	994.70	828.58	182.13	+817.77	Balances held					
In circulation ..	1008.21	1003.61	839.19	217.18	+791.03	abroad* ..	352.84	347.11	124.63	10.08	+342.76
Total Notes ..						Investments ..	14.91	13.94	7.69	6.81	+ 8.10
A. Gold Coin and					Nil	Bills discounted—					
bullion ..	44.41	44.41	44.41	44.41	+831.83	(a) Internal and					
Sterling Securities ..	891.33	886.33	722.84	59.50	+831.82	External ..					
Total of A ..	935.74	930.74	767.25	103.92	+ 60.85	(b) Treasury Bills	1.00	2	3	1.16	- 16
B. Rupee Coin ..	14.62	15.03	13.61	75.87	- 60.85	Loans & Advances	8	62	18	31	- 23
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45	to Government ..					
Silver bullion under						Deposits:—					
coinage ..	..	..	..	..	..	(a) All Govts. ..	262.12	250.26	31.31	14.89	+247.23
% of Reserve to						Of which G. of I. ..	248.37	238.57	16.79	14.89	+233.48
Liabilities ..	82.812	92.739	91.428	63.149	+29.663	(b) Banks ..	76.33	82.98	90.77	26.91	+ 49.42
						(c) Others ..	19.55	17.89	4.84	1.24	+ 18.31
IMPERIAL BANK											
(Rs. in lakhs)											

IMPERIAL BANK					
(Rs. in lakhs)					
	15-12-44	8-12-44	17-12-43	1-9-39	22-12-44 compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other Accounts ..	237.45	235.86	289.82	87.26	+150.19
Govt. Securities ..	148.67	147.56	118.60	51.03	+ 97.64
Other Investments ..	3.79	3.92	2.63	96	+ 2.83
Loans ..	10.82	10.91	15.46	7.66	+ 3.13
Cash Credit Over-drafts ..	39.99	43.23	20.43	19.76	+ 20.23
Bills discounted ..	4.45	4.20	3.55	2.95	+ 1.50
Cash in hand, with R.B.I. and other Banks ..	39.90	36.20	59.93	14.69	+ 25.21

BANK OF ENGLAND (£ '000)					
	20-12-44	13-12-44	22-12-43	30-8-39	20-12-44 compared with 30-8-39
Total Bullion	2,124	2,247	1,281	263,700	-261,576
Public Deposits	5,100	9,500	7,300	31,100	-26,000
Other Deposits	251,800	232,500	222,800	129,100	+122,700
Of which Bankers' Deposits	198,200	181,600	169,000	90,100	+108,100
Govt. Securities	248,900	217,600	210,300	113,100	+135,800
Other Securities	13,300	14,200	17,400	31,000	-17,700
Of which Discounts and Advances	2,500	1,400	1,600	6,400	-3,900
Notes and Coins	10,100	26,500	20,300	34,200	-24,100
Notes in circulation	1,242,000	1,225,700	1,081,000	529,500	+712,500
% of Reserve to Liabilities	3.92	10.96	8.8	21.38	-17.45

TREASURY BILLS SALES (3 Months' Tenure) (Rs. in lakhs)					
Date of issue	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
June 1944 ..	50.63	30.00	0 7 3	..	8.52
July ..	37.37	16.00	0 7 9	..	13.76
August ..	60.46	20.00	0 7 8 3/4	..	8.92
Sept. 22, ..	11.24	6.00	0 7 11	..	1.47
" 29, ..	10.01	6.00	0 7 11	..	2.70
Oct. 6, ..	11.32	6.00	0 7 11	..	6.83
" 13, ..	10.99	6.00	0 7 11	..	2.71
" 20, ..	12.81	6.00	0 8 0	..	2.32
" 27, ..	14.15	6.00	0 7 11	..	2.27
Nov. 3, ..	15.01	6.00	0 7 11	..	3.19
" 10, ..	10.16	6.00	0 7 10	..	1.27
" 17, ..	17.74	6.00	0 7 11	..	1.10
Dec. 24, ..	9.61	6.00	0 8 0	..	1.98
" 3, ..	11.29	6.00	0 7 11	..	1.86
" 10, ..	13.30	6.00	0 7 11	..	..
" 17, ..	10.15	6.00	0 8 0	..	..
Jan. 24, ..	10.30	6.00	0 8 3	..	..
2, 1945 ..	8.58	6.00	0 8 10	..	..
Total outstanding: 78.00					

CLEARING HOUSE RETURNS (Rs. in lakhs)					
Centres	1943-43	Apr.-Sep. 1944	Oct. 1944	Nov. 1944	Dec. 12, 1944
Bombay ..	20,42.31	10,31.75	1,71.64	1,89.34	51.72
Calcutta ..	17,40.12	11,14.20	1,93.08	1,94.96	..
Cawnpore ..	1,02.41	53.60	7.75	9.27	2.68
Delhi ..	1,21.08	57.99	11.05	9.71	2.72
Karachi ..	1,02.84	57.36	8.88	..	3.16
Lahore ..	78.82	57.36	8.88	10.82	..
Madras ..	2,00.02	45.48	7.42	8.26	5.46

CASH POSITION (Rs. in lakhs)					
22-12-44 15-12-44 24-12-43 1-9-39					22-12-44 compared with 1-9-39
Reserve Bank of India ..	8.59	9.20	10.77	35.15	— 26.56
Scheduled Banks ..	..	..	..	..	..

* Including Cash and Short-term Securities

SCHEDULED BANKS					
(Rs. in lakhs)					
	15-12-44	8-12-44	17-12-43	1-9-39	22-12-44 compared with 1-9-39
Demand Liabilities in India ..	609.27	611.86	500.55	134.36	+474.91
Time Liabilities in India ..	204.94	233.44	153.05	102.24	+102.70
Cash in India ..	26.72	27.65	22.69	6.70	+ 20.02
Balances with Reserve Bank ..	83.99	88.94	95.40	25.17	+ 58.82
Advances in India ..	216.05	215.87	159.62	101.52	+114.53
Bills discounted in India ..	12.86	12.07	6.43	3.57	+ 9.29

U.S. FEDERAL RESERVE BOARD					
(Million dollars)					
	14-12-44	7-12-44	16-12-43	31-8-39	14-12-44 compared with 31-8-39
Resources:—					
Total Reserves ..	18,733	18,738	20,137	14,661	+ 4,072
Total Bills Discounted ..	176	383	90	6	+ 170
Bills bought in open market ..	..	..	..	(550,000)	— (550,000)
Total U.S. Govt. Securities ..	18,577	18,311	11,014	2,426	+ 16,151
Liabilities:—					
F.R. Notes in actual circulation ..	21,542	21,477	16,636	4,609	+ 16,933
Reserve Account ..	14,092	14,184	12,932	10,951	+ 3,141
Total Reserve to Deposit and F.R. Liabilities ..	49.6%	49.9%	63.8%	85.9%	37.3%
Figures in brackets are in (?)					

TREASURY BILLS MATURITIES (3 Months' Tenure) (Rupees in lakhs)			
Date of maturity	Amount	Date of maturity	Amount
August 1944 ..	16.00	20, ..	6.00
September ..	36.00	27, ..	6.00
October ..	16.00	3, ..	6.00
November ..	20.00	10, ..	6.00
December ..	30.00	17, ..	6.00
December 23, ..	6.00	29, ..	6.00
" 30, ..	6.00	3, ..	6.00
January 6, 1945 ..	6.00	10, ..	6.00
January 13, 1945 ..	6.00	17, ..	6.00
		24, ..	6.00
		April 2, ..	6.00

STERLING PURCHASES BY RESERVE BANK OF INDIA (£ in 000)					
1943-44	1944	1944	1944	1943	1943
Amount ..	105,310	59,402	9,407	9,285	7,476
Average rate of purchases remained £0-1-6 all the time.					8,947

EXCHANGE RATES (T.T.) (000's omitted)		
Jan. 5, 1945	Dec. 29, 1944	
Bombay on London (s.)	1-5 31/32	1-5 31/32
Bombay on New York (Rs.)	332 3/4	332 3/4
London on Bombay (s.)	1-6	1-6
London 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. 1939	3 1/2%	3%	
London .. 26th Oct. 1939	3%	2%	
U.S.A.—New York 29th Oct. 1942	1%	1 1/2%	
Fed. Res. .. 27th Oct. 1942	1 1/2%	1%	

B-General

LEAGUE OF NATIONS STATISTICS—BANKING

Country	Units	Notes in Circulation† (In millions)		Commercial Bank Deposits* (In millions)	
		1939 (xii)	Latest figures (1944-v)	1939 (xii)	Latest figures (1944-v)
Union of South Africa ..	(S.A. £)	20.9	51.0 (1944-v)	101.0	238.8 (1944-v)
Egypt ..	(£)	26.4	98.3 (1944-v)		
Canada ..	(C. \$)	233	942 (1944-vii)	2,774	4,835 (1944-vi)
U.S.A. ..	(£)	4,812	18,750 (1944-vi)	23,842	39,770 (1944-vi)
Argentina ..	(Pesc.)	1,191	2,032 (1944-v)	3,913	6,437 (1944-v)
Chile ..	(Peso)	950	2,318 (1944-v)	2,049	3,839 (1944-v)
Mexico ..	(Yuan M.)	373	1,195 (1944-vi)	251	1,515 (1944-vi)
China—Manchuria ..	(Rupce)	624	2,953 (1944-vii)		
India (excluding Burma) ..	(Yen)	2,245	9,314 (1944-vi)	(S.B.) 2,401	6,931 (1944-vi)
Japan ..	(Yen)	3,818	11,270 (1944-vi)	19,794	47,376 (1944-vi)
Germany (Reich Bank) ..	(Peseta)	11,798	35,920 (1944-vi)	8,561	16,595 (1942-xii)
Spain ..	(Peseta)	151,322	552,000 (1944-v)		
France ..	(£)	18.0	33.4 (1944-v)	42,433	109,129 (1944-vii)
Ireland ..	(Lira)	24,432		42.7	69.6 (1944-vii)
Italy ..	(Lira)	48,800	202,000 (1944-vi)	15,340	40,574 (1943-xi)
Roumania ..	(£)	554.6	1,136.8 (1944-vii)	2,441	4,100 (1944-vi)
U.K. ..	(T. £)	281	906 (1944-vi)	261.9	432.7 (1944-vi)
Turkey ..	(A. £)	57.3	189.5 (1944-vi)	335.0	536.5 (1944-v)
Australia ..	(N.Z. £)	19.3	27.2 (1944-vi)	727.6	120.2 (1944-vi)
New Zealand ..					

† Central Bank Notes only.

* Including Sight, Savings, Time and others.

INDEX NUMBERS OF WHOLESALE PRICES IN CALCUTTA 1944

(Prices in July 1914=100)

	(Wts.)	June	July	Aug.	Sept.	Oct.	Nov.
Foodgrains:—							
(a) Cereals ..	(8)	241	241	241	249	249	249
(b) Pulses ..	(6)	308	305	294	301	293	276
Sugar ..	(5)	311	319	321	324	290	238
Tea ..	(3)	113	115	104	102	106	114
Other food articles ..	(9)	579	579	530	580	580	573
Oilseeds ..	(3)	301	285	273	280	275	220
Oil, mustard ..	(2)	232	213	213	213	213	213
Textiles:—							
(a) Jute, raw ..	(3)	122	125	124	124	118	117
(b) Jute, manfd. ..	(4)	200	200	200	196	196	191
(c) Cotton, raw ..	(2)	138	137	138	139	138	131
(d) Cotton, manfd. ..	(7)	Price quotations are not available.					
Other Textiles (wool and silk) ..	(2)	200	202	200	200	202	219
Hides and skins ..	(3)	103	103	103	103	104	106
Metals ..	(6)	295	299	299	299	297	297
Other raw & manu- factured articles ..	(8)	337	331	340	347	356	364
Building materials (teak wood) ..	(1)	Price quotations are not available.					
All commodities ..	(72)	300	299	298	301	297	299

SEA-BORNE TRADE OF INDIA (Rs. '000)

	August 1944	July 1944	Apr.-July 1944	Increase or decrease over July 1944
Exports (Indian) ..	18,21.47	21,34.97	72,42.45	+3,13.50
Exports (Foreign) ..	46.59	55.64	1,68.09	+9.05
Exports (Total) ..	18,68.06	21,90.61	74,30.53	+3,22.55
Imports ..	17,18.44	19,28.14	63,35.21	+2,09.70
B.T. in merchandise (Private) ..	+1,49.62	+2,62.47	+10,95.32	+1,12.85

FOOD INDEX (WHOLESALE PRICES)†
(Base: Last week of Aug. 1939=100)

	Week ending	Increase or decrease
Average for July 1944 ..	236.9	+4.8
Average for August ..	237.3	+0.4
Average for September ..	234.2	-3.1
Average for October ..	233.9	-0.3
Average for November ..	235.4	+1.5
11th ..	230.8	-4.8
18th ..	237.7	+6.9
25th ..	237.5	-0.2
2nd December ..	235.5	-2.0
9th ..	229.4	-6.1
	228.5	-0.9

INDIA'S FOREIGN SEA-BORNE TRADE WITH SOME PRINCIPAL COUNTRIES

	IMPORTS from (Rs. '000)				EXPORTS to (Rs. '000)			
	Aug. '44	July '44	Apr.-July	Apr.-Mar.	Aug. '44	July '44	Apr.-July	Apr.-Mar.
British Empire:—								
United Kingdom ..	2,93.40	2,82.65	12,35.70	29,80.37	5,44.26	5,82.52	18,82.21	60,19.12
Ceylon ..	34.86	25.59	81.67	3,50.68	1,22.40	1,43.11	6,97.94	14,35.76
Burma ..	59	8	4.65	2.52				
Union of South Africa ..	34.50	26.88	1,12.14	2,58.54	1,40.82	98.61	4,62.26	9,90.42
Canada ..	27.60	45.08	85.45	2,51.93	55.24	57.71	1,65.64	4,92.66
Australia ..	62.51	2,13.67	3,02.43	4,92.14	1,62.55	76.62	3,86.66	13,31.24
New Zealand ..					52.97	11.89	74.06	1,09.50
Other British Possessions ..					25.85	20.82	82.51	13,91.96
Total British Empire ..	23.29	18.11	43.97	13,37.38	12,02.45	12,58.30	47,15.05	1,28,50.72
Foreign Countries:—								
U.S.S.R. ..	6,08.43	8,93.01	23,73.88	57,01.13	10	3	5	1.66
Turkey (European and Asiatic) ..					14.50	1.54	46.53	3,31.14
Iraq ..					17.08	58.34	78.42	3,88.24
Iran ..	3.67	4.20	29.83	1,56.08	16.67	80.58	1,27.94	1,71.82
China ..	6,25.26	5,25.98	17,28.85	27,55.70	13	15	69	2.40
Egypt ..	12	4	7	7.31	78.99	24.73	1,21.77	2,97.88
U.S.A. ..	1,88.39	1,27.67	7,36.90	11,18.67	3,05.15	4,93.08	15,06.33	40,23.52
South America ..								
Other Foreign Countries ..								
Total Foreign Countries ..	12.22	35.23	96.78	23,06.99	18,21.47	21,34.97	72,42.45	1,99,11.37
GRAND TOTAL ..	11,10.61	10,35.13	37,61.33	61,84.22	98.96	94.67	3,09.56	6,34.71
Exports of foreign merchandise excl. T.S. ..	17,18.44	19,28.14	63,35.27	1,18,85.33	18.80	38.91	1,25.29	12,15.93

RURAL RETAIL PRICE INDEX
(Base: January 1943=100)

	Cereals	Pulses	Other articles of food	All articles of food	Fuel and Lighting	Clothing	Miscellaneous
RURAL OCT. 1944							
Eastern Zone:							
Bamra ..	121	216	155	154	154	128	201
Malabar ..	137	152	171	167	97	132	289
Rajapur ..	120	182	273	244	146	120	368
Shankargarh ..	146	157	125	139	87	89	182
Sonali ..	177	131	182	173	76	134	159
Northern Zone:							
Muttapi ..	114	124	128	125	112	112	280
Nana ..	123	113	95	104	131	106	214
Salamatpur ..	148	99	118	119	80		156
Shujabad ..	118	160	114	123	109		235
Gujar Khan ..	116	156	127	132	164	100	171
Southern Zone:							
Krishna ..	130	91	104	107	92	80	124
Lakh ..	112	90	107	104	121	115	141
Malur ..	140	130	146	141	88	113	229
Muniguda ..	183	148	128	144	85	92	153
Kudchi ..							

SUGAR POSITION—SEASON 1943-44

(Figures in Tons)

	Producing Areas	Production up to 30-11-44	Despatches during the period 23-11-44 to 30-11-44	Progressive total of despatches up to 30-11-44	Percentage of progressive despatches to production	Physical Stock as at close of 30-11-44
U.P. ..		7,27,405	14,911	6,15,904	84.7	1,11,32
Bihar ..		2,12,809	3,685	1,80,080	84.6	9,8
Bombay ..		81,884	797	71,741	87.8	4,1
Madras ..		45,872	1,188	41,680	90.9	1,1
Punjab ..		31,162	67	10,101	90.5	1,1
Bengal ..		13,648	279	13,280	97.3	1,1
N.-W.F.P. ..		6,253	55	5,635	90.1	1,1
Orissa ..		1,695	33	1,647	97.2	1,1
Indian States ..		1,22,816	1,937	1,14,989	93.6	7,1
Total ..		12,23,344	22,942	10,55,087	86.2	1,68

Balance stock of 1942-43 sugar as at close of 30-11-44 was 1,290 tons.

C—Prices

INDIAN STOCKS AND SHARES

	2-1-45 Rs. a. p.		2-1-45 Rs. a. p.		2-1-45 Rs. a. p.
GOVT. SECURITIES: Bombay		TATA SHARES: Bombay		Reserve	
3½% (1948-52)	99 12 0	Tata Chemical		Lahore	135 0 0
3% (1946)	102 9 0	" Oil		United Commercial	
3% (1952-59)	102 2 0	" Power	1,902 8 0	Hindustan Commercial	
3% (1960-68)	93 4 0	" Hydro	208 0 0	Bharat Pref.	
3½% G.P. Notes	99 14 0	" Steel Defd.	2,240 0 0	Punjab National F.P.	
4% (1960-70)	112 15 0	" Steel Ord.	414 8 0	Punjab National P.P.	
4½% (1955-60)	116 10 0	" Steel Pref. I	236 14 0	New Bank	
5% (1945-50)	108 10 0	" Steel Pref. II	163 12 0	Jup. In. Tr. Ord.	
Calcutta		STEEL ENG.: Calcutta		Jup. N. Bank F.P.	
3% Loan (1943-55)	100 8 0	Brathwaite	12 8 0	Jup. N. Bank P.P.	
3½% Loan (1947-50)	100 0 6	National Iron	13 4 0	MISCELLANEOUS: Bombay	
3½% G.P.	99 14 0	Indian Iron	41 4 0	Ajmer	
3% Vic. (1957)	103 8 0	Steel Corporation Ord.		Bombay Suburban	
4% Loan (1955-60)		Steel Corporation Pref.	141 0 0	Alcock	453 12 0
5% Loan (1945-55)		Jessop Ord.	24 1 0	B.I.C.	
TEXTILES: Bombay		Kumardhul		Belapur Sugar	235 8 0
Ahmedabad	427 8 0	COALS: Calcutta		Bombay-Burmah	507 8 0
Bombay Dyeing	1,861 4 0	Amalgamated		Bombay-Burmah New	
Central India	435 0 0	Bengal	717 0 0	Bombay Steam	600 0 0
Century	930 0 0	S. Karanpura	28 12 0	Bombay Tram	151 0 0
Colaba	239 8 0	Bhagora	13 3 0	Bombay Petrol	4 0 3
Gokak	330 0 0	Burskur	45 0 0	Scindia Steam	38 6 0
India Bleaching	190 0 0	East India	37 12 0	Shivrajpur	62 0 0
Kohinoor	637 0 0	Eutale	70 12 0	Andhra Valley	1,807 8 0
Phoenix	607 8 0	N. Damuda	14 8 0	Prem. Construction	235 8 0
Sholapur	1,650 0 0	Standard		Indian Iron	41 11 0
Simplex	261 0 0	Talcher	12 4 0	Indian Copper	3 1 0
Swadeshi	596 0 0	SUGAR: Calcutta		Burma Corporation	4 8 0
Vishnu	490 0 0	Buland		Associated Cement	256 4 0
Ward	333 8 0	Balrampur		Calcutta	
Moraji	720 0 0	Samsatipur		Bengal Paper	
Sasoon Ord.	16 5 6	Balsund	15 2 0	Shree Gopal Pref.	
Sasoon Defd.	3 6 6	Carew		I.P.P.	
Calcutta		Murree Brewery		Star	
Bengal Nagpur		New Savan		Orient (ex. div.)	
Cawnpore Textile	13 10 0	Cawnpore		Titagarh	29 2 0
Dumbar		Champanan		Dalmia Cement	
Egin Mills	67 8 0	Dyer Meakin	17 8 0	Burma Corporation	4 8 0
Kesoram	17 6 0	Lahore		Indian Copper	3 1 0
Muir Mills		Punjab Sugar		Con. Tin	
New Victoria	7 10 0	Gokulnagar Pref.		Aluminium Corporation	
New Victoria Pref.	9 0 0	Jagjit		Assam-Bengal Cement	17 2 0
Madras		Murree Brewery		Madras	
B. & C. Ord.		Jaswant		Andhra Cement	
Bangalore Wool	462 0 0	Madras		Bruntons	14 4 0
Cambodia		Mysore	61 0 0	Mysore Chemical Fert.	
Colombore Spinning		Dooan Small	92 0 0	Indian Steel Roll	8 4 0
Pankaja		Dooan Rg	37 8 0	Mysore Paper	25 10 0
Sitaram Spinning	202 0 0	Travancore Sugar	16 8 0	Mettur Chemicals Ord.	17 0 0
Vasanthi	314 0 0	South India	16 4 0	Mettur Chemicals Defd.	
Madura		PLANTINGS: Madras		Spencer Ord.	
Lakshmi	172 0 0	Cochin Malabar	19 4 0	Hind. Trust	
Sarda		Chembra Peaks	11 2 0	Lahore	
Lahore		Woodlands	12 14 0	Indian Iron	
Ajndhia		Thurmbidi		Lahore Elec. (B)	
Cawnpore Textile		Travancore Rubber		Jullundur	
New Victoria Ord.		TEA: Calcutta		Dhrangadura	
Raza Textiles		B'snauth		Rampur Distillery	
JUTE: Calcutta		Central Cachar	15 0 0	National Satpetre	
Alliance		Hasimara		North India Oil	
Anglo-Indian		East India	17 8 0	Star	
Birla Pref.	473 0 0	Tezpore		Shree Gopal	
Barnagore		BANKS & INS.: Bombay		Delhi	
Champdany		Central	85 8 0	Rampur Maize	50 0 0
Ganges	274 0 0	Imperial F.P.	2,017 8 0	Rampur Distillery	28 8 0
India	587 0 0	Imperial P.P.	805 0 0	Dhrangadura (x.d.)	543 0 0
Kowrah	85 14 0	India	192 0 0	United Commercial Bank	87 10 0
Kamarhatti	668 0 0	Reserve	134 0 0	Bharat Bank Ord.	109 0 0
Mudda		New Ind'ia	84 0 0	Gwallor Brewery	35 0 0
Standard		Calcutta		Cawnpore Textiles	
Free Agency	11 10 0	Imperial Ord.	510 0 0	H.N. Commercial Bank	57 4 0
				Raza Textiles	83 0 0

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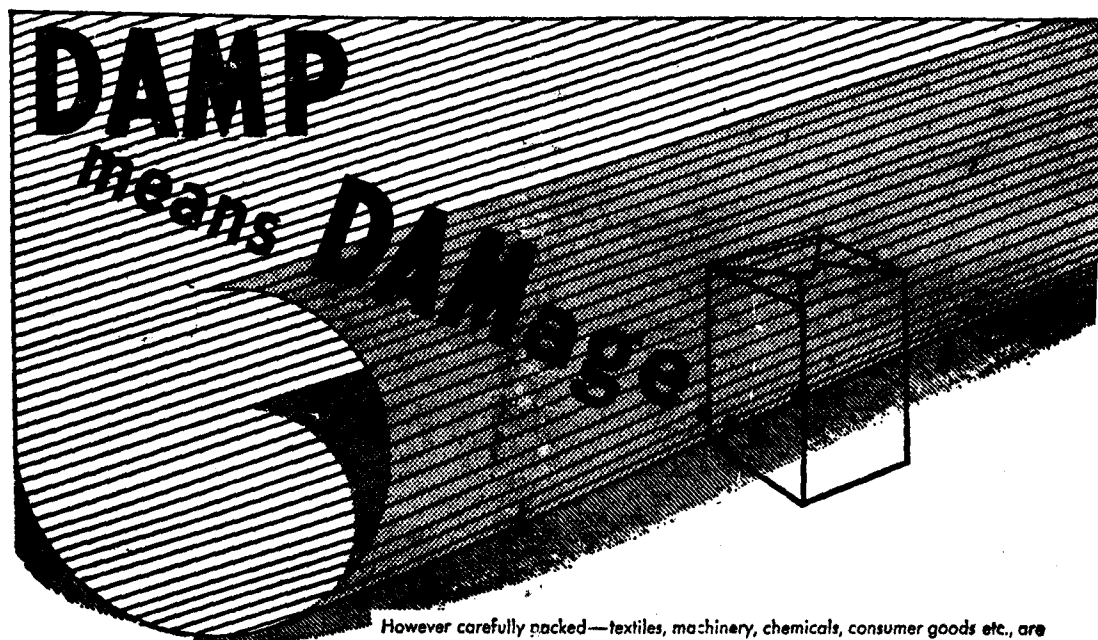
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ONE RUPEE

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The Banking Bill

ALTHOUGH the banking companies bill introduced in the Legislative Assembly last session deserves to be welcomed as bringing to fruition the long expressed demand for separate banking legislation, there is one fundamental gap in it which is bound to prejudice an objective examination of its provisions by the public, viz., its failure to impose any regulation on banking companies incorporated in the United Kingdom. In the draft proposals submitted by the Reserve Bank in 1939, the term 'banking company' meant "a company as defined by the Indian Companies Act including a foreign company which does the business of banking in India." In the bill now published, 'banking company' means any company which may be wound up under the Indian Companies Act and which transacts banking business in British India. Clause 17 of the bill subjects to prior licensing by the Reserve Bank the opening of offices and branches in British India by all banking companies "incorporated outside British India or United Kingdom." Banks incorporated in Indian States are covered in particular by this provision which is made in the light of the experience of 1938. Banks registered in foreign countries other than the U.K. are also apparently subject to their licensing clause. But the provision suffers from two major defects. In the first place, treating banks registered in the U. K. on a footing of equality with banks registered in British India entails discrimination in favour of U. K. banks and against all non-British Indian institutions including those of Indian States, which is politically obnoxious

and economically vicious. In the second place, the restrictions regarding capital, reserve, liquidity, etc., under the bill, will apply to all Indian banks, while the U. K. banks will operate unregulated. This will not only foster uneconomic competition prejudicial to the growth of national banking institutions, but gives rise to the presumption, wholly without justification, that U. K. banks do not need to be regulated in respect of their capital, liquidity and other standards of healthy banking.

It is quite obvious that the framers of the bill have been influenced by an anxiety not to infringe sections 111 to 115 of the Government of India Act pertaining to the so-called 'safeguards' which give special protection to the U. K. companies. These 'safeguards' stand in the way of regulation of non-national businesses not only in the field of banking, but practically over the whole range of economic activity, and unless a national policy in regard to them, said to be under Government consideration according to Sir Ardeshir's recent statement, is announced before long, objection from the Indian point of view even to apparently non-controversial measures like the banking bill will have every justification. Nevertheless, without minimizing the urgency of such a policy, we would urge that no purpose would be served by holding up the regulation of banking which has been too long delayed already.

In most respects, the present bill closely follows

the draft bill of 1939, prepared by the late Sir James Taylor, with certain important additions, notably in regard to inspection, calling for returns, etc. In the bill banking is defined as "the accepting of deposits repayable on demand." In the earlier draft it was defined as "the accepting of deposits on current account or otherwise subject to withdrawal by cheque," and the emphasis was on withdrawal by cheque. The new definition actually widens the scope of the bill, as it might conceivably cover, at a later stage, the indigenous bankers, and shroffs also who perform the business of banking in the strict economic sense of the term, but do not follow the cheque habit. As it stands, the bill, being applicable only to companies which may be wound up under the Indian Companies Act, does not cover the indigenous bankers; but what is important in the context is that the definition of banking should be such as to permit the inclusion of legislation to cover the indigenous bankers at a later stage, if that becomes feasible.

This leads up to another lacuna in the bill, that it does not bring within its ambit or for the purpose of organised central credit control for which the Reserve Bank was mainly brought into being, the large area of indigenous bankers. It is not possible here to enter into the merits of the controversy between the indigenous bankers and the Reserve Bank as to the most feasible form of reorganisation of methods and legal incorporation of indigenous bankers. But, seeing that the proposed bill aims mainly at protecting the depositor and that the indigenous bankers rarely borrow on current account, but mainly from substantial depositors on time deposit and that they generally enjoy a better reputation for solvency than the smaller joint stock banks with limited liability, their exclusion from the scope of the bill is not so serious an omission as it would appear on other grounds. Moreover, if the regulation of banking companies is to wait till the indigenous bankers have agreed on the methods of legal incorporation and adopted them, it will have to wait for ever. The only possible course under the circumstances is to make a beginning with the banking companies and bring other elements under the law at a later stage.

Two features of the bill are certain to give rise to sharp differences of opinion: (1) prescription of minimum capital standards and (2) provisions regarding liquidity, and distribution of assets. Clause 11 of the bill regarding minimum capital is the same as in the earlier draft. The capital requirements are: (1) a minimum of Rs. 1 lakh for any banking company. (2) Rs. 5 lakhs in respect of a place of business at Bombay and Calcutta. (3) Rs. 2 lakhs in respect of each town (other than Bombay and Calcutta) having a population of over 100,000. (4) Rs. 10,000 in respect of each place of business elsewhere. (5) Rs. 20 lakhs if a bank has a place of business in India outside the province in which it has its principal place of business or if it has its principal place of business elsewhere in India than in British India, i.e. in an Indian State. (6) An overriding minimum of Rs. 20 lakhs. Of these, the fourth alone is new.

A minimum prescription of Rs. 1 lakh cannot be regarded too high in view of the changed money conditions since 1939. The principle of linking the capital of a bank to the population of the place and of laying down a Rs. 20 lakhs minimum for a bank which extends beyond one province is based on the supposition that the bank operates over the entire area. This might be true of the bigger banks operating on an all-India basis with branches all over the country, but not of smaller banks. The provision was strongly opposed by the small banks even in 1939. The principal danger to be guarded against is that small banks with too small a capital might open branches to attract deposits at distant places in other provinces where the public

may be ignorant of their real position or operate in all the principal cities of the country on an inadequate capital structure. But the difficulty lies in deciding whether or not small banks should be allowed to operate in the bigger cities. To say that they should not is to deprive particular sections of the community, especially small business, of the credit services which these small banks are rendering and perhaps can alone render successfully. On the other hand, if the small banks confine their activities to the mofussil, do not open branches in the big cities and enter into working arrangements with the bigger banks, the question of capital will be solved, but the first objection will remain. In any case, the effect of the provision, when it comes into force, will be either to close down the branches of small banks in big cities or to lead to an over-capitalisation relatively to their deposits.

The insistence on a minimum of Rs. 20 lakhs in respect of a bank which touches more than one province is likely to bring about very anomalous consequences. A bank operating at a particular place might in the natural and legitimate course of its business expansion be led to open a branch in the adjoining districts, irrespective of whether the area is part of another province or State; but the proposed clause will prevent this. The extent of the harm that would be done this way is difficult to estimate, but it might be considerable; it will be seen most in the case of the border districts of every province, (e.g.) a bank of a Bombay or North Madras mofussil town might require to open a branch in C.P.; a U.P. bank in the Punjab, a bank of East Bengal in Assam and so on. Another anomaly to which this would lead, unless corresponding legislation is undertaken by the concerned States, would be that whereas a bank registered in an Indian State would be subject to the controls under the bill in its operations in British India, nothing would prevent the operations of a British Indian bank in the Indian States.

The alternative, to the above, of making the licence of every bank renewable every year and using the opportunity so afforded to ask a bank to increase its capital would in practice reduce itself to the Spanish system under which the authorities fix a given capital for each bank according to its particular circumstances. Even assuming annual licensing to be desirable on other grounds, can the Reserve Bank, as at present staffed and constituted, be burdened with the task of examining every year the capital structure and branch extension policy of some hundreds of banks in a detailed enough manner? Even if the Reserve Bank were equal to the job, it should regulate licensing not arbitrarily, but in the light of certain general principles regarding capitalisation and would have to come back to some such rule as laid down in the bill.

The further alternative of basing the capital on either the volume of business done by a bank or its deposits is also not free from defects, especially from the point of view of the small banks. In Switzerland, for example, capital is required to amount to a fixed proportion of the bank's liabilities, ranging from 5 to 10 per cent. according to the nature of the assets. In the case of small banks the proportion would have to be fixed at a higher level than for big banks and would become as objectionable as the other methods, apart from the additional objection to the principle itself that capital should not fluctuate with deposits. Relating capital to the volume of business or turnover of deposits would be looked upon as being even more restrictive by small banks given to overtrading.

There would thus appear to be no convenient or easy way out of the necessity of relating capital to area and population, given the necessity to lay down statutory capital requirements. But in the bill itself, the Rs. 20 lakhs minimum for a bank extending beyond the

province of its principal place of business might be removed without any harm, since the minimum requirements laid down in respect of towns according to population would by themselves bring about adequate capitalisation. On the very face of it it is clear that there is much less truth in the presumption that a bank with offices in more than one province covers the entire area of all those provinces than in the presumption that a bank with an office in the town operates over the whole area of that town.

The provisions of the bill which aim at securing liquidity of assets will also come in for a great deal of criticism from the smaller banks. Clause 18 which insists that every bank should maintain 25 per cent. of its total time and demand liabilities in cash, gold, or unencumbered, approved securities is an improvement on the earlier draft which prescribed 30 per cent. The big banks which normally keep much more than a quarter of their assets in such form will not find this clause irksome, but the small banks will. In the first place, the greater part of the advances made by them is seasonal to finance agriculture and the seasonal character of the accommodation is in itself enough liquidity. Secondly, by tying up a certain large proportion of their funds for all time, the clause deprives them of a considerable scope of their business and earning. Thirdly, these banks generally receive deposits at only higher rates than the big banks and cover relatively backward areas which are generally neglected by the bigger institutions and which will remain unbanked, except by the offer of those higher deposit rates.

A fourth point which raises an issue of principle is that whereas the bulk, nearly 75 per cent. of the deposits of the bigger banks is demand liabilities which carry a very low or no interest at all and can therefore be profitably invested in low yielding Govt. bonds, the small banks derive as high a proportion as 50 per cent. of their resources from time deposits on which a smaller prescription of liquidity should suffice. The case for a statutory differentiation of time from demand liabilities in this respect deserves careful examination: (e.g.) the South Indian Bankers' suggestion of 33½ per cent. for demand and 10 per cent. for time liabilities. If the distribution of the liabilities follows the pattern assumed above, this provision would call for an investment in approved securities of 27.5 per cent. by the big banks and about 22 per cent. by the small ones, which is not very different from what the bill proposes, but it will help the small banks.

Economic Research

ECONOMIC research in this country has, not infrequently and not without some justification, come in for the criticism that it has been without much fruit or light for our national life. Foremost among the critics have been the economists themselves. Successive presidents of the Indian Economic Conference have pleaded for a new outlook and a new interpretation of the science. Years ago Dr. John Matthal characterized the results of Indian economic research as descriptive and propagandist rather than analytical and scientific. Two weeks back, Prof. L. K. Hyder, in his address, had to say that neither in the field of 'pure' theory nor in that of economic history nor in the training of young men had economists much to show. Truly, neither economics nor economists have as yet come into their own in India.

What are the causes of this admittedly unsatisfactory state of affairs? One explanation generally proffered is that our economics has not sprung from our soil, its assumptions, its environment, and even its language remain strange and unreal and that we

An amendment of Section 17(2) of the Reserve Bank Act so as to liberalise the rediscounting facilities in accordance with the modern trends of central banking policy and to correct the anomaly which so conspicuously came to the fore from a narrow interpretation of the section during the banking crisis of 1933, is also necessary to mitigate the rigour of the provision regarding the maintenance of liquid assets.

For the purposes of Clause 15 it has been suggested that the deposits of the non-scheduled banks with the scheduled banks should be counted as cash. The liquidity of those deposits will in turn depend on the state of liquidity of the scheduled banks and in a crisis may prove illusory. Any how, the extent of the practice of re-depositing by the non-scheduled banks with the scheduled banks requires to be estimated. The other suggestion that non-scheduled banks should be allowed to open accounts with the Reserve Bank seems more acceptable. A minor amendment would be to enlarge the scope of 'approved securities' so as to include securities of Indian State Governments at present not covered by clauses (a) to (d) of Section 20 of the Indian Trusts Act. Clause 14 relating to cash reserve is in substance the same as 277L of the Indian Companies Act. But should it not define the position of savings deposits considerable in volume with all banks and withdrawable on demand only under certain limitations of time and amount?

Clause 19 which requires that a bank must maintain assets in British India equivalent to 75 per cent. of its liabilities is dictated by the experience in 1938 of a South Indian Bank in whose case the bulk of the money was borrowed in British India, but was invested in assets in Indian States, entailing complications in liquidation. But the clause, as worded, requires the maintenance of the assets only at the end of the calendar year and not every week. This does not meet the needs and requires amendment.

Subject to these modifications and the consideration which will have to be shown to the small banks in the matter of Clause 18, the provisions regarding liquidity, cash reserves, unsecured loans, subsidiary companies, etc. are reasonable, although it by no means follows that perfect protection has been afforded to the depositor. There are examples of more detailed regulation of assets in other countries, but at present it is needless to go farther than the bill does. There are several other important features in the bill regarding inspection, liquidation, submission of returns etc., but we reserve them for examination in a later article.

have to work in an atmosphere of twilight. This explanation is only very partially true. We do not question the evils arising from the misapplication to Indian conditions of theories and policies fit only for countries of very different sociological bases and institutions. In fact, pioneers like Ranade duly emphasized that custom and status, not contract and competition, caste and joint family, not individualism and enlightened self-interest, constituted the motive forces of economic activity in this country. But these social and economic institutions have steadily altered and disintegrated under the impact of modern forces. Further the essential nature of the economic problem is one and the same everywhere, viz., the relation of available scarce means to unlimited ends in the light of desirable social ideals. In details the ends might be different in India from elsewhere and the means more abundant or less so. But it is precisely in perceiving these differences of 'more' and 'less' in resources and adapting them to limitless human wants that the task of the Indian economist lies.

Researchers in India have no cause for blushing at the indictment that their contribution in the field of the so-called 'pure' theory is nil and that they derive inspiration from abroad. Without at all minimizing the value of the deductive method in economics, we venture to suggest that minor reformulations of the Keynesian Multiplier Equations or refinements to the liquidity preference theory, even had they been made by 'pure' Indian researchers, would not have made much difference either to the science itself or to the nation's good. The eminence of even an economist like Lord Keynes has lain less in his subtle theorizings which are very much above the head of the average man and the average British Cabinet Minister than in his ability to perceive the changing conditions of Britain and prescribe the right policy in relation to these changing conditions.

Furthermore, with the general recognition on all hands of the social purpose of economics, the field of 'pure' theory, undefiled by non-economic considerations, is being fast restricted. So far as the 'pure' 'academic' standards of research in British universities by Indian students on Indian economic conditions are concerned, it is enough condemnation of the vicious political assumption underlying them all to point out that theses emphasizing the importance of agriculture, the cost of industrialization, the burden of protection, and the virtues of free trade for India have generally been more favourably received as being 'academic,' while the opposite theses have been put down as 'political' and unacademic. Our economic students have only slavishly repeated economic theories and doctrines conceived by British economists in the background of their own peculiar economic set-up. They have been unable to study our own economic environment intensively and give a constructive leadership in economic thought in the context of our essential economic conditions and requirements.

If economics and economists are to be any help in the task of national economic reconstruction and planning that lies ahead—and the economists are not less helpful than the scientists whose researches and patents languish for want of translation into economic policy—the first step would be to increase the facilities

for research at least a hundred-fold. Whereas a country of this size and variety of questions to study would require a vast army of research workers, actually the facilities for research at the universities are woefully inadequate and the university staff weighed down by lectures, numbers, examinations, unsatisfactory conditions of service, etc. In their task, the workers on economics have not been very much assisted by the Government's statistical organization and achievement. The primary economic data on which alone can policy be formed with any confidence have been neglected by a Government whose *laissez faire* tradition restricted, until recently, its interest in statistics to those essential for tax-gathering. And it is impossible for isolated individuals, however talented, to undertake the job. Nor have private research institutions sprung up on any worth while scale, as in other countries, to fill the gap. This is understandable, seeing that the munificence of private individuals in such matters generally follows rather than precedes national prosperity. How can economists, in or outside the universities, compelled to work in such a vacuum, produce worth while results? Messrs Bowley and Robertson reported on the statistical deficiencies as early as 1934, and the Government's present Economic Adviser came early enough and long before the war broke out and had enough time then, unhampered by the pre-occupation of war-time economic administration as now. But nothing was done, nothing was intended to be done.

Seeing that planning in this vacuum was rather hazardous, Sir Ardeshir Dalal is slowly trying to gather together the immediately needed raw materials for a plan, *viz.*, statistics. He has proposed to set up a non-official National Institute of Economic Research. He has projected inquiries into mineral resources, population, land utilization, rural debt and even a production census. If all the statistical, economic and other technical talents in the Government Departments as well as outside are brought together and mobilized to make a success of these inquiries, there is some hope that planning will be constructively helped by their results, although the repair of the damage wrought by decades of neglect is a task for long term organization under more propitious circumstances.

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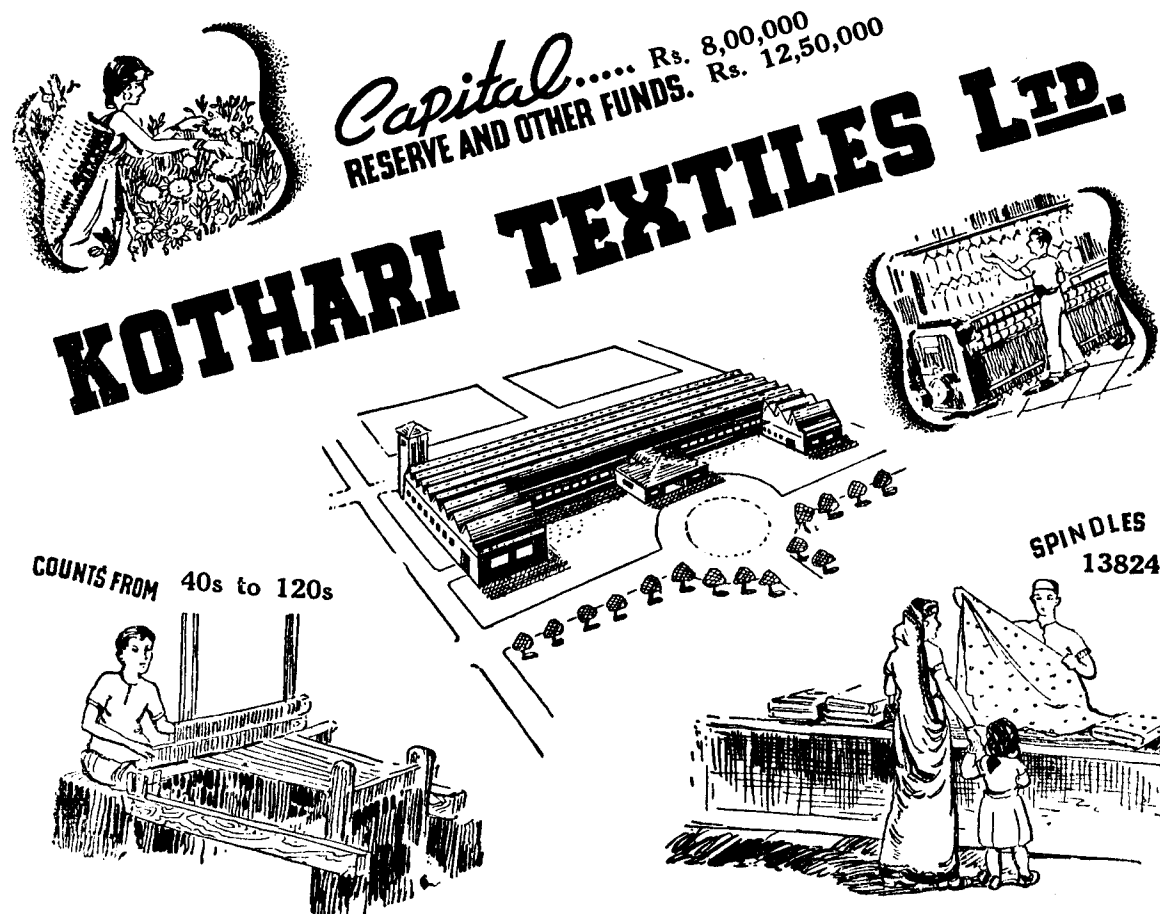
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The Week's Notes

NEO-MALTHUSIAN OPTIMISM

While there is a general recognition of the fact that the extraordinary demographic pressure under which our economy is labouring, must be regarded as one of the major factors to be reckoned with in any post-war planning, a note of neo-Malthusian optimism was sounded by Sir P. M. Kharegat in a statement to the General Purposes Committee of the Consultative Committee of Economists last week. Speaking only "from the agricultural point of view," Sir P. M. Kharegat said that it is quite practicable to increase our agricultural production by 50 per cent. in a very few years—in five to ten years quite easily—and it can even be increased by one hundred per cent provided the necessary facilities for increased production are made available and remunerative prices ensured. Consequently, he saw no reason why we should take a pessimistic view about our population and said that India can support at least a 50 per cent. higher population than it is doing at present. However, the problem is not to maintain our population at the present level or at any level of minimum dietetic standard, but to ensure the necessary socio-economic and organizational conditions for rapid economic development. Already our vast agricultural population is only *half* employed and the task of providing full-time and round-the-year employment to them, will strain our organizational ability. If on top of this, on account of the precipitous fall in mortality rates (such as may be reasonably expected as the plan proceeds), our population begins to increase at the rate of 10 or 15 million per annum instead of 5 million per annum, the organizational strain would prove stupendous and would greatly slow down the rate at which income per capita could be improved from its present abysmal depth. Further even from the long-term point of view, although India is, absolutely speaking, rich in varied natural resources, relative to our vast population, our endowment with natural resources is not high as compared with other countries—and is indeed on the smallish side. This would undoubtedly put a ceiling to our economic potentialities in the long-term sense. Even with a stationary population, the income of the agriculturists would not increase 50 per cent. if only the agricultural production is increased 50 per cent. For the agriculturists themselves will consume only about a quarter of the increased agricultural production, nearly three-quarters of which will have to be marketed abroad or to the urban industrial population at home; only then can remunerative prices for agricultural prices be ensured. The economic problem, therefore, consists not in ensuring that *agricultural* production increases at the same rate as or at a greater rate than population, but in securing a massive occupational transfer from agriculture to industry. This is also at the root of the illusion of those who think that the income per capita (or standard of living) of the agriculturist can be increased sixfold if our aggregate agricultural production is increased sixfold, and not by comparatively modest increase in aggregate (as opposed to per man-hour) agricultural production coupled with large-scale transfer of population from agriculture to industry. Whether or not we can afford a further rapid growth of population, depends on two-fold considerations: The short-term consideration consists of the organizational problems—particularly in the context of dynamic technological changes—of vast occupational transfers and of affording full and effective employment to our semi-employed agricultural population. The long-term consideration, on the other hand, relates to whether or not our country is

sufficiently richly endowed with varied natural resources—and not merely agricultural land—having regard to our vast population. For example, how much potential hydro-electric resources or how much workable reserve of mineral resources or good agricultural land *per head of our population* have we in our country, and how do these figures compare with those in other countries? These are the data we need, and not whether we can "feed" 600 million at a certain dietetic level.

A CONSUMER GOODS MISSION?

It is reported that representatives of the Supply, Civil Supplies and War Departments will shortly be leaving for London to discuss with H.M.G. the question of import of consumer goods into this country. No official information has so far been given on the scope and specific task of the Mission, but we have grave doubts regarding what this delegation of departmental secretaries is going to achieve. The import policy of the Government has come in for a great deal of criticism, especially in the field of consumer goods as being injurious to domestic industries without serving to counter inflation and, Government have yet to make a clear declaration of policy. Meanwhile, the move to dispatch officials for the purpose of negotiating imports can only cause misgiving. We fully recognize the necessity, we have not infrequently stressed the importance of not imposing further burdens on the Indian economy, when the Far Eastern operations get going. But we would like to be assured whether full cognizance has been taken by the Government of possible undesirable repercussions on domestic industries which indiscriminate imports may have. We would ask Government to state the categories of goods which these officials are arranging to import, and the conditions on which they are to be imported; whether possibilities of procuring them by production within the country itself, have been explored and exhausted and whether they are to be imported in larger quantities than necessary. The practice of sending officials abroad on such jobs would at first sight appear to be part of administrative routine and inevitable, but actually it results very often in wrong decisions on vital issues to which the country gets committed. A senior civilian of the Commerce Department has been in Britain for some months now to study the conditions of trade, but from what angle, in what aspects and to what purpose is known only to Government. With major questions of import and commercial policy left unstated in unambiguous terms, the wisdom and economy of sending officials abroad in these days of acute shortage of transport do not appear to be quite obvious.

D.V.A.

It has been said that the Tennessee Valley Authority or the T.V.A. has proved to be the New Deal's most exportable product. Certainly when country-wide and central economic planning, in the socialist sense, is not politically possible especially in the advanced capitalist countries with their dense entanglements of vested interests, the agency of the T.V.A. or a broad regional development agency for systematic and all-round development of undeveloped regions, has not a little attraction. "A T.V.A. for the Danube" or "a T.V.A. for the Yangtze" has become today almost the rallying point for economic planning in the comparatively backward countries and even in the land of its origin, writers have gone into lyricism over the remarkable achievements already

attained and have spoken of the "obvious poetry" of the T.V.A. In India also the fundamental idea behind the T.V.A. has received widespread acceptance, particularly in view of the possibility that the future political constitution which we may eventually get may not be able to provide for a strong centre which would be so essential for effective planning and that the boundaries of the autonomous provinces may cut across the basic lineaments of economic unity.

It is therefore of more than usual significance that last week the Damodar Valley project, a multipurpose project, designed to exploit the river Damodar for irrigation, electrification and navigation, was discussed at a conference held at the Bengal Secretariat between the representatives of the Central, Bengal and Bihar Governments. The Damodar has been called Bengal's River of Sorrow on account of the periodical floods in the river which cause great havoc in the valley. The Damodar has been in news off and on, and after the recent severe floods when railway lines were washed away and the transport system of the region brought to a virtual standstill, the Bengal Government last year actively took up the question of training the river and appointed a committee. The committee was quick to see that in many respects the problem could not be tackled effectively by any single province—Bihar or Bengal—acting alone and suggested Central intervention. Under the Constitution, waterways are not, however, a Central subject and the way-out was seen and accepted to be in the shape of a Damodar Valley Authority, on the model of the T.V.A., with the triple partnership of the Central, Bengal and Bihar Governments. The Government of Bihar have already worked out proposals for afforestation, dam sites have been examined by Mr Savage, the renowned American expert, now in India, as well as by other experts and geological aspects of the scheme are being gone into. The Bengal Government is naturally anxious that the aspect of controlling flood should be the primary concern, but there can be no doubt that, if properly worked, the scheme would give a most powerful impetus to the all-round agricultural, industrial and commercial development of the entire region. The development of electric power would greatly stimulate industrial development, including, in particular, the development of the fertilizer industry, while the development of irrigational facilities will greatly enhance the agricultural wealth and prosperity of the region. The Special Engineer (Irrigation) with the Bengal Government has already been asked to report on the prospects of setting up a D.V.A. or the Damodar Valley Authority. The danger where so many Governments are directly involved, is indeed the setting up of time-consuming committees and the submitting of issue-shelving reports. We have been assured, however, that the Government of India is anxious to "give shape, form and life to the project" and that "no time should be lost in doing so."

THE ANGLO-EGYPTIAN FINANCIAL AGREEMENT

The text of the new Anglo-Egyptian commercial and financial agreement concluded last week has not yet been published, but there is no doubt that it is of the greatest importance and interest to this country and we should know all about it. Egypt, like India, has accumulated sterling balances out of the proceeds of her supplies to Britain and surrendering of all hard currencies, and the financial clauses of the new agreement which deal with Egypt's £300 million are important to us as representing the method in which the much discussed sterling liabilities of Britain are going to be repaid. The Egyptian deal is, in fact, the first step towards the liquidation of the "abnormal" balances by bilateral bargaining with individual countries promised at Bretton Woods. Although details are lacking,

two most unsatisfactory features of the agreement, indeed, of the whole approach to the question, cannot be missed. In the first place, the problem of sterling balances is dealt with as if it were merely a question of increased imports by the creditor from Britain. Not that in the final analysis it could be anything else. But the right method would appear to be, first, to arrive at the annual rate of repayment possible for Britain, then to decide the rate of liquidation which the creditor country's economy requires and finally to agree upon the volume of imports from the debtor which will be economically advantageous to the creditor and arrange for currency outside the sterling area for the balance. Instead, what has been done? It is laid down as a condition that British imports into Egypt are to be doubled in 1946 and that restrictions on imports are to be lifted. The Middle East Supply Council, which has hitherto been controlling imports into the Middle Eastern countries, including Egypt, will presently be reducing its list of licensed imports from 5,000-6,000 to 300 articles. Thus begins Britain's post-war export offensive (the results of which might be seen from this year onwards in India's new trade with the Middle East). The second undesirable feature of the pact is that it rules out any separate arrangement on the part of Egypt to obtain dollar credits. From what can be made out of the incomplete reports available, the Empire Dollar pool is to be retained even after the war and the sterling area countries have to hand over their dollar earnings to London and confine their dollar demands to "reasonable amounts." We can see no justification whatever for the continuance of the Empire Dollar Pool even after the war and the prevention of dollar credit being obtained outside the scope of the Empire exchange control. These features hardly substantiate the claims put forward in London that the agreement "conforms to the general multilateral character of the sterling area arrangements," but only prove their non-multilateral character. One feature of the agreement is of immediate practical interest to us, *viz.*, it allows Egypt \$40 million for 1945. There is no reason why India should not press for and secure at least \$150 million for 1945, having regard to her sterling assets, and dollar sacrifices and the eased dollar position at present, to help her in booking urgent American machinery just at a moment when the Government of India are calling for the immediate registration of demands for capital goods. We would also urge upon the Government of India to make available as early as possible the full text of this important agreement to enable the Indian public to study its bearings on the analogous Indian question.

AN AMERICAN REPORT ON INDIA

That the Roosevelt Administration is susceptible to interested British propaganda about India no less in matters of economics than of politics is clear from a summary of a Department of Commerce publication entitled *Some Factors in Post-war Export Trade with the British Empire*, issued for the guidance of American business men. Typical of this is the repetition by the Report of the ancient but absurd British shibboleths about India's industrialization: that "the great majority of Indians are timid about industrial investment and lack the will and confidence to invest in productive activities"; that "Indian labourers are capable of being skilled mechanics and factory workers, but as regards the mass of Indian people they have not shown the necessary will for work required in an industrial economy"; and that "it cannot be said that Indian industrialization on a broad scale is inevitable." We had thought that only a British Tory could mouth such obvious non-sense. The findings of the Report on sterling balances and Indo-British trade are marked by equal ignorance and prejudice.

The Report says that the Indian proposals at Bretton Woods could not be considered for "obvious reasons," considers that the probable dollar balances of the British Empire at the end of the war would not be large and looks upon long-term funding as the only feasible method of the eventual liquidation of India's sterling balances. On the question of India's trade, the Report points out that well-established connections and a preponderance of British firms have accustomed India to British goods. "Britain's advantage has been buttressed by tariff preference and higher price of foreign goods in some lines and by the customary procedure of financing most trade through London. Supplies of many types of machinery including textile machinery replacements may continue to be obtained from Britain." All this is a correct description, no doubt, of the unfair advantages Britain has enjoyed and hopes to enjoy in India, but what is surprising in this as in the matter of sterling balances is the implied assumption by the authors of the Report that such conditions would and should continue. The U.S. Administration seems to be blissfully unaware of the strength of public demand in this country for the abolition of Imperial Preference, the 'de-sterlingising' of India's trade and the right to buy the most efficient plants in any market irrespective of political considerations. If this is all the 'guidance' that the U.S. administration could give to its nationals, it seems very poor, ill-informed and misleading indeed.

AGRICULTURAL METEOROLOGY

Under the auspices of the Imperial Council of Agricultural Research an Agricultural Meteorology Branch was organized in 1932. Since then it has been doing valuable work on the study of the relation between weather and agricultural production and agricultural operations. It has devised special instruments capable of measuring with precision the various meteorological factors which affect plants. Apart from the study of the effects of, for instance, high or low temperature, measurements are also made of the special climatic conditions prevailing 'within' crops, as distinct from conditions outside in the open air. Recently the Council has sanctioned a scheme for co-ordinated crop and weather observations at a network of farms throughout the country. It will be the business of these stations to record the weather factors as affecting the growth and yield of crops according to a common plan and submit it to the Agricultural Meteorologist at Poona for analysis. Another scheme for phenological observations is also under operation. These developments will enable the Branch to render useful advice in regard to the critical periods in the growth of crop when warnings about weather conditions may be of particular value. A crop calendar is also in preparation. This would be a useful light-bearing work but its fruits will be reaped only when the knowledge thus gained is made available to the actual tillers of the soil. It is interesting in this connection to learn from Dr S. K. Banerji, the Director-General of Observatories that the expanded meteorological organisation in the future will, it is hoped, be able to issue country-wide bulletins to the farmer to help regulate the various agricultural processes and fore-warn him of adverse weather factors. Such information will be supplied to every agricultural division or district will also take account of the peculiar needs of the area concerned. It is needless, perhaps, to add that other means than the mere issue of bulletins will also have to be utilised for the wide dissemination of this knowledge; for in this country of illiterates their value is very limited.

A MANURING EXPERIMENT

Dr. B. Narasimha Iyengar, a retired Director of

Agriculture of the Mysore State, has described an interesting experiment in building up soil fertility through proper manuring. A private estate of 27 acres in the State has been manured during the past 20 years with a mixture of oil-cakes and superphosphate at the rate of 320 lbs. per acre. The proportions of the constituents have been adjusted to give about 12 lbs. of nitrogen and 18 lbs. of phosphoric acid and the cost of this manuring trial has varied between Rs. 15 and Rs. 25 per acre, but has risen sharply since the outbreak of the war. As it has also become difficult to get superphosphate at reasonable prices, bone meal and calcined tricalic phosphate are now being used instead. Before the trial commenced, the estate was yielding about 300 seers of paddy per acre, whereas the yield increased as follows during the manurial treatment.

Season	Yield of paddy in seers per acre.		
	Maximum	Minimum	Average
1924-25	1,085	460	878
1925-26	1,173	476	924
1926-27	1,187	636	964
1927-28	1,620	1,056	1,267
1928-29	1,710	1,090	1,370
1939-40	2,081	1,348	1,639
1940-41	1,950	1,264	1,542
1941-42	2,266	1,410	1,706
1942-43	2,296	1,444	1,749
1943-44	2,296	1,485	1,770

It will be seen that the yield trebled itself in the first year of manuring and what is much more significant, it has been steadily rising and shows a tendency to settle down only during the last three years. Thus, during the 20 years of continuous manuring, the average yield has doubled itself, while the gap between the maximum and the minimum yield has been progressively narrowing in the sense that whereas the minimum yield was only 42 per cent. of the maximum in 1924-25, it was as high as 64 per cent. in 1943-44. The standard yield of paddy for the locality in which the lands are situated is only 1,200 seers per acre. This means that even the minimum yield of the estate has well exceeded the standard yield in recent years, while the average yield is now higher than the latter by about 50 per cent. It may be mentioned here that a part of the sharp rise in the yield during 1926-27|1927-28 should be attributed to the introduction, in the later year, of an improved variety of seed—G.E.B. of Coimbatore—in displacement of a local type, but even then the figures do constitute an impressive record of how soil fertility can be built up through artificial manures in regions where there is a scarcity of either farm-yard of green manure. Incidentally, Mr. Iyengar advocates balanced manuring of nitrogen as well as phosphoric acid. This is interesting in view of the current emphasis on nitrogenous fertilizers. His argument is, "As I have no data to believe that our soils do not need phosphates, I advocate balanced manuring to be on the safe side."

THE FARMER IN THE MIDDLE WEST

It will be recalled that in his Note on Technological Possibilities, Dr. Burns considers adequate manuring as a major means of increasing the yield per acre. In his view, the application of more manure may alone be expected to raise by 20 per cent the All-India average outturn of rice per acre, which stands at 738 lbs. (equivalent to 1,109 lbs. of paddy). The results of the manuring trial in the Mysore State would seem to demonstrate the conservative nature of this estimate. It is unfortunate, therefore, that all sorts of ill-founded doubts and fears are prevalent among the farmers, leading them to be extremely chary of using artificial manures. While it is true that the

aversion to the artificials is breaking down of late and the farming community, especially the more progressive section of it which goes in for the cultivation of crops, such as sugar-cane and tobacco, is becoming increasingly familiarised with the good results of manuring with these fertilizers, it cannot be denied that the farmers' ignorance hampers their extended employment, at least as much as his poverty does. Russell narrates the revealing story of a small, poor farmer in the American Middle-West, won out with toil, who visited an experimental farm, where he saw some plots receiving the ordinary small farmer's treatment, while others received the special fertilizer found to be necessary. The difference was enormous. The farmer recognized the results of the ordinary treatment, they were like his own. But he broke down when he saw what he might have had, if only he had known about the fertilizer. "All my life," he said, "I have laboured on my farm and my wife and family as well. It has always been handwork and poverty and nothing more. How was I to know that this material you called fertilizer was all that was needed to change our poor crops into this splendid result, to give us a life of comfort instead of our painful drudgery?" While the need of the Indian ryot for enlightenment is at least as great as that of his cousin in the American Middle-West, the means of enlightening him are all too meagre in this country. The Kharegat proposals for the development of educational, research and extension services of the agricultural departments have not been made a day too soon.

THE PERSISTING COAL CRISIS

India produced from 20 to 23 million tons of coal each year in the pre-war days. This supply being inadequate to meet the country's requirements substantial imports had to be obtained from South Africa and elsewhere amounting in 1937-38 to 79,000 tons. In contrast to this is the present acute shortage in coal supply which is not likely, it is strongly feared, to reach even the comparatively low target of 23 million tons fixed for the year 1944-45. Lack of essential machinery and equipment continues to cause worries and the Government have so far been able only to give the information that they have deputed two officials in the U.S.A. and the U.K. to arrange for the import of machinery. Transport has also been in part at least a source of trouble. It has been calculated, for instance, that total wagons required for the transport

of coal from the Bengal and Bihar coal-fields are about 2,000 per month. Of this till some time back only a half seem to have been made available. But the worst difficulties have arisen out of a shortage of labour supply and instead of taking steps to remove the causes responsible for labour's repulsion to work in the coal-fields the Government contented itself with the retrograde step of legalising women miners' entry into the mines and with half-measures like the lifting of the military and the P.W.D. out of the miner labour market. The cost of living in the mining areas is reported to have increased by about 300 per cent. and Government have sanctioned a dearness allowance of about 50 per cent! The miners' standard wages, it should be noted here, are between Rs. 5 and Rs. 9. Housing conditions are deplorably bad as was testified by several speakers in the Council of State and a very small item of welfare work, namely, the provision of pit-head baths, despite Government's orders, has not yet become 'general.' The need to take such measures as would quickly relieve the situation is great. It is high time Government got busy with doing something really productive of results. It has been said that the colliery owners have strong apprehensions about the post-war prospects of the industry when, they fear, their interests would be sacrificed to the interests of the British coal industry. Further, they have complaints about the oppressive burden of E.P.T. It is natural that so long as mines are to be left in private hands profitability should govern output and Government owe it to the country to maintain output at a high level. Government should, then, offer reasonable exemptions to the colliery owners.

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SPECIAL ARTICLE

British Labour and the Coming Election

By G. D. H. Cole

It has now been made plain by the British Prime Minister that his Government has no intention of passing into law any considerable part of the announced programme of reconstruction until after the coming General Election. No one yet knows (December, 1944) when the General Election is to be; for its date depends partly on the ending of the war in Europe and partly on Mr Churchill's choice of the moment that seems to him most advantageous for defeating his opponents. It cannot be before the spring 1945, and it may not be until the autumn; but in any event it seems certain that the contest will be fought with most of the main reconstruction measures unenacted. There will be some of these measures on which the Government will be committed in advance to a definite line of action; and the conservative leaders have stated that they will help to carry these measures through, whoever may be in power. There will, however, be other measures about which no clear commitments will have been entered into before the election; and these seem likely to include not only the much-disputed problem of the control of land-use and town and country planning, but also the future of agriculture, the major matters of industrial reorganization, the vexed questions raised by the general promise of a full employment policy and the reform of local government. They may also include international monetary policy, international commercial policy, and international policy in relation to world security; for neither the Bretton Woods nor the Dumbarton Oaks decisions have yet been endorsed by the British Government, and in the field of commercial policy there are not even, as yet, any draft proposals to endorse.

Of measures already promised, and long overdue, social security, based on the Beveridge Report, will have, it appears, to wait until the election, though one part of social security—Children's Allowances—is announced as due for legislative action in the New Year, and there may be some legislation on workmen's compensation as well.

Obviously, the Labour Party has been awkwardly placed in the discussions of policy which have led to this unfortunate position. The followers of the party truce, which, on the other hand, suits the Conservatives very well, because it gives them the benefit of the one big majority, secured at the last election, in 1935, and at the same time enables them to cover themselves with the mantle of 'national party.' The Labour Party, as soon as the election can be held, is certain of winning seats, whether or not it wins enough to give it a majority; for the election results of 1935 failed, even then, to reflect the real distribution of opinion. But the extent of its advance will clearly depend very much on the moment at which the contest is fought, and on the issues.

If, as now seems certain, the election comes with practically none of the essential reconstruction measures (except the Education Act) on the statute book, the issues are bound to be both confusing and confused. The Tories will be promising to implement what the present coalition Government has promised; but these promises leave a great many important, though secondary, questions answered, even within such fields as social insurance. The Labour Party is by no means satisfied with the Government's announced intentions in this field: it regards the proposed rates of benefit as too low in relation to the cost of living, it objects strongly to the proposal to limit the duration of benefits and thus to retain the Means Test, and so on. Similarly, the Government's pledges in respect of the National Health Service fall a long way short of the labour de-

mands; and in the matter of town and country planning there is a yawning gulf between the act recently passed and what is needed to serve even as the bare foundation for a satisfactory post-war policy. In respect of Housing, the Government is so far pledged, except in the field of purely temporary housing to nothing beyond mere generalities.

On all these issues, a general election will find the Tories defending the minimum policy, which they will claim was adopted with the agreement of the Labour Ministers who were in the Cabinet when it was drawn up; and these ex-Ministers will have a difficulty in defending themselves when they put forward their party's a further-reaching policy against the Tories. Moreover, the less politically conscious part of the electorate will find these questions of 'more or less' very confusing: as far as the election turns on them, it will lack the clear-cut quality which is needed to arouse enthusiasm.

Of course, with these issues will be mixed up the clearer-cut differences over questions on which the Government has given no pledge at all. In this field, the Tories will be standing for the nearest possible approach to a return to 'private enterprise' and for a progressive removal of the 'Controls' imposed for the purpose of war mobilization of the nations' resources. The Labour Party will be demanding, as means to a real 'full employment' policy and to greater productivity in industry, the public ownership of some great industries, such as coal; the effective and permanent control of others, such as the food trades; drastic measures to deal with profiteering and monopoly; public operation of the banking system and State control of investment; and a number of other changes which will be fiercely resisted by the possessing classes and their allies. In this struggle, the great problem of the Labour Party will be to divest itself of the charge that it is aiming at 'bureaucracy,' and to get the electorate to see the difference between those 'controls' which abridge liberty and those which foster it by preventing the abuse of power by monopoly groups or the perpetuation of inefficiency under the cloak of 'free enterprise.'

On this range of questions there are on the Labour side no substantial differences about programmes, though there may be occasional differences of emphasis. The recent report of the Trades Union Congress on Post-war Reconstruction Policy advocates pretty much the same measures as are advocated in the numerous separate reports on particular aspects which the Labour Party has drawn up. It is a matter of agreement that (1) the demand for public ownership must be concentrated at first on a limited number of industries and key services; (2) other important industries must be brought under some form of State control; (3) there must be a general economic plan of production, designed to employ all the available resources of demand capital in such a way as will most advance the standard of living; (4) this plan must include the planning of capital investment and of the finance needed for making it work, and must ensure an adequate distribution of consuming power to the people; (5) it must include, or be accompanied by a real plan of Social Security, designed to prevent want much more fully than the mere social insurance project to which the Government has committed itself in a recent white paper.

On all these issues, the Labour Party and the Trade Unions stand together; and in substance the Co-operative Movement is with them, though it naturally tends

to stress the 'nutrition' side of the programme and to be particular insistent on its own claims as the agency best able, in connection with most kinds of regular consumers' supplies, to safeguard the consumers' welfare.

The programmes are sound enough; the question is, how far will they get across to the general run of electors and especially to the men and women in the forces of the State? Here what labour lacks most is a personality which it can set successfully against that of Churchill, whose great record as the defender of Britain in 1940 and the chief personal engineer of military victory is bound to give him an enormous prestige. Reactionary as Churchill is on political issues disastrously reactionary as he is showing himself already in handling the affairs of such 'liberated countries' as Italy, Greece and Belgium—his weight in the coming election is certain to be great, and can be counter-balanced only if the Labour Party and its allies can find leadership able enough to push the election issues away from gratitude to Churchill on to the real questions that confront

the country. This, I fancy, can be achieved only if the Labour Party can both make up its mind in good time who is the man to lead it, and put across to the electors the unquestionable truth that Social Security, in any real sense, is not to be had without full employment, or full employment without, at the least, a large instalment of Socialist economic planning and industrial reorganization. Issues of Empire and foreign policy, however vitally important in reality, will be bound in the election to take second place to home affairs. That is why I am not discussing them in this article, deeply though I feel their importance. The election will be won or lost mainly on home issues, which Churchill's personality thrown into the reactionary scale, and the choice of time mainly in Churchill's hands. That is awkward for Labour, but unless Labour is strong enough to become the Government under such handicaps, it will not be strong enough, when it has become the Government, to carry even its essential minimum policy into effect.

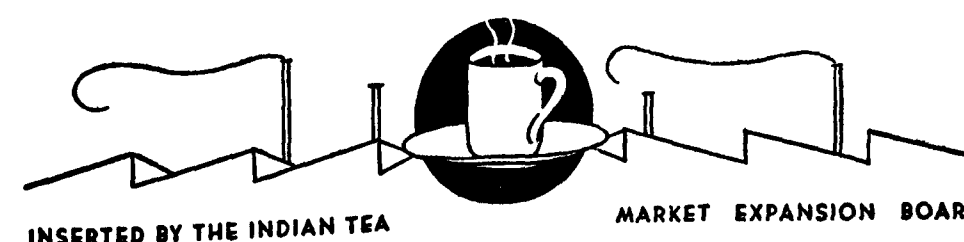
London.

The Fatigue Factor

The ideal length of a working shift for various types of work has been, and still is, a matter of considerable thought and research. The International Labour Office at Geneva has in particular paid a great deal of attention to the subject. Many factors have to be considered in addition to that of the nature of the work concerned. Type of workers, factory conditions, physical strain, mental strain, rest pauses and many others. Of recent years it has been particularly noted that even during a shift well within the physical powers of the workers, output frequently

falls during the middle portion. Formerly this fall off was termed the 'fatigue factor', but modern industrialists now know that it is not due to loss of physical energy but to falling concentration.

One of the most valuable means of combating falling concentration is tea. Hot tea served to the worker on the job is eliminating the 'fatigue factor' completely in many thousands of factories throughout the world. To those interested in this subject much valuable advice and assistance will be gladly given by the Indian Tea Market Expansion Board, 101, Clive Street, Calcutta.



THE WORLD ABROAD

Renewed Discussion on Bretton Woods

(From Our Special Representative)

NEW YORK, Jan. 1, 1945 (By Cable).

THE last fortnight of the year 1944 was packed with events whose repercussions would be felt perhaps all through the new year. The swift and unexpected counter-offensive on the western front and the temporary success attending it have brought about a complete reversal here in the attitude and policy in regard to all conversations about diversions to civilian consumption. The military and the War Production Board now operate on the theory that the war will continue indefinitely, and hence stricter measures are being taken all along the line. Rationing has been made stricter and extended to new articles, the diversion of man-power and plants to civilian supply has been stopped and schemes for a further increase in war production are being put through. Substantial orders have been placed with Canadian war-plants which are already delivering cent. per cent. of their output to the United Nations' forces. Transport facilities have been restricted and a ban has been imposed on transport for horse-racing. (Will Sir Edward Benthall please note?) Post-war planning seems for the moment to have receded somewhat into the background. War production is once again coming into its own as in 1943 and reconversions, cut-backs and terminations have at least temporarily disappeared. Much depends, of course, upon the next phase of the war. It will not be difficult to switch into diversions and conversions when the tide turns and America could pass easily from one to the other.

In the political field, difficulties and dissensions among the three Great Powers have increased the anxieties of genuine lovers of freedom and democracy. The re-creation of blocs and spheres of influence in Europe bodes no good to any one and public opinion here is greatly alarmed. The U.S. Liberal Party in a declaration addressed to President Roosevelt echoes this general feeling in two or three strong sentences. The Liberals said: "We fear that if spheres of influence through military alliances, and Imperialism become the established method by which big Powers operate there will be less chance of one country resisting powerful imperialistic pressures that are already discernible in our midst. An air imperialism, oil imperialism, trade imperialism and financial imperialism is just as harmful as territorial imperialism and must inevitably lead to it." The Liberal Party's Chairman, Mr J. E. Childs, further adds that "China's rights and territorial integrity must be fully protected by the United Nations, and countries like India which possess culture, human talent and economic resources necessary to independence should be immediately given that independence and brought into the United Nations' fold as full-fledged members." Strong and frank criticism of British policy in Greece, Belgium and Italy by the American people and Government has irked and angered the British, and the extent to which it has gone home may be seen from the bitter and undignified jibes in which the London *Economist* indulged. The paper calls for an end of Churchill's policy of appeasement of the U.S. and to see "if there is more to be gained by taking the Russians' side in the game of politics than gambling on American promises of post-war collaboration. Britain should go ahead heedless of any outraged cries from Washington." Asking how much Britain might gain by placating Americans, the *Economist* concludes: "No matter how well Britain behaves, there is no more chance of

Anglo-American alliance or American guarantee of British territorial integrity or even American promise to put down aggression any more than there is of an American petition to join the British Empire." Several here ask what has happened to the *Economist* that it should lose all sense of perspective and sobriety.

The U.S. and Canada ratified the Convention to prevent double taxation on estate succession duties. The Convention is expected to serve as a model for similar conventions with others, and it is understood that negotiations to eliminate double taxation are in progress between the U.S.A., Britain and South Africa. The basic principle of the Convention is the recognition of the right of the country of sites (location) of property to tax the property and prevent double taxation by providing that the tax imposed in the country of sites shall be allowed as credit against the tax imposed on the entire estate where the deceased was domiciled. In the case of real property, if such property is situated in one country it should be exempt from taxation in another country. In the case of corporation shares, those in domestic corporation owned by non-resident will be deemed property within the country of the corporation. In view of the post-war capital investment by the American people the problems of double taxation will come very much in the foreground.

The fact that America is full of energy and enthusiasm expresses itself in several ways. Research, planning, forecasting and surveying are to be found in every phase of life from the personal to the international field of activity. There is not a single bank or business service which does not have a research section and an economist. The result is that surveys and monographs on every conceivable subject are available in different stages of progress from those purely private to those that receive wide publicity. The level of thinking is astonishingly high and can bear comparison with the best British output in its pearly days. Retail stores have planned in detail for post-war capital expenditures in billion dollars to be distributed among plants, escalators, extensions of branch stores, new fixtures, and air-conditioning. Surveys have been made as to the needs of small businesses in the post-war period both by the Department of Commerce and the National Planning Association. One proposal that has been made is that small businesses should be allowed the right to postpone the payment of Excess Profits Tax if they anticipated loss, subject, of course, to final determination and penal interest.

A number of studies of the post-war Federal State budgets is in progress both on official and private levels. One of the more important proposals in connection with the national budget is contained in Murray's Full Employment Bill before Congress which has been generally endorsed by Vice-President Wallace. Mr. Wallace calls for a national job or employment budget which is to estimate job and investment prospects for the coming year with recommendations as to how to fill any gaps in the desired employment level. The approach to the question is similar to current recommendations on the subject in Britain and Australia. As the time for the consideration of the Bretton Woods schemes by Congress draws near, the debate outside is gaining strength for private but very extensive circulation on Bretton Woods

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THE EASTERN ECONOMIST

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by distinguished Professors three of whom, Prof. Bogen of the New York University, Prof. Hansen of Harvard and Prof. Viner of Chicago, approve, where-as three others, Prof. Kemmerer of Princeton, Prof. Westerfield of Yales and Prof. Williams of Harvard, oppose the Fund. It is the opinion of the latter three that even if the Fund is approved its operation should be deferred until the most pressing problems have been dealt with realistically. Prof. Kemmerer, who expresses himself forcibly, objects to the Fund on the ground that it is an invitation to bring about a world-wide inflation. He says: "Inasmuch as all the member nations are debtor nations it will make possible, by political action, a world-wide inflation." As regards the Bank, he asks, "Why should we not grant loans ourselves and why through a body where we shall only be in a minority?"

Mr. Morgenthau and Dr. White have each in the current number of the *Foreign Affairs* met effectively most of the criticisms against the Fund. Pleading for American ratification, Mr. Morgenthau says: "As America goes so goes the world. A tremendous responsibility rests with Government. If we fail to ratify, the world will be convinced that the American people either do not desire to co-operate or do not know how to achieve co-operation." Prof. Jacob Viner says something equally eloquently: "The Bretton Woods scheme is largely an American blue-print for

the post-war economic world. It seems to me a magnificent blue-print. If it is to be rejected and torn to shreds, at least let it not be by American hands." Mr. Morgenthau and Dr. White are very emphatic on the key nations' approach, and urge that the "problem of exchange stability is a general problem. The dictatorship of the world's finances by two countries will not be tolerated by other countries." Dr. White too says: "Emphasis on key currencies seems to me to be completely mistaken. The dollar and the sterling are, of course, the most important currencies, but currencies of other countries are also important to the extent that they affect the volume of international trade and investment. The American cotton exporter, for example, is interested in the exchange rates of England, Japan, Germany, India, Egypt, Brazil, Mexico and a host of other countries." Dr. White adds that the fear that the Fund will be managed by debtors is groundless. Answering the argument that the dollar shortage will be a constant threat to the Fund's success, Dr. White argues that it will not happen and even if such shortage develops, it will not be because of the Fund but in spite of the Fund. Dr. White adds: "Some critics have argued as if the Fund itself would be the cause of scarcity. The Fund cannot create a shortage of dollars. On the contrary, the Fund postpones shortage of the currency most in demand even when it does not prevent it."

Washington Letter

Roosevelt's Message to Congress

(From Our Washington Correspondent)

WASHINGTON, Jan. 8, 1945 (By Cable).

PRESIDENT ROOSEVELT'S annual message to Congress on the state of the nation dealt with the paramountly urgent necessity of greater mobilization of the civilian economy during what he called "the most critical phase of the war." He gave equal time to statements on the command and strategy of the war and on the foreign policy, but seen through the American eye the main part of his message was the insistence on the enactment of the National Service Act which would enable the Government to place the nation's civilian population in pursuits best calculated to further the prosecution of war. A year ago he made such a proposal in only lukewarm terms. Behind his request of the new Congress last week lay the demands of the Army and the Navy for enlarged month-long personnel quotas which will take out men from industries and fields, the need for ever greater production of such items as artillery, ammunition, cotton duck bombs, tires, tanks, heavy trucks and even Superfortresses, and finally the patent fact that still many Americans are engaged in unessential occupations when they should be engaged in production for war. The President also stressed the effect which such legislation should have on the enemies' morale. President Roosevelt's message actually was divided into four parts—his statement on war, his emphasis on supply and man-power needs, his comments on foreign policy and his home-front and post-war planning discussion—and it was considered by many as one of the most important messages that the President has sent to Congress.

Because other portions of his message have rightly commanded so much attention, there has been considerably less attention to the sections which might be referred to as his economic platform for post-war. He kept these matters in perspective by not speaking in specific terms of reconversion or any immediate peace-time preparations such as the public has become so familiar with

before the elections. But he outlined his conception of the principles that should govern international intercourse and domestic economic affairs after this war is finally finished. His statements pointed the way to considerable controversy in future years especially with respect to the organization of the U.S.A.'s internal economy and already there has been an adversely critical editorial in the *New York Times*, which is usually expressive of business men's and bankers' ideas.

After stating that the "aroused conscience of humanity will not permit failure in this supreme endeavour" to establish a world security system based on joint co-operative action, President laid down these three principles which his Administration apparently intends to adhere to tenaciously: Firstly, he said, "We believe that the extraordinary advances in the means of inter-communication between peoples over the past generation offer a practical method of advancing the understanding upon which peace and the institutions of peace must rest and it is our policy and purpose to use these great technological achievements for the common advantage of the world." Secondly, President Roosevelt continued, "we support the greatest possible freedom of trade and commerce"; thirdly, "we Americans have always believed in the freedom of opportunity, and equality of opportunity remains one of the principal objectives of our national life. What we believe in for individuals we believe in also for the nations of the world. We are opposed to restrictions, whether imposed by a public act or by private arrangements, which distort and impair commerce and trade." President Roosevelt, however, deplored the insistence on "perfectionism" in international policy and thus perhaps left as yet undefined the area for compromise between what has lately been called American idealism and Anglo-Russian realism even in these matters, although his counsel against perfectionism was mainly aimed at those who would obstruct the Dumbarton Oaks proposals.

President Roosevelt has thus endorsed Mr. Cordell Hull's economic policies. It should be noted that along with the expression of faith in the advisability of equal access to markets and materials he assured full employment in America which meant that this nation "must greatly increase its export trade above the pre-war level." In connection with his statements on international trade and commerce, he also conceded that "we have house-cleaning of our own to do in this regard. But it is our hope, not only in the interest of our own prosperity but also in the interest of the prosperity of the world, that trade and commerce and access to materials and markets may be freer in the post-war than ever before in the history of the world."

Regarding the domestic economy, the President stated anew what he described as the "Second Bill of Rights," "under which a new basis of security and prosperity can be established for all—regardless of race or creed." The foremost of these was the right to useful and remunerative job in industry or agriculture; others were rights to decent homes, good education, good medical care, social security and a reasonable farm income. For the attainment of these ends, the President said, private enterprise should be relied on as

London Letter

Town and Country Planning

(From Our London Correspondent)

LONDON, Dec. 27, 1944 (By Air Mail).

THE unsatisfactory output of the coal industry may force the Government to take action against its will if there is not some rapid improvement. The Minister of Fuel and Power said so much in the House of Commons before Parliament dispersed for the holidays. Comparison is often made between the output per man in the British and the American coal mines. Such comparisons are, however, usually faulty. British mines are, on the whole, more difficult to work than American. In a large number of pits mechanical cutting is impossible. Seams are, on the whole, much thinner in Britain than in America. But all the same, it is true that much less progress in mechanical working has been made here than should have been done. Many pits are no longer economic propositions and if it were not for the absolute need of coal at any price, should be abandoned. Further, the years of depression left a spirit of pessimism in this industry as a whole unhelpful in bringing the industry up to date both on the mechanical and the managerial side. Nor were investors keen to bury their money in unprofitable mines. A solution must be found sooner or later though it is not clear that mere nationalization of the mines would make coal mining more efficient.

We referred to the exchange rate between sterling and French franc some time ago. We were then of opinion that the rate had been fixed at too high a valuation for the French franc. The rate is French franc 200 to the pound sterling. Even while the rate was fixed French francs were sold in Switzerland at between 350 to 400 francs to the pound. The rate as officially fixed between the two Governments made no difference to the actual price paid in the market. It was only to be expected that such a disparity between the official rate and the market rate would lead to all sorts of malpractices. One of them is smuggling of French notes into England. Here the notes are sold to the banks at the official rate whilst they had been acquired in France at little more than half. To make this practice more difficult the British Government has decreed that banks must not buy more than £5 worth of French francs at a time from any one customer; formerly they could buy £25 worth of French francs. Swiss banks are also

much as possible, but the Federal Government must guarantee their achievement if necessary. The New York Times, which endorsed President Roosevelt's foreign policy, criticized his statements on the post-war domestic policy. It says: "If we make it a direct duty and function of Government to provide all these things, then we are going permanently to extend the scope of the American Government's functions—and of Government domination over all our lives and activities—far beyond its historic province." Regarding the President's statements that private enterprise must be relied on as much as possible but that the American people will not accept mass unemployment, the Times said that the "implication here is that if mass unemployment occurs it must be due to the fault of private enterprise—and not of unsound governmental policies which prevent private enterprise from functioning." The President said that Government would share the risks of loss of private business ventures to which the Times has retorted that it "would mean all of us would have to pay for mistakes made by individuals seeking to increase their profits." Then it has contrasted the President's programme for a large public works and tax reduction and asked: "How under such circumstances could inflation be kept under any sort of control?"

forced to take counter-measures since loads of French francs are dumped in Switzerland. When the rate was fixed the French Government studied the question of how to deplete the large franc circulation which was in the neighbourhood of F. fr. 600,000 millions. They are issuing a liberation loan which they expect to reach F. fr. 100,000 millions. If this expectation is realized it means the dehoarding to the same extent but still leave a note issue at least twice as large as is compatible with the amount of goods and services that can be made available within a reasonable time. For reasons which we are unable to enumerate today the French Government thinks it unwise to follow the Belgian example of withdrawal and only partial exchange of old notes. They will have to think quickly about some other methods if they wish to avoid currency chaos in France.

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A DELHI DIARY

SIR STAFFORD CRIPPS has, I understand, written a letter to Sir Tej Bahadur Sapru welcoming the constitution of the Conciliation Committee and wishing access to its labours. That the author of the Cripps Plan should have thus written shows that he, at any rate, does not subscribe to the view that his plan is the last word of political wisdom on the subject. If only Sir Tej Bahadur Sapru could tell the world of his mission it will reveal the depth of interest in India's freedom and the disgust which all men of goodwill feel towards the British Government's die-hard policy and Mr. Jinnah's dog-in-the-manger antics.

Anyway, the Committee holds the field and every attempt made by the Government to deflect public attention from its labours has failed to achieve its purpose. Sir Sultan Ahmed's pamphlet, "Treaty," between Britain and India has already fallen flat. Its constitutional chapters make no new contribution while its solution of the communal problem is vicious in that it proposes to introduce the two-nation formula not only in regard to the constitution of legislatures and cabinets but also all along the administrative set-up. Well may nationalists cry, save us from our friends. The so-called Government of India Act drawn up by M. N. Roy has cut no ice after the disclosures made by Dr. Ambedkar and Sir Sultan Ahmed in the last session of the Assembly of the heavy subsidy the organizations run by this man receive from the Government of India.

A press note announced early this week that the inquiry into the lives of the railway assets has been suspended. The Government of India have never welcomed any inquiry into the Railway Depreciation Fund. In fact they do not want any inquiry into the working of the Convention separating railway finances from general finances. Even since the war started the Convention has been inoperative. It was nominally operative so long as the Finance Member could get money from the railways in the name of that Convention. As soon as all the so-called debts which the railways owed to the general revenues on account of arrears of contributions were wiped out the Finance Member showed his hand. He scrapped the convention because it did not give him all the money he wanted. When the Central Assembly insisted on an inquiry into the working of the Convention the Government of India agreed to a very narrow and limited inquiry into the lives of the assets only. The Committee set up for the purpose recommended two inquiries: first, into excessive war-time depreciation, and, second, into the lives of the asset because determination of the correct quantum of depreciation was a very vital matter to the solvency of railway finance. Although the Railway Convention Committee reported about a year ago the Government took no action on the important inquiry suggested by the Committee. They did appoint a committee consisting of two retired officers and an officer on the active list. But before the Committee could get into its strides it has been unceremoniously scrapped. And the apology issued by the Government to satisfy their conscience in the matter is most unconvincing.

There will be large-scale replacements in the post-war years which will mean large withdrawals from the Railway Depreciation Fund. It is, therefore, essential that there should be enough money in the Fund to meet that expenditure. As the accumulations in the Fund depend on the assumed lives of railway assets a correct determination of their lives is of vital importance. Sir Jeremy Raisman has once again

succeeded in imposing his views on Sir Edward Ben- thall. The Finance Member fears an inquiry because it will be the first step to a more comprehensive inquiry into the working of the separation Convention. He feels that the result of such an investigation will be that he will not be able to use the railways as his milch cow to the extent he has been using. The Railway Member and the Railway Board who are abetting him do not appear to have the sense to realize what they are heading for, or perhaps, they believe in "after us the deluge."

Railway surpluses which should be reserved for rehabilitation after the war are being used to finance the Empire's war. It means that in spite of the Acworth Committee's recommendations and in spite of the facade they put up after the last war of relieving railway finances of the incubus of general finance, there has actually been no separation. When it suited the Finance Member he honoured the Convention and when it did not he ignored it. Thus Indian railways will be in a much worse position than they were after the last war.

Ninety economists held a four-day session of the annual Economic Conference in Delhi. The subjects they debated were transition from war to peace economy, social security, the scope of India's co-operation in international sphere, and plans for economic development of India. Those who attended the Conference were struck by orderly debates, high level of speeches and the measure of unanimity even among theorists as to the manner India's post-war future should be planned. It was emphasised by speakers that the level of employment must be kept up after the war to prevent slump, that social security schemes should be carefully co-related to economic structure, that international co-operation should be subject to the imperative need of levelling up India's production and the standard of living of her people and that proper economic development could only be based on popular goodwill. This last meant that even during the period of plan a certain level of life must be guaranteed to the masses. What the economists failed to do was to give a vigorous lead on the type of economic development which India should undertake. This involved politics and that is probably why the subject was not dealt with thoroughly.

The Planning and Development Department is busy setting up numerous panels for advising the Government on various industries. It is proposed to fix a 5-year target for each industry and each panel will be asked to consider how best to reach the target. When targets for main industries are fixed their sum total will represent a master plan. The procedure adopted by the Departments appears sound but much will depend on the personnel of the panels and on a proper selection of chairman for each panel and the technical adviser. What the Government must guard against is pitchforking as Chairmen persons, who though eminent, may prove misfits. The Government must proceed on the basis of confidence in the integrity of industrialists and appoint as Chairmen those who have real knowledge of the industry they will be called upon to survey. Sir Ardeshir Dalal knows most of the industrialists personally and he, at any rate, should not make a wrong choice.

The Select Committee on the Insurance Bill has just concluded its sitting. The proceedings of the Committee are confidential but it can be presumed that they were quite lively. There is a positive clash between the interests of the bigger and the smaller insurance houses. The bill appears to favour the former at the expense of the latter. It will have quite a stormy career in the Assembly.

ARGUS.

MONEY MARKET

Increasing demands for Funds—Marked Expansion in Currency—Speculation boom in Shares

(From Our Correspondents)

BOMBAY, Jan. 7.

AN unmistakable note of stringency has crept into the money market and behind the meaningless facade of unchanged short-term money rates, there lies a firmness of an unusual strength. The traditional dear money conditions in the cold weather are being experienced after all. All money market indices confirm this conclusion. In spite of the mammoth expansion of currency week after week, bank deposits show a curious reluctance to follow up the increased purchasing power created by the currency authority; what is more, the banks are all experiencing good inquiry for loans and to such an extent that they are not at all interested in enhancing their investments in gilt-edged securities. The present temper of the money market is nowhere more forceably illustrated by the fact that for the second week in succession the Reserve Bank has failed to obtain subscriptions for the Rs. 6 crores of Government of India Treasury Bills. In fact, on Wednesday total tenders were only Rs. 2.31 crores as against the invitation for Rs. 6 crores. The tenders at Rs. 99-13-9 per cent. were accepted in full, but the fact that these were not many is indicated clearly by the fact that the amount accepted was only Rs. 1.41 crores. No wonder, therefore, that the average rate stood at Rs. 99-8-8 per cent. per annum. Although the average rate has declined slightly since last week, there is no mistaking the fact that that does not show any improvement in money conditions; on the other hand, they are clearly getting more firm. It is a matter for satisfaction that the authorities have shown such a disinclination to pamper the tenderers; still in view of the extremely poor bidding seen at the last two tenders, it is surprising that tenders for Rs. 6 crores have again been called for on Tuesday next. It would be interesting to see if the banks are successful in luring the authorities out of the present firm policy and compel them to pay higher rates on the treasury bills. The banks' lending rates have been raised and as they are confident of employing their funds more usefully elsewhere, it is highly probable that they will continue to evince apathy for the treasury bills. The prevailing stringency in the money market has already forced some to go to the Reserve Bank for money as may be gathered from the fact that the amount of Government Treasury Bills discounted by that institution now stands at Rs. 1.94 crores as against 1 crore last week.

Scheduled Banks

The Scheduled Banks' return for the week ended December 29 doubtless shows a rise under demand liabilities to the tune of Rs. 10 crores, as is only to be expected from the currency expansion. What is more intriguing is the decline that has occurred in time liabilities to the tune of Rs. 2 crores. The banks had increased their cash in the bill from Rs. 29 to Rs. 32.4 crores, due obviously to the desire to show a larger cash in the last week of the year. They had apparently withdrawn a part of their balances with the Reserve Bank which showed a decline on that date from Rs. 75.7 crores to Rs. 70.6 crores. The dominant feature is, however, the impressive improvement under advances which have jumped from Rs. 228.7 to Rs. 235.8 crores. It would seem that that rise under advances was shared by all the big banks and not merely by the Imperial Bank as sometimes happens. Actually, in the week ended December 29, the Imperial's deposits dropped by Rs. 2 crores and in order to meet the demand for loans which had increased by Rs. 1.6 crores, the Imperial Bank had to

reduce its investments.

Reserve Bank

The Reserve Bank return dated December 29 shows an increase in active notes in circulation to the extent of Rs. 13 crores against similar increase in sterling securities. The expansion of currency in the last one month has been excruciatingly heavy, being as much as Rs. 33 crores (active notes in circulation).

Bullion

The upward flight in the prices of bullion was chiefly due to heavy speculative buying inspired by prospects of a long-drawn war and the revival of currency expansion on a large scale. The Reserve Bank's attempts to check the upward trend in prices by raising the quantity of silver offered for sale to 1,000 bars just before the Christmas and 700 bars thereafter failed to achieve the object. On the other hand, they only tended to increase the appetite of speculators. In fact, a high of Rs. 136 for silver was recorded only after the sale of 1,000 bars.

While the speculative fervour was about to subside in the beginning of the week, the Reserve Bank suddenly changed its sales policy which served to revive it once again. When the market opened after the New Year holiday, the Bank sold only 15,000 tolas at Rs. 74-11, as against the usual quantity of 75,000 tolas, and rejected all lower tenders. In the following two days, the Bank sold only about 30,000 tolas per day at Rs. 75 and over, rejecting once again all lower tenders. On Friday, 50,000 tolas were sold at Rs. 75-13, but it was announced that on Monday (the 8th instant) 75,000 tolas would be offered. The sudden cut in the Bank's offerings gave rise to the feeling that stocks of gold with the Bank must be low, with the result that there was hectic buying, leading to a spurt in the rate to Rs. 77-2 on the 2nd instant. But the subsequent general increase in the amount offered tended to damp the bullish enthusiasm a little, and prices declined to close at about Rs. 75. The Bank's rejection of all tenders below Rs. 75 has led to the belief that hereafter the Bank might not sell below that level.

In the case of silver, however, the Bank continued to sell 300 bars per day at rates ranging between Rs. 129 and Rs. 130-8. The market value of silver fluctuated during the week between Rs. 128-6 and Rs. 132-14 and closed at Rs. 129-4.

Gilt-edged

The gilt-edged market has been firm since the New Year. The quiet feeling as a result of year-end payments has been overcome. Revival of good investment inquiry particularly in medium dated bonds is noticeable. The 2¾ per cent. 1948-52 loan met with substantial buying at Rs. 99-11. The 3 per cent. 1949-52 loan changed hands at Rs. 101-12 and 3 per cent. 1966-68 loan at Rs. 98-4. There was a good inquiry for 4½ per cent. 1958-62 loan at Rs. 118-4. 3 per cent. 1963-65 loan was dull at Rs. 99-1 and 4 per cent. 1960-70 loan at Rs. 113-1, but 5 per cent. 1945-55 tax-free loan eased further to Rs. 103-3. The Reserve Bank of India was able to sell 3½ per cent. G.P. Notes at Rs. 100 in fairly large amounts, although the market quotation for these was only Rs. 99-14-6. This was possible because those who bought from the Bank had the benefit of income-tax rebate vouchers to the extent of about As. 7-6 per cent., and they could, therefore, easily afford to sell at a discount of 18 to 24 pies. Such sales tended to dry up as the week drew to a close, the rate for G.P. Notes in consequence

being a little higher at Rs. 99-15. The general undertone of this section continues to be strong.

Just before the close, the market witnessed some profit-taking alike by investors and speculators, with the result that the finishing rate were a little below the best recorded during the week. Close observers of the market are of the opinion that there is practically no bear position, and that there is a heavy overbrought position. Technically, therefore, the position is very unhealthy.

In the steels section, *Tata Deferreds*, which opened at Rs. 2,232-8 and stood at Rs. 2,270 early in the week, shot up to Rs. 2,335, but closed a bit lower at

Rise in Share Value—Coal Scrips in favour—Raw Jute and Manufact ures Steady

CALCUTTA, Jan. 8.

THE reopening on the Calcutta Stock Exchange after the Christmas and New Year holidays has been very cheerful and a general rise in prices has been recorded. There has been greater business on professional account with investors inclined to do greater business. The firmer tone of the markets has been due to the strength of the bullion markets and the continued expansion of currency.

Gilt-edged securities were quietly steady as there was not much support and business was very limited. 3½ per cent. Paper was around par while among terminable loans, 3 per cent. 1951-54 were Rs. 101-4, 3 per cent. 1953-55 Rs. 100-11 and 3 per cent. 1963-65 Rs. 98-5.

There has been an unexpected recovery in Cotton shares. The reports that the industry might not be asked to reduce further ceiling prices rather frequently and that there might be a greater margin of profit with the readjustment of prices for the different varieties have perhaps resulted in the rise in prices. *Elgins* in particular are four points higher at Rs. 72. *Cawnpore Textiles* were as low as Rs. 13 sometime back. They are now quoting Rs. 14-3. *Kesoram* were Rs. 17-12. *New Victoria* also have recovered to Rs. 8.

Coal shares have been in great demand with persistent rumours suggesting chances of further E.P.T. concessions. *Bokaro*, *Ramgur*, *Burrakur*, *North Damuda*, and *South Karanpura* were the important features. It appears that the buying of shares has been confined to the collieries which have their properties in the newly developed areas and where mining conditions are not very difficult. It will be remembered that the report of the South Karanpura Coal Company Limited published recently viewed the future outlook rather optimistically. *Bengal* are not very much changed on balance. *Bokaro* and *Ramgur* were two and a half points at Rs. 47-8 as also *Burrakur* at Rs. 46-4. *Equitable* were Rs. 70-4, *New Beerbhoom* Rs. 41-12 and *Raneegunge* Rs. 54. *North Damuda* came in for special attention and the quotation is nearly two and a half points higher at Rs. 16. The speculative counters have been more active with *Bhargora* at Rs. 18-12 and *Bengal Bhatdee* at Rs. 16-12. *Deoli* were the exception being lower at Rs. 23-12, it being felt that the earlier rise in prices had been overdone.

The jute section was not inclined to be firmer earlier in the week but the reports that there might be an increase in coal supplies to the industry and that the yield on jute shares is relatively higher have been responsible for the greater interest in this section. *Howrah* were Rs. 87 against Rs. 83-14, *Nellimarla* and *Chittavalsah* were better with a rise of thereto four points at Rs. 38-8 and Rs. 34-12.

In the Engineering section, *Indian Irons* are higher by a point at Rs. 42-4 and *Steel Corporation* Rs. 34-7. *Jessop* were bought up to Rs. 35-8. *Kumardhubi Engineering* were quiet at Rs. 10-11 but have

Rs. 2,320. *Tata Ordinaries* gained about Rs. 25 to close at Rs. 431. *Indian Irons* changed hands at hardening rates, the closing quotation at Rs. 42-8 showing a net rise of Rs. 2 over the week. *Steel Corporations* also followed suit and finished at Rs. 34-12, as against Rs. 32-12 before the holidays. The turnover in this section was so large that it gave the impression of a minor boom.

Bank and insurance scrips ruled firm, with Central Banks spurring by Rs. 3 to Rs. 87 on prospects of higher dividend. The general trend of the market continues to be quite firm.

recovered to Rs. 11-4.

Sugars rallied towards the close with *Balrampur* at Rs. 18-10 and *Champaran* at Rs. 39-12. *New Savan* were higher at Rs. 22 and *Belsund* at Rs. 16-4.

Teas were not very much in favour but prices were fully maintained.

In the Miscellaneous section, business in *Calcutta Trams* has been suspended as deliveries are not forthcoming and it is said that a large parcel of shares is due from London. Meantime, in order to check undue speculative activity members have been asked to suspend business in these shares. The question of the acquisition of *Calcutta Trams* is still under consideration. It is said that the Passenger Transport Board might be formed. The purchase price also will be the subject of negotiation. *B.I. Corporation* were sticky at Rs. 5-8, while *Burma Corporation* were a shade better at Rs. 4-12. Paper shares are higher with *Titaghur Paper* at Rs. 30. The dividend and bonus on the A and B ordinary shares for the half-year ended September, 1944, has been maintained at twelve annas per share.

The jute market was quietly steady with not much of business passing. Mills were not anxious buyers as there was a tendency to await further developments but sellers were not keen either to enter into fresh contracts. Mofussil centres are firm and arrivals are still small. The size of the jute crop for the next season will be decided at a conference of the representatives of the Central and Bengal Governments this week. The Bengal Government representatives had already left for New Delhi in this connection. In the loose jute section, *Indian District Tossa Middle* and *Bottoms* were done at Rs. 15-8 and Rs. 12-8 per maund. In the *pucca* bales section, export business has been poor but Mills are reported to have purchased *Dundee* 2/3 at Rs. 77 per bale and *Hearts* at Rs. 68 per bale.

The jute manufactures market has been quietly steady with business passing for the near positions. Mills have been able to do combined business in hessians and heavy goods for near deliveries at maximum rates. A slight discount is available for positions beyond March.

The local stock figures for the month of December, 1944, have had a discouraging effect on the market as there is a sharp increase in stocks in both hessian and sacking. Hessian cloth and bags, on civil account, at the end of December were 13.65 crores yards against Rs. 10.98 crores yards. Stocks on government account are not very much changed at 15.36 crores yards. Total stocks were 29.01 crores yards against 26.30 crores so that almost the whole of the increase has been on civil account. Sacking stocks on military account were lower at 2.69 crores yards against 3.02 crores yards, while on civil account there is a sharp increase from 21.39 crores yards to 23.26 crores yards. It is not clear whether the increase in stocks has been due to a higher level of production but in any case it appears that shipments during the month were lower.

THE BUSINESS WORLD

COMMODITY REGULATION

THE regulation of the international trade in the primary products, agricultural and mineral, has come to be generally accepted in principle as a legitimate subject for inter-governmental agreements. It will be recalled that the World Economic Conference of 1927 was one of the very first authoritative international gathering to discuss inter-governmental commodity control policy as an appropriate means to aid in the expansion of production, employment and the exchange and consumption of goods. The Great Depression, which saw violent price depressions in the raw material markets of the world and the consequent distress among the primary producers in the various countries, naturally invested the problem of commodity control with an urgent importance and it received special attention at most of the international economic conferences and committees held in that period, such as the London Monetary and Economic Conference, 1933, and the League Committee on Raw Materials, 1937. Of greater practical significance still is the fact that in the course of the 'thirties a number of control schemes were actually put into force by inter-governmental agreements. To this category belongs the Wheat Convention of 1933, the Sugar Agreement of 1937, the Tea Agreements of 1933 and 1938, the various Tin Control and Buffer Stock Schemes since 1931, and the Rubber Regulation Scheme of 1934. The individual provisions of these control schemes have not always been above criticism, especially from the point of view of countries, such as India, whose political status (or the lack of it) has hampered the effective protection of their interests. However, it is generally agreed that these agreements have operated, on the whole, "as an important factor in the improvement in economic conditions experienced in producing countries during the depression, as well as in the development of international trade."

Of late, the Americans have shown themselves to be the most interested in a far-reaching policy of commodity regulation through inter-governmental agreements. The reasons for this are not far to seek. For one thing, the U.S. economy has committed itself more deeply than any other to a policy of agricultural price stabilization and would, therefore, naturally welcome any international action to secure a fair and stable price level. Secondly, many of the primary products in which chronic world surpluses exist also happen to be the major elements in the American agricultural economy; examples that readily spring to the mind are wheat, cotton and beef. Again, it is interesting, but by no means paradoxical, that many Americans, who, being cartel-baiters, are, nevertheless, believers in a measure of trade regulation for the protection of primary producers, do consider inter-governmental agreements as being desirable in the common interests of consumers and producers alike. Lastly, the abundance of war stock-piles and the war-induced expansion of productive capacity all over the world pose the prospect of huge surpluses that would clog the channels of post-war international trade unless concerted action is taken in time to ensure their orderly liquidation over a period of years. All told, it is fairly clear that a considerable body of influential opinion, within the Administration as well as outside it, are definitely in favour of "the commodity method" of meeting post-war trade problems, as a supplement to long-range attacks on trade barriers and development measures (e.g., the Food and Agriculture Organization) aimed at raising consumption levels in the various countries. Outside the United States, the British

Dominions and certain South American countries, in whose export trade primary production figures prominently, may be expected to be favourably disposed towards commodity control. As regards Great Britain, it might appear, at first sight, that she would not be particularly interested in a problem, the primary object of which is the promotion of an economic price level for primary producers. A moment's reflection would, however, show that as a substantial importer of food-stuffs and the raw materials of industry, she cannot afford to let her consumer interests go by default by keeping aloof from commodity agreements. As regards this country, recent American attitude to the question of cotton subsidies has engendered in certain quarters the fear that that powerful country would exploit the device of commodity regulation as a means of ousting rival producers from the world trade. Nevertheless, it is clear that our economy stands to gain greatly from control schemes designed to stabilize prices at an economic level, regulate the liquidation of surpluses, expand international trade and adjust production to consumption trends. This is so, not only because of the importance of exports to our agricultural economy, but also because, in case an elaborate planning of agricultural production is undertaken as part of a food and agricultural policy, it would greatly help the planning authority if an element of stability is built into the export trade through commodity regulation schemes. There is no reason, therefore, why we should not welcome and actively participate commodity control agreements, which recognize our national interests adequately.

The general principles that should govern international commodity arrangements are not difficult to state. They should, of course, be so framed as to be in harmony with the expansionist temper and they should ensure a free and full flow of primary products into consumption to the utmost extent compatible with measures, which may be necessary in certain cases for the protection of producers. They should aim primarily at the mitigation of violent short-term price fluctuations, and, in general, at creating conditions under which price adjustments would follow changes in the basic conditions of supply and demand. They may also legitimately provide for special action (e.g., quantitative regulation), on an international basis, in cases of persistent disequilibrium between supply and demand; but such special measures clearly need to be temporary and, where they are intended for the protection of producers as almost always they would be, they can be held to be justified only in the context of energetic action being taken to adjust production to effective demand. It is important that, in the long run, commodity control should do nothing to hamper but actively lead to the development of opportunities for supplying world requirements from countries able to furnish such requirements most effectively. In other words, commodity control should not degenerate into a device for the protection of high-cost capacity by the restriction of low-cost production.

Commodity control obviously raises problems of buffer stock arrangements, and production and export quotas and subsidies. Granted that the primary objective of commodity control is to minimize short-period price fluctuations induced by abrupt and unpredictable changes in supply or demand, it would appear that the maintenance of internationally held and controlled balancing or buffer stocks is one of

the obvious means to that end. By building up the stocks when production for the time being outruns demand and drawing upon them when it falls short, a considerable measure of success may be achieved in cushioning off the impact on producers of price declines and the impact on consumers of price rises. Buffer stock schemes raise technical problems, such as storage, and economic problems, such as finance. While the operation of war stock-piles might have provided considerable experience in the handling of technical problems, the economic aspect has, perhaps, still to be studied and satisfactory guiding principles determined.

Buffer stocks, it is clear, can fulfil only a relatively limited purpose. They may assist in moderating short-term oscillations about a long-term equilibrium price. They cannot be of service where supply and consumption have gone permanently out of joint. In such cases, the remedy lies in measures to adjust production to effective demand, but as a temporary measure to alleviate the birth-pangs of such an adjustment, quantitative regulation schemes involving production or export quotas, with or without price-fixing may be held to be justified. There is much that is reasonable in the view that buffer stock arrangements should normally accompany and preferably precede quantitative regulation. Further, it is legitimate to contend that the latter should always be attempted as an emergency measure for a limited period during which other measures are taken to eliminate the root causes of disequilibrium.

As regards subsidies, there may be something to be said for subsidies on production under certain circumstances. Thus, it is argued that in the case of countries where agrarian industries have been protected on economic, quasi-economic or avowedly non-

economic, such as strategic grounds, through high tariffs, import control, etc., which are much more restrictive of trade, subsidies may be countenanced as not too high a price to pay in return for the abandonment of more harmful protective devices. Export subsidies, however, are altogether objectionable for obvious reasons. Of subsidies, in general, it may be said that their widespread use would diminish the free market areas available to the more efficient producers and endanger buffer stock schemes, if countries were able to throw on to the market subsidized commodities in substantial quantities. If subsidies are not to be at once altogether prohibited, it is at least necessary that they should be allowed, in the case of exporting as well as of deficit countries, only when they are linked with a progressive restriction of subsidized production.

In November last, our special representative cabled from New York that the International Departmental Executive Committee on Post-war Economic Policy has reported to the cabinet level, recommending that the commodity agreements should not be regarded as an end in themselves and that they should be temporary in character and subject to review every three years. The Committee is also reported to have stressed that the control schemes should not be restrictive, but be accompanied by collateral agreements committing member-nations to diversify their economies so as to mitigate their dependence upon the production and export of a single commodity or of a narrow range of commodities and that they should provide for the representation of consumer as well as of producer countries on the regulating body. This, we feel, is the right approach to an important aspect of post-war international trade policy.

NOTES

TRENDS IN INDIA'S FOREIGN TRADE

The available foreign trade figures for five months' period ending August 1944 in the current year 1944-45 reveal the trend of increasing volume of trade of British India coupled with a decline in the balance of trade. The total trade figure for the period under review is Rs. 73.58 crores as against Rs. 125.57 crores and Rs. 124.75 crores in the corresponding periods in 1943-44 and 1942-42 respectively. This reflects the easing of the shipping situation and also the maintenance of the production programmes and requirements of the United Nations at a high level. So far in this year the favourable balance of trade figure is as low as Rs. 12.50 crores only whereas they were Rs. 38.98 crores and Rs. 32.14 crores in that period in 1943-44 and 1942-43 respectively. The favourable balances of trade were Rs. 84.25 crores and Rs. 91.31 crores in the two years i.e. 1942-43 and 1943-44 respectively. A broad analysis of the commodity structure of exports and imports reveals that the exports of raw materials and manufactured goods increased by Rs. 2.52 crores and Rs. 9.23 crores respectively in 1943-44 over 1942-43. The increase in the above two classes of commodities on the export side this year are Rs. 0.59 crores and Rs. 8.81 crores respectively over the corresponding period in 1943-44. The pace of increase of exports of manufactured goods is quicker this year than in the last year. The import of raw materials increased by Rs. 22.50 crores whereas that of manufactured goods declined by Rs. 4.40 crores in 1943-44 compared with 1942-43. The figures for five months' period this year compared with previous years' corresponding period show increases of Rs. 28.59 crores and Rs. 8.16 crores under the class of raw materials and manufactured goods respectively. The persisting tendency of rising imports of raw materials is well noticeable. The increases in the imports of raw materials is

largely due to larger importations of mineral oils while that in the exports of manufactured goods can be largely attributed to an increase in exports of textiles. Available data indicate the prospects of a much smaller favourable balance of trade this year.

CO-OPERATIVE BANKING IN WAR TIME

The Bombay Co-operative Bank's Association have issued a short bulletin in which Prof. V. G. Kale examines the war-time trends in co-operative banking in the Bombay Presidency and compares them with the trends of banking development among Indian scheduled banks and among British banks. The review is confined to the Central Banks and the Provincial Bank and a similar study of the position of Urban Banks in the province is promised. Prof. Kale's analysis reveals the existence, as he puts it, of "an extraordinary and an inconvenient position of liquidity." The following figures are relevant:

	1939	1944	(per cent) Increase
(In lakhs of rupees)			
Deposits	133.7 (a)	415.8 (a)	127 (a)
	219.1 (b)	379.4 (b)	73 (b)
Advances	98.6 (a)	181.8 (a)	85 (a)
	136.1 (b)	138.7 (b)	2 (b)
Investments in Securities	68.4 (a)	172.9 (a)	153 (a)
	77.3 (b)	210.0 (b)	170 (b)

NOTE:—The figures at (a) are for the Provincial Banks; those at (b) are for the ten Central Banks. It is evident that these co-operative institutions exhibit all those features of war-time banking development, which have characterized joint-stock banking as well both in this country and in the United

Kingdom. A steep rise in deposits, accompanied by an almost imperceptible increase in advances, has led everywhere to the dominance of Government paper in the balance sheets. In the case of the co-operative institutions in question, the ratio of advances to deposits has fallen, on the whole, from 58 per cent. in

1939 to 41 per cent. in 1944, while the ratio of investments to deposits has risen from 36 per cent. to 48 per cent. It is interesting to recall that the ratio of advances to deposits in the case of the scheduled banks in this country fell from 45 per cent. to 27 per cent. during the same period.

BREATHE FREELY TO CURE

your COLD



When your nose is stopped-up and you cannot breathe, your cold is dangerous as well as distressing. A few drops of Rhinol-O will not only relieve the congestion, but will start to remove its cause immediately. Your colds will last for much less time if you persist with Rhinol-O.

How Rhinol-O Works

Each package contains a dropper from which a few drops can be introduced up each nostril. Or, for deeper infections, a little Rhinol-O may be sprayed from an atomiser up the nose and into the throat.

The fluid penetrates through any congestion, and the vapours which are given off by it under the heat of the body carry its healing effect throughout the upper breathing-system.

The cold is an infection of the delicate membranes inside nose and throat which line the breath-passages. In their effort to expel the invading microbes, these membranes swell and exude a moisture to wash away

the intruders. Rhinol-O shrinks the swollen membranes, admits air to clean up the passages, so that you can blow the infested matter clear. Rhinol-O also contains disinfectants to kill the remaining microbes, so that it stops the running from the nose.

Relief is instantaneous, but it takes some days to kill off and expel all the germs from the breathing-system — which must be kept clear and clean with Rhinol-O.



At the very first symptoms, when you feel an irritation in the throat or start sneezing, a few drops of Rhinol-O will at once put an end to the infection.

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FROM THE PROVINCIAL ANGLE

(From Our Correspondent)

Sind Letter

KARACHI, Jan. 2, 1945.

"INDIA'S viewpoint was clearly and emphatically placed at the International Business Conference," declared Sir Chunilal B. Mehta, leader of the Indian delegation, on his return from the United States and added "that if India had not sent a delegation to this conference, she would have lost one of the best opportunities of placing her point of view before such a gathering." An Indian amendment recording that economic competition by giving export subsidy was undesirable was passed by a large majority, while the principle that full authority for coastal transport and internal civil aviation should rest with the nationals of each country was fully accepted. Concluding Sir Chunilal said: "The Indian delegation stressed the importance of rapid development of India's industries to consume the raw materials now being exported from India."

Cloth Control

Sale of fine cloth by private shops will be stopped by the Government of Sind from February and Government propose to open or give permits to 56 existing shops for an equitable distribution of the quota available. Sind is allotted 65 million yards of cloth, both coarse and fine, and much depends on the experiment of rationing of cloth. In the course of an interview, Mr. B. R. Patel, Director-General of Civil Supplies in Sind, admitted that black market existed so far as cloth was concerned and he hoped to check the evil by more stringent action.

As for other civil supplies like woollen cloth, crockery, fountain pen and pencils and hardware goods, there have been a number of complaints in the Press alleging nepotism by officials and black-marketing by a certain section of dealers, and Mr. E. C. Desai, Controller-General of Civil Supplies to the Government of India, who has arrived here to look into the working of the ordinance, is expected to carry out his own investigation on the spot before he leaves Karachi.

Agricultural Plans

Three major developments in the department of agriculture are now under the consideration of the Government of Sind. The seed distribution is the most important of all, and a cent. per cent. expansion of cotton cultivation in three years and 33 per cent. increase in wheat and rice areas in five years are expected to result as a result of these schemes. The scheme will be given practical effect in Government farms first and later in zamindari lands. Twenty lakhs of fruit trees are to be purchased every year and planted in 50 centres. As there is considerable shortage in agricultural labour, the Government are advising zamindars to use tractors on an extensive scale.

War-time Labour

Labour from Gorakhpur in the United Provinces is to be imported to meet the shortage of labour needed urgently for carrying out the defence works. This was the decision taken by the Sind Provincial Labour Supply Committee which also decided to open a labour supply depot to receive imported labour from the U.P. and other areas. It was also recommended that the standard rate for an unskilled worker should be Re. 1-8 per diem for 8 hours of 26-day month.

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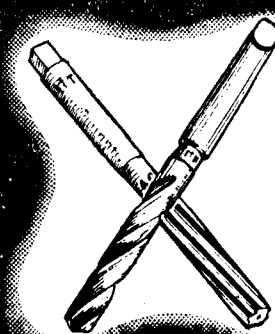
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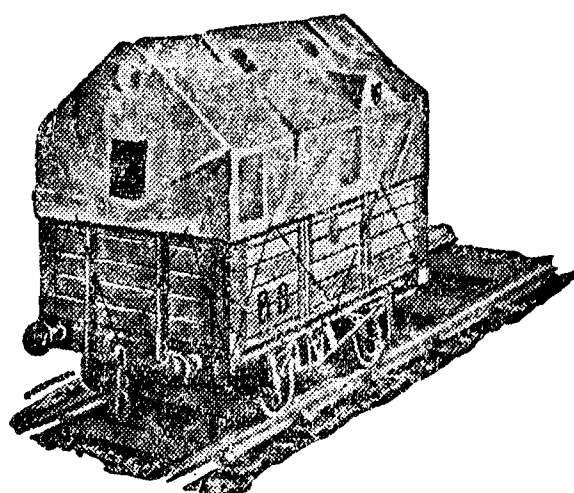
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Wagon or warehouse



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...



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RAILWAY, PUBLIC BODIES &
INDUSTRIALISTS.

COMMODITY MARKETS

HAPUR, Jan. 10, 1945.

Grains and Pulses

PRICES of all grains and pulses except that of wheat maintained a firm tendency this week. There were a good demand and small arrivals. The control rate of wheat remained unchanged, but at this rate wheat was not available in the local markets. The middle and poor classes who could not afford to stock the wheat of the season for their domestic purposes are feeling acute difficulties in obtaining their wheat supplies and as such have been obliged to meet their requirements with coarse and secondary commodities and the release of some *khattis* by the Government to the public could ease the situation. The following are the latest quotations of wheat in the main centres of the country: Hapur Rs. 9-12; Chandausi Rs. 10; Shamli Rs. 9-11-6; Sitapur Rs. 9-12; Gonda and Kasganj Rs. 9-12; Lyallpur Rs. 9-8; Amritsar Rs. 9-4; Okara Rs. 9-6.

So far as the weather is concerned, the week reviewed may better be called a "rainy week." The rains received in the Northern Wheat Belt have proved very beneficial to the standing *Rabi* crops. A good out-turn is expected.

Gur

Prices were firm owing to good trade demand. Arrivals averaged 2,000 maunds this week. The present rate of superior quality *gur* is quoted at Rs. 8-14.

Juwar

The local *guwar* market ruled firm following higher up-country advices, encouraging spot demand and

speculators' support. On account of heavy demand, the easy factor of favourable weather and crop conditions was ignored. Some local bull operators were contemplating to bring about cornering in *gurwar magh* prices, but the Working Committee of the local Chamber of Commerce with a view to avoid this mishap, banned the trading in *magh* delivery of *guwar*, directing the traders not to enter into any fresh transactions. However, the equalization of all the outstanding transactions has been permitted.

The following are the latest quotations: Wheat Rs. 9-12, Stock 565 *khattis*. Gram Rs. 7-4-3, Stock 51 *khattis*. Barley Rs. 5-14-6, Stock 156 *khattis*. Peas Rs. 5-12, Stock 141 *khattis*. Arhar Rs. 6-10, Stock 128 *khattis*. Urad Rs. 11. Moong Rs. 10. Gur Rs. 8-14. Guwar Baisakh Rs. 6-11-3.

NOTICE

Grain-Standard Labour-Money: Showing historically and theoretically that European monetary systems are inseparably connected with slave labour and incompatible with free labour. All modern economic troubles are, therefore, traceable to ancient European slave employment. Also that Grain-tax is indispensable for stabilizing any kind of money.

Bases of Peace in Hindu Political Economy: "A new clue to history...an original thesis": the Hindu. "Should help the distracted economist"—the *Guardian*, etc. Each Rs. 3.

ROOINDRALAL ROY, Adampur, Bhagalpur, Bihar.

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14. The Tropical Insurance Co., Ltd., New Delhi.
15. The Warden Insurance Co., Ltd., Bombay.
16. The Free India General Insurance Co., Ltd., Cawnpore.
17. The Asian Assurance Co., Ltd., Bombay.
18. The Habib Insurance Co., Ltd., Bombay.
19. The New Asiatic Insurance Co., Ltd., New Delhi.
20. The Bharat Fire and General Insurance Ltd., New Delhi.
21. The Advance Insurance Co., Ltd., Bombay.
22. The Anand Insurance Co., Ltd., Bombay.
23. The National Security Assurance Co., Ltd., Lahore.
24. The Sentinel Assurance Co., Ltd., Bombay.
25. The Vishwabharati Insurance Co., Ltd., Bombay.
26. The Jayabharat Insurance Co., Ltd., Bombay.
27. The New Great Insurance Co., of India, Ltd., Bombay.
28. The Devkaran Nanjee Insurance Co., Ltd., Bombay.
29. The Deepak General Insurance Co., Ltd., Bombay.
30. The Kaiser-I-Hind Insurance Co., Ltd., Bombay.
31. The General Assurance Society Ltd., Ajmer.
32. The Indian Trade and General Insurance Co., Ltd., Calcutta.
33. The Standard General Assurance Co., Ltd., Calcutta.

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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)					29-12-44
29-12-44	22-12-44	31-12-43	1-9-39	29-12-44	compared with 1-9-39
Notes held in the Banking Dept. ..	11.66	8.30	9.60	35.04	-23.38
In circulation ..	1009.60	999.90	840.80	182.13	+827.47
Total Notes ..	1021.26	1008.21	850.40	217.18	+804.08
A. Gold Coin and bullion ..	44.41	44.41	44.41	44.41	+841.83
Sterling Securities ..	904.33	891.33	734.84	59.50	+844.82
Total of A ..	948.74	935.74	779.25	103.92	-61.9
B. Rupee Coin ..	14.68	14.62	12.82	75.87	+20.45
Rupee Securities ..	57.84	57.84	58.33	37.39	..
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to Liabilities ..	92.899	92.813	91.634	63.149	+29.750

IMPERIAL BANK (Rs. in lakhs)					29-12-44
29-12-44	22-12-44	31-12-43	1-9-39	29-12-44	compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other ..	234.22	236.36	210.07	87.28	+146.96
Accounts ..	144.06	147.43	127.13	51.03	+93.03
Govt. Securities ..	3.65	3.85	2.65	93	+2.89
Other Investments ..	15.07	13.31	14.39	7.66	+7.41
Loans ..	43.89	44.53	19.44	19.76	+24.13
Cash Credit Over-drafts ..	5.15	4.74	2.87	2.95	+2.20
Bills discounted ..	..	..	..	..	..
Cash in hand, with R.B.I. and other Banks ..	32.28	33.99	52.59	14.69	+17.59

BANK OF ENGLAND (£ '000)					3-1-45
3-1-45	27-12-44	5-1-44	30-8-39	3-1-45	compared with 30-8-39
Total Bullion ..	1,949	2,108	1,035	263,700	-261,751
Public Deposits ..	16,400	5,200	9,690	31,100	-14,700
Other Deposits ..	307,800	313,000	184,100	129,100	+178,700
Of which Bankers' Deposits ..	251,400	260,700	237,800	90,100	+161,300
Govt. Securities ..	300,800	305,100	231,600	113,100	+187,700
Other Securities ..	12,500	12,300	14,900	31,000	-18,500
Of which Discounts and Advances ..	5,200	5,100	1,600	6,400	-1,200
Notes and Coins ..	13,500	13,500	17,100	34,200	-20,700
Notes in circulation ..	1,238,400	1,238,600	1,083,900	529,500	+708,900
% of Reserve to Liabilities ..	4.10	4.23	6.92	21.38	-17.28

TREASURY BILLS SALES (3 Months' Tenure) (Rs. in lakhs)					Sold in
Date of issue	Amount tendered	Amount accepted	Average rate	Interest	favour of Issue Dept.
Oct. 13, ..	10.99	6.00	0 7 11	..	2.71
" 20, ..	12.81	6.00	0 8 0	..	2.32
" 27, ..	14.15	6.00	0 7 11	..	2.7
Nov. 3, ..	15.01	6.00	0 7 10	..	3.19
" 10, ..	10.16	6.00	0 7 11	..	1.27
" 17, ..	17.74	6.00	0 8 0	..	1.10
Dec. 24, ..	9.61	6.00	0 7 11	..	1.96
" 1, ..	11.29	6.00	0 7 11	..	61
" 8, ..	13.30	6.00	0 8 0	..	1.86
" 15, ..	10.15	6.00	0 8 3	..	3.95
" 22, ..	10.30	6.00	0 8 10	..	2.88
Jan. 3, 1945 ..	8.58	2.53	0 8 8	..	1.95
Total outstanding: 69.94.	2.31	1.41	0 8 8	..	..

CLEARING HOUSE RETURNS (Rs. in lakhs)					Per cent. of
Date	Liabilities	Total	Balances	Cash	to total
31-12-43 (530)	17.52	17.27	34.79	4.88	14.0
29-1-44 (576)	17.16	18.51	35.67	3.86	10.8
23-2-44 (543)	18.08	19.50	37.58	4.08	10.9
31-3-44 (508)	18.28	20.49	39.37	4.19	10.4
28-4-44 (578)	19.30	22.53	41.84	4.19	10.3
26-5-44 (549)	19.65	21.08	40.74	..	..

NON-SCHEDULED BANKS (Rs. in lakhs)					Per cent. of
Date	Liabilities	Total	Balances	Cash	to total
31-12-43 (530)	17.52	17.27	34.79	4.88	14.0
29-1-44 (576)	17.16	18.51	35.67	3.86	10.8
23-2-44 (543)	18.08	19.50	37.58	4.08	10.9
31-3-44 (508)	18.28	20.49	39.37	4.19	10.4
28-4-44 (578)	19.30	22.53	41.84	4.19	10.3
26-5-44 (549)	19.65	21.08	40.74	..	..

Figures in brackets refer to the numbers of Bank submitting their scheme to the R.B.I.

BANKING DEPARTMENT

(Rs. in lakhs)					29-12-44
29-12-44	22-12-44	31-12-43	1-9-39	29-12-44	compared with 1-9-39
Cash ..	11.96	8.59	9.79	35.15	-23.19
Balances held abroad ..	342.34	352.84	120.60	10.08	+332.26
Investments ..	18.08	14.91	7.69	6.81	+9.27
Bills discounted—	..	..	..	..	..
(a) Internal ..	1.95	1.00	3	116	+79
(b) External ..	..	..	..	..	..
(c) Treasury Bills ..	..	..	..	..	..
Loans & Advances to Government ..	31	8	26	31	nil
Deposits—	..	..	..	..	..
(a) All Govts. ..	254.60	262.12	24.28	14.89	+239.71
(b) Of which G. of I. ..	241.54	248.37	13.87	14.89	+226.65
(c) Banks ..	75.91	76.33	99.17	26.91	+49.000
(d) Others ..	20.83	19.55	7.11	1.24	+19.50
* Including Cash and Short-term Securities ..	..	..	..	..	..

SCHEDULED BANKS (Rs. in lakhs)					29-12-44
29-12-44	22-12-44	31-12-43	1-9-39	29-12-44	compared with 1-9-39
Demand Liabilities in India ..	616.09	605.90	500.82	134.36	+481.73
Time Liabilities in India ..	202.92	205.12	157.28	102.24	+100.68
Cash in India ..	32.47	28.99	27.49	6.70	+25.77
Balances with Reserve Bank ..	73.60	75.73	88.72	25.17	+48.43
Advances in India ..	235.80	228.70	160.86	101.52	+134.28
Bills discounted in India ..	13.41	13.19	6.74	3.57	+9.84

U.S. FEDERAL RESERVE BOARD (Million dollars)					4-1-45
4-1-45	28-12-44	6-1-45	31-8-39	4-1-45	compared with 31-8-39
Resources—	..	..	..	..	..
Total Reserves ..	18,734	18,961	20,100	14,661	+4,073
Total Bills Discounted ..	30	153	31	6	+24
Bills bought in open market ..	..	..	..	(550,000)	(-550,000)
Total U.S. Govt. Securities ..	18,734	19,064	11,650	2,426	+16,308
Liabilities—	..	..	..	..	..
F.R. Notes in actual circulation ..	21,743	21,725	16,908	4,609	+17,134
Reserve Account ..	13,921	13,989	12,602	10,951	+2,970
Total Reserve to Deposit and F.R. Liabilities ..	49.4%	48.9%	62.4%	86.9%	-37.5%

TREASURY BILLS MATURITIES (3 Months' Tenure) (Rupees in lakhs)					Amount
Date of maturity	Amount	Date of maturity	Amount	Date of maturity	Amount
January 13, 1945 ..	6.00	March 24, ..	6.00	..	6.00
" 20, ..	6.00	" 8, ..	6.00	..	6.00
" 27, ..	6.00	" 15, ..	6.00	..	6.00
February 3, ..	6.00	" 22, ..	6.00	..	6.00
" 10, ..	6.00	" 29, ..	6.00	..	2.53
" 17, ..	6.00	April 3, ..	6.00	..	1.41
Total outstanding: 69.94.	..	..	..	..	..

STERLING PURCHASES BY RESERVE BANK OF INDIA					Amount
1943-44	1944	1944	1944	1943	1943
Amount (£ in '000) ..	105,310	59,402	9,407	9,285	7,476
Average rate of purchases remained 0-1-6 all the time.	..	..	..	..	8,947

EXCHANGE RATES (T.T.) (000's omitted)					Jan. 5, 1945.
Jan 12, 1945	1-5 31/32	332 3/4	1-6	4.02 1/2—4.03 1/2	4.03
Bombay on London (s.) ..	1-5 31/32	332 3/4	1-6	4.02 1/2—4.03 1/2	4.03
Bombay on New York (Rs.) ..	332 3/4	1-6	4.02 1/2—4.03 1/2	4.03	..
London on Bombay (s.) ..	1-6	4.02 1/2—4.03 1/2	4.03	..	..
London on New York (\$) ..	4.02 1/2—4.03 1/2	4.03	..	..	..
New York on London (\$) ..	4.03	..	..	..	..

BANK RATES					Present
Date of last change	Previous Rate	Present Rate	Date of last change	Previous Rate	Present Rate
Bombay ..	28th Nov. 1939	3 1/2%	..	..	3%
London ..	26th Oct. 1939	3%	..	..	2%
U.S.A.—New York ..	29th Oct. 1942	1%	..	..	1 1/2%
Fed. Res. ..	27th Oct. 1942	1 1/2%	..	..	1%

CASH POSITION (Rs. in lakhs)					29-12-44
29-12-44	22-12-44	31-12-43	1-9-39	29-12-44	compared with 1-9-39
Reserve Bank of India ..	11.96	8.59	9.79	35.15	-23.19
Scheduled Banks ..	106.07	104.72	116.21	31.87	+74.20

B—General

LIFE INSURANCE BUSINESS STATISTICS

New life insurance business					
Sum assured by Indian insurers (in crores of rupees)	42.5	32.3	34.1	36.5	62.94
Sum assured by non-Indian insurers (in crores of rupees)	4.1	3.8	5.4	6.4	9.18
Total (in crores of rupees)	46.6	36.1	39.5	42.9	72.12
Average sum insured per policy by Indian insurers (in rupees)	1,473	1,645	1,808	2,158	22.27
Average sum insured per policy by non-Indian insurers (in rupees)	3,716	3,963	4,781	6,786	67.49
Total life assurance business in force at end of year					
Sum assured by Indian insurers (in crores of rupees)	215.19	225.51	237.24	250.68	294.08
Sum assured by non-Indian insurers (in crores of rupees)	56.61	60.12	54.41	72.26	74.65
Total (in crores of rupees)	271.80	285.63	291.65	322.94	368.73
New annuity business (in lakhs of rupees per annum)					
Share of the Indian insurers	0.50	0.45	1.00	1.08	1.65
Share of the non-Indian insurers	2.16	1.87	5.81	3.47	3.90
Total	2.66	2.32	6.81	4.55	5.55
Total annuity business in force at end of year (in lakhs of rupees per annum)					
Share of the Indian insurers	6.47	6.12	15.06	17.83	18.33
Share of the non-Indian insurers	8.12	11.74	15.53	19.21	19.51
Total	14.59	17.86	30.59	37.04	37.84
Net rate of interest realized by the Indian Life Offices (per cent.)	4.68	4.37	4.17	3.94	3.88
Expense ratio of Indian Life Offices	33.2	28.9	27.4	26.7	27.9

* 23 insurance companies and 9 provident societies did not furnish their returns.

INDIA'S FOREIGN SEA-BORNE TRADE
IMPORTS AND EXPORTS OF CERTAIN COMMODITIES

Commodities	IMPORTS ('000)				EXPORTS ('000)			
	Sept. '44	Aug. '44	Apr.-July 1944	Apr.-Mar. 1943-44	Sept. '44	Aug. '44	Apr.-July 1944	Apr.-Mar. 1943-44
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Grain, pulses and flour	41,25	1,11,24	2,82,84	1,47,84	2,63	3,31	10,11	2,30,82
Provisions and oilman's stores	1,90	5,45	25,80	55,45	5,99	1,28	10,85	54,46
Sugar			2	13	69	1,63	11,16	42,27
Tea		24	16	2,17	4,43,24	3,40,24	8,83,83	37,54,01
Hides and skins (raw or undressed)	43	31	72	9,90	28,12	16,44	1,65,71	4,12,27
Oils—vegetable, mineral and animal	5,02,68	6,33,19	23,81,74	36,32,58	10,21	8,26	34,57	82,84
Seeds (including nuts)	20,44	21,63	25,27	1,23,11	77,78	1,24,97	2,48,71	11,15,80
Cotton, raw and waste	1,41,20	2,50,29	11,04,85	17,52,78	84,11	79,04	3,89,61	7,48,71
Jute, raw			38		64,20	36,07	2,32,14	8,32,12
Chemicals, drugs and medicines	1,00,16	81,63	3,36,80	7,25,94	4,19	3,94	15,43	66,83
Cutlery, hardware and implements, etc.	24,27	30,19	1,17,51	2,77,03	3,90	1,55	10,29	22,53
Dyes and colours	54,20	63,14	2,36,07	8,37,56	5,56	4,68	10,23	33,75
Machinery of all kinds including beltings	1,30,55	1,19,18	4,70,57	11,39,09	74	1,14	68	7,52
Metals—iron and steel	19,02	31,41	1,20,32	2,03,23	9,62	8,57	25,93	1,05,40
Metals—other than iron and steel	20,05	36,67	53,92	2,09,38	23	13	16,73	20,47
Paper and stationery								
Vehicles (excluding locomotives, etc., for Railways)	24,40	25,85	85,41	1,93,70	51	37	25,50	5,30
Cotton yarns and goods	12,04	13,04	50,78	1,33,63	2,79,04	2,69,60	16,59,00	42,48,00
Jute yarn and goods	4	22	93	5,34	5,22,65	5,69,11	21,94,59	49,46,25
Gand Totals*	13,36,54	17,18,44	63,35,21	1,18,85,35	18,53,36	18,21,47	72,42,45	1,99,20,37

* For all the commodities grouped into five classes in the Sea-borne Trade Accounts of the Government of India.
† Excluding re-exports.

LEAGUE OF NATIONS STATISTICS†
Wholesale Prices and Cost of Living
Base I-VI (1939=100)

Countries	I. N. of whole sale prices		I. N. of cost of living	
	Latest average	1941	Latest average	1941
Union of S. Africa	123	157 (1944-iv)	108	129 (1944-v)
Egypt	160	299 (1944-iv)	137	267 (1944-iv)
Canada	123	140 (1944-vi)	112	118 (1944-vi)
U.S.A.	117	142 (1944-vii)	106	127 (1944-vii)
Argentina	141	204 (1944-v)	106	110 (1944-v)
Chile	133	197 (1944-v)	133	209 (1944-v)
Mexico	109	199 (1944-vii)	106	204 (1944-vii)
China-Manchuria*	145	184 (1944-i)	170	232 (1943-xii)
India (Calcutta)	141	264 (1944-i)	119*	217 (1944-i)
Japan (Tokio)	124	150 (1944-iii)	126	146 (1943-xii)
Germany	105	110 (1944-v)	106	113 (1944-v)
Spain	147	190 (1944-iv)	157	174 (1944-iv)
Ireland			131	169 (1944-v)
U.K.			129	131 (1944-vi)
Board of Trade	157	171 (1944-vi)		
Statist	159	178 (1944-v)		
Economist	152	169 (1944-v)		
Turkey	170	459 (1944-iii)	138	442 (1944-v)
Australia	117	133 (1944-v)	110	122 (1944-ii)
New Zealand	125	149 (1944-vi)		100 (1944-vi)

* Bombay.
† Source: Monthly Bulletin of Statistics, League of Nations, July, 1944.

SEA-BORNE TRADE OF INDIA (Rs. '000)

	September 1944	August 1944	Apr.-July 1944	Increase or decrease over August '44 in September '44
Exports (Indian)	18,53,36	18,21,47	72,42,45	+ 31,89
Exports (Foreign)	2,74,73	46,59	1,88,09	+2,28,14
Exports (Total)	21,28,09	18,68,06	74,30,53	+2,60,03
Imports	13,36,54	17,18,44	63,35,21	-3,81,90
B.T. in merchandise (Private)	+7,91,55	+1,49,62	+10,95,32	+6,41,93

INDUSTRIAL DISPUTES IN BRITISH INDIA 1944* May

PARTICULARS	Oct.	Sept.	Aug.	July	June	May
Number of stoppages	47*	48†	46	38†	55	86
Stoppages due to wages	25	20	20	15	28	36
Workers involved	31,122	49,119	45,167	32,196	36,764	111,335
Man-days lost	50,593	92,242	229,644	92,203	124,922	17,02,154
RESULTS						
Successful	5	4	3	9	12	11
Partially successful	14	11	6	2	5	8
Unsuccessful	16	21	18	11	14	4
Indefinite	6	2	8	8	17	14
In progress	4	4	7	5	2	7

* Results not known in 2 cases.
† Results not known in 6 cases.
‡ Does not include for 2 stoppages.
§ Does not include for 1 stoppage.
† Indian Labour Gazette, Dec., 1944.

INDUSTRIAL PRODUCTION IN INDIA

Jute Manufacturers (Tons '000)		Paper (Cwts. '000)	
Months	1944-45	1943-44	1944-45
April	99.50*	114.27	105.77*
May	93.45*	100.41	116.15*
Total for the year	833.07		1,327.03

* Provisional.

FOOD INDEX (WHOLESALE PRICES)†
(Base: Last week of August 1939=100)

Week ending	1944-45	1943-44	1944-45	1943-44
Average for September 1944	234.2			
Average for October	233.9			
Average for November	235.4			
2nd December 1944	229.4			
9th	228.5			
16th	231.3			
23rd	233.0			

† Issued by the Office of the Economic Adviser to the G.

C—Prices

INDIAN STOCKS AND SHARES

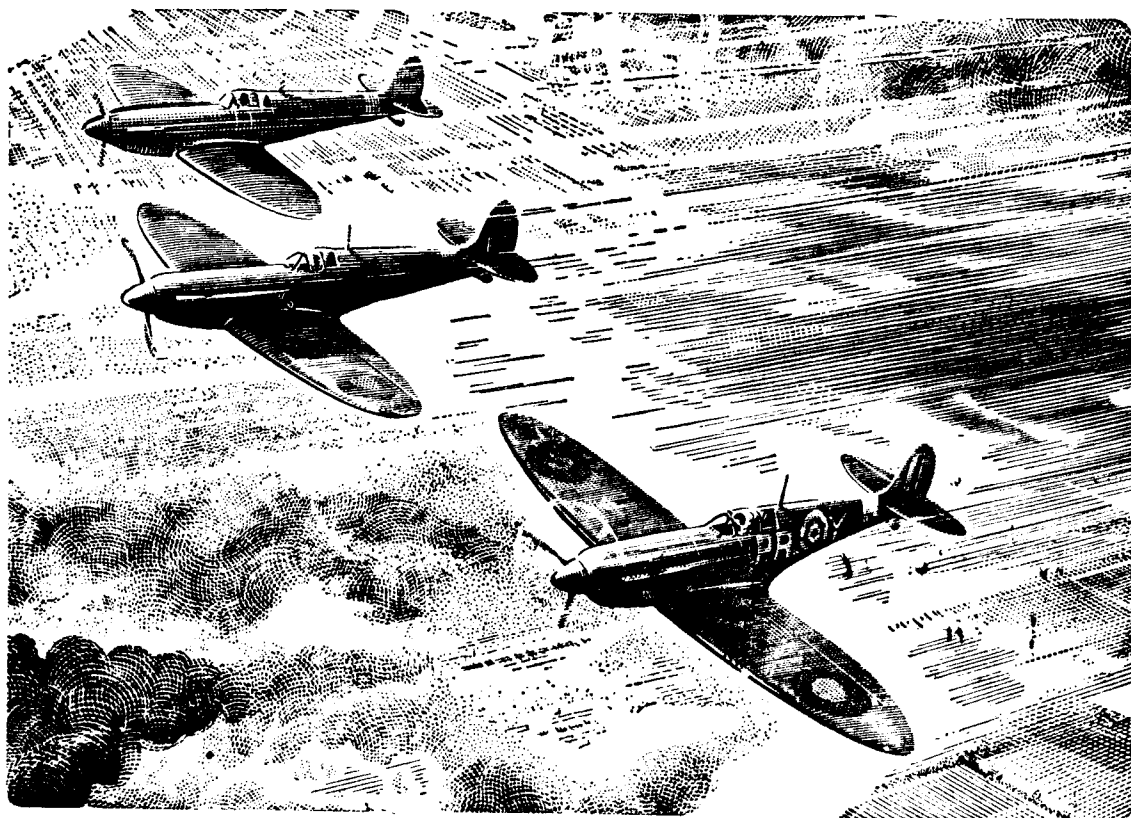
	9-1-45	2-1-45	9-1-45	2-1-45	9-1-45	2-1-45	9-1-45	2-1-45
GOVT. SECURITIES: Bombay	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
2 3/4% (1942-52) ..	99 12 0	99 12 0	Standard ..	..	..	Reserve ..	135 3 0	134 0 0
3% (1916) ..	102 9 0	102 9 0	Presidency ..	12 13 0	11 10 0	New India ..	84 0 0	84 0 0
3% (1952-59) ..	..	102 2 0	TATA SHARES: Bombay			Calcutta	..	510 0 0
3% (1960-68) ..	..	98 4 0	Tata Chemical ..	21 4 0	..	Imperial Ord.	..	..
3 1/2% G.P. Notes ..	..	99 14 0	" Oil ..	78 0 0	..	Lahore	..	..
4% (1960-70) ..	..	112 15 0	" Power ..	1,925 0 0	1,902 8 0	United Com. ..	71 10 0	..
4 1/2% (1955-60) ..	..	116 10 0	" Hydro ..	208 8 0	208 0 0	Hindustan Com. ..	80 4 0	..
5% (1945-50) ..	..	108 10 0	" Steel Defd. ..	2,422 8 0	2,240 0 0	Pun. National F.P. ..	225 0 0	..
3% Loan (1945-55) ..	100 10 0	100 8 0	" Steel Ord.	447 0 0	414 8 0	Pun. National P.P. ..	265 0 0	..
3 1/2% Loan (1947-50) ..	..	..	" Steel Pref. I ..	237 8 0	236 14 0	Bharat F.P. ..	110 0 0	..
3 1/2% G.P. ..	99 15 6	100 0 0	" Steel Pref. II ..	163 8 0	163 12 0	MISCELLANEOUS: Bombay		
3% Vic. (1957) ..	99 13 0	99 14 0	STEEL ENG.: Calcutta			Ajmer ..	15 0 0	..
4% Loan (1955-60) ..	..	..	Brathwaite ..	12 10 0	12 8 0	Bombay Sub. ..	215 0 0	453 12 0
5% Loan (1945-55) ..	103 0 0	103 8 0	National Iron ..	13 3 0	13 4 0	Atcock ..	485 0 0	..
TEXTILES: Bombay	..	..	Indian Iron ..	41 14 0	41 4 0	B.I.C. ..	6 15 0	..
Ahmedabad ..	432 8 0	427 8 0	Steel Corp. Ord.	34 10 0	..	Belapur Sugar ..	241 0 0	235 8 0
Bombay Dyeing ..	1,955 0 0	1,931 4 0	Steel Corp. Pref. ..	..	141 0 0	Bombay-Burmah ..	558 8 0	507 8 0
Central India ..	439 8 0	435 0 0	Jessop Ord. ..	25 8 0	24 1 0	Edm.-Burma New ..	203 8 0	..
Century ..	925 0 0	930 0 0	Kumardhul ..	12 2 0	..	Bombay Steam ..	630 0 0	600 0 0
Colaba ..	240 8 0	239 8 0	COALS: Calcutta			Bombay Tram ..	153 0 0	151 0 0
Gokak ..	335 0 0	330 0 0	Amalgamated ..	512 12 0	..	Bombay Petrol ..	4 6 0	4 0 3
India Bleaching ..	193 0 0	190 0 0	Bengal ..	..	..	Scindia Steam ..	37 11 0	34 6 0
K. Chinnor ..	687 0 0	687 0 0	S. Karanpura ..	29 8 0	28 12 0	Shivrajpur ..	62 8 0	62 0 0
Phoenix ..	642 8 0	607 8 0	Bhalgora ..	18 0 0	18 3 0	Andhra Valley ..	1,832 8 0	1,577 8 0
Sholapur ..	7,650 0 0	..	Burrakur ..	45 0 0	45 0 0	Prem. Const. ..	228 12 0	235 8 0
Simpex ..	295 0 0	291 0 0	East India ..	35 14 0	37 12 0	Indian Iron ..	42 1 0	41 11 0
Swadeshi ..	595 0 0	596 0 0	Equitable ..	69 8 0	70 12 0	Indian Copper ..	3 0 6	3 1 0
Vishnu ..	490 0 0	490 0 0	N. Damuda ..	17 8 0	14 3 0	Bprma Corp. ..	4 14 0	4 8 0
Finlay ..	332 0 0	333 8 0	Standard ..	..	..	Assot. Cement ..	258 12 0	256 4 0
Morarji ..	750 0 0	720 0 0	Talcher ..	12 4 0	12 4 0	Calcutta	226 0 0	..
Sassoon Ody. ..	17 13 0	16 5 6	SUGAR: Calcutta			Bengal Paper ..	..	..
Sassoon Defd. ..	3 7 6	3 6 6	Buland ..	..	..	Shree Gopal Pref. ..	..	..
Calcutta	..	..	Balrampur ..	..	..	I.P.P. ..	229 0 0	..
Benares ..	..	..	Samastipur ..	..	..	Star ..	18 6 0	..
Bengal Nagpur ..	..	..	Beldund ..	17 6 0	15 2 0	Chent (ex. div.) ..	..	29 2 0
Cawnpore Textile ..	13 13 0	13 10 0	Caraw ..	29 6 0	..	Titaghar ..	..	3 1 0
Durbar ..	318 0 0	..	Murree Brewery ..	..	..	Indian Copper ..	3 4 0	..
Engin Mills ..	70 8 0	67 8 0	New Savan ..	23 6 0	..	Cons. Tin ..	3 4 0	..
Kesoram ..	17 0 0	17 6 0	Cawnpore ..	42 10 0	..	Alumna. Corp. ..	..	..
Muir Mills ..	445 0 0	..	Champaran ..	40 14 0	..	Assam-Ben. Cement ..	18 2 0	17 2 0
New Victoria ..	7 14 0	7 10 0	Dyer Meakin ..	18 12 0	17 3 0	Dalmia Cement ..	17 15 0	..
New Vic. Pref. ..	9 10 0	9 0 0	Lahore	..	..	Madras	..	..
Madras	..	..	Punjab Sugar ..	..	..	Andhra Cement ..	122 4 0	..
B. & C. Ord.	336 0 0	..	Gokulnagar Pref. ..	..	..	Bruntons ..	14 8 0	14 4 0
Bangalore Wool ..	470 0 0	462 0 0	Jagjit ..	318 0 0	..	Mysore Chem. Fert. ..	31 4 0	..
Cambodia ..	35 0 0	..	Murree Brewery ..	..	..	Indian Steel Roll ..	8 7 0	8 4 0
Colombatore Spng. ..	..	..	Jaswant ..	11 9 0	..	Mysore Paper ..	26 12 0	25 10 0
Pankaja ..	304 0 0	..	Madras	..	..	Mettur Chem. Ord.	17 6 0	17 0 0
Sitaram Spinning ..	207 0 0	202 0 0	Mysore ..	62 4 0	61 0 0	Mettur Chem. Defd. ..	7 2 0	..
Vasantha ..	322 0 0	314 0 0	Deccan Small ..	92 0 0	92 0 0	Spencer Ord.	15 2 0	..
Madura ..	72 8 0	..	Deccan Big ..	38 8 0	37 8 0	Wind. Trust ..	26 0 0	..
Lakshmi ..	183 0 0	172 0 0	Travancore Sugar ..	..	16 8 0	Lahore	..	..
Sarda ..	197 0 0	..	South India ..	16 0 0	16 4 0	Indian Iron ..	42 2 0	..
Lahore	..	..	PLANTINGS: Madras			Dhrangadura ..	576 0 0	..
Ajudhia ..	8 10 0	..	Cochin Malabar ..	19 2 0	19 4 0	Rampur Dist. ..	28 1 0	..
Cawnpore Textile ..	..	..	Chembra Peaks ..	11 0 0	11 2 0	National Saltpetre ..	..	..
New Vic. Ord.	..	..	Woodlands ..	13 8 0	12 14 0	North India Oil ..	..	..
Raza Textiles ..	85 12 0	..	Thurmbadi ..	..	..	Star ..	..	..
JUTE: Calcutta	..	..	Travancore Rubber ..	..	..	Shree Gopal ..	20 4 0	..
Alliance ..	634 0 0	..	TEA: Calcutta	..	..	Delhi	..	..
Anglo-Indian ..	474 0 0	473 0 0	Bisnauth ..	..	..	Rampur Malze ..	51 4 0	50 0 0
Birfa Pref. ..	..	..	Central Cachar ..	120 0 0	..	Rampur Dist. ..	28 6 0	28 8 0
Barnagore ..	..	..	Tezore ..	21 0 0	..	Dhrangadura (x.d.) ..	580 0 0	543 0 0
Champdany ..	228 0 0	274 0 0	BANKS & INS.: Bombay			United Com. Bank ..	73 0 0	87 10 0
Ganges ..	269 0 0	567 0 0	Central ..	87 4 0	85 8 0	Bharat Bank Ord.	109 0 0	109 0 0
Inda ..	589 0 0	..	Imperial F.P. ..	2,010 0 0	2,617 8 0	Gwalior Brewery ..	35 12 0	35 0 0
Howrah ..	729 0 0	..	Imperial P.P. ..	515 10 0	505 0 0	Cawnpore Textiles ..	14 4 0	..
Kamarhatty ..	85 14 0	85 14 0	India ..	193 8 0	192 0 0	Hin. C.m. Bank ..	61 12 0	57 4 0
..	688 0 0	688 0 0	..	..	..	Raza Textiles ..	85 0 0	83 0 0

THE EASTERN ECONOMIST

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ONE RUPEE



The Vickers-Supermarine Spitfire (Rolls-Royce Merlin engine) shared honours with the Hawker Hurricane in "clawing down" the enemy in the Battle of Britain. Later versions, armed with cannon, exceed 400 m.p.h. and can climb to air combat eight miles above the earth.

FASTER - FASTER - FASTER

After five years of war British fighters are still masters of the air wherever they operate.

The supremacy of Royal Air Force Squadrons first in defence over Britain; then over the fringes of enemy territory; and to-day in all-out offensive in every theatre of war is a direct result of the foresight and continuous research of the British aircraft industry during a long period of years.

Success in the International contests for the Schneider Trophy, which Great Britain won outright in 1931 after three successive wins, pointed the way to development of the slim-lined fighters which won the sterner contest over the garden of England in 1940.

The passing of the 400 m.p.h. mark by a British aeroplane in the same year to establish a new world's record forecast the

operating speeds of 1939 which have now been far surpassed.

Demonstrating endurance with speed, a British entrant in 1934 beat all comers in the England-Australia race flying nearly half way round the world in less than three days. Direct descendants of that twin-engined monoplane range hostile countries at will, their far superior speed providing defence against the best the enemy can put into the air.

The war proceeds; research and development go on. The programme which British aircraft and engine designers set themselves years ago is unfolded day by day in official announcements.

An equally ambitious programme, pursued with similar determination, will provide for the needs of peace.

THE BRITISH AIRCRAFT INDUSTRY

ANNOUNCEMENT BY THE SOCIETY OF BRITISH AIRCRAFT CONSTRUCTORS - LONDON - ENGLAND

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The Banking Bill---II*

It would be a fundamental criticism of any measure of banking regulation which aims merely at affording protection to the depositor that it is not only very restricted and negative in scope, but ignores the far more important social purpose of banking which is to give every facility of credit to trade, industry and agriculture in the interest of rapid economic development. This view was, in fact, reflected in the Assembly debates last session when the Bill was called only a 'police' measure. It is possible to go even farther. Viewed especially in the light of war-time banking experience which underlines the fact that deposits are largely the product of community-created money rather than of abstinence on the part of individuals, and in the light of improved monetary technique and policy which would determine the aggregate volume of the community's savings instead of leaving it to the private decisions of countless individuals, the general principle of the Banking Bill that the object of legislation is the protection of the depositor, would appear to be not only out of date, but even anti-social. According to such a view, the purpose of legislation would be not to protect the depositor, but so to rationalize and re-organize the banking system as not only to reduce the rates payable on deposits, but make the depositor on current account bear the cost of keeping his cash and accounting for it, which is the service banks are rendering today. In other words, the depositor on current account would have

to bear a negative rate of interest, while the cost of credit, i.e., rates on loans, would generally be lower.

In reality, however, nowhere under the competitive system has the private character of individual savings and, therefore, of bank deposits been so completely superseded by monetary policy as to render this novel and revolutionary reversal of banking concepts at all possible in practice. In any case, India is far from having reached the stage either in economic or banking development when bank deposits have ceased to be individual savings or individual savings have ceased to be necessary and important in economic life as a whole. For a long time yet saving would still be a virtue in India and the orthodox assumption underlying the Bill, that the depositor should be protected so that the change from cash to banking habit might be more rapid, is quite valid. Indeed, in the difficult years that the banks may have to face after the war, too much emphasis cannot possibly be placed on the importance of liquidity.

It by no means follows from the above that the banks cannot be as serviceable to economic development as they would otherwise be. It is not advisable and is without precedent, to secure by legislation that specific kinds of services will be rendered by the com-

*The first article on the subject appeared last week.

mercial banks. It is a task largely for the banks themselves to undertake. Only the law should not impose restrictions in the name of liquidity inimical even to legitimate business. Subject to changes suggested in the earlier article, the clauses of the present bill relating to liquidity on the whole err on the side of moderate, rather than excessive regulation. Apart from clauses 13 (Reserve Fund), 14 (Cash Reserve), and 18 and 19 (Maintenance of Assets), the restrictions which the Bill imposes on the banks as to the manner in which the remainder of their funds should be invested are far less stringent than in countries with even a better banking tradition.

Clause 16, which prohibits unsecured loans and advances being made to directors or concerns in which the directors are interested or loans being made on the security of the bank's own shares, is a new welcome feature of the Bill. The provision was considered unnecessary in the 1939 draft on the ground that such restrictions could easily be evaded. We would suggest that the advisability of restrictions on (1) loans to a single debtor and (2) the directors and the concerns in which they are engaged, should be considered. Restrictions on loans to one customer are most universal at present and are seen to vary from 10 per cent. of the bank's own funds in most countries to as high a ratio as 35 per cent. in others. Exceptions must, of course, be recognized as in the case of borrowing by public authorities. Similarly, loans to directors or concerns in which they are engaged should be restricted to some suitable percentage of the bank's own capital. An absolute figure as to the amount is likely to be ineffective in application to banks of varying resources.

Clause 15 (2), which lays down that a banking company shall not hold shares in any company, whether as pledgee, mortgagee or absolute owner, an amount exceeding 40 per cent. of the issued and subscribed share capital of that company, is the only provision which restricts the industrial financing operations of a bank. Those who advocate full-fledged assistance to industry by banks will, of course, find this clause unwelcome, and it is not possible here to debate the vexed question of the merits and demerits of 'mixed' banking. But the decline of 'mixed' banking from the deposit functions of the commercial banks have constituted one of the most important recent trends noticeable almost everywhere, and markedly in countries, such as the U.S.A., Germany, Belgium, etc., in which long-term bank participations in industry were very common. Current trends even in Britain, which has set the conservative banking tradition, point to some measure of relaxation of the restraint on long-term accommodation to industry in the post-war years. The means of reconciling the large-scale adoption of such a policy with the assurance of liquidity of deposits have yet to be devised in any country. In India the problem of industrial finance has always remained urgent and important, but it is meanwhile safe to proceed on traditional lines.

Clause 15 (2) is mildness itself compared to the stringent regulations in force in other countries. Clearly it permits a bank holding up to 40 per cent. of the shares of a company, which, on orthodox standards and with the possibility of the bank taking a hand in a number of companies, should afford enough scope for bank aid to industry. Besides, a bank by clause 6 is permitted to do underwriting business as well. The wording of clause 15 (2) would suggest that a bank can hold shares, in addition to debentures. This requires to be amended. The provision itself would appear to require reconsideration in relation to its possible repercussions on industrial finance and

with a view to examining whether it is not unduly mild, having regard to the increasing integration of banking and industry in evidence in this country.

This leads to an allied question, whether restrictions should not be laid on the activities of bank directors, in particular whether directorships in other undertakings should not be forbidden, and borrowings by them not permitted. Whatever the evils of the integration of finance and industry, it would be unwise to seek to remedy them by banning a bank director being any other director or *vice versa*. In England, the bank directors represent as wide a field of experience and influence as possible. In India any restriction of the kind would only serve to hamper both banking and industry without profiting either. Nor do we think it essential to insist on any qualification shares to be held by directors. Generally they hold a certain good proportion of shares, and the general provisions of the company law can continue conveniently to govern this aspect of banking. We would only advocate, as suggested earlier, some appropriate restrictions on the amounts that can be lent to directors and their concerns.

The suggestion that because deposits are many times more important than the bank's own capital and reserve and the depositors' stake in the bank is much greater than that of the share-holder, the directorate of a bank should represent the depositors also, is one which is unexceptionable in theory. And, the principle has been given statutory recognition in some countries. Apart from the practical difficulties in arriving at satisfactory methods of representing the depositors, there does not appear to be any particular reason for such a provision in the Indian Bill, seeing that the Bill itself seeks to protect the depositors.

Provisions empowering the Reserve Bank to inspect the books and accounts of a bank and the Central Government to take action against banks acting in a manner detrimental to the interests of depositors are contained in clause 28. The Reserve Bank has overcome its own earlier prejudice against itself undertaking the duty of inspection, but the provision is unsatisfactory in so far as the Reserve Bank can act only at the direction of the Central Government, both in the matter of initiating inspection and applying for liquidation. How can the Central Government, which depends on the Reserve Bank for advice on all banking matters, get to know that the position of any particular bank is unsatisfactory and direct the Reserve Bank to act, unless it is itself advised by the Reserve Bank? There is clear case for leaving the initiative fully with the Reserve Bank in regard to inspection and liquidation of the affected bank.

There is need also for regular periodical inspection of all banks, not by any Government Department to be specially created for the purpose, but by the Reserve Bank itself. In 1939, the Reserve Bank conceded that an inspection department might become necessary as banking developed. The very rapid growth of banking institutions in the last five years has surely brought about the need for regular inspection as visualized by the Reserve Bank. We would suggest that the Reserve Bank should immediately take the necessary steps to get the requisite staff for the job, so that as soon as the inspection section of the Bank is ready, the appropriate clauses might be added to the Bill. Also independence of the auditors from the share-holders has to be assured.

Provision of an expeditious procedure for the liquidation of banks is unobtainable under the clauses of the Indian Companies Act, which entail delay and expense. In the Bill, the clauses relating to liquidation

tion are the same as in the earlier draft except that the Reserve Bank is to be the official liquidator of every banking company. The initiative for liquidation is vested in the Reserve Bank, and provision made for moratorium to a bank up to three months at the discretion of the court and on report by the Reserve Bank if the court is satisfied that the bank can meet all its claims in full. All this is non-controversial. The change in clause 31 (2) in regard to the number of days within which a bank should meet its debts if it is not to be deemed unable to pay them is a welcome liberalization of the earlier draft.

The provisions of the Bill which call for weekly returns of cash reserve and approved securities of non-scheduled banks, monthly returns of weekly Friday figures of assets and liabilities, annual returns of

assets in British India, and annual balance sheet and profit and loss accounts from all banking companies, would fill important gaps in the banking statistics of the country. Clause 20 (2) should make it obligatory on the part of every bank to submit half-yearly figures of loans and advances classified under 'Agriculture,' 'Industry' and 'Trade,' and not leave it to the Reserve Bank's option to call for them. Statutory obligation should also be laid on the Reserve Bank to analyze and publish these statistics in a convenient form. Statistics obtained under clause 20 (2) are bound to be particularly valuable. Criticism of the Bill as a whole will be that it does not go far enough in certain respects rather than that it goes too far, but few will deny that it makes a long delayed and much needed beginning.

Foreign Investment in South-east Asia

PARTICULARLY since the Japanese occupation of the area, specially on the international plane, there has been no lack of perception of, or want of emphasis on, the importance of raising the standards of living in the South-east Asia as well as the unquestionable necessity of foreign assistance in the task. The colonial powers have discovered therein a convenient mission to prolong their control. It is pertinent to reflect, in this connection, that no country in the world, with the possible exception of Britain, can be said to have achieved the transition from pre-industrial poverty to modern plenty entirely without external assistance. A transition from a debtor position to the creditor has marked the economic development of most advanced countries during the last hundred years. The countries of South-east Asia can be no exceptions in this respect; if they are to progress, they would undoubtedly need foreign goods and services. It does not explain why they should continue to be politically subservient for that purpose. The countries of South-east Asia have been singularly unfortunate in this respect. While Japan got foreign loans on the ordinary industrial guarantees, and China got them through mortgaging a part of her revenues and conceding extra-territorial rights, the countries of South-east Asia had to pay for them with all their economic as well as political freedom. No wonder, foreign investments in the area have failed to earn the gratitude of the people and have generated a sense of difference reacting adversely on the political plane.

Foreign investments in the area came in for popular criticism in the past on the ground that foreign control of the lines of development resulted in the neglect of equally remunerative opportunities, comparatively more conducive to local welfare, in the interest of others subserving chiefly foreign demand. The advantages of cheap labour accrued principally to the foreign consumer of raw materials. Special immigrant labour regulations helped the foreign enterprise to short-circuit normal economic forces and dispense with the need of attracting labour to uncongenial places and occupations by means of the economic incentive. The effect of such measures was typically illustrated in the cheapness of

coal from Indo-China in France. It competed successfully in Normandy with coal from Wales after paying for a long haul from inland to the sea and shipping thence. In respect of most of the international product of the region, a wide margin between the price paid by the consumer and the cost of production existed. The margins in most cases were wide enough to be economically inexplicable. The exports of raw materials brought in return mostly textiles and little luxuries competing directly with the handicrafts. Growing unemployment and other social consequences of foreign investment were the concern neither of the distant foreign investor nor of the foreign government. On the criterion of sheer costs of the service, foreign investments in the South-east Asia left much to be desired; the expectations and yields were generally among the highest for comparable risks in any part of the world.

Narrow specialization is, often, said to be the principal defect of foreign investments in the area in the past. This is only partly true. It was not so much over specialization along particular lines as the general want of development of the area wherein can be found the explanation of the exceptionally low standards of living in good times as well as bad. The problem was not only that foreign investments were flowing in in an unwanted direction, but that so little of them were flowing in at all. In 1932, the South-east Asia, comparable in area to Europe without Russia, had only 1.4 per cent. of American (U.S.) foreign investments compared to 29.2 per cent. of Europe, 19.7 per cent. of South America, 2.8 per cent. of Japan or 2.7 per cent. of Australia. The total of American investments approximated 228 million dollars. The British had only about 3.5 per cent. of their foreign investment in the area, compared to 15.5 per cent. in Australia, 3.8 per cent. in the small area of New Zealand and 20.2 per cent. in South America. The British investments approximated 125 million pounds sterling, and the Dutch 1,500 million guilders. So far as the colonial powers are concerned, a considerable proportion of their investments consisted simply of the value of leases, licences and concessions, and represented no real goods or services

rendered by the foreigner. Much of it was no more than the heritage of the age of privilege, and represented no corresponding services. A further proportion consisted of the ploughing back of the social product the people themselves. Most of the countries of the area show a perpetually favourable balance of payments and reflect the fact that, despite foreign connection, capital was not flowing from abroad at any appreciable tempo. There existed, as it exists now, a crying need of development. The area is rich in raw materials of every description. There is a maldistribution of population, with serious congestion on certain areas; the development of internal transport was needed to open up many parts.

The principal factor inhibiting development was foreign control. For long, the controlling powers preferred to reserve opportunities for themselves and limit progress in the area to serve their interests. The opportunities and the needs of the area were neglected and concealed rather than publicized, and colossal ignorance prevailed regarding them not only in the non-controlling countries but also in the controlling. An average French investor preferred the insecurity of Polish or South American Government bonds to the developing of a railway, for instance, in Indo-China. Another factor was the lack of resources of the controlling powers. The development in the area calls for long-term investments in gigantic proportions. The United States or other new countries took the best part of a generation to pass from a debtor to creditor or balanced position. The South-east Asia may reasonably take longer. The country which undertakes the task of developing the area as its special responsibility must at least have the resources to wait for rewards for the best part of a generation. It is significant that the greater part of the area was before the war, and is likely to be in the future, under powers that have long ceased to be the principal lending countries of the world. The disadvantage of the situation, so far as the subject countries are concerned, resulted in two ways. Firstly, some controlling nations had not the confidence to risk their capital in a distant country which they felt incapable of defending against foreign aggression, as in Indo-China. Secondly, a controlling power like the Dutch, realizing their political weakness, allowed unmitigated open-door to foreign capital which in its turn felt no responsibility for the mitigation of the social consequences of its enterprise. The difference which this factor made was evident in the contrast between Indo-China and the Philippines or between the Dutch East Indies and the Philippines. In the Philippines, where a country, with a real creditor position, felt the responsibility for development as well as local welfare, the *per capita* income was among the highest in Asia (above 300 international units in Colin Clark's estimate), while in Indo-China and Dutch East Indies it was among the lowest in the world (about 140 international units). The dangers of entrusting development to needy countries dependent for their own relief and rehabilitation upon foreign loans are particularly acute today. The ends and means of National

Socialism are no longer a German monopoly, and every country today is primarily interested in safeguarding its post-war standard of living, howsoever out of accord with the world's total income. The danger lies in the fact that the indigent countries and decrepit empires may pledge the raw materials and opportunities in the dependent country in consideration of foreign loans which they use for their own rehabilitation instead of development in the colony. The restoration of European standards of living to France or Holland is likely to have a priority over the achievement of a basic minimum in Indo-China or the Dutch East Indies, despite the promises of equal partnership; and the means to pay for the foreign credits for the purpose are likely to be the oil and oil concessions and raw materials like rubber or tin.

While it is unquestionably true that the South-east Asia needs foreign capital and enterprise, it is clear that the desirable objectives of such assistance can only be fulfilled if in future foreign investments are organized on radically different lines. The need of the situation is twofold: foreign goods and services must be available to South-east Asiatic countries, and that they must be available on reasonable terms. It is here that the "politics of independence" becomes more fundamental than the "economics of reconstruction and development." Unless the South-east Asiatic countries are rid of their special political handicaps, they will fail to attract enough foreign capital and assistance on competitive terms or control them to their best advantage. An international machinery entrusted with the development of backward areas can work effectively only if it has a direct touch with such countries, and such countries have the international personality to seek its assistance. In the absence of much indigenous capital and enterprise, it is possible for the South-east Asia to make a direct transition to complete public ownership and control of mining and industry. In fact, the Governments in these countries would have to take a leading role in development, either through licensing and guarantees, and, thereby, creation of foreign vested interests or unhesitating monopoly. This is particularly true for the immediate post-war period when foreign capital will fight shy of investing in the area owing to disorganization of currency and redundancy of much of the old lines of investment due to the development of alternative sources of supply and substitutes during the war. It has been suggested, sometimes, that the leading creator countries should equip South-east Asia with capital as outright gift or on the familiar Lend-Lease basis, partly on humanitarian considerations but mainly as a result of the expansionist conception of the world trade which is gaining favour today. A dole such as the United States is willing to give Britain under the new Lend-Lease for the Peace may have special justification for the poverty-stricken South-east Asia. But it is obviously premature to hope for international generosity while the South-east Asia has still to receive foreign assistance on fair and competitive terms.

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The Week's Notes

PRIORITY AND TARGETS

Economic planning, in its essence, is nothing but the problem of determination of the proper order of economic priorities. This in its turn does not involve merely making unquantified generalizations that, as for example, agriculture is most important because the masses depend on it for their livelihood or because industrial products have to be sold to the agriculturists, or that, as for example, the Viceroy with his military bent of mind said this week, in peace, as in war, communication is most important because nothing can be done if resources cannot be moved to proper places. Determination of order of priorities means fixation of *simultaneous* targets or time-rates of developments in the various sectors of the economy—targets which are simultaneous and economically valid. The determination of these simultaneous targets is an economic and not an engineering or technological problem. If we assess the "technological possibilities" in the various directions—whatever that may mean without the context of the envisaged rate of capital-intensification—and put these "technological possibilities" together, we do not get an economic plan. For example, if we find that production in agriculture can be increased by 300 per cent., whereas at the envisaged rate of increase of national income-generation and production, effective economic demand for agricultural products from consumers and producers increase by only 100 per cent., it can only mean that resources have to be moved from agriculture to other sectors if we are to avoid serious economic disequilibrium. It was only very slowly that the Government was moved on to recognize that the question of priority and targets constitutes the very essence of planning. It is now understood that the various industrial panels which have been set up are proceeding to fix targets and that the provisional targets aim at 80 to 100 per cent. increase in five years in the production of iron and steel, 50 per cent. in textiles and 100 per cent. in cement. But it is not known how these target figures have been arrived at, for industrial panels sitting separately may not be most competent to fix these targets. These targets can be properly fixed only by an economic investigation employing elaborate statistical technique which has been much developed recently to map out in advance the structure of producers' and consumers' demand at successive levels of national income-generation and production. Such a task involves a study of certain economic functional relationships and the statistical data necessary for their study in first approximation, can be more readily organized in the present than is usually thought to be possible. But the prior task is the formulation of the problem of priority and target in its proper economic bearings.

INDUSTRIALISTS MISSION TO AUSTRALIA

A team of Indian industrialists will shortly be visiting Australia, and a delegation of Australian industrialists will pay a return visit to this country before long. It will be recalled that some weeks before Sir Bertram Stevens, formerly of the E.G.S.C., suggested the visit of Indian industrialists to Australia to study the prospects of increased trade after the war. There are certain special factors which would seem to point to a considerably increased volume of Indo-Australian trade after the war. In the first place, the war, by bringing about the cessation of trade with enemy countries, conservation of shipping and co-ordination of resources and needs in a common effort, has encouraged the mutual dependence

between Australia and India which geography would dictate; and this is likely to extend into peace. In the second place, price control in Australia, which has been more successful than perhaps anywhere else, gives her goods a competitive advantage which India will do well not to miss. Whereas in the U.S.A., the U.K., Canada and South Africa the cost of living had by May, 1944, shown a rise of more than 30 per cent. on the basis 1939=100, in Australia it stood only at 110. As from April, 1943, the prices of all articles have been fixed by a blanket regulation prohibiting any increase and wages have also been pegged. In the third place, India is vitally interested in and must be able to get her share of Australian trade, which before the war was done by Japan, and which the latter would not be able, if at all, to regain for many years. There is also a fourth reason to expect an augmented volume of Indo-Australian trade—the absence of any exchange restrictions within the sterling area.

INES OF EXPLORATION

Speaking in concrete terms, the principal articles of Indian export to Australia at present are cotton textiles, tea, jute, coir goods, carpets, lac, oilseeds, some amount of raw cotton, etc., and India should be able to increase them. This is one of the tasks of the Indian mission. India's imports from Australia have mainly been wheat, liquors, raw and finished wool, milk foods, other food material, etc. We do not know whether India will continue to import from Australia wheat and other food products in large quantities, but in the immediate post-war period before our agricultural planning gets into its stride, such imports might be important. India is most interested in what kind of capital goods Australia can supply. Australia's record of war-time industrialization has been amazing and she can help India in regard to agricultural machinery, plastic equipment machine tools, electric equipment of all kinds from large transformers down to switches and diesel engines, etc. Besides, Australian steel is said to be the cheapest in the world. The Indian delegation should study these, and other lines, which might come up in the course of their enquiry and be able to report or (a) the volume of capital goods that can be economically obtained from Australia per year, (b) the degree in which it will be possible consequently to ease our position in regard to hard currencies and (c) whether in case Britain is not agreeable to releasing our blocked balances immediately after the war, Australia will be willing to accept, in payment for such capital goods as we might buy from her, our blocked balances in London and thereby allow her own London balances to go up. We trust that the Indian delegation will have these major objectives in the forefront of their enquiry.

INTERNATIONAL LOANS

The new Anglo-Egyptian financial agreement is probably intended by Britain to be a strong hint and a pattern-setter for her other creditors. One noteworthy feature is that whereas Egypt is owed £300 million sterling, she will be repaid only \$40 million in 1945. At this rate the total repayment of the debt would be scheduled over 25 or 30 years. An Indo-British financial agreement is yet to be negotiated and agreed upon, but from recent indications by responsible British circles, it would appear that we have to discount the possibility of our being able to repatriate

the balances over a much shorter period of say 10 or 15 years in consonance with the requirements of our national economic programme. Even then it does not mean that we have to shelve our economic programme altogether. For even if we get Rs. 40 or Rs. 50 crores per annum in repayment, this amount together with the foreign resources we can scrape together with strict exchange control, could, at a pinch, satisfy the external finance requirements of our plan. Such a rigorous husbanding of our foreign exchange resources would, however, compel us to cut down much of our normal commercial imports and this is likely to have a cramping and dislocating effect on the export trade of both the United States and Great Britain. In these circumstances a foreign loan could help India in getting through her economic programme, but without any inhibiting effect on the international trading system.

AND POLITICALLY WEAK COUNTRIES

But the dangers and difficulties of a politically weak country like India in getting foreign loans are many and real. According to a *Reuter's* message from Hot Springs, Dr. P. S. Lokanathan, after discussing with representatives of the American Government, the possibilities of getting about 3,000 million dollars credit from the United States in the immediate post-war years, found that "such direct loans from the United States to India would have too many strings attached to them" e.g., assurance of political stability in the debtor country which again, must not use the credit for building up industries which might compete with American exports. Such conditions render the loans farcical, even if we leave out the danger—as shown in Latin American countries—of loans being used for political purposes. Dr. Lokanathan therefore after extensive personal discussion with the representatives of the American Government and American business men, came to the conclusion that it would be inadvisable for the Government of India to apply for a direct loan from the United States. As an alternative, he suggests that Britain should apply for loans from the United States in India's stead. After receiving the loans, Great Britain should then release part of the sterling balances for Indian purchases in Britain, and part of the total for the American loan would be put at the disposal of India in the form of British assets in foreign countries, including the United States, for purchases of goods there which are unobtainable in Britain. This would help both Britain and India and if Britain lends her good offices in this way it would be regarded as sufficient recompense for her inability to repay her sterling debts at a rate greater than that agreed upon. The unhealthy and unilateral strain of the vast sterling accumulations on the international trading system after the war would be relieved and an integrated and expanding multilateral system would be able to grow up. When the representatives of the Government of India proceed to Britain for the purpose of coming to an agreement about the liquidation of the sterling balances, they must seriously press the British Government on this point.

P.E.P. ON STERLING ASSETS

On another page is published a letter from P.E.P. (Political and Economic Planning, the well-known non-party research group in Britain) on India's sterling balances, written as a reply to an earlier comment of ours. Detailed consideration of all the points raised in the letter or in the P.E.P.'s earlier broadsheet is not possible within the short space of a note. In particular, the methods suggested for linking British exports with repayment of debts through

blocked accounts require scrutiny. But a careful examination of these two documents together with the available summary of the latest P.E.P. broadsheet on the problem of British exports, can only lead to the conclusion that far from promoting understanding by each side of the other's difficulties and facilitating a fair settlement, they would only cause grave doubts in India whether a politically weak country, even if a creditor, can hope to get a fair deal. We can quite understand that with her badly damaged balance of payments position, Britain has to increase her visible exports by at least 50 per cent. over the pre-war level or by more than 400 per cent. over the 1943 level, in order to pay for essential current imports, not to mention additional exports needed for repaying overseas debts. But the mistake of the P.E.P. lies in assuming that the recovery and expansion of British exports is only a question of time or of temporary exchange difficulties and that the decline in income from investments and the accumulated debts have not affected her capacity either to export or to ensure her pre-war standard of living. On the contrary, it must be obvious that the recovery of exports is one of technical efficiency, competitive power, endowment in natural resources, and a host of other factors which can not be assumed away in a difficult world in which technical skill is no longer the monopoly of the first starter or of a favoured race, and countries with far greater natural resources than Britain, have become aware of their economic rights and potentialities and are bent on exercising them. Britain's increased productive efficiency achieved during the war will no doubt help her, but not certainly to the extent of wiping out the huge disadvantage in the balance of payments. If Britain enjoys a state of full employment and even then finds herself unable to repay the debts, the conclusion cannot be shirked that she must face up to the fact of a temporary decline in her standard of consumption or alternatively borrow from abroad. The financial problem is not 'insuperable' as the P.E.P. would have it. Long-term loans from those who could afford them without stinting, say, the U.S.A., are an easy method by which Britain can not only get all the essential imports, a good part of which will, in any case, have to come from outside the sterling area despite dollar pools and exchange controls, but also of repaying indigent creditors like India without capacity to wait. The very plea put forward for the long term amortisation of the debts is proof positive of the fact that Britain wants to convert India's short-term balances into long-term loans against the latter's will, while she does not, mainly out of reasons of prestige, choose the easy alternative of loans from the U.S.A. Nor can it be argued that India's exports to Britain constitute the greater part of the latter's essential imports normally. If in spite of dollar loans Britain does not find it possible to recover her exports in sufficient degree by open and multilateral means, the conclusion logically follows that she does not possess adequate natural resources and efficiency relatively to the rest of the world, to sustain her living standards unimpaired. It would be disingenuous to quibble, without facing up to these facts, that others including creditors should go on buying from Britain, first in order to maintain her living standards and subsequently to get repayment at the debtor's convenience.

FOODGRAINS PROCUREMENT

It will be recalled that in November last year, Mr. Somerset Butler, Special Officer, Department of Food, had recommended the institution of Government monopoly in the procurement of foodgrains. A tour of the country had convinced him that wherever the Government had advanced towards a Government

monopoly the idea (originally put forward by the Gregory Committee which, however, thought that administrative difficulties were so immense that its immediate translation into practice would not be advisable), had caught on and despite the difficulties there was 'not one single instance' where a doubt had been felt about the soundness of the principle nor was there in any instance 'a thought of withdrawing.' Mr. Butler, however, was not oblivious of the difficulties inherent in an undertaking of this nature. But he felt that 'given the will and determination a Government monopoly' could be introduced successfully. To achieve this end Mr. Butler emphasized that 'one of the most vital aspects of monopoly procurement is to assure the cultivator that his interests as well as those of his dependents are protected.' There was also need for greater co-ordination between adjoining states and provinces in the fixation of prices lack of which had given rise to the problem of eradicating smuggling. The wholesale trade was to be entrusted with the task of acting as Government's agents for the purpose of handling, storage and transport. An adequate inspectorate organization to tackle the problems arising out of deterioration, loss of grain and the question of the quality of goodgrains and the setting up of a specific branch in each foodgrain administration to eliminate bribery and corruption were also recommended as essential pre-requisites of success. The Sub-Committee of the Central Food Advisory Committee, at its recent meeting held in Delhi, is believed to have agreed to these recommendations in principle and has recommended the system of voluntary monopoly by Provincial and State Governments. Only when this has failed Government will undertake steps to make it compulsory. It is certain that in this process of experimentation some more valuable time will be lost. And the problem is urgent. It is difficult to understand, much less to appreciate, Government's procrastination in the matter, when some of the Provincial Governments have shown a strong disinclination to fall in line with the Central Government's plans and policies. To take but one instance, among many, the U.P. Government has not as yet introduced total rationing in any U.P. town and the experiment to be initiated which was to embrace 13 towns has now been curtailed in its scope to only 10. We can only hope that Government will now at least realize the urgency and take bold and effective steps to make rationing extensive in its scope and area as soon as possible.

AN IRRIGATION PROJECT IN HYDERABAD

The completion of the Dindi Irrigation Project, launched some three years ago, to provide adequate irrigation facilities in Devarkonda taluqa, ensures safety from the ravages of famine to a large tract which has been a chronic victim. A dam about 1½ miles long has been thrown across the river Dindi in the Devarkonda taluqa of Nalgonda district, thus forming a lake covering eight square miles with a capacity of 2,610 million cubic feet and a catchment area of 1,513 square miles. The project, it has been claimed, is a unique one from the engineering point of view. In contrast to all existing irrigation dams, which are built entirely of solid masonry, the Dindi dam is a composite structure, consisting of a masonry ogee spillway, 100 feet long in the lowest part of the river bed, flanked with earthen embankments, each about 2,500 feet in length, so designed as to prevent erosion and reduce seepage. The outstanding feature of the dam is the ogee spillway which is so designed as to allow 9½ feet head of water to plunge 75 feet into the river bed without scouring the latter and damaging the dam itself. A specially constructed concrete trough, with skilfully arranged dentations and the moulding of the ogee itself, serves as an

effective breakwater which serves to dissipate the energy of an enormous mass of water which is made to roll back on itself and flow away gently. A fact of gratifying interest is that the whole dam was designed and constructed by a local engineer and that the breakwater device is the result of a series of hydraulic experiments conducted locally. And this has been achieved at a comparatively smaller cost than would have had to be incurred on a dam of the usual masonry type, the difference being of the tune of 20 lakhs. The Project commands 47,600 acres of irrigable land by means of a canal 28 miles long which brings water to 34 villages of this once dry district. The depressed classes will receive the first priority in obtaining land in this area in economic holdings. Genuine cultivators of the area whose holdings are smaller than the standard holding fixed at two acres of wet and eight acres of irrigated land, will have the next preference. Meanwhile, so long as the present food scarcity continues, the project will supply water to irrigate 10,000 acres in the *abi* season and 5,000 acres in the *raabi* season. This development, which has taken place, incidentally, in the heart of the State's castor region is expected to add substantially to the prosperity of the castor growers, and the two falls of the river suitable for the development of hydro-electric energy can provide cheap power for industrial and agricultural purposes in the area.

NATIONAL JOB BUDGET

The Democrats as well as the Republicans at the last Presidential election in the United States recognized unconditionally the right of every individual to a remunerative occupation. The manner in which the Administration proposes now to fulfil the obligation will bring about a far-reaching governmental direction of the American economy. A legislation is proposed, which would require the President to submit to the Congress on the first day of each regular session a "national job budget." Such a budget would constitute a budget of the total national economy including the public as well as private expenditure estimated during the year. An estimate would be made of the prospective gross national production to correspond to the estimated prospective consumer expenditure, capital investments and expenditure by the public bodies. In case such an estimate falls short of the level of production necessary to ensure jobs for all, the President will have to submit a plan for increase in production. Public works, the retention of more men in the armed services, increasing farm employment and similar measures are suggested to bridge the gap between estimated job needs and job prospects. The *modus operandi* of maintaining full employment does not differ substantially from the one under the New Deal during the Depression. But an important difference lies in the fact that public action shall not wait for a depression to develop. This is bound to have profound consequences not only on the internal economy of the United States but also on the economics of countries abroad. The resulting integration of government and industry and agriculture may eclipse comparative cost structures in the United States' international trade, and the United States with her surplus economy may put indirectly undue strain on particular industries and trades in other countries. The subsidy to raw cotton is perhaps an indication of the nature of economy, the United States prefers for herself. This is bound to weaken the prospects of expanding international trade and will possibly inspire similar national action to safeguard standards of living. So far as her internal economy is concerned, the policy of job-budgeting will hardly be a serious strain for the U.S., but like much of capitalist planning it is likely to achieve very little in the positive sense. Beyond increasing the rigidities in the economy of the country and pegging down wages and standards of living of the working classes, it is unlikely to accomplish much.

SPECIAL ARTICLE

The Investment Market : A Proposal

By S. K. Muranjan

THE capital and investment market of 1944, was dominated more or less entirely by abnormal factors like military events, investment controls and prohibitions, price controls, etc., and as such can hardly furnish much guidance to the more permanent problems of peace and reconstruction. For the latter purpose, we must fall back very largely on our experience of the past and this experience established very clearly that the main deficiencies of the market are three viz., the staggering waste of mistaken or incompetent promotion; high instability of values and consequent deterrence to genuine investors; and finally, the tendency to waves of over-investment and under-investment with their serious reactions on production and employment. It is true that the general, uninstructed public is apt to think of this market more in terms of frauds and mal-practices than any technical deficiencies, but it will be found on deeper reflection that these evils are largely traceable to the three defects already stated. It follows therefore that improvement and reform for the future must consist very largely of moderation or elimination of these defects.

Ultimately, indeed, these defects themselves proceed from the fact that the whole mechanism of the market rests on the foundation of individual judgment and investment enterprise. It is true that expert and highly specialized intermediaries—the brokers—exist to offer guidance to the investing public. But experience proves conclusively that their existence does not modify in any substantial manner the inherent drawbacks and weaknesses of individual judgment which more often than not is apt to be lay and uninstructed judgment. In other words, the drawbacks and weaknesses of the investor's judgment constitute the real basic problem of the capital and investment market and the main direction of reform must be to find effective means to protect the investor against himself.

The growth of insurance in recent times is very suggestive and offers instructive precedents, for such protection. What insurance companies achieve in the field of protection against the uncertainties of life, investment trusts whether of the general, fixed or unit type, could achieve with equal effectiveness in the field of protection against the uncertainties of investment. For the fulfilment of this purpose, two fundamental changes will have to be effected. Individuals should be legally debarred from subscribing to or holding the shares and stocks of individual enterprises, all contributions to capital in future being allowed only through investment trusts. Secondly, as in the case of insurance companies, the investment of funds by these trusts should be regulated by law. To illustrate the point, it may be suggested that investment trusts should be compelled to hold a quarter of their funds in a widely defined class of gilt-edged securities, another quarter in preference shares and debentures while the balance may be left free to be directed if desired into new or more venturesome channels. A fractional regulation of this kind should as a logical consequence imply a minimum paid-up capital below which no trust should be allowed to operate.

It might appear that the greatest difficulty of such a plan will be how to deal with existing holdings of

scrips and their owners. No commandeering or confiscation is possible or indeed desirable or even necessary. It would be enough if individuals are merely precluded from acquiring new issues in the future. The process of time may well be trusted to bring about a steady, but certain transfer of all scrips into the possession of investment trusts until at some future date the prohibition is made absolute.

Under this arrangement, it is clear that the individual is not altogether relieved of the need to exercise his judgment or enterprise. Investment trusts are bound to differ in quality, efficiency and results and the individual will still have to make a choice of particular investment trusts. Similarly, the stock-exchanges with their membership of specialized brokers need suffer no diminution of their business. For the general public, they will deal in shares and scrips of investment trusts. On behalf of the trusts themselves, they will have much business in the scrips of individual companies.

Apart from the diminution or elimination of the risks and uncertainties of investment, an investment organization of this kind is well suited to deal with the evils mentioned above. With their skill and experience of dealing in varied scrips, investment trusts should find it easy to develop the necessary technical and other means for participation in new or untried ventures. Their holdings of large fractions of the fixed capital of productive enterprises will give them sufficient power and representation in the management of the business of the country. Trusts of this kind rather than industrial banks as suggested by some offer a more promising solution of the vexed problem of supply of long-term or medium-term capital to industry.

As for the regularity of the flow of investment, such an institutional structure will decidedly simplify the whole problem. Whether this responsibility is entrusted to an independent authority or as appears more logical and indeed inevitable, to the Central Bank, the existing economic structure presents the authority with a baffling problem. The authority is practically invited to sit in judgment not only on the aggregate desirable volume of investment at any time which by itself is no easy task, but also on the relative claims of a myriad branches of investment and production which pre-supposes almost omniscience. If the authority is relieved of the latter almost impossible responsibility, it will be free to concentrate its attention on the one aspect which needs to be dealt with effectively. By licensing investment trusts, it will influence the aggregate volume of investment while the trusts themselves will discharge the delicate and difficult responsibility of judging profitability in each individual case.

Under the structure of investment contemplated above, there will be two sets of values on the stock exchanges. The general public will be concerned with the values of trust shares alone. With the averaging of the risks of business and industrial dividends, these values should exhibit a much higher degree of stability than what the individual investor is confronted with today. The second set of values, viz., the values of industrial scrips with which the trusts alone will be concerned, deserve a closer scrutiny. This market

will be constituted of a few and powerful buyers and sellers who, it might appear, will be able to rock and sway the market to an undesirable extent. To forestall this possibility, we have only to detect the prime motive and adopt effective means to suppress it. It is clear that if the directors and managers of investment trusts are allowed to abstract the profits of speculation, the temptation to use trusts funds for mere gambling will be very high. A simple and effective remedy for this would be to make it legally obligatory that the scrips held in investment trusts should be lodged with recognized banks in trusteeship, every change in holdings and authenticated prices of sales and purchases should be recorded in the books of the bank and finally the profits of the turn-over of scrips i.e., capital appreciation must be added to the reserve of the trusts and not distributed as dividends. With these safeguards, a few, but well-balanced and well-informed buyers and sellers should contribute rather to stability of values than otherwise.

Our thesis is not complete unless we consider main possible objections and possibilities of abuse. In the first place, we must consider the position of directors of companies under an arrangement of this kind. At present, most directors have a double interest in the management of enterprises. As office-bearers, they receive their fees for attendance and supervision. Under the scheme contemplated by us, this source of income is in no way affected. More often than not, however, directors as individuals seek benefit as investors from the companies they manage. Under our proposals, directors can have no holdings in their companies except indirectly through the scrips of investment trusts. It may be asked how in such circumstances, people can be expected to offer themselves as directors. The answer is two-fold. It is no merit, but a well-known evil of the present system that directors with their inside knowledge are able to manipulate directly or through their nominees the shares of the companies they manage. Secondly, it is always

possible to secure the best available talent by the offer of adequate fees and open ways of remuneration.

It is likely that the prohibition of direct investment will stimulate the multiplication of private limited companies in the field of investment trusts. But so long as identical restrictions are enforced on public and private companies alike, such a development need not impair the general object in view.

It is possible that those who seek capital for particular wild cat or reckless enterprises may abuse the object of investment trusts by raising capital sufficient to leave a margin above the legal minimum for their own purposes. Under the illustrative regulation indicated above, a dishonest or reckless gang of promoters could raise 20 lakhs for their own enterprise by floating a trust with a paid-up capital of 40 lakhs. Such a possibility of abuse and evasion could be materially diminished if not suppressed by enforcement of a rule that not more than 1/10th of the free surplus above the legal minimum may be invested in a single scrip. Many investment trusts are known even now to incorporate voluntarily such restrictions on their powers in the articles of association. True, this will have in practice the effect of provoking people of the class under review to raise the paid-up capital of investment trusts still higher. But the higher the capital requirements, the less possible is it for questionable or obscure people to abuse public ignorance and credulity.

The inter-position of an additional intermediary cannot, but add to the cost of investment borne by the public. To the present cost of stock exchange services, the investment trusts will add their own working and administrative expenses. But compared with the benefits which will ensue and the evils which will be avoided, this cost will be hardly significant. The working expenses of three or four well-managed and well-known investment trusts in existence at present do not aggregate to more than .64 to .75 per cent. of their paid-up capital and 11 to 15 per cent. of their gross income. In the case of one trust whose managing agents have exacted for themselves as favourable terms as possible, the percentages are as high 4.0 and 30.0. The lower fractions of the better-managed trusts are themselves rather high as compared with the corresponding figures in the United Kingdom or the United States. This only means that the legal regulation of trusts must not omit this important aspect of trusts from its purview.

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THE WORLD ABROAD

Fourth U.S. War Budget (From Our Washington Correspondent)

WASHINGTON, January 14, 1945 (By Cable).

PRESIDENT ROOSEVELT'S fourth war-time budget message sent to Congress last week estimated expenditure at 83 billion dollars during the fiscal year beginning on July 1, 1945, and ending June 30, 1946. Largely because the nation's war-plant is working now on a maintenance rather than a build-up basis, the estimated portion of the budget devoted to war expenses—70 billion dollars—was between 19 and 20 billion dollars less than in the present fiscal year. The cost of the war to the U.S.A. since 1941 will have been 450 billion dollars, according to President Roosevelt, by the end of the next fiscal year. The message demonstrated the difficulty of planning expenditures during an unpredictable period encompassed by the next 18 months. Based on the possibility that the war on both fronts could continue throughout the period—with reservations for a downward or upward trend of the estimates of 10 billion dollars, either direction depending on the turn the war takes—the message dealt with a three-fold objective, firstly, the need for a continued tightening home-front economy; secondly, preparation to switch total resources to the war against Japan when Germany is defeated; and thirdly, “plans to transform an all-out war-economy into a full employment peace economy whenever demobilization becomes possible.” In the latter connection, however, it should be noted that President Roosevelt, as always, stipulated “I shall not make any prediction concerning the length of the war.”

There has been a shifting of emphasis in the United States' war economy as shown in the proposed new budget. For example, whereas in the fiscal year 1943 12,700,000,000 dollars were required for plant construction the fiscal year 1946 will require only about 2,200,000,000 for the purpose. The bulk of the war-costs in the next fiscal year will be for the production of weapons and the maintenance of armed forces. One-sixth of the total will go into Lend-Lease. The following figures show the relationship of war expenditures in the budgets submitted, in the calendar years, since 1940:

	Total Budget (in billions)	Military Expenses (in billions)	% to Total
1940	8.4	1.8	21
1941	17	10.8	62
1942	59	56	95
1943	109	100	93
1944	99.8	90	90
1945	83	70	84

One paradoxical fact about the budget message was that only about one-fourth of its space was devoted to statements having to do with expenditures during the next fiscal year. The remaining three-fourth is devoted to expenditures not directly connected with the war and the discussion of post-war

London Letter

Future Anglo-French Trade (From Our London Correspondents)

LONDON, January 15, 1945 (By Cable).

NEGOTIATIONS between the British and French Treasuries which have been dragging for weeks without result have raised a difficult post-war economic

question. The British Treasury, according to well-informed circles, suggests that France must pay gold or at least a substantial part of its post-war imports from Britain. The British argue that whereas Britain expenses and to the task of transition to peace. This problem may be approached from two standpoints—domestic and international. In both directions, President Roosevelt seems to contemplate increased governmental expenditures, and in business circles the questions are being asked how federal expenditures are ever to be got under control, how tax relief can occur, how the debt can be retired, and other such questions. In the international field the President stressed that “we have learned that as the United States cannot afford to be isolationist in its political philosophy neither can it stand the malignant effects of economic isolation.” To promote economic co-operation with other nations President Roosevelt proposed, firstly, Congressional acceptance of the Bretton Woods recommendations, secondly, the repeal of the Johnson Act which restricts loans and, thirdly, extension of the lending powers of the Export-Import Bank to permit financial assistance where other avenues of credit are closed.

The President's domestic proposals are built around the proposition that new consumer demand must be created in the post-war in sufficient quantity to offset the decreased Federal expenditures. “American people learned during the war the measure of their productive capacity and they will remember that experience in the peace to come. It is the responsibility of the Government to translate market opportunities into employment and production. It is the responsibility of the Government to hold an open-door opportunity and assure sustained markets. Then and only then can free enterprise provide jobs.” President Roosevelt proposed a post-war tax programme to stimulate consumer demand, promote business and investment, Federal and State public works to take up any slackness in employment, conversion of some war-plants to civilian use, travel and retraining assistance for war workers and expanded social security. All this is in addition to reconversion measures already enacted. The President's message has naturally raised the question likely to be paramount in the Congressional debate, on national economy in the years to come, namely, to what extent will Government have to be responsible for full employment. The New York *Times* in an editorial on the President's message says that the President “seems to believe that through deficit spending the nation can indefinitely expand production,” and said that some of his proposals could not be reconciled with his statement in favour of an “orderly but steady debt reduction.” President Roosevelt's statement that in spite of war demands the U.S.A.'s production has been adequate to “provide most of us a better living standard than prevailed in the pre-war” moved the *Times's* Washington financial writer to say that “the major consequence of this phenomenon has been to start a new economic theory that there simply cannot be any really dangerous price inflation in the United States.”

lost all its gold and a large part of its other external assets, the French Government still owns an immense stock of gold safe in New York; for the United States' Government, by freezing French assets in America, effectively prevented the Vichy Government from depleting them. Thus Britain is in a worse international position than France and cannot afford not to exploit its exports as much as possible. The French reply is very interesting. They draw a distinction between external assets which are admittedly still good and the internal economy which they claim has almost completely been wrecked owing to systematic looting by the Germans. Their domestic position, they claim, is much worse than that of Britain since Britain has a huge war-time plant ready for the production of peace-time goods when the war is ended. If Britain possibly for political reasons can apparently afford to treat generously Egypt and other Near Eastern countries which suffered much less than France during the war, why cannot Britain afford similar generosity towards her nearest neighbour, France? Why a new and more stringent policy is suddenly applied to France? If the French Deputation returns empty-handed, then the French Government will presumably spend its gold and dollars in New York in purchasing American capital equipment such as locomotives and other rolling stock, machine-tools, ships—all items which British industrialists would gladly furnish. The British Treasury's difficulties are obvious.

Future of Raw Commodities

Although stock markets have entered the New Year with prices at new high levels, general bullishness has been somewhat subdued which statisticians, brokers and dealers have noticed as a novel and disconcerting phenomenon. For a small question-mark has been plastered over the general assumption that the war-time inflation of bank-credit must necessarily result in a corresponding post-war inflation in company earnings and share prices.

For the past 21 years the weekly *Investor's Chronicle* has published, among other indices, one showing the average price of shares of a number of companies dealing with commodities and land. Normally this index, though it represents share prices in a small specialized field, follows fairly closely the ordinary stock market indices, which includes the leading ordinary shares of all important fields. Occasionally this "Commodity Shares Index" lags behind other indices or turns shortly before others turn, but since the end of September, when industrial shares turned upward and never looked back, this Commodity

Share Index has broken away and declined steadily, has stood this year at 109.3 compared with the July peak of 119.03 (prices on December 31, 1923=100).

Only twice before has this index diverged definitely from its fellows. First time it was in 1927 when it started downward one year before the stock prices in general crashed. The second time was immediately after Pearl Harbour when there was heavy selling of shares in tin, rubber and similar companies.

Such divergence in trends today suggest that companies dealing in raw commodities see difficulties in the post-war world not yet visible to others.

British Business and Left-Wing

The highly conservative *Metal Bulletin*, which is the organ of the metal trades, especially merchant firms dealing in base metals, has aroused a city-wide discussion with a categorical declaration that a "number of British industrialists and business men can be found in the left wing." The journal opines that they are there partly from altruism, and partly because they believe it is "good business." Briefly, the *Metal Bulletin* attributes this trend to the following situation: "When Russia went Bolshevik, we were regaled with such lurid pen-pictures as 'wild hairy Bolsheviks' running amok amid economic chaos. We know now how far this was from truth! Behind that facade of apparent mob rule, keen brains were at work on reorganizing Russia on a scientific and closely organized basis to replace the more colourful but inefficient Tsarist system. On the other hand, the great depression which began in 1929 found the 'capitalist system' lacking leaders with sufficient dynamism, faith or power to surmount the crisis. They lost grip and indulged in ignominious doctrines to 'save himself who can.' The resulting misery to the middle classes and the working classes, in our opinion, has given an impetus to urge for technicians to take over control. If energetic business executives find their activities again blocked by economic chaos, we believe, they are likely to support the left wing so as to restore order and secure positions of responsibility in the new State.

"Capitalism as we knew it in this country before the present world war may have the last chance to justify itself when peace comes. The chance should be seized with avidity."

Such remarks in an influential trade paper illustrates how far London is from Wall Street.

Trends in British Banking

LONDON, Jan. 3, 1945. (By Air Mail).

IN reviewing the past 12 months of banking trends in Great Britain the most remarkable point to notice is the renewed increase in liquidity preference. A year ago it had appeared that this trend towards liquidity had come to its limit. Experience during 1944 has shown different. The bank deposits have increased by £m 534 between November, 1943 and November 1944. This increase is £m 28 more than the former record increase of £m 506 during 1941. The total increase in deposits since August 1939 (to end of November 1944) is £m 2,153. Cash holding of the banks has increased similarly but not quite pro

rata. The currency issue also has continued to grow during the past year. Notes and coins held by the public (i.e. outside the banking system) is estimated by the Bank of England to have amounted to £m 1,154; an increase on the year by £m 171 or £m 674 since November 1939. The present holding of currency by the public is indexed at 321 as compared with 100 for the 1935 yearly average. The total of currency in public hands and bank deposits, totalling £m 3,707, is augmented by £m 717 of Tax Certificates held by large tax-payers (Tax Certificates were first issued in 1942 to provide tax-payers with an easy method of making provisions for tax appropriation without them having to keep funds liquid for the purpose).

Treasury Deposit Receipts held by the banks have increased by £m 361 over the year to end of November and then totalled £m 1,547. This increase, however, is considerably less than pro rata increase in deposits and the deficiency has its reflection in the increase of Call Money and Discounts of £m 64, and of Investments and Advances of £m 39. Large savings began to lag behind during the second half of the year. On the one hand there was already a plethora of liquid funds and, on the other hand, National War Bonds lost favour mostly owing to their comparatively long maturity. The Government took the hint and began the issue of a medium term (1950) Exchequer Bond which caused a large turnover of funds, but it is too early to say whether this issue will be the success hoped for.

The following table shows the changes in bank deposits and bank assets to end of November 1944 (London Clearing Banks only):—

	Nov. 1944	Change since Nov. 1943	Change since Aug. 1939
Deposits	4,398	+ 534	+ 2,153
ASSETS			
Cash	460	+ 57	+ 227
Call Money	205	+ 50	+ 157
Discounts	198	+ 14	+ 81
Trey. D. Recpts.	1,547	+ 361	+ 1,547
Investments	1,192	+ 25	+ 593
Advances	738	+ 14	+ 247

Earning assets, as can be seen, have slightly increased but there is still a large preponderance of 'liquid' assets. In pre-war times investments and advances represented roughly 70 per cent. of the amount of deposits while the liquid assets came to about 30 per cent. At present earning assets only represent 44 per cent but liquid assets still amount to 55 per cent. It is expected that the banks have increased their profit margin and some of them at least will now come within the radius of Excess Profit Tax.

The Government's floating debt was as follows:—

	£ m.	£ m.	£ m.
	25th Nov. 1944	27th Nov. 1943	
Treasury Bills	£m 3,775.5	£m 3,078.9	
Treasury Deposits by			
banks	1,700.5	1,291.0	
Ways and Means	541.3	390.6	
Total	6,017.3	4,760.5	

Gilt-edged securities had a good year and the *Financial News* index of gilt-edged stock values reached 137 points on November 29, 1944. Industrials also did consistently well. The *Financial News* index of share values showed the record number of 116.9 on August 9. For a short period after this date there was some retreat to 107.6 owing mostly to cautious buying and also to some extent to profit selling. But by the end of the year the index had recovered to 112.9 leaving a rise on the year of 9.8 points.

A year ago it was announced on behalf of several of the big banks that in future these banks would de-

part to some extent from their traditional ways and would provide working capital for the 'small business man' by way of loans proper instead of overdrafts. Little more has transpired since then. The plans have no doubt been laid down and, until the war in Europe is ended, little in the way of practical results can be achieved.

The *Times* of Jan. 1 in its City pages comments on this question of providing a better banking service for trade and industry, in particular that concerning the medium and small concern. To illustrate the need for such a service the paper quotes some figures showing the financial position of 15 medium sized public companies. Taken together, these companies showed the following assets:—

	1939	1944
Cash, investments, etc.	£m 8.7	20.2
Fixed Assets	60.5	49.0
Stocks, etc.	23.9	26.8

These companies increased their liquid assets since 1939 by £m 11.5 and, at the same time, had their fixed capital value reduced by a similar amount, while stocks were reduced by £m 2.9. At first glance it appears that the position may be rectified simply by selling investments and reducing the cash balance. But since 1939 prices have risen. Building costs will be doubled and costs for plant probably more than doubled by the time these companies are able to buy the required plant and rebuild where necessary. They have either to increase their share capital or else will require help from the banks or the investment market. What is more, to some extent the shortage of capital may prove to be temporary only and could best be remedied by loans.

Here, then, is a rich field and, no doubt a fruitful one for the banks to unload their liquid resources. The necessity for such departure from the short term banking of tradition was commented upon already in 1931 by the Macmillan Commission. There has, indeed, been some attempt on these lines through the creation of two special institutions, one for agriculture and the other for trade in general. But the guidance of both is mostly in the hands of the Bank of England. In either case has the method proposed and used approached by far the comparative cheapness of credit achieved by the continental banks. In the case of the institution which should provide cheap capital for agriculture and method of raising funds has turned out to be exceedingly costly. An entirely different method is essential. The best can be provided by the banks themselves unfettered by the hand of the Bank of England (though this does not mean, of course, that the latter should not co-operate. The *Times* article stresses the need for "closer co-operation between organized finance and industry" and that the Banker's Industrial Development Company should be separated from the Central Bank and have an independent existence.

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A DELHI DIARY

THE few who cried that the Bombay Plan would only make "the rich richer and the poor poorer" when the first part of the Plan was published an year ago must certainly have revised their opinion following the publication on Tuesday of the Plan's second part. The seven authors (the eighth is now the Member for Planning) have told the world how they wish the wealth to be produced under their 10,000-crore plan to be distributed. Many may ask whether the authors have not run the risk of letting the present Government exploit some of the recommendations made in the report for imperialist ends. The risk must have been weighed by the distinguished industrialists, but they probably thought it to be advantageous in taking the public into confidence. It is now for the people and the political parties to create the necessary sanctions to see that a National Government is set up so that the recommendations contained in the Plan are implemented.

Yesterday I met an Australian who has done some post-war planning in his own country. After studying the second part of the Bombay Plan he said: "Well, I take my hat off to your industrialists. They are unlike those in our country. They mean what they say. Capitalists and industrialists in other countries say a lot but never mean what they say." What gives strength to this analysis is that the report is subscribed to by men whose personal incomes would suffer more than any one else's in the New Order they are striving to usher. Even the *Statesman* has remarked that "such evidence of self-sacrifice by industrialists deserves acknowledgement." The authors have not only recommended State control of industry during the period of development, but have also suggested limitations of dividends and personal incomes. Which means that millionaires and multi-millionaires are prepared to adopt an attitude of self-abnegation and be content with limited purse. Such an attitude is, of course, in tune with the spiritual background of Indian life.

The report has recommended the need for fixing minimum wages and expanding social services. It has suggested steeply-graduated income-tax, death duties, and agricultural income-tax above a certain level. The critics may ask: This is excellent so far as it goes. But why not be more specific? The answer is that India is still governed by a foreign bureaucracy and that having served them on a plate various suggestions it would be foolish to give them a more concrete shape. The fundamental premise of the Plan is that only a National Government can give effect to it and drawing from past experience the industrialists have stated as their conviction that "it is a dangerous thing to vest large powers of taxation in a foreign government bred in traditions of imperialist exploitation."

The great merit of the report is that it has given a complete picture of the role which the State and private enterprise should play, how the component elements in the society should be guaranteed not only a fair share of wealth but a minimum wage and certain free social services. But the report is based on the conception that it is by industrialization that agriculture and services can get proper blood transfusion and a modern democratic State can be built up. If the world were free from imperialist aggrandizement and the lamb and the lion could live together the emphasis could be shifted towards building up a predominantly rural economy. India has to tread the path chalked out by Mr. G. D. Birla, Mr. J. R. D. Tata and their colleagues unless India is prepared to be a perpetual slave to Western dominance.

Political quarters here have been discussing the prospects of the coming Budget session in the light of the talks which Mr. Bhulabhai Desai and Nawabzada Liaqatali Khan are reported to have held recently. There is no doubt that the two leaders are very desirous of cementing the understanding which found significant expression in the lobbies of the Assembly, during the last two sessions. Left to themselves they would have no difficulty in coming to an agreement regarding the Central sphere. But they are not free men. Even supposing they agree to a formula for replacing the present Executive Council by popular men, it cannot be put through unless it is acceptable to the Viceroy on the one hand and to Mahatma Gandhi and Mr. Jinnah on the other. What are the prospects of these persons blessing such an enterprise?

The Viceroy has stated that he is prepared to have representatives of major parties as his Executive Councillors provided they work under the existing constitution and promise wholehearted support of the war-effort. This, in effect, means the August Offer made by Lord Linlithgow as modified by the Cripps formula in regard to the all-Indian personnel of the Executive Council. Mr. Jinnah's reaction to the August offer was that he would be prepared to put aside the Pakistan issue as a post-war problem provided an interim government was formed under the existing constitution and he got the same representation as was given to the Congress. The Congress certainly rejected both the August and Cripps offers for the reason that they merely amounted to offering Executive Councillorships to popular leaders. They wanted at least an understanding of the type given by Lord Linlithgow in regard to provincial Ministries that the advice of the Ministries would be accepted without question in all spheres save those where the Governor was called upon to act in his individual judgment. The present Executive Councillors have all been appointed on the understanding that if so required they should make way for a new set of Councillors to give a popular character to the Central Government.

There is no doubt that the public would welcome any solution which would instal a popular government at the Centre. Politics today being what they are the Viceroy is likely to insist on fulfilment of the conditions he laid down in his speech to the Associated Chambers of Commerce. Mr. Jinnah may stand out of the proposed interim government and make the Pakistan issue his personal preserve. He may permit his lieutenants to join an interim government provided the League's representation was equal to that of the Congress. Mahatma Gandhi has always taken up the attitude that he does not believe in the parliamentary method of political warfare to attain self-government. He believes that sanction for Swaraj can be raised only by constructive programme on a mass scale. But he has also made no secret of his willingness to let the Congressmen with parliamentary mentality enjoying autonomy in the pursuit of their tactics. The Congress High Command imprisoned in Ahmednagar Fort believes, according to Dr. Ghosh, that the stand taken by the Congress in 1939 has been completely vindicated.

It is clear, therefore, that an interim government cannot be formed on the basis of a compromise between the Government and the representatives of the peoples of India. It is, however, possible to form an interim government which will represent popular view and be of a composite character. Such a government can be sure of the support of the Central Legislature, and can, indeed, make a point of carrying out only such measures as are endorsed by the Legislature.

ARGUS.

MONEY MARKET

Firm Money Market—Further Currency Expansion—Rampant Speculation in Stock Exchange (From Our Correspondents)

BOMBAY, Jan. 14, 1945.

THE money market has been firm, with inter-bank business reported at $\frac{3}{4}$ per cent. on a few occasions. The banks are experiencing good demand for funds as a result of large withdrawals of deposits for payment of taxes, and financing of crop movements and larger turn-over in all markets. Bank deposits with the Reserve Bank have declined further from Rs. 75.9 crores to Rs. 67.7 crores during the week ended 5th January, and the surplus balances must be still lower at the time of writing. The results of Treasury Bills tender amply bear out the prevailing phase of tight money. The total applications for Rs. 6 crores of bills showed a further shrinkage during the week from Rs. 2. crores last week to Rs. 1.39 crores this week. Even of those, the Reserve Bank could accept only Rs. 1.24 crores, with the inevitable rise in the average rate from Re. 0-8-3 last week to Re. 0-9-0 per cent. this week. Tenders for Rs. 6 crores have again been called for the next week. The official policy with regard to Treasury Bills follows very strange lines. If the authorities did not want to pay too high a rate, it was open to them to skip the issue of Treasury Bills for a week or two until the stringency in the money market passed over—i.e., if they really wanted to help in easing the money situation. On the other hand, if they did not want to be dictated to by the market, they could have rejected all the tenders if the rate did not suit them. Neither course has been pursued. What has happened is a policy of compromise between the two alternative courses. The statement of the Reserve Bank of India dated January 5, discloses fresh currency expansion of Rs. 10 crores during that week, bringing the total since December 1, 1944, to Rs. 55 crores. To put it into proper perspective, the currency expansion within one month is about a quarter of the total notes issued in this country just before the war. During the week under review, the gilt-edged market has actually been weaker. The prices of almost all securities have declined by a couple of annas. Thus $3\frac{1}{2}$ per cent. Rupee Paper is back at Rs. 99-12, 2 $\frac{3}{4}$ per cent. 1948-52 has declined to Rs. 99-10, 3 per cent. 1951-54 to Rs. 101, 3 per cent. 1963-65 Rs. 99, while the Funding Loan has lost a couple of annas at Rs. 98-2.

Bullion

A perceptible fall in bullion prices materialized during the initial days of the week due chiefly to the encouraging war news from Burma and the Pacific. But this fall was only short-lived, as, in the second half of the week, speculative elements, which had temporarily retired presumably on account of the surprising raid carried out by the police on the "cut market"—the Bombay counterpart of the New York curb markets—towards the close of the last week, once again re-entered the ring. The sharp rise in the currency coupled with the upward trend in the shares and cotton, enabled "bulls" to overlook the fall in the up-country off-take of metals. After opening in the neighbourhood of Rs. 75, ready gold declined to as low as Rs. 75.7. towards the week, but gradually moved up to Rs. 75.7. towards the close. At this level there was some profit-taking, which resulted in the rate dropping to finish at Rs. 74.13, as against Rs. 74.9 a week ago. The rate for one week delivery stood at a small discount of six pies during the major part of the week. Commencing with the 75,000 tolas, the Reserve Bank gradually reduced its

tender limit for sale of gold to 30,000 tolas. The actual quantity sold however, was, far lower, and fluctuated between 10,000 and 25,000 tolas. As was indicated last week, the Bank was very reluctant to sell any substantial quantity below Rs. 75 per tola and this explains the poor offerings during the week. The average rate of the bank's sales during the week works out to about Rs. 74.12.

The silver section experienced a downward trend in the beginning of the week, the rate for spot silver, which was standing at Rs. 129.4. at the close of last week, touching a low of Rs. 126.6. Subsequently, however, it rose up to reach a high level of Rs. 131.6. on Friday, owing to covering by uneasy "bears" and buying by the bull syndicate. As usual, the high level attracted some profit-taking and the rate, in consequence, declined to finish at Rs. 129.11. The rate for one week delivery was quoted at discount of about two annas. The authorities continued to sell 300 bars a day throughout the week, at rates varying from Rs. 128.6 and Rs. 130.12.

The daily average offtake of gold and silver during the week is estimated at 25,000 tolas and 250 bars as against 30,000 tolas and 200 bars, respectively, last week. Stocks of gold are estimated at 2,00,000 tolas, as against 3,00,000 lakhs a week before and these of silver at 1,200 bars, as compared with 1,500 bars as on the 5th instant.

Stock Exchange

Speculative activity in the share market reached its zenith during the week under review and prices fluctuated frequently and widely. The first half of the week witnessed hectic buying in steels and textiles, particularly in the two popular counters, namely Tata Defds. and Bombay Dyeings.

The President of the Stock Exchange administered a stern warning to the members against excessive speculation and the closing rates were, therefore, appreciably below the best recorded earlier. Nevertheless, as compared with the last week's closings, some of them reveal a sizable gain.

In the steel section, Tata Ordinaries and Deferreds were the main centre of activity. On strong speculative buying both these shares reached a height of Rs. 453 and Rs. 2,422.8 on Tuesday, which is said to have been attained for the first time in their history. There was a substantial amount of profit-taking both by investors and speculators at the higher levels, with the result that much of the earlier gains were lost, the closing rates being Rs. 2,365 for Defds. and Rs. 438 for Ordinaries, as against Rs. 2,320 and Rs. 431, respectively, a week before.

In the textile section, the activity was chiefly confined only to such popular counters as Bombay Dyeings, Centuries, Gokaks, Kohinoors, New Greats and Swadeshis. The extent of fluctuation in the value of those shares will be evident from the following set of figures.

	Last week's		This week's	
	closing	High	Low	closing
	5-1-'45			12-1-'45
	Rs.	Rs.	Rs.	Rs. A. P.
Bombay Dyeings	1,960	2,020	1,950	1,963 12 0
Central India	440	446	435	427 0 0
Centuries	920	930	900	930 0 0
Kohinoors	657	671	651	652 0 0
New Great	442	445	435	434 0 0
Swadeshi	590	601	586	585 0 0

It will be observed from the foregoing that, with the exception of Bombay Dyeings and Centuries, the rest have wound up the week with a fractional loss. This has been the case, generally speaking, with the majority of the textiles shares.

In the miscellaneous group, Associated Cements, which had gone up to Rs. 265 last week on persistent

reports that the capital of the company would be increased, met, surprisingly enough, with considerable selling pressure towards the close of the week and finished at as low as Rs. 254.8.

Banks and public utilities maintained a steady undertone, with moderate business passing.

Busy Profit-taking—Satisfactory Coal Company Reports

CALCUTTA, Jan. 15.

THE behaviour of the Calcutta Stock Exchange in the last week is in contrast to the tone of the markets in the first week of this year. In the absence of any outside support professional operators have been eager to take their gains at the higher levels. A group of bear operators were busy during the week. In spite of the strength of the Bombay market there was a decline in prices early in the week and the further expansion of currency did not have any rallying effect on Thursday. The reports that the speculative rise in prices in the Bombay market might be checked with restrictions on trading and the feeling in the local market that the earlier rise in prices had been to a certain extent overdone, have been mainly responsible for the apathetic tone of the markets. With the speculations regarding the markets would be fluctuating in wide limits for the next two months.

Cotton shares declined in the first two days, *Cawnpore Textiles* being done at Rs. 14 and *Elgin* at Rs. 70-8. *Dunbar* were, however, in request at Rs. 332. On expectations of a good dividend there was a rise in *Muir* to Rs. 465. Thus cotton shares were slightly better in the latter half of the week.

Speculations regarding a rise in the price of coal have not been realized. The reports by leading coal companies have been satisfactory. But, however, the best prospects appear to have been discounted ahead. The report of the *Bengal Coal Company Limited*, for the half-year October, 1944, shows a big increase in earnings, the highest in the last two decades. After providing for taxation and depreciation on a larger-scale it has been possible to increase the dividend and bonus on the ordinary shares to Rs. 16 per share from Rs. 12 per share. There was an improvement in the quotation for *Bengal Coal* on the publication of the balance-sheet from Rs. 700 to Rs. 730. There was some investment buying of *Amalgamated* and the quotation was higher at Rs. 53-4. *Burrakur*, however, declined from Rs. 44-4 to Rs. 46-4. The close was slightly better at Rs. 44-12. *South Karanpura* encountered selling and there was a drop of nearly three points from the peak level of last week. *Equitable* were neglected at Rs. 69-12, while *New Beerbhoom* were sticky at Rs. 39-12 even with the announcement of an increase in the dividend for the half-year ended October, 1944, from 7½ per cent. to 6¾ per cent.

Jute shares were uninteresting as there were reports of continued difficulties regarding coal supplies. Quotations, however, were not very much changed.

In the Engineering section *Indian Irons* were lower at Rs. 41-12, while *Steel Corporations* on the possibility of a higher interim dividend improved to Rs. 35-4. *Jessop & Co.*, were a shade easier at Rs. 25, while *Indian Standard Wagon* were steady at Rs. 92. *Kumardhubi Engineering* improved to Rs. 12-4 from Rs. 10-11. There was a sharp spurt in Sugar shares with *Balrampore* done at Rs. 19-12 and *New Savan* Rs. 23. There was a slight fall in prices, *Balrampore* quoting Rs. 18-12, *Carew* Rs. 28-12 and *Cawnpore* Rs. 41-12. Tea shares have moved against the general trend of the market. There was not much interest earlier

in the week, but in the last two days a larger number of transactions has been reported. *Tesore* were Rs. 21-4 and *Killicott* Rs. 76-8.

In the Miscellaneous section, Cement shares have been firmer as a result of the hopeful view taken by the Chairman of the *Associated Cement Companies, Limited* regarding the future of the industry. *Assam Bengal Cement* were Rs. 18-5 and *Dalmia Cement* Rs. 18-3. *Burma Corporation* were higher at Rs. 5 and *B. B. Petrol* at Rs. 4-6. *I.G.N.* have recorded a rise of nearly ten points to Rs. 178-8. *India Paper Pulp* have been freely bought and the quotation at Rs. 233-8, is the highest for sometime. The report of the *Titagur Paper Mills Company Limited* for the half-year ended September, makes better showing though the dividend on the A and B ordinary shares has been only maintained at twelve annas per share.

The announcement regarding the size of the Jute crop for the next season has not yet been made though there are rumours that it might be ten annas of the basic acreage of 1940. Pending the official announcement in this respect and the continued difficulties of mills regarding coal supplies there has naturally been a tendency to await actual developments. Mill business has been poor, but with the firmness of up-country centres in the raw jute market during the past week there has not been any tendency on the part of sellers to discount prices. The reason for the decision of a larger crop by the Government, assuming, of course, that the rumours are correct, could probably be found in that they would have received the necessary assurance for larger orders from the United Nations. The mills too, have been asking for a larger crop.

In loose jute only a small business has been reported. *Indian District Tossa Middles and Bottoms* were sold at Rs. 16 and Rs. 13 per maund. Sellers are keen for business, but are not prepared to offer any discount in rates owing to the firmness of up-country markets. In the pucca bales section export business has been negligible, but mills are reported to have purchased *Dundee Dastie* 2/3 at Rs. 77 per bale and *Lightnings* at Rs. 74 per bale.

The publication of stock figures revealing a decline in both sacking and hessian goods has had an encouraging effect on the market. Mills are not free sellers and it is even reported that consumers have paid higher rates in the bazar than the maxima. In the heavy goods section steadier conditions have been noticeable in sympathy with the hessian market. *B. Twills* quoted Rs. 63. The local stock figures for December were given wrongly in this column. The November figures were given in place of December figures. There was a decrease in total stocks by 13,977 tons. Hessian cloth and bags on civil account at the end of December were 10.98 crores yards against 13.65 crores yards. On Military account there was a slight decline to 15.33 crores from 15.35 crores yards. Expressed in tonnage there was, however, an increase to 36,532 from 35,620 at the end of November. Sacking cloth and bags on civil account were 21.39 crores yards against 23.26 crores yards, but on Military account there was an increase to 3.02 crores yards against 2.69 crores yards. Total stocks sacking and hessian were 169,012 tons against 182,989 tons.

THE BUSINESS WORLD

INSURANCE IN 1943

THE Indian Insurance Year Book, 1944, reporting on insurance business during 1943, was published towards the end of December last. Considering that until very recently this annual publication used to make its appearance only some 21 months after the close of the year it reviewed, the Superintendent of Insurance may be considered to have done very well this time, and one may, perhaps, agree with him that it is not possible to expedite publication any further under the present circumstances. The Year Book does not contain particulars relating to 14 Indian insurance offices and a like number of non-Indian companies, besides nine provident societies, as these bodies did not furnish returns in time. Their action as well as that of a few others, who furnished defective returns, is to be deprecated since it delays the publication of the Year Book and also detracts from its completeness. These organizations have only themselves to blame if their failure to furnish returns in time or to furnish them in a satisfactory form is construed as being prompted by hesitation or unwillingness on their part to disclose their affairs to public scrutiny.

In the year under review, there were 156 Indian and four non-Indian companies doing life insurance business only, while there were 35 Indian and 11 non-Indian companies carrying on life business along with other insurance business. The total new life insurance business effected in India amounted to a sum assured of Rs. 72.12 crores, bringing in an annual premium of Rs. 3.97 crores and the share of the Indian insurers came to Rs. 62.94 crores by way of the sum assured and Rs. 3.48 crores by way of premium income. The total new annuity business amounted to Rs. 5,55,000 per annum, of which the share of Indian insurers was Rs. 1,65,000 per annum. Some Indian life offices have been doing business outside this country also, and their foreign business effected during 1943 amounted to Rs. 2.30 crores in sum assured, bringing in an annual premium incomes of Rs. 0.14 crores. Thus, the Indian insurers dominate the life field, as indeed they should, and the non-Indian life offices are becoming progressively less important in the sense that in recent years they have been able to secure only a small part of the new business effected in this country. The latter, however, continue to insure, on the average, a much higher sum per policy; in the year under review, the figure was as high as Rs. 6,749 as against Rs. 2,227, which was the average sum insured per policy under the new policies issued in India by Indian insurers. Commenting on this point, the Year Book says, "it is clear that the cream of life business, of high class lives with a low rate of mortality, acquired and maintained at a low expense ratio, still goes to non-Indian companies," and proceeds to draw the lesson that Indian insurers should improve upon their strength and efficiency in order to attract the custom of the discerning well-to-do. While we would readily agree with the suggestion that our life offices should aim at greater efficiency, we wonder whether much of the custom of the prosperous goes to the non-Indian companies for economic reasons alone. For one thing, under the present political and economic dispensation, a high proportion of the top places in the services and in business in this country is officered by non-Indians, who naturally prefer to insure with companies, which commend themselves to them on grounds of nationality or chromatic affinity of the skin. Secondly, and not so naturally, there is also a small number of Indians, chiefly among high-placed Government

officers, whom up-bringing and environment have led to believe that it is the 'thing' to insure with foreign companies. Lastly, non-Indian life offices tend to confine themselves largely to the close and compact terrain of the urban high-income groups and effect a relatively small volume of business. The average sum insured per policy, therefore, is bound to be high in their case. National life offices, on the other hand, have to seek to serve the lower as well as the higher income groups, in the urban areas as well as in the countryside. The volume of business they effect is relatively large and as their policies extend to people of various conditions and sorts, the average sum insured per policy is necessarily lower in their case. It would not be correct, therefore, to regard the average sum insured per policy as an index to the relative efficiency of the Indian and non-Indian insurers; the progress of Indian life offices should continue to be measured in terms of the share of the total new business they are able to secure, and their increasing success in this respect may well be accompanied by a rise in the average sum insured per policy by their non-Indian rivals.

The life insurance funds increased by Rs. 8.29 crores and amounted to Rs. 84.23 crores at the end of the year. The rate of interest earned on the life funds during the year after deduction of income-tax at source was 3.88 per cent. It is interesting to find that of the 159 Indian life offices, whose latest valuation results are given in the Year Book, only 34 have assumed in their valuation base a rate of interest higher than the above and that as many as 102 have assumed a rate, which is 3½ per cent. or less. Considering also that some of the valuations are for years prior to 1943, when the net rates of interest realized by Indian life offices were considerably higher than 3.88 per cent., there is sufficient ground to congratulate the Indian insurers, as a whole, on having followed in this respect a policy, which, if anything, has erred on the side of safety. This, of course, is not to say that insurers who have assumed a rate higher than 3.88 per cent. are necessarily to be denounced as being unduly optimistic. Successive issues of the Insurance Year Book, however, have emphasized that a very low rate of interest should be used for calculating premiums and in the current issue, the Superintendent of Insurance urges that "premiums should be recalculated at a rate of interest of 3 per cent. or even less." Incidentally, he criticizes the view expressed in the following passage, which appeared in the *Eastern Economist* of June 2, 1944 (page 858), in the course of our discussion of the last Year Book:

"That in the matter of interest rate there should be no divergence on the wrong side between the valuation assumption and the actual experience and that, where necessary, premium rates should be revised 'to conform to the yield on the type of investments in which alone life insurance companies can safely invest their funds' are self-evident propositions and the Year Book itself acknowledges the improvement shown by the Indian insurance companies in the matter of interest rate in their valuation bases. Nevertheless, we cannot suppress the feeling that the authorities tend to take an entirely actuarial view of the subject and are consequently too apt to forget that there may be a legitimate element of risk-taking in insurance as in other business ventures. Premiums are spread over time and in calculating them, it would

be a justifiable assumption of business risks for the management of an insurance company to refuse to be dominated solely by the present and to place a reasonable dependence on their intelligent anticipation of future trends. In saying this, we wish to make it quite clear that we are by no means in favour of any weakening of the bases of valuation and that our concern is only to point out that official *obiter dicta* should not seek to deny reasonable latitude to the managements of well-conducted insurance companies in the matter of arriving at a reasonable rate of interest to be used in the valuation base."

While difference of opinion is possible here as elsewhere, it is hardly fair to tear a sentence from the above passage out of its context and paraphrase it in a most melodramatic manner, as the Superintendent of Insurance has done in the current Year Book (pages 6-7). According to him, the second sentence in the above passage can bear only one interpretation, to wit, that the writer thereof wants that "the insurance industry should be put on a par with other industries and free play should be given to the management to indulge in whatever types of investments they consider safe and profitable from the point of view of their policy-holders and shareholders, and they should not in any way be hampered from assuring in the premium calculations the rate of interest they hope they would be able to earn as a result of this freedom." One would think that the wording of the concluding portion of the above passage, if not the spirit of the passage as a whole, should have been sufficient protection against such sweeping misinterpretation.

This controversial digression apart, what is the official case for the statement that "even a rate of 3½ per cent. errs, if anything, on the high side"? The argument, as advanced in the current Year Book, is that "a 3½ per cent. net rate, taking into account taxes, which have been pegged at 63 pies in the rupee, would mean a gross rate of 5.21 per cent. and allowing for the fact that when insurers pay tax on their interest income a deduction for expenses is allowed, the gross rate would be something like 4¼ or 4½ per cent.," and that under probable future financial conditions, it is highly unlikely that insurance companies would be able to find safe investment for their funds at a gross rate higher than the above figure. While we fully

realize, to quote from the offending passage of our last year's article, that "in the matter of interest rate there should be no divergence on the wrong side between the valuation assumption and the actual experience," we would urge that even in 1943, the average net rate of interest realized by Indian life offices was as high as 3.88 per cent. This means that some at least of the life offices were able to earn a net rate higher than this average. If they could do this in the worst years of war, in the context of a very successful cheap money policy and high pressure war taxation, would it be unreasonable for them to place legitimate reliance on their being able to continue to do so in the future as well? A huge programme of social service and planned economic development after the war would certainly demand cheap money and a high level of taxation—two factors which depress the interest-earning capacity of life insurance funds. It is extremely unlikely, however, that a cheap money policy would succeed in or, indeed, aim at depressing interest rate to a greater degree than has been done in the war years. As regards taxation prospects, considering the social nature of the insurance business and the paramount need to bring down the cost of this service to the masses, there is a very good case for pegging down the tax burden on this industry at a low level and not to increase it except under the direst necessity. At any rate, it does not seem probable that in the future circumstances would arise which would justify a Finance Member in taxing the industry very much more heavily than what the exigencies of war finance have called for. Our position, then, is that a number of companies have been able to earn in the past a net rate of interest much higher than 3 per cent. or 3½ per cent., that there is no ground for supposing that a safe investment policy cannot be as successful in the future and that, therefore, while all emphasis should be placed on the need for a strong valuation base, there may not be sufficient ground to fix any particularly low rate of interest as the one to be universally followed by all insurance companies in calculating the rates of premium and to condemn rates higher than that one as being necessarily speculative. In other words, we would urge that the executives of well-conducted insurance offices are entitled to a certain measure of discretion.

(To be concluded)

NOTES

COFFEE CONTROL

We publish elsewhere in this issue a letter to the editor on the working of the Coffee Control. For obvious reasons, we cannot endorse all the accusations levelled against the wholesalers by our correspondent, but we do agree that coffee control has not worked as well as it should have. With the entire production controlled by a statutory body, the public have the right to expect a better show. It is true, of course, that none of the existing commodity controls has succeeded in working out a fool-proof system of distribution, as is glaringly demonstrated in the case of textiles; but in the case of coffee, the difficulties cannot be claimed to be of the same gigantic proportions as in the case of cloth. At any rate, it is in the permanent interests of the industry itself to tackle with the utmost energy such difficulties as there are and explore means of distribution, which would render extremely difficult, if not altogether impossible, the grosser mal-practices on the part of the middlemen. In particular, we would like to emphasize that the producers of a commodity in chronic world surplus cannot afford to do anything to alienate

the sympathies of consumers, especially as the latter can readily take to substitutes, such as tea. Further, the coffee habit has only recently begun to spread in this outside its traditional strong-hold of the Madras Presidency and the industry has to nurse the public sedulously, if it is to make the most of the favourable opportunities for expansion of consumption which current conditions offer. Last, but not least, the interests of a large number of middle-class people at least in the south, to whom this habit-forming beverage has become a necessity, certainly demand that the India Coffee Board should give up distribution policies, which experience has shown to be conducive to the perpetration of abuses and try more satisfactory methods.

THE MYSORE IRON AND STEEL WORKS

The Mysore Iron and Steel Works at Bhadravati in the Mysore State are a Government-managed enterprise, founded in 1923. They comprised originally of a modern Charcoal Blast Furnace with wood distillation and bye-products recovery plant, foundry and auxiliary steam and power plants, foundry and

machine shop. The equipment, however, has been progressively enlarged to cover a growing range of production lines and there are now a modern charcoal blast furnace, with a capacity of 80 tons of pig iron per day; a wood distillation plant with 16 oven retorts for carbonising about 250 tons of wood per day together with a bye-product recovery plant and a tar distillation plant; a pipe foundry with a capacity of about 40 tons of C.I. pipes to B.S.S. per day; a general foundry for making pipe specials and miscellaneous iron castings; two basic open-hearth furnaces, each with a capacity of 25-30 tons per day, a rolling mill for the conversion of the steel ingots to mild steel sections, with a capacity of 80-100 tons per day, a plant for manufacturing Portland cement to B.S.S. with a capacity of 60 tons per day; electric furnaces and a steel foundry for manufacturing manganese, carbon and alloy steel castings; a ferro-alloy plant consisting of two furnaces, each with a capacity of 900-1,000 tons of ferro-silicon per annum; a structural shop for the fabrication of steel structure for buildings, electrical transmission towers, etc.; and a brick plant for manufacturing bricks and refractories. While a part of the pig iron produced in the works is used in the foundry for making cast iron pipes and other miscellaneous castings, the major portion is converted into steel ingots and fed to the rolling mills. In order to meet the war requirements, the Mysore Government have sanctioned the installation of an additional open-hearth furnace for the production of ingots and billets and have placed orders for another Rod Mill, as an extension to the rolling mills, which would be employed to increase the out-turn of 3½ inch rods and ¾×20 inches baling hoops. The Works have recently put up, as an experimental measure, a foundry for casting special steel articles, such as axle boxes and anvils. Another interesting development is the installation of a formaldehyde plant, with a capacity of about 4-5 tons per month. The formalin produced would be mostly used in the manufacture of synthetic resin, for which purpose a pilot bakelite plant has also been put up recently. The Works already produce a wide range of bye-products, such as denaturing grade alcohol, C.P. methanol, methyl acetone, wood preservatives, pitch and disinfectants from the pyroligneous liquor obtained in wood distillation. A feature of the Works is their ferro-alloy plant, the first of its kind in India, which produces 75 per cent. grade ferro-silicon and is equipped to make the country self-sufficient in what is a hitherto imported essential raw material for the manufacture of steel. The Works occupy an area of some 100 acres, employ about 8,000 people and are served by a gravitational ropeway and a network of tramways in the transport of the ores, limestone and wood from the rich deposits and the abundant forests that lie within a radius of twenty-five miles. Their entire output has been placed at the disposal of the Government of India and the value of supplies made to the latter since the beginning of the war aggregated to about Rs. 91 lakhs by the end of June, 1944.

PROSPECTS FOR CO-OPERATIVE BANKING

Last week, we noted briefly statistics of war-time development in co-operative banking in the Bombay Presidency, as analysed in a short bulletin by Prof. V. G. Kale. He also follows in some detail the effects of inflationary war finance on the balance sheets of the co-operative institutions. The deposits rose with longer strides after the enormous currency expansion, which started in the third year of the war. The high prices that ruled in the agricultural produce markets enabled the members of societies to pay off their arrears and to borrow less than usual for current

needs, with the result that the societies, in their turn, could substantially reduce their financial dependence on the co-operative banks. Where the latter were able to develop lending against agricultural produce, they could find an alternative outlet for their surplus funds and maintain a fair ratio between their advances and deposits. But, judging from the fact that the advances of all the ten central banks, taken together, increased by a mere 2.6 lakhs between 1939 and 1944 as against an increase of 159.9 lakhs in their deposits, crop finance does not seem to have afforded them any very spacious field for the employment of their resources. And yet, it is on the increasing exploitation of this line of finance that the progress of co-operative banking institutions largely depends. While it is, of course, true that the future of the banking system as a whole would depend primarily on the level of economic activity and employment that might prevail after the war and the monetary and fiscal policies associated with it, the particular destiny of co-operative banking may well be conditioned, in the long run, by its ability to meet more fully the whole gambit of the credit requirements of the agricultural community. More immediately, it may be well worth the while of the co-operative banking institutions to see whether they can find employment for a part of their funds in the financing of the war-expanded activities of the co-operative stores in the province. Their sister-institutions in the Madras Presidency have obtained some relief this way; their advances to the consumers' societies amounted to about Rs. 758 lakhs in 1943-44 alone.

CO-OPERATION IN CHINA

The Co-operative movement in China is rather young, but has developed well in the last fifteen years, in spite of, or, perhaps, because of the unsettled conditions that have characterized the period, hampering normal commercial activities and calling for co-operative initiative and endeavour to keep the national economy going. In 1931, there were only 2,796 co-operative societies, with a total membership of 56,432. By the end of June, 1944, the number of societies had increased to 173,328, and their total membership to 15,191,832. The movement is well-represented in many fields of economic activity, such as credit, production, marketing, retail distribution, agricultural stores supply and public utilities, but credit societies are the most numerous. In 1943, about 32 per cent. of the farmers who borrowed money went to the co-operatives, and 5 per cent. to various government agencies, such as co-operative banks and offices handling farm loans. The average monthly interest on co-operative loans was only 1.5 per cent., as compared with rates often mounting to 25 per cent., levied by private lenders of the land-owner and merchant classes. Producers' co-operation extends to a number of agricultural and handicraft enterprises, including farming, animal husbandry, tea and cotton plantations, market gardening, horticulture, irrigation, and paper and textile manufacture. The movement has been receiving considerable official support and guidance through the Central Co-operative Administration of the Ministry of Social Affairs and the reconstruction departments of the provincial Governments. Special sections take care of the organization and work of the co-operatives in the rural districts. The financial requirements of intensive war-time agriculture have invested the problem of agricultural finance with an urgent importance, with the result that co-operative credit has been receiving heightened attention and the creation of a Central Co-operative Bank is stated to be under consideration.

LETTERS TO THE EDITOR

P.E.P. ON INDIA'S STERLING ASSETS

Sir,—We have read with interest your comments (16th October, 1944), on our statement regarding India's sterling assets, and are glad to know that you feel it constitutes a not unfair appreciation of your country's difficulties. At the same time, we are bound to say that your comments on our proposals for the settlement of the debt show no appreciation whatsoever of Britain's difficulties.

Consider for a moment our 'Balance of Payment' problem. As a result of the war, our net income from overseas investment has fallen heavily; our shipping income is jeopardized, and other invisible items are also likely to decline. Our visible exports have fallen by 71 per cent. and for the last four years we have been incurring an unfavourable foreign balance averaging £700 million, annually. After the war, we shall have to retain strict import controls in order to limit our imports to bare essentials. Even so, in order to pay for these, we shall have to increase the volume of our visible exports by at least 50 per cent. over their pre-war level, or by more than 400 per cent. over their 1943 level. Unless other countries take this vast increase in our exports, we shall be short of the foreign currencies which are essential to the multilateral convertibility of our debts. Therefore, until we can sell enough exports to secure more than enough foreign currency to pay for our imports, repayment of our overseas debts out of current production will be impossible except by means of blocked balances for the purchase of British goods.

The fact is that the financial problem is temporarily insuperable. For the time being, repayment of our debt to India must therefore be regarded almost solely as a physical problem. In this light, it becomes a question of allocating, an agreed part of our productive resources to satisfying India's requirements. For this reason, we suggested in our broadsheet that repayment of the debt should be linked with India's plans for industrial development. In other words, if you will let us know your most urgent needs, we will do our best to satisfy them as quickly as possible. If some of those needs cannot be met by British production, there will be a strong case for our releasing part of our scarce supplies of foreign currencies even at the cost of cutting down our own vital imports. But before we discuss how far this may be necessary, we must know in physical terms, exactly what you want.

There is no reason why blocked accounts should have as their "inevitable concomitant" the selling of unwanted goods at unfair prices. We are not asking India to take aspirins and mouth-organs in settlement of her debt. As soon as British industry has got through the initial difficulties of the transition from war to peace, India would be free to spend her blocked balances on any British goods she wanted, and it could be a condition of the settlement that prices would be no higher than average world prices for the goods in question.

Repayment of the debt will take many years. It might therefore be further condition of the settlement that, if and when Britain's exports yield more than enough foreign currency to pay for her essential current imports, the question of the multilateral convertibility of the Indian debt will be reconsidered.

We raise these points in the hope that understanding by each side of the other's difficulties will lead to a fair settlement.—Yours, etc.,

POLITICAL AND ECONOMIC PLANNING.

London.

[A comment on the above appears elsewhere in this issue.—Ed.]

COFFEE CONTROL IN PRACTICE

Sir,—War-time controls have all had a measure of success correspondingly roughly with the extent of the hold over supply. Coffee control in India began much earlier than the present war, and it is now a year or two since the Board has enjoyed possession of the entire stock of coffee produced. One would have expected the scheme to be a complete success, but the results to date, have been disappointing. The superior varieties of coffee have practically disappeared from the market and the prices of all grades are Rs. 10 to Rs. 20, above the control levels. The reasons for this state of affairs are not far to seek. They are to be found in the policy of the Board in recognizing a few traders as wholesale dealers and in refusing to look or act beyond this. Retail dealers and the public everywhere are placed at the mercy of these few licensed traders. The latter have by recourse to some ingenious devices successfully evaded all the conditions and restrictions imposed on them. The licensees are permitted to deal only wholesale, and the maximum profit they could take is limited to about Rs. 6 per cwt. But many of them have formed subsidiary concerns of their own, in which friends or near relations are installed as proprietors, and all correspondence and transactions are put through this puppet firm. The wholesaler and retailer are thus rolled into one and at one stroke, the profits of both go into a single pocket. The maximum wholesale price for the highest grade of coffee is Rs. 120 the retail price is Rs. 147. Thanks to the formation of the bogus firm, the wholesale dealer appropriates for himself the whole of this margin, which is even greater for the lower grades. The genuine retailer is thus forced to pay his wholesale superior the maximum that he himself is allowed to take from the public. His alternatives are to get out of business, if he is to remain honest, or remain in business and part with his honesty. No wonder the public suffers in the manner they do now. This is not the whole story. The wholesaler is in these days not content to stop with the game of his bogus firm. There is a scarcity for the better sorts of coffee and he must exploit the situation to the full. Not even the legal fiction is now maintained and a margin of ten to fifteen rupees above the maximum retail price is now demanded. Control schedules exist to be referred to when the time comes for the drawing up of bills; payment is, of course, a different story. It is to be regretted that with the absolute control over supply given to the Board and with the long experience of its working, such a state of affairs should have been allowed to develop in the case of coffee. Will the Board now at least wake up and revise its distribution policy? The least it should do is to enquire into the dealings of its own licensed dealers for the past one year, and see to what extent the same retail name figures again and again in the transactions of each? It is most unfortunate that the policy of the Central Board so far, has resulted in fostering one of the worst monopolistic distributing agencies in India. Unless distribution becomes sufficiently broad-based, there can be no hope of remedying these evils. The wide body of retailers must be given their proper place in any scheme. Or, the system of auctioning should be restored permitting all genuine traders to bid. Will the Board now at least move in the matter? If they fail, it is high time that the Central Government should.

Yours truly,

T. K. NARAYANAN.

Vadakkenchery, S. Malabar.

[Our comments appear elsewhere in this issue.—Ed.]

FROM THE PROVINCIAL ANGLE

(From Our Correspondents)

Madras Letter

MADRAS, Jan. 15, 1945.

PLANS are now being worked out for large-scale development of Vanaspathi ghee industry in this Province. Certain European firms dealing in groundnuts and well-known North Indian commercial magnates seem to be anxious to start this industry. Already a small plant is working in Mettur and plans to locate one in Madras and another on the West Coast, where coconut oil will also be available, are being considered.

The report of the Industrial Development Committee of Cochin State, presided over by Mr. Manu Subedar, has just been published. The Committee has recommended the starting of State and State-aided enterprises, rendering financial help by way of loans and subsidies and the appointment of an Industrial Advisory Board with a Development Commissioner to give a fillip to industries. The opening of an Industries Fund with an initial amount of Rs. 50 lakhs and a recurring grant of Rs. 5 lakhs per annum for ten years is also recommended. The establishment and management by the Government of water works, irrigation, power supply and communications is also urged by the Committee. Plans for starting industries utilizing the raw materials in the State such as rubber, betelnuts, tapioca, timber, etc., have also been included. The need for technological education for imparting technical education has been stressed by the Committee.

The conference of Andhra commercial bodies recently held in Madras resolved that the Government should implement the plans for the development of the country on the lines suggested in the Bombay Plan particularly with regard to large investment of funds for the development of basic industries. There was need to put trade and fiscal policy on a sound footing and to guarantee adequate protection by tariffs and subsidies for the industries started during the war

Bombay Letter

BOMBAY, Jan. 15, 1945.

IT is a welcome news that some high-speed Diesel Tractors have arrived and the Director of Agriculture, Bombay, has expressed the hope that 100 more will arrive. Training in driving the Tractor will soon begin and the site selected for this purpose is Telgam 20 miles from Poona. The Mechanical Transport Engineer of the Government who is in charge of training the personnel, is reported to have stated that a unit of Tractors with implements and trained personnel will be available for service by the middle of February. The type of Tractors at present arriving in Bombay are of 75—80 H.P. and capable of ploughing up to 15 acres in one working day where only a 6-inch cut is involved. The Government hopes to claim next winter 600,000 acres of land in the southern division of the Province for agricultural purposes by means of deep ploughing. This land is now infested with certain types of grass which being deep-rooted could only be eradicated by means of these Tractors.

Rural Development

Some interesting information is now available as to how the Government propose to finance their post-war rural development plans. As it is known, the Central Government have asked all Provincial Governments to submit their estimates of the probable financial condition during the first five years after the war. Further, the Central Government in one of their announcements, have stated that they might be able to subsidize the post-war development programme of the Provincial Governments to the extent of about Rs. 275 crores. This subsidy would be given on the

and/or being planned for the post-war period. The conference therefore urged that a permanent Tariff Board should be set up immediately.

The Stock Exchange

A fierce bull have burst upon New Year's markets and rarely has a change of calendars synchronized such a sharp variation of sentiment. The maximum bonus under the Rubber Production Bonus Scheme earned by the estates, thanks to the timely warnings of the Rubber Production Commissioner and practically the doubling of the profits of the leading South Indian Banks contributed to a spate of fresh activity. The turnover was bigger during the fortnight than during the two months preceding. Business was brisk in Government Securities. Three and a half per cent. Paper was quoting Rs. 99-14. Three per cent. Victory Loans 1957 saw a large volume of business at Rs. 99-13. In Bank shares, Reserves were steady around Rs. 134. Bank of Mysore rose from Rs. 375 to Rs. 390. On reports of record profits either made or anticipated, Indians, Indo-Commercial, Indian Overseas and Bank of Hindustans showed a marked rise during the fortnight. Amongst textile shares, those with good standard years were taken up. Cambodias, Buckingham and Coimbatore Cottons may be mentioned.

There was hectic trading in Plantations, particularly rubbers. There was considerable activity in Cochin, Malabars, Pullangodes, Thirumbadis, Midlands, Rajagiris, Travancore Rubbers and Tropicals. Values touched record levels, but reacted at the close due to profit-taking. The announcement that the price of coffee for 1945 is on a lower basic figure than for 1944 was reflected on the prices of those shares more closely associated with this commodity. Speculation as to the enforcement of the E.P.T. in Mysore lead to a slight marking down of values in the Mysore group of industrial shares.

basis of the population in each province. On this basis, the Bombay Government may expect a subsidy of about Rs. 22 crores from the Central Government, in addition to their share from a fund which is being built up to finance the re-settlement of the demobilized soldier. The requirements of the Bombay Government for financing the first five years of their post-war development plan for the country-side have been increased to Rs. 60 crores by their recent decision to spend an additional sum of Rs. 10 crores on the con-making allowance for the Special Development Fund construction of roads. Thus the Bombay Government will have to raise additional finance even after receiving the subsidy from the Centre, as well as after which at present stands at Rs. 8 crores. The Government hopes to count on receiving proceeds from an estate duty which is proposed to be levied by the Central Government, the proceeds of which are to be given back to the Provinces. Another source of revenue which the Government may try is a Sales Tax along the lines of the one existing in Madras, Bengal and Bihar.

Grain Levy

The revised grain levy system makes the levy more equitable from the point of view of the grower. The new levy demand is based on the area cultivated with food crops only and not according to the assessment payable on the entire holding as it was assessed previously. An annual holding with a total output of 27.5 maunds or less is exempt. This exemption is necessary, but provision should be made to prevent the excess foodgrains in the hands whose requirements are less than 27.5 maunds from going

into the "black market." Another relieving feature of the revised levy is that landlords will not be entitled to compel tenants to pay the full amount of the rent due if such payment should leave the tenant with less grain than is considered necessary.

A complaint has come from a village in Gokak taluq on which demand for some 1,200 bags of food grains was made by the Government on the basis that the cultivable land was about 20,349 acres. In fact the village could bring under cultivation only 2,000

Sind Letter

KARACHI, Jan. 12.

AN ambitious plan to cover Sind with a network of electricity plants is being worked out by the post-war Reconstruction Department of the Government of Sind. The scheme, which is estimated to cost two crores of rupees, will be able to supply electricity to every town in the province.

It is proposed to set up generating plants in Upper and Lower Sind and another in middle Sind so as to connect the first two. The proposed Upper Sind plant is to be the largest in the system with a capacity of 1,600 k.w. The total output of the system will be nearly 25,000 as against the present consumption of 8,000 throughout the province. The motive power for most of these plants will be hydraulic energy.

These schemes are undertaken as part of the recommendations of Sir William Stampe, Irrigation Adviser to the Government of India, whose grid scheme in the United Provinces seems to have been a successful experiment. In Sind, the waterfall in Tando Mastikhan is to be shifted some miles up the Indus from its present site so as to obtain a bigger height for the fall. Situated somewhere near Sukkur, this will be the main generating station for the Upper Sind system.

Civil Supplies Control

Two important steps are presently to be taken by

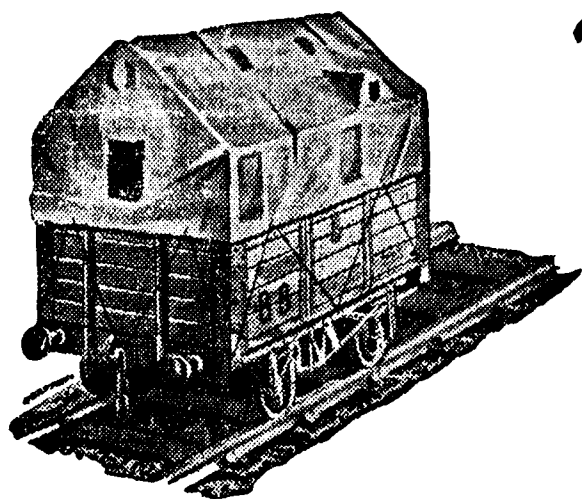
the Government of India to check profiteering in consumers' goods as a direct result of the visit of Mr. C. C. Desai, Director-General of Civil Supplies to Karachi last week. It has been found that dealers pass off consumers goods as second hand articles in order to dodge provisions of the control order and procure a large margin of profit. It has now been decided to amend the ordinance or issue an order in the *Gazette of India*, making the sale of new goods as second hand ones an offence and also fix hiring charges for all articles.

An Enquiry Post has been set up in Karachi, the object of which is to advise consumers as to where they could get goods, at what price and where they could lodge a complaint in case they were charged more than the controlled price or were refused supply of the needed goods.

Fish Curing Yards

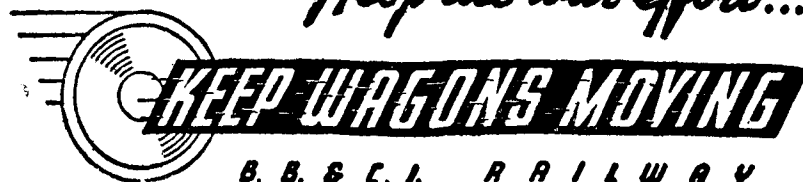
A scheme to start five fish curing yards along the 150-mile coast of Sind from Cape Manns to the Rann of Cutch has been recommended by Mr. Ramaswami Naidu, Sind's Fishery Expert. The cost of the scheme is estimated at about a lakh of rupees. The curing of the fish by the more hygienic method of cement pools and scaffolding is the fundamental aim of the scheme and representatives of the fishing industry are being consulted on the plan.

Wagon or warehouse

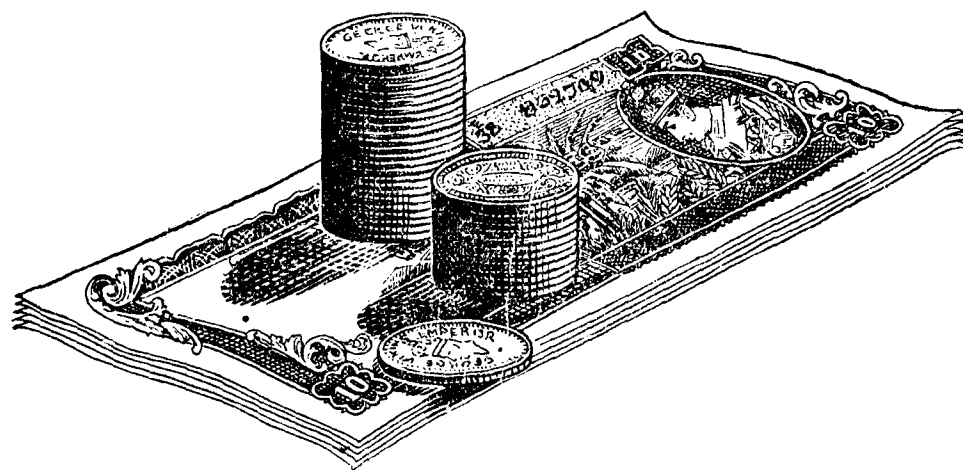


Users of transport should not treat wagons as warehouses. Prompt unloading will send the wagon back where it is most needed.

Help the war effort...



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

A Sample Survey in a Famine District

By Samar Ranjan Sen

IN the summer of 1944 the present writer, in collaboration with Mr M. Ghosh, a former colleague of his, and under the auspices of the Statistical Laboratory of the Dacca University, carried out a random sample survey of the economic and social conditions of the rural artisan and agricultural classes of the district of Dacca in Eastern Bengal during the famine year April, 1943 to March, 1944. The computational work has been completed recently and reveals many interesting facts. A brief summary of the results are published below for the information of the general public.

During the 12 months April, 1943 to March, 1944, 13.6 per cent. of the population under consideration died. Of these, 25.9 per cent. died from direct effects of starvation, 38.9 per cent. from malaria and other fevers, 16 per cent. from bowel diseases, 16 per cent. from small pox and 3.2 per cent. from other causes. Children (12 years and below) were the worst victims, the death rate being 17.5 per cent. in their case compared to 12.3 per cent. for adult females (above 12 years) and 11.2 per cent. for adult males (above 12 years).

The samples collected were sorted into three groups viz., (a) *Peasant Proprietors*, who own more than half a bigha of land per capita and whose main source of income is agriculture; (b) *Artisans*, whose main source of income is some handicraft and (c) *Rural Labourers*, all others who do not come under the first two categories. It was found that the death rate was 8.3 per cent. amongst peasant proprietors, 16.1 per cent. amongst artisans and 19.0 per cent. amongst rural labourers. It may be pointed out that most of the peasant proprietors were Mussalmans while a large majority of the artisans were Hindus.

During the year under review 3.2 per cent. of the population emigrated. Of the total emigrants 42.1 per cent. were adult males, 36.8 per cent. were adult females and 21.1 per cent. were children. Some of these emigrants were reported to have gone to urban areas and some to Assam.

There were roughly 86 adult females per 100 adult males and 47 children per 100 adults. The average family consisted of roughly 9 members amongst peasant proprietors, 6 members amongst artisans and 7 members amongst rural labourers. The average size of the family was 7.1 members for the population as a whole.

On the average there were 2.7 persons per bed room amongst peasant proprietors, 3.8 persons per bed room among artisans and 4.1 persons per bed room amongst rural labourers. The average number of persons per bed room for the population as a whole was 3.3. Almost all the families owned their homesteads.

Each family of peasant proprietors owned on the average about 21 bighas of agricultural land and 8 heads of cattle. The average per capita distribution amongst this class worked out to be 2.2 bighas of agricultural land and 0.9 heads of cattle. A large number of

artisans and rural labourers did not own any agricultural land besides their home-stead. Agricultural land owned by artisan families rarely exceeded half a bigha per capita while in the case of rural labourers it was invariably below that figure.

An attempt was made to collect data about income. Some data have, no doubt, been collected but these cannot be considered very reliable as it was not found possible to check the figures. It is suspected that most of the people did not give true accounts of their income but tended to inflate or deflate the figures from various motives. Moreover, in no case the value of that part of their own produce which the producers themselves consumed could be accounted for in the income statistics. It may be noted, however, for all it is worth, that the average per capita annual income, exclusive of the value of the produce consumed by the producers themselves, was found to be Rs. 68 for the peasant proprietors, Rs. 74 for the artisans and Rs. 73 for rural labourers, and Rs. 71 for the population as a whole. It need not perhaps be pointed out that the true per capita income of the peasant proprietors was certainly much higher than Rs. 68, they being the largest consumers of their own produce compared to the other two classes.

It should be noted that the present inquiry was strictly confined to the agricultural and artisan classes of the rural areas of the district and all other classes e.g., landlords, business men, professional people, salary earners, etc. were rigidly excluded. So the above data should not be taken to give a complete picture of the population as a whole. It can, however, be said that the two classes under review form the lower strata of our rural population and have been most hard hit by the famine.

Statistical Laboratory,
Dacca University.

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Workmen's Compensation Insurance in India

By A. N. Agarwala

THE fundamental defect of the present workmen's compensation scheme is that it places the entire liability of compensation on employers; and in case of fatal injuries, they are called upon to pay the indemnity even if they were caused by worker's own fault and no amount of precautions and efforts on their part could have prevented it. Without in any way detracting from the necessity of providing adequate compensation to the worker or his dependants against "employment injuries," it must be stated that this provision is quite unfair to the employers.

The long-standing complaint that the Workmen's Compensation Act has been evaded on a large and general scale can be directly traced to this undesirable concentration of financial responsibility in this country, which offends against an important canon of the science of social insurance. So close is the connection between the occurrence of accidents and the pockets of the employers, and so evident is the unfairness of the existing arrangement, that the employers are bound to be prompted, by the pressure of human nature and tendencies, to inhibit compensation claims in diverse ways and manners. To censure them would be to censure human nature. The real remedy of this state of affairs lies in removing its root cause. Threat to dismiss workers, medical certification of a lower disability accident, not meeting the claims unless they are legally enforced or threatened to be enforced, commutation of payments at a lower figure, and other like ways in which evasion is practiced by some employers, cannot be rooted out without spreading the cost of compensation to other parties namely the State and workers. The administration of the Act is also so lax and faulty that numerous opportunities of evasion are easily furnished and many cases of evasion remain undetected, which acts as a further inducement for greater evasion. This, of course, does not include what might be called obligatory evasion on the part of employers, as happens when an employer becomes bankrupt before paying the claim of an injured worker, or just melts in the thin air and cannot be traced. In such a case the injured worker has to remain unindemnified.

The difficulties of another category are those of a procedural nature. According to the law as it stands, the worker does not automatically get compensation on receiving an injury; but he must make a claim for compensation in which matter his ignorance, illiteracy and poverty all stand in the way as so many hurdles. In case the employer chooses to decline a claim, the only recourse left to the worker is to fight out the matter in a law court which he cannot very often do for fear of dismissal and for want of any convenient and made-out channel through which the legal formalities can be easily, quickly and cheaply undergone, except in very few exceptional cases. The lump sum system of compensation payment has also proved vicious; and when the worker commutes the compensation which he is entitled to get in instalments for a certain span of time, by mutual agreement with the employer, he merely gets a paltry sum and whatever he gets is very often squandered away.

Even if all the above-mentioned defects are removed, there would still remain the great shortcoming of the inadequacy of compensation-scales which is inherent in the Act as at present constituted. The compensation that is at present granted under

Scheduled IV and otherwise is niggardly. The Schedule III, which describes occupational diseases, contains only half a dozen items, and compensation in respect of an occupational disease is a rare phenomenon in this country. This Schedule falls much short of the Schedule attached to the I.L.O.'s Workmen's Compensation (Occupational Diseases) Conventions, 1925, 1934, Article 2. It also suffers from the worst evils of the schedule method of occupational-disease coverage which has been declared to be thoroughly out-of-date and defective. The Thirteenth (1938) Italian Congress of Industrial Medicine passed a resolution demanding the abolition of the system of schedule and the introduction of blanket coverage for occupational diseases, which would constitute the final stage in the development of insurance against occupational accidents and diseases; and asking that, pending this, the system of enumeration of diseases and the list of trades and processes should be abolished. As correctly observed by Marshall Dawson of the U. S. Division of Industrial Accidents. "The schedule plan of covering occupational disease has often been criticized as arbitrary and unfair. Such a method is vitiated by gaps in the schedule due to poor and incomplete selection of items in the list, and also to the emergence of new processes the hazards of which are not recognized by commissions. Industrial processes change and the knowledge of disease hazards is rapidly expanding. A revision made 10 years after the first publication of a printed guide to impairments that may occur in various occupations increased the number of poisonous substances considered from 52 to 94. The number of hazardous occupations listed was increased to approximately 900." This defect is indeed so serious that it requires immediate attention.

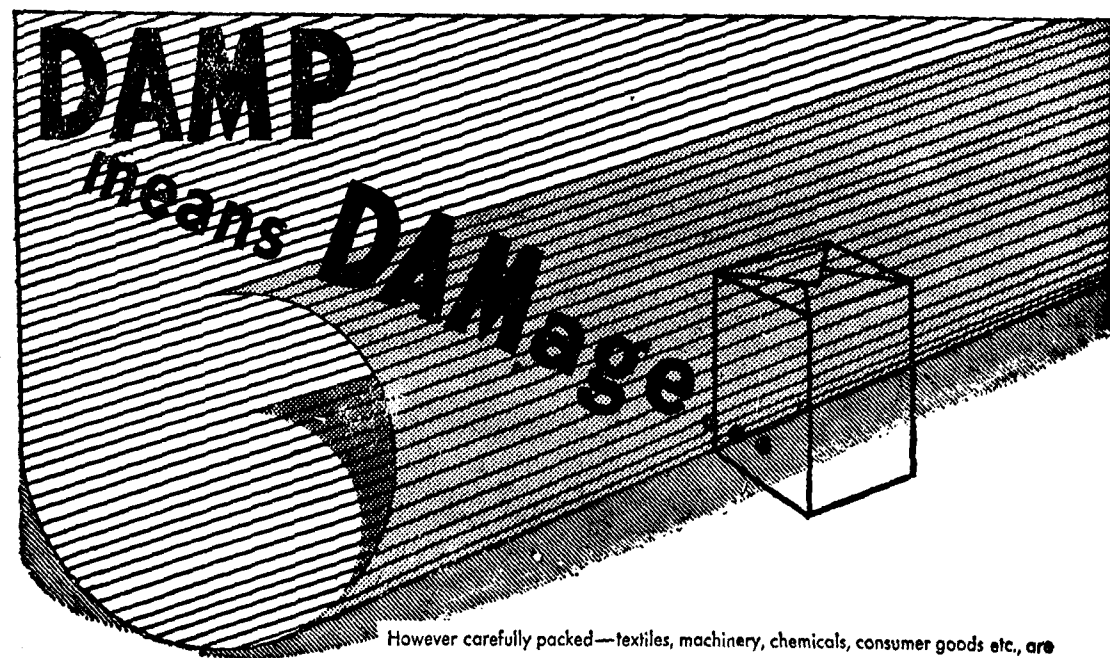
Moreover, the compensation granted under the present Act is a fixed and definite amount and defies sympathetic variations with the movement of cost of living indices. This is an outrageous violation of the very principle of social insurance protection and leads to inadequate coverage, and in theory at least is capable of leading to malingering. In foreign countries, the compensation is increased to keep company with rising cost of living; and even in some of the so-called backward countries definite steps have been taken in this direction. The most recent example is that of Brazil, which only in 1943 set up a Committee to go into this aspect of the matter. In India at present the standard of living approach to this problem is sadly lacking.

Another defect of a very grave character of the present Act is that it makes provision for cash compensation only and not for medical treatment which perhaps is of very great importance in case of accidents. The employer is under no responsibility to provide any sort of medical treatment to his injured workers at any stage whatsoever. It is true that some medical aid is generally available on the spot, but that is, as a general rule, very inadequate. The re-habilitation arm of workmen's compensation is still an unknown phenomenon in this country. There is no provision in the shape of a "Rehabilitation Fund" which might facilitate the vocational recovery of an injured workmen by providing extra compensation to cover his increased living expenses during the period of vocational re-adjustment or re-training, or in that of a "Second Injury Fund" which might facilitate the

re-employment of injured workmen as is the case in some of the American States.

The list of shortcomings, blemishes and defects of the present scheme can indeed be made still longer, but the above-mentioned defects are the most glaring ones and are extremely serious in character. The protection that is really available to our workers is extremely limited; and in order to put things on a satisfactory footing, there is need of almost revolutionary changes on different fronts and planes. Over two decades the Government of India has done nothing to improve matters; and it is unfortunate that at long last when the problem has been taken up, the outlook of the Government of India still seems to be narrowly envisioned and they have not been able to cut off the backward appendages to their line of thought. There was, indeed, a day when compulsory insurance of employer's risk under State Fund or with private companies was regarded as a high watermark of workmen's compensation wisdom. But since the development of the social insurance technique and the framing of a large number of social security plans, this has come to be regarded as only an improved stage

of primitiveness in accident insurance. The introduction of compulsory insurance of employer's liability proposed recently at the Tri-Partite Conference can merely ensure that defaults in paying compensation do not occur because of bankruptcies and the like, and only try to reduce chances of evasion in other cases. Complete stoppage of evasion would be accomplished only when the liability in this direction is equitably spread on the tripartite basis. Short of this ideal, difference in degree is all that can be achieved. By establishing one's own insurance offices may be for name's sake, by entering into special contracts with insurance companies and in several other ways evasion can be practised even when there is compulsory insurance provision. Beyond this the suggested change can hardly achieve anything. It will not, for instance, touch the problem of medical treatment, of rehabilitation arrangements, blanketizing the occupational diseases, increasing compensation amounts, simplifying procedure, and so forth. What it would really touch would be merely a fringe of the problem. And that is not worth the trouble in case the official interest in social security ideals is genuine. *Allahabad.*



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OPK 3

MANAGING AGENTS: BIRLA BROS. LTD. 8, ROYAL EXCHANGE PLACE, CALCUTTA

COMMODITY MARKETS

MADRAS, Jan. 13.

The groundnuts market was firm and the quotation fluctuated between Rs. 64 and Rs. 65. There were good sellers, and exporters and crushers bought fairly large quantities. A very large volume of business has been done for Calcutta both in the city and in the up-country markets. Exporters offered to the British Ministry of Food at £30-10-0 at which rate they had bought from the West Coast, but the Ministry rejected the offers. With good shipping opportunities, there was a large demand for spot oil for Calcutta, and the quotation shot up to Rs. 176. Later, when the buying subsided the quotation declined by about Rs. 3. The Government of Madras have reduced the price of oil cake and have re-fixed the ceiling prices to take effect from January 1. In Madras City the price has been reduced by Rs. 16 to Rs. 99 per ton. There was good demand for cake from agricultural interests and the Government.

Skins and Hides

On the New Year's day, the Tanned Kips market received the very welcome news that the Government of India and the British Ministry of Supply have decided not to give effect to the contemplated reduction in the prices of tanned kips by As. 0-1-6 per lb. It was notified that the present prices would be continued till the end of June 1945. Thus, the second reduction of As. 0-1-6 per lb., contemplated in April 1945 will not also be given effect to. In spite of this, arrivals of kips in the market and sales to the Ministry have not been appreciable. Possibly, transport difficulties continue to be the snag. The Government of India have now announced the raw hide ceiling prices to take effect from February 1, 1945. It now remains for the pool scheme to be worked out in the light of the new prices. The raw hide prices now announced, though slightly higher than the prevailing prices at the raw markets, are considered to be unworkable in the view of the market owing to the in-

creased tanning, transport and labour costs. There has been good buying of buff hides from Government quarters for supply to North Indian centres. There were enquiries from the U.S.A. for skins, but judged by the volume, the total business likely to materialize on this account will be poor.

Grains

HAPUR, Jan. 15, 1945.

There is not much to report from the grain markets except that the arrivals from the produce centres of wheat have completely stopped and that there is a great difficulty in procuring wheat for daily requirements. The entire stock of 565 khatties is not Government hands. This huge stock consists mainly of Punjab wheat, imported as provincial reserve. The control price of wheat here remains unchanged at Rs. 9-12, while in fact wheat is not available even in villages for less than Rs. 13. In order to induce the producer to bring the remaining stock of wheat, it has been ordered that gur is to be accompanied by 5 per cent. of wheat. The wholesale market prices in other U.P. markets are:— Chandosi Rs. 10, Shamli Rs. 9-12, Sitapur Rs. 10, Kasgunj and Gonda Rs. 9-12. The retail prices in big U.P. towns are about 3 seers 4 chatacks per rupee, where Government is supplying at the rate of 3 seers 12 chatacks per rupee to ration card-holders.

Other grains prices have gone up due to poor arrivals and strong ready demand. The current prices and stocks are given below:

Gram: Rs. 7-10, stock 50 khatties, Barley: Rs. 5-14-3, stock 156 khatties, Peas: Rs. 5-13-3, stock 138 khatties, Arhar: Rs. 6-12, stock 138 khatties, Maize: Rs. 5-14-6, Bajra: Rs. 7-3, Jowar Rs. 5-11-6.

Gur:—Due to rainy weather during the week arrival heavily declined averaging 200 maunds daily. Control rate has been increased by Rs. 12 per maund and the current prices are Gur Chikna Rs. 8-14, Fatwa Rs. 9-2, Raw Sugar Rs. 9-8.

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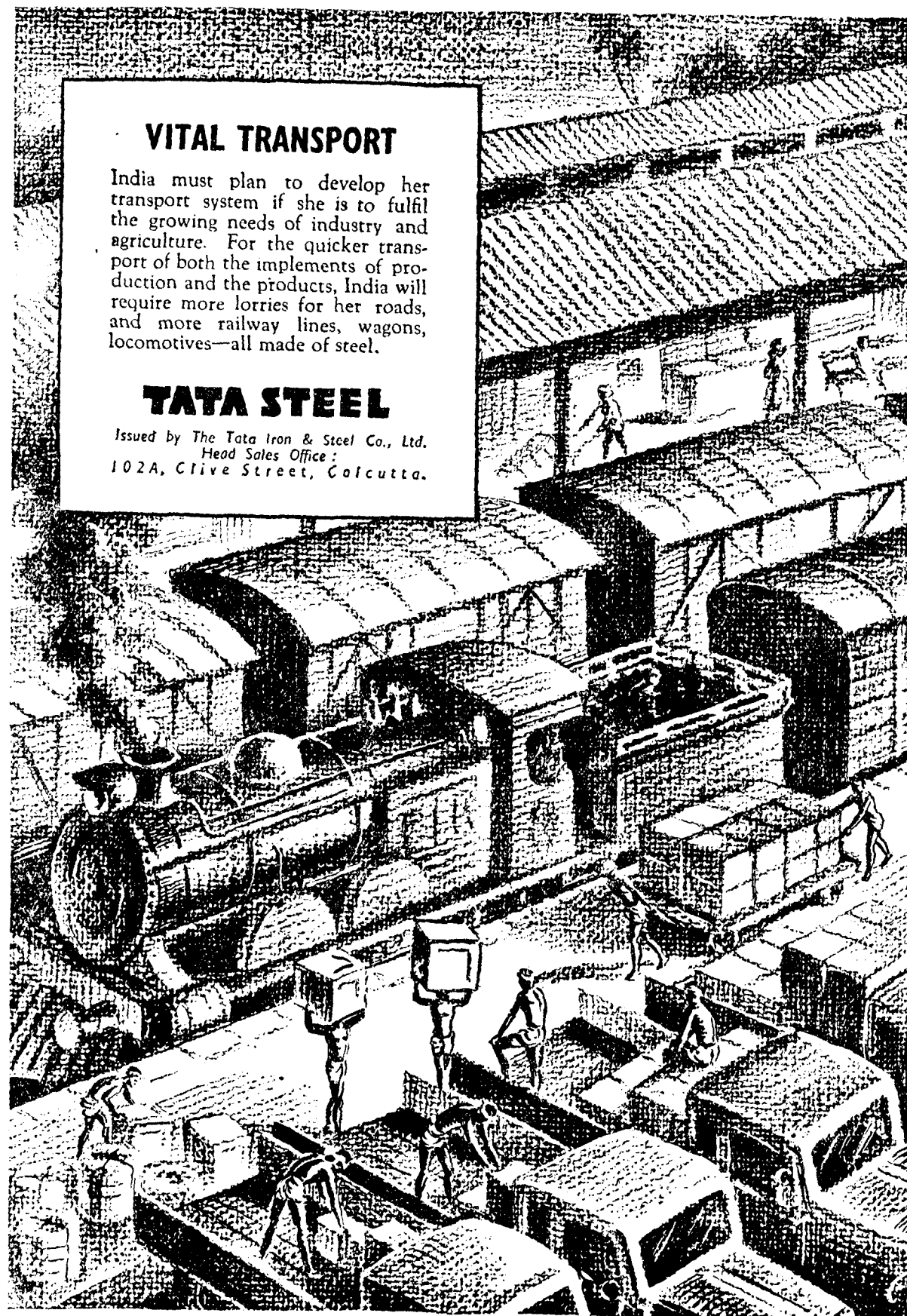
Bombay Office: Imperial Bank, Annexe Building, Fort.

VITAL TRANSPORT

India must plan to develop her transport system if she is to fulfil the growing needs of industry and agriculture. For the quicker transport of both the implements of production and the products, India will require more lorries for her roads, and more railway lines, wagons, locomotives—all made of steel.

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Head Sales Office:
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CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT (Rs. in lakhs)		5-1-45	29-12-44	7-1-44	1-9-39	5-1-45 compared with 1-9-39
Notes held in the Banking Dept.	9.45	11.66	7.78	35.04	— 25.59	
In circulation	1021.01	1009.60	845.70	182.13	+838.88	
Total Notes	1030.46	1021.26	853.48	217.18	+813.28	
A. Gold Coin and bullion	44.41	44.41	44.41	44.41	Nil	
Sterling Securities	914.33	904.33	738.84	59.50	+854.83	
Total of A	958.74	948.74	783.25	103.92	+854.82	
B. Rupee Coin	13.88	14.68	11.90	75.87	— 61.99	
Rupee Securities	57.84	57.84	58.33	37.39	+ 20.45	
Silver bullion under coinage	..	..	..	..	..	
% of Reserve to Liabilities	93.040	92.899	91.772	63.149	+29.891	

IMPERIAL BANK (Rs. in lakhs)		5-1-45	29-12-44	7-1-44	1-9-39	5-1-45 compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other	233.02	234.22	209.10	87.26	+145.76	
Accounts	144.83	144.06	127.14	51.03	+ 93.80	
Govt. Securities	3.99	3.85	2.76	96	+ 3.03	
Other Investments	14.50	15.07	13.76	7.66	+ 6.84	
Loans	44.60	43.87	19.68	19.76	+ 24.84	
Cash Credit Overdrafts	4.42	5.15	6.39	2.95	+ 1.47	
Bills discounted	..	..	..	..	..	
Cash in hand, with F.B.I. and other Banks	31.11	32.28	50.94	14.69	+ 16.42	

BANK OF ENGLAND (£ '00)		10-1-45	3-1-45	12-1-44	30-8-39	10-1-45 compared with 1-9-39
Total Bullion	1,752	1,949	884	263,700	—261,948	
Public Deposits	9,500	16,400	11,900	31,100	— 21,600	
Other Deposits	276,800	307,800	242,200	129,100	+147,700	
Of which Bankers' Deposits	222,200	251,400	188,200	90,100	+132,000	
Govt. Securities	259,000	300,800	224,500	113,100	+145,900	
Other Securities	11,200	12,500	15,900	31,000	— 19,800	
Of which Discounts and Advances	20,100	15,200	6,100	6,400	+ 13,700	
Notes and Coins	13,900	13,500	25,600	34,200	— 21,300	
Notes in circulation	1,231,600	1,238,400	1,075,300	529,500	+702,100	
% of Reserve to Liabilities	7.02	4.10	10.06	21.38	— 14.36	

TREASURY BILLS SALES (3 Months' Tenure) (Rs. in lakhs)		Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
Date of issue						
Oct. 20	12.81	6.00	0 8 0	..	2.32	
Oct. 27	14.15	6.00	0 7 11	..	3.19	
Nov. 3	15.01	6.00	0 7 11	..	1.27	
Nov. 10	10.16	6.00	0 7 11	..	1.10	
Nov. 17	17.74	6.00	0 7 11	..	1.96	
Nov. 24	9.61	6.00	0 8 0	..	61	
Dec. 1	11.29	6.00	0 7 11	..	1.86	
Dec. 8	13.30	6.00	0 7 11	..	3.95	
Dec. 15	10.15	6.00	0 8 0	..	2.88	
Dec. 22	10.30	6.00	0 8 3	..	1.95	
Dec. 29	8.58	2.53	0 8 10	..	4.72	
Jan. 3, 1945	2.31	1.41	0 8 8	..	..	
Jan. 9	1.39	1.24	0 9 0	..	..	

CLEARING HOUSE RETURNS (Rs. in lakhs)		1943-44	1944	1944	1944	Jan. 5, 1945	Jan. 12, 1945
		Apr.-Sep. 1944	Oct. 1944	Nov. 1944	Jan. 5, 1945	1945	1945
Bombay	20,42.31	10,45.50	1,71.64	1,89.34	53.30	54.04	
Calcutta	17,40.12	11,29.03	1,83.08	1,84.96	..	..	
Cawnpore	1,02.41	54.17	7.75	9.27	2.17	3.16	
Delhi	1,21.08	58.67	11.05	9.71	2.43	2.11	
Karschi	1,02.84	57.83	8.86	..	2.21	..	
Lahore	78.82	45.88	7.42	10.82	4.87	5.16	
Madras	2,00.02	1,07.86	17.74	8.25	..	..	

NON-SCHEDULED BANKS (Rs. in lakhs)		Date	Demand	Time	Liabilities	Total	Cash	Per cent. of cash to total liabilities
		31-12-43 (530)	17.52	17.27	34.79	4.88	14.0	
		29-1-44 (526)	17.16	18.51	35.67	3.86	10.6	
		23-2-44 (543)	18.08	19.50	37.58	4.08	10.9	
		31-3-44 (508)	18.88	20.49	39.37	4.08	10.4	
		28-4-44 (558)	19.30	22.53	41.84	4.19	10.0	
		28-5-44 (549)	19.65	21.08	40.74	4.19	10.3	

Number of banks submitting their returns within brackets.

BANKING DEPARTMENT

(Rs. in lakhs)		5-1-45	29-12-44	7-1-44	1-9-39	5-1-45 compared with 1-9-39
Cash	9.69	11.96	7.89	35.15	— 25.46	
Balances held abroad*	332.68	342.34	123.70	10.08	+322.60	
Investments	14.80	16.08	7.85	6.81	+ 7.99	
Bills discounted—						
(a) Internal and External	1.95	1.95	11	1.16	+ 79	
(b) Treasury Bills	..	..	..	..	..	
Loans and Advances to Government	5	31	30	31	— 26	
Deposits—						
Of which G. of I.	248.26	254.60	27.06	14.89	+223.37	
(b) Banks	231.21	241.54	16.10	14.89	+216.32	
(a) All Govts.	67.71	75.91	80.27	26.91	+ 40.80	
(c) Others	21.03	20.83	7.85	1.24	+ 19.79	

SCHEDULED BANKS (Rs. in lakhs)		5-1-45	29-12-44	7-1-44	1-9-39	5-1-45 compared with 1-9-39
Demand Liabilities in India	606.90	616.09	500.47	134.36	+472.54	
Time Liabilities in India	204.02	202.92	158.69	102.24	+101.78	
Cash in India	30.29	32.47	24.33	6.70	+ 23.59	
Balances with Reserve Bank	67.02	73.60	82.73	25.17	+ 41.85	
Advances in India	241.00	235.80	164.95	101.52	+139.48	
Bills discounted in India	14.15	13.41	7.17	3.57	+ 10.58	

U.S. FEDERAL RESERVE BOARD (Million dollars)		11-1-45	4-1-45	13-1-44	31-8-39	11-1-45 compared with 1-9-39
Resources:—						
Total Reserves	18,685	18,650	20,115	14,661	+ 4,024	
Total Bills Discounted	13	30	47	6	+ 7	
Bills bought in open market	..	..	..	(550,000)	—(550,000)	
Total U.S. Govt. Securities	18,907	18,734	11,855	2,426	+16,481	
Liabilities:—						
F.R. Notes in actual circulation	21,695	21,743	18,896	4,609	+ 17,086	
Reserve Account	14,057	13,921	12,801	10,951	+ 3,106	
Total Reserve to Deposit and F.R. Liabilities	49.3%	49.4%	62.5%	86.9%	— 37.6%	

TREASURY BILLS MATURITIES (3 Months' Tenure) (Rupees in lakhs)		Date of maturity	Amount	Date of maturity	Amount
		January 13, 1945	6.00	24	6.00
		" 20	6.00	March 1	6.00
		" 27	6.00	" 8	6.00
		February 3	6.00	" 15	6.00
		" 10	6.00	" 22	6.00
		" 17	6.00	" 29	2.53
				April 3	1.41
				" 9	1.24

STERLING PURCHASES BY RESERVE BANK OF INDIA		1943-44	1944	1944	1944	1943	1943
		Apr.-Oct. 1944	Nov. 1944	Oct. 1944	Nov. 1944	Oct. 1943	Nov. 1943
Amount (£ in 000)	105,310	59,402	9,407	9,285	7,476	8,947	

EXCHANGE RATES (T.T.)		Jan. 19, 1945	Jan. 12, 1945
Bombay on London (s.)	1-5 31/32	1-5 31/32	
Bombay on New York (Rs.)	332 3/4	332 3/4	
London on Bombay (s.)	1-6	1-6	
London 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	

CASH POSITION		Date of last change	Previous Rate	Present Rate
Bombay	..	28th Nov. 1939	3 1/2%	3%
London	..	26th Oct. 1939	3%	2%
U.S.A.—New York	..	29th Oct. 1942	1%	1 1/2%
Fed. Res.	..	27th Oct. 1942	1 1/2%	1%

CASH POSITION (Rs. in lakhs)		5-1-45	29-12-44	7-1-44	1-9-39	5-1-45 compared with 1-9-39
Reserve Bank of India	9.69	11.96	7.89	35.15	— 25.46	
Scheduled Banks	97.30	105.07	107.06	31.87	+ 65.43	

INDIAN STOCKS AND SHARES

	16-1-45	9-1-45		16-1-45	9-1-45		16-1-45	9-1-45
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
GOVT. SECURITIES:								
23 1/4 (1948-52) ..	99 9 0	99 12 0	Kamarhatti ..	694 0 0	683 0 0	Reserve ..	135 12 0	135 8 0
3% (1946) ..	102 7 0	102 9 0	Nuddia ..	..	..	New India ..	83 8 0	84 0 0
3% (-952-54) ..	101 0 0	..	Standard ..	..	..	Calcutta ..	..	..
3% (1960-68) ..	98 1 0	..	Presidency ..	12 12 0	12 13 0	Imperial Ord. ..	..	..
3 1/2% G.P. Notes ..	91 11 6	..	TATA SHARES: Bombay			Lahore ..	..	..
4% (1960-70) ..	112 14 0	..	Tata Chemical ..	..	21 4 0	United Com. ..	70 4 0	71 10 0
4 1/2% (1955-60) ..	117 4 0	..	" Oil ..	..	78 0 0	Hindustan Com. ..	..	..
5% (1945-50) ..	..	..	" Power ..	1,920 0 0	1,925 0 0	Pun. National F.P. ..	262 8 0	..
Calcutta ..	..	..	" Hydro ..	209 8 0	208 8 0	Pun. National P.P. ..	210 0 0	..
3% Loan (1945-55) ..	..	100 10 0	" Steel Defd. ..	2,332 8 0	2,422 8 0	Bharat F.P. ..	..	110 0 0
3 1/2% Loan (1947-50) ..	..	..	" Steel Ord. ..	433 0 0	447 0 0	MISCELLANEOUS: Bombay		
3 1/2% G.P. ..	99 15 0	99 15 6	" Steel Pref. I ..	237 8 0	237 8 0	Ajmer ..	15 0 0	15 0 0
3% Vic. (1957) ..	99 13 0	99 13 0	" Steel Pref. II ..	183 8 0	133 8 0	Bombay Suburban ..	215 0 0	215 0 0
4% Loan (1955-60) ..	..	..	STEEL ENG.: Calcutta			Alcock ..	467 8 0	485 0 0
5% Loan (1945-55) ..	..	103 0 0	Braithwaite ..	12 11 0	12 10 0	B.I.C. ..	..	6 15 0
TEXTILES: Bombay			National Iron ..	..	13 3 0	Delapur Sugar (x.a.) ..	226 0 0	241 0 0
Ahmedabad ..	455 0 0	432 8 0	Indian Iron ..	42 2 0	41 14 0	Bombay-Burmah ..	552 8 0	558 8 0
Bombay Dyeing ..	1,966 4 0	1,955 0 0	Steel Corp. Ord. ..	35 0 0	34 10 0	Bom.-Eurma New ..	200 0 0	203 8 0
Central India ..	427 0 0	439 8 0	Steel Corp. Pref. ..	..	..	Bombay Seam ..	611 4 0	630 0 0
Century ..	918 12 0	925 0 0	Jessop O.dy. ..	..	25 8 0	Bombay Tram ..	152 4 0	153 0 0
Colaba ..	234 8 0	240 8 0	Kumardhubi ..	..	12 2 0	Bombay Petrol ..	4 8 0	4 6 0
Gokak ..	327 0 0	335 0 0	COALS: Calcutta			Scindia Steam ..	35 4 0	37 11 0
India Bleaching ..	186 0 0	193 0 0	Amalgamated ..	..	..	Shivrajpur ..	61 0 0	62 8 0
Kachinor ..	653 0 0	687 0 0	Bengal ..	723 0 0	..	Andhra Valley ..	1,825 0 0	1,832 8 0
Phoenix ..	642 8 0	642 8 0	S. Karampura ..	29 2 0	29 8 0	Prm. Const. ..	223 0 0	223 12 0
Sholapur ..	7,650 0 0	7,650 0 0	Bhalgora ..	..	18 0 0	Indian Iron ..	42 7 0	41 1 0
Simplex ..	..	296 0 0	Burrakur ..	45 9 0	45 0 0	Indian Copper ..	3 3 0	3 0 6
Swadeshi ..	580 0 0	595 0 0	East India ..	36 8 0	35 14 0	Burma Corp. ..	4 13 0	4 14 0
Vishnu ..	492 8 0	490 0 0	Equitable ..	..	69 8 0	Asst. Cement ..	241 4 0	258 12 0
Finlay ..	..	332 0 0	N. Damuda ..	..	17 8 0	Calcutta ..	..	..
Morarji ..	..	750 0 0	Standard ..	..	..	Bengal Paper ..	..	226 0 0
Sassoon Ord. ..	..	17 13 0	Talcher ..	..	12 4 0	Shree Gopal Pref. ..	30 4 0	..
Sassoon Defd. ..	..	3 7 6	SUGAR: Calcutta			I.P.P. ..	242 0 0	229 0 0
Calcutta ..	..	..	Buland ..	..	..	Star ..	17 14 0	18 6 0
Banars ..	13 6 0	..	Balrampur ..	18 14 0	..	Odent (e. div.) ..	30 10 0	..
Bengal Nagpur ..	44 0 0	..	Samastipur ..	..	16 8 0	Titaghur ..	30 0 0	..
Cawnpore Textiles ..	..	13 13 0	Belund ..	..	29 3 0	Indian Copper ..	3 5 0	3 4 0
Dumbar ..	334 0 0	318 0 0	Carew ..	..	27 14 0	Cons. Tin ..	3 4 0	3 4 0
Elgin Mills ..	70 0 0	70 8 0	Murree Brewery ..	..	24 10 0	Alumn. Corp. ..	..	..
Kesoram ..	..	17 0 0	New Savan ..	..	42 10 0	Assam-Ben. Cement ..	..	18 2 0
Mulr Mills ..	..	445 0 0	Cawnpore ..	..	40 8 0	Dalmia Cement ..	..	17 15 0
New Victoria ..	7 10 0	7 14 0	Champanan ..	..	18 12 0	Madras		
New Vic. Pref. ..	..	9 10 0	Dyer Meakin ..	..	..	Andhra Cement ..	150 8 0	122 4 0
Madras ..	..	..	Lahore ..	..	..	Bruntons ..	14 2 0	14 8 0
B. and C. Ord. ..	343 0 0	336 0 0	Punjab Sugar ..	..	48 0 0	Mysore Chem. Fert. ..	30 12 0	31 4 0
Bangalore Wool ..	470 0 0	470 0 0	Gokulnagar ..	..	..	Indian Steel Roll ..	..	8 7 0
Cambodia ..	34 6 0	35 0 0	Jagjit ..	..	318 0 0	Mysore Paper ..	26 10 0	26 12 0
Colimbatore Spng. ..	..	..	Murree Brewery ..	..	11 9 0	Mettur Chem. Ord. ..	17 0 0	17 6 0
Pankaja ..	..	304 0 0	Jaswant ..	..	..	Mettur Chem. Defd. ..	6 14 0	7 2 0
Shikam Spinning ..	..	207 0 0	Madras ..	..	62 8 0	Spencer Ord. ..	16 0 0	15 2 0
Vasanthia ..	326 0 0	322 0 0	Mysore ..	..	92 0 0	Hind. Trwust ..	..	26 0 0
Madura ..	72 12 0	72 8 0	Deccan Small ..	..	38 8 0	Lahore ..	..	..
Lakshmi ..	..	183 0 0	Deccan Eg ..	..	..	Indian Iron ..	41 13 0	42 2 0
Sarda ..	..	197 0 0	Travancore Sugar ..	..	16 4 0	Dhrangadura ..	549 0 0	576 0 0
Lahore ..	..	..	South India ..	..	..	Rampur Dist. ..	27 10 0	28 1 0
Ajudhia ..	8 8 0	8 10 0	PLANTINGS: Madras			National Saltstree ..	..	..
Cawnpore Textiles ..	..	..	Coch'n Malabar ..	19 9 0	19 2 0	North India Oil ..	..	..
New Vic. Ord. ..	7 9 0	..	Chembra Peaks ..	10 13 0	11 0 0	Star ..	..	..
Raza Textiles ..	82 0 0	85 12 0	Woodlands ..	..	13 8 0	Shree Gopal ..	20 2 0	20 4 0
JUTE: Calcutta			Thurmbodi ..	5 3 6	..	Delhi ..	..	..
Alliance ..	634 0 0	624 0 0	Travancore Rubber ..	25 4 0	..	Rampur Malze ..	50 12 0	51 4 0
Anglo-India ..	473 0 0	474 0 0	TEA: Calcutta			Rampur Dist. ..	23 0 0	23 6 0
Birla Pref. ..	..	..	Bisnauth ..	..	..	Dhrangadura (x.d.) ..	530 0 0	580 0 0
Barnagore ..	..	..	Central Cachar ..	..	120 0 0	United Com. Bank ..	70 8 0	73 0 0
Champany ..	228 0 0	228 0 0	Tezpor ..	..	21 0 0	Phanat Bank Ord. ..	110 0 0	109 0 0
Ganges ..	..	239 0 0	BANKS & INS.: Bombay			Gwalior Brewery ..	34 12 0	35 12 0
India ..	..	569 0 0	Central ..	87 0 0	87 4 0	Cawnpore Textiles ..	13 12 0	14 4 0
Howrah ..	726 0 0	729 0 0	Imperial F.P. ..	2,042 8 0	2,040 0 0	H'n. Com. Bank ..	59 4 0	61 12 0
Calcutta quotations for 15-1-1955.	86 6 0	86 14 0	Imperial P.P. ..	515 10 0	515 10 0	Raza Textiles ..	80 4 0	85 0 0
			India ..	194 0 0	193 8 0			

LEAGUE OF NATIONS STATISTICS
INDEX NUMBERS OF INDUSTRIAL PRODUCTION
(Base: 1939=100)

FIRE, MARINE AND MISCELLANEOUS INSURANCE BUSINESS					
STATISTICS					
	1939	1940	1941	1942	1943
No. of Indian Companies ..	33	34	39	41	60
No. of Non-Indian Companies ..	69	87	75	92	78
A. Premium income included in Revenue Account of Indian Companies: (Rs. in lakhs)					
(a) India:—					
Fire	47.76	53.41	77.97	109.21	165.61
Marine	18.46	28.76	34.69	61.45	72.57
Miscellaneous ..	36.32	35.05	35.40	35.48	50.25
Total	102.54	177.22	151.06	208.14	288.43
(b) Outside India:—					
Fire	43.63	43.30	50.06	62.68	71.57
Marine	32.56	43.27	44.04	43.63	30.67
Miscellaneous ..	8.89	9.27	9.09	7.76	7.33
Total	85.08	92.84	103.19	114.07	109.57
Total:—					
Fire	91.39	96.71	128.03	171.89	237.18
Marine	51.02	69.03	78.73	105.08	103.24
Miscellaneous ..	45.21	44.30	47.49	43.24	57.61
Total	187.32	210.66	234.25	321.21	397.99
Claims paid under Indian Business to claimants ..	78.14	73.76	84.53	101.96	158.33
B. Premium Income included in Revenue Account under policies effected in India of Non-Indian Companies: ..					
Fire	104.55	91.76	114.58	137.66	180.77
Marine	76.60	101.57	94.47	325.89	207.37
Miscellaneous ..	53.44	49.75	55.86	67.96	86.33
Total	234.59	243.08	254.91	531.61	474.47
Claims paid under Indian Business to claimants ..	69.08	72.26	62.50	173.79	166.66
Total assets in India of Non-Indian Companies ..	381.91	292.7	355.93	501.83	426.3

FOOD INDEX (WHOLESALE PRICES)†			
(Base: Last week of August 1939=100)			
Week ending			Increase or decrease
Average for October 1944	..	233.9	-0.3
Average for November	..	235.4	+1.5
2nd December 1944	..	229.4	-6.1
9th	..	228.5	-0.9
16th	..	231.3	+2.8
23rd	..	233.0	+1.7
30th	..	234.7	+1.7

† Issued by the Office of the Economic Adviser to the G

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity and unit	Quality	Market	Latest Quotations Rs. a. p.	+ Cotton Raw (per candy)	100 Mar. 45	Bombay	444 0 0
*Wheat per md.)	Average	Amritsar	9 4 0	+ Piecegoods (per yd. Bd. Quality)	"	"	1 6 0
	Superior	Lyallpur	"	+ Jute—Raw (per bale of 400 lbs.)	(1) Firsts	Calcutta	79 0 0
	Ready	"	"	+ Bags (per 100)	(2) Lightnings	"	74 0 0
	Dara	Hapur	9 12 0	+ Cloth (per yds.)	B. Twills	"	63 0 0
*Rice (per md.)	No. 1.	"	"		Hessian 8oz.	"	22 2 0
	Dara	Calcutta	10 7 0	+ Tea (per lb.)	10½ oz.	"	29 0 0
	Basmati Old	Cawnpore	11 7 0	Coffee (per cwt.)	Indian market	"	0 10 8
	Sona	Amritsar	22 0 0	+ Sugar (per md. ex-factory)	Nilgiri Peaberry	Bangalore	143 0 0
*Linsced (per md.)	Common rice	"	20 8 0		First Crystals	Cawnpore	16 4 ..
	Medium grade	Cawnpore	16 0 0				to 16 12 6
	Ready B. Bold	Calcutta	11 12 0				
	Ready B. Small	Bombay	11 10 8				
*Mustard (per md.)		"	11 4 8				
	Ready B. Bold	Calcutta	10 12 0				
	Yellow	Cawnpore	9 8 0				
	Black	"	15 9 9				
*Groundnuts (per md.)		"	13 4 0				
	Ready Bold	Bombay	10 9 0				
	Karnals (Coro.)	Madras	"				
	Desl	Cawnpore	8 0 0				
*Potatoes (per md.)		Lucknow	"				
	Paharl	"	"				
*Oil (per qr.):			"				
Linsced	Ready	Bombay	"				
Castor	Ready	"	"				
Copra	Ready	"	"				
Groundnut	Ready	"	"				

* Weekly market report issued by Agricultural Marketing Adviser G. of I., dated 13th January, 1945.

† Times of India, dated 9th January 1945.

† Indian Trade Journal dated 11th January 1945.

GOLD AND SILVER PRICES†

	GOLD			SILVER		
	(Rs. per Spot)		Forward	(Rs.) Sovereign	(Rs. per 100 fine tolas)	
	fine tola	Spot			Forward	
Jan. 10, '45	..	..	..	..	..	..
" 11, "	75 2 0	75 2 0	..	130 10 0	130 8 0	130 8 0
" 12, "	74 10 0	74 10 0	51 8 0	129 9 0	129 9 0	129 9 0
" 13, "	..	..	..	..	..	..
" 14, "	74 0 0	74 0 0	51 0 0	129 0 0	129 0 0	129 0 0
" 15, "	74 0 0	74 0 0	51 0 0	129 0 0	129 0 0	129 0 0

LONDON (Jan. 10, '45) per std. oz. £8-8-0 23½d. (Ready)

NEW YORK (Jan. fine tola) (Rs.) (Rs. per 100 fine tolas)

† At Bombay.



THE EASTERN ECONOMIST

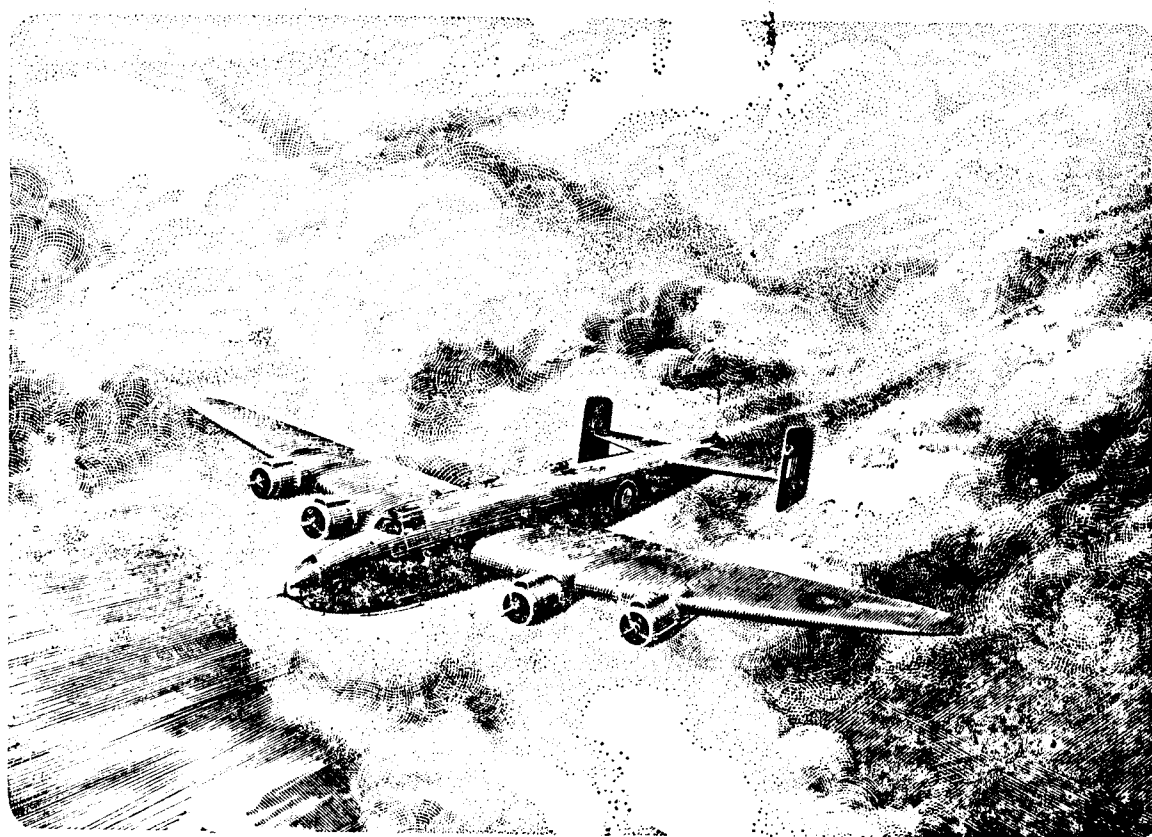
Vol. 4, No. 4

NEW DELHI, JAN. 26, 1945.

ONE RUPEE

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Bombers for War—Airliners for Peace. For 30 years Handley Page aircraft have been conspicuously successful in the "heavy" class. Latest of the line is the Halifax night bomber—now in quantity production—shown above in its Mark III version equipped with four Bristol Hercules engines

BOMBING AS A TRUCKING PROBLEM

It would be considered an astonishing feat to deliver by road, exactly to schedule, thousands of tons of goods to a point hundreds of miles away.

Complicate the problem by the factors of total darkness, unknown territory, a speed of hundreds of miles an hour plus the effect of intense cold and the destructive endeavours of a determined, ruthless and powerful enemy—and such a feat becomes the more astounding.

Yet such conditions as these apply to the finest concerted actions in engineering history—the wholesale "trucking" of bombs night after night from Royal Air Force bases.

Continuously since 1915 the British Industry has built big aircraft to handle the manifold problems of efficient trucking. The industry produced the world's first four-engined air-liners—many of them in uninterrupted service for ten years.

To-day British four-engined bombers carry a destructive load far in excess of any other aircraft in service in the world, with proportionately a minimum of crew.

In good time the British aircraft industry will apply this wealth of experience in design, manufacture and operation of big aircraft to the problems of world transport in peace.

THE BRITISH AIRCRAFT INDUSTRY

ANNOUNCEMENT BY THE SOCIETY OF BRITISH AIRCRAFT CONSTRUCTORS - LONDON - ENGLAND.

The Structure of Planned Economy

EXACTLY one year ago when the country lay dazed in the grip of intense political frustration and an unprecedented economic crisis in the shape of acute famine and inflationary conditions, eight industrialists from Bombay, who were apparently doing some hard and sober thinking, sprung upon the country their first memorandum on a national economic programme, which has since come to be known as the Bombay Plan. The first memorandum at once caught the imagination of the country by its sweep and daring and attracted widespread attention all over the world. Truly it could be said that the memorandum set the pace for economic thinking in this country and imparted to it direction and purpose. But the first memorandum had only set the problem of production in its correct proportions and economic bearings while the crucial question of the structure of planned economy—in short, the question of distribution, the role of the State and the organization of the economic system—were purposely left out for a later manifesto. It is true that ends and means are not easily separable even for purposes of economic analysis and the procedure of the Bombay planners in first setting out the targets or ends before the means could be seen in the totality of their relationships, was slightly unfortunate. For it gave many unconstructive and carping critics a convenient handle; and especially those who had not the competence to study the Plan at a technical level could be led away with such sloganized attitudes

that the Plan was intended to make the rich richer and the poor poorer. However, last week the industrialists from Bombay—minus Sir Ardeshr Dalal, who had since been appointed as Member for Planning and Development in the Government of India—published their promised second memorandum bearing on Distribution and the Role of the State. The Bombay planners have again thrown a challenge both to the public and the Government. The governing ideas of the Bombay Plan have already caught hold of the country and to-day none can get away with jejune remarks that this second memorandum is of "pedestrian quality" or deals with "vague generalities," for the wages of honest criticism is the offering of alternative constructive suggestions.

The first memorandum dealt with the question of production and could easily be scrutinized by means of precise and quantitative economic analysis. It is true that even then people who had little grasp of the theory of economic planning succeeded in pushing the discussion to the political plane, e.g., by naive agriculture v. industry controversy. The second memorandum must, to no inconsiderable extent, be political in content and therefore would give wider berth to oblique and political controversies. Many of the details given by the Bombay planners here could probably be considerably modified on the basis of political considerations without detriment to the essential structure of the

planned economy envisaged by them. While, however, admitting the possibilities of a measure of flexibility of parts and adjustments of "more or less," have the Bombay planners been able to set out the correct governing principles for the organization of a planned economy? What indeed are the criteria—from the economic and technical point of view—by which we have to judge this second essay of the Bombay planners? *Firstly*, what are the essential principles governing the structure of planned economy envisaged by the Bombay planners? *Secondly*, what is the conceptual basis underlying the organization of economic controls which is contemplated? *Thirdly*, can the contemplated complex of heterogeneous controls, ownership and management—partly private, partly public and partly mixed—cohere together into a healthy and functioning directed economy, fully attuned to the requirements of rapid expansionism? And, *finally*, have the Bombay planners been able to sketch the satisfying lay-out of a vigorous economic democracy?

Taking only the first of these four crucial questions here, we find that the Bombay planners have argued that a planned economy can grow organically out of the existing economic system and without any violent break with it—and is indeed the better for it. "We plan for change, but we also plan for stability and orderly development," they declare. We are indeed fortunate that we can learn from the bitter lessons which Russia in her pioneer effort learnt through tears and tribulations. In her first exuberance, Russia smashed up the old economic order until the entire productive system was virtually paralysed and she had to beat a strategic retreat first through the N.E.P. and then by hitting, through trial and error, upon a right balance between extreme regimentation and a wide measure of decentralization and the quasi-competitive market mechanism. Those who think that the economic affairs of a vast sub-continent can be managed by an omniscient and omniscient Brain Trust at the centre misconceive the nature and dimension of the economic problems in the giant industrial-agricultural economy we are going to build—particularly the problems of economic calculus and allocation of resources. Complete socialization enhances and not reduces the "economic problem" which becomes, as the Russians found by hard experience and as the theoreticians of planned economy now emphasize, insoluble and intractable until we can devise a system of decentralization and at the least a simulacrum of the market system.

The Bombay planners, therefore, eschewing all doctrinaire absolutism and the false antithesis of socialism v. capitalism, insist that it is possible to devise a rationalized economic system in which over-all direction will operate not through ponderous regimentation from a single focus, but through decentralization of initiative, in which private enterprise as well as State and mixed enterprises will have their essential roles to play. It would, in short, be not a totalitarian regimented economy, but a *directed mixed economy* in which the main function of the State would be over-all direction in the interest of a rapid and programmed rate of development, and the State will be expected to take over such slices of the rights of ownership or management or control as may be demonstrated necessary in the interest of coherent workability of the system and consistent with the general and formulated ends of the community.

What is conceived is something more than the N.E.P. Rather it is to evolve the rationalized system which Russia arrived at after nearly two decades of blundering and ideological excesses. Almost in line

with modern socio-economic analysis of the institution of property, the rights of property are broken down into a complex of (i) ownership, (ii) control and (iii) management, and each of these elements is apportioned between the State and the private sectors in each field according to strictly pragmatic considerations. In Germany, for example, under the Four-Year Plans, the rights of ownership were never challenged, but the State took upon itself such comprehensive rights of control and under circumstances even of management that the entrepreneur class has been reduced to the status of passive rentiers or active managers, and in practice there is little difference between the working and efficiency of the planned economy in Germany and in Russia. State control is, therefore, seen to be more important than ownership and management. This principle is very significant also in the case of agriculture, where it is proposed that the landlord will be reduced to the status of a passive rentier, the cultivator will manage, while the State will in the main take up the function of purposive control and direction.

The structure of the planned economy will again be determined by what has been called the governing principle of the *economy of central control*. While sufficient powers of co-ordination would be vested in the central government, the administration of economic policy would be delegated to provincial and local governments on a basis of wide decentralization. Private enterprises as well as autonomous public bodies again would share with these provincial and local governments in the actual running of the nation's productive machinery. This would obviate the necessity of setting up a monster bureaucratic machinery which always tends to move cumbrously and adds significantly to the overhead cost of planning, besides adding to the dangers of a regimented and rigid managerial society.

The third and modifying principle governing the structure of the planned economy which is contemplated by the Bombay planners, is that indicated by the distributive and social ends of the community. Thus while it is postulated that there would be free market for the various factors of production, the rewards of which, viz., wages, interest and profits, would "continue to be determined on the basis of demand and efficiency as at present," this is "subject to the overriding consideration that wages should not fall below a certain minimum and that interest rates should be controlled with a view to maintaining full employment." The same considerations lead to decentralization of ownership of the means of production as well as the decentralization of actual production through the imposition of death duties, reform of the land tenure, small-scale and cottage industries, widespread distribution of shares in joint-stock companies, by regional distribution of industries and through the development of co-operative enterprises. In agriculture, on the other hand, the danger of the distributive considerations colliding with the productive considerations is indeed serious but in the opposite direction. For the danger is not that there would be too large concentrations of lands in a few hands, but with the elimination of the land-holding classes, of uneconomic decentralization and fragmentation of holdings. No doubt, having regard to the consideration of uneconomic holding, the planners would have in mind the possibilities of encouraging co-operative or collective farming.

The triple broad principles which appear to underlie the structure of planned economy envisaged by the Bombay planners, therefore, are: (a) necessity of orderly development out of the pre-existing economic set-up, (b) economy of central control, and, finally, (c)

in consonance with the social and distributive ends of the community, maximum decentralization of the means of production as well as of actual productive units, subject to the overriding consideration of the economies of large-scale production in industry and agriculture. With these realistic principles for the organization of a "directed mixed economy," few would quarrel. For, as the recent famine has demonstrated, our economic margin is indeed very slender and we can ill-afford the upheaval and destructive phase through which Russia had to go before she hit

upon the right system. The Bombay planners have declared their faith in the possibility of our deliberately choosing a rationalized system which would be different from the restrictionist "planning" in some of the advanced industrialized countries. The further questions have still to be answered, viz., whether the structure of control, ownership and management which the Bombay planners contemplate, constitutes the valid framework of an expanding economy with enriched democratic contents rather than a restrictionist or totalitarian Frankenstein.

Housing the Industrial Labourer

DURING the war even the limited increase in the level of activity has raised our housing problem in a very acute form; but even before the war housing conditions in nearly every industrial centre in India were most unsatisfactory. A number of factors, the chief among them being the lack of any control on the location of industries in areas specially intended for such development, have helped in creating and maintaining this unhappy state of affairs. Limitation of space and high land values have led to terrible congestion in these areas and the haphazard and ill-conceived growth of industrial establishments in particular areas necessitating house accommodation for a large number of immigrant labourers in the heart of town already suffering from housing shortages has made matters worse.

And these conditions are fairly general throughout the country. In Bombay, for example, the majority of the workers live in *chawls*. 'Many of these *chawls* have tall narrow frontages and extreme depths, with the consequence that the rooms, especially those in the middle and on the ground floors are denied both sunshine and air.' And these *chawls* are terribly overcrowded. Indeed, as the 1931 census report pointed out, if an average of more than two and a half persons per room were taken as an indication of over-crowding in Bombay 96 per cent. of the city's population must be considered to be over-crowded, indeed they do not know what having a room themselves means. A lady doctor appointed by the Government of Bombay reported: "In one room on the second floor of a *chawl*, measuring 15 feet by 12 feet, I found six families living.... This was one of the many such rooms that I saw." In Ahmedabad, according to an Enquiry conducted by the Bombay Labour Office, it was found that nearly three-fourths of the working class families live in one-roomed tenements. In Sholapur, 33 per cent. live in single-rooms and 48 per cent. in two rooms. But bad housing conditions are not a peculiar feature of the Bombay Presidency alone. Madras affords another good example of the squalor and filth in which we condemn our labourers to live. The 200 slums which the city possesses, according to Madras Sanitary League's findings, house over 40,000 families or about a third of the city's population. The average size of these *cheries*, as the slums are called, is 9 feet by 8 feet though many are even smaller and each *cherie* accommodates 6 persons. The houses in most cases are so flimsy that they do not even provide effective shelter from either rains or water. In Madura, the second city of the Madras Presidency, both from the point of view of population and industrial importance, Gandhiji once complained to the municipality, that '*cheries* are built anyhow. There is no lay out of the streets or lanes and cottages in many places have no vents worth the name. In all cases without exception they are so low that you can not enter in and get out without bending double.' In Cawnpore, the most

important industrial centre in Northern India things are no better. The greater bulk of the city's labour population dwells in slums called *ahatas* belonging to private landholders numbering about 200. A room at the back, with a verandah which can be screened off to serve as an extra room, is the usual accommodation. The size of the room generally is 10 feet by 8 feet (height 10 feet) and of the verandah 8 feet by 6 feet. The quarters provided by the employers are mostly one-room tenements whose standard size is 12 feet by 10 feet. The same tale may be told about the conditions in Bengal. Perhaps the state of affairs in Calcutta and Howrah is even worse than elsewhere. 'Slums have grown up round mills and factories in most parts of India,' writes Mr. Shiva Rao, but nothing can equal, for squalor and filth and stench, the *bustees* in Howrah and the suburbs north of Calcutta.' Barring a small section of the jute mill workers who are fortunate to have secured accommodation in one of the 40,000 'lines' built by the millowners to house about three times that number of their workers, the rest have to live in private *bustees*. 'Filthy, disease-ridden hovels' is the appropriate description of these *bustees*, which have no 'windows, chimneys or fire-places, and the door-way so low that one has to bend almost on one's knees to enter them. In Howrah Mr. Shiva Rao writes: 'In a small room 8 feet by 6 feet, I found nine people living.' On the plantations, housing is provided rent-free by the employers. Most of the quarters provided are single-room tenements made up of mud plaster with thatched roofs without verandahs, little light, and ventilation. In the mining areas, colliery quarters in every coal-field are one-room houses; in the allotment of quarters the rule followed is one-room for one worker or family without any consideration for the size of the family. 'In Jheria,' says Dr. Seth, "it is quite an ordinary sight to see a room packed with five or six persons. So is the case in Raniganj, the Central Provinces, Giridih and to a lesser extent in Hyderabad, Talcher and the Punjab coal-fields." Such has been the general picture of labour housing in India before the war. During the war, the trend towards urban concentration has been vastly accentuated making a grave position the more intolerable.

It has been estimated that on the basis that a person should have about 3,000 cubic feet of fresh air per hour, the accommodation required would be about 100 square feet of house room per person. Our survey of the prevailing conditions throughout the country shows how woefully short we fall of the minimum standard essential for health and well-being. In the mining areas the most that a family of colliery workers gets is just equal to the minimum required for the individual. And in all our industrial cities a large number of 'pavement sleepers' furnishes eloquent testimony of our failure to solve the problem. But this is not all. These houses are not only over-crowded and heavily congested. They also lack in many other essential conveniences. Sanitation

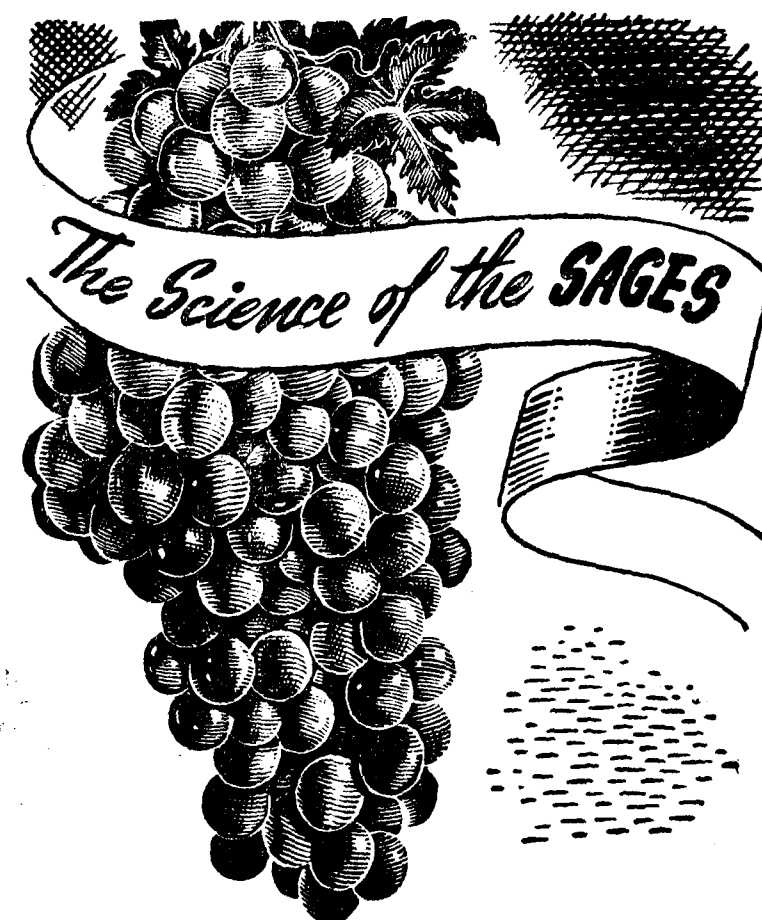
is almost invariably hopeless, equally bad are the conditions of ventilation. 'In practically all coal-fields, for instance, 'hardly 40 per cent. of the rooms possess windows, 30 per cent. ventilation holes and 30 per cent. only a small door of 5 feet by 2 feet' or even smaller. Even these small inlets for air and sunlight are often barred by the kerosene tins, etc., to ensure privacy. The Labour Commission pointed out that 'sanitary arrangements in the mine's housing areas are by no means satisfactory. Latrine accommodation is inadequate....' Scarcity of water-supply is another serious complaint. In Madras, for instance, the Sanitary League reported that in 35 *cherries* housing about 15,000 people, no municipal water-supply whatever was available. Of the remaining 146 only 12 were adequately supplied with water. It is possible to cite instances of these vile draw-backs with which labour has to contend. But it is unnecessary to multiply instances, these already given are more or less typical and furnish a not exaggerated picture of the depressing conditions actually prevailing.

And the consequences of these wretched housing conditions have serious deleterious effects on those condemned to live in them. There is, for instance, 'all-round testimony to the direct connection between congestion in the cities and the rapid spread of tuberculosis in recent years.' In the *ahatas* at Cawnpore, for instance, this fell disease is widely prevalent. Epidemic diseases too, take their full toll in turn. The Health Officer of Madras has observed almost regularly in his reports that the average death-rate for the city is highest in divisions inhabited by the labouring classes. As with health, so with morals. Drinking and gambling are almost universal in the industrial areas and it is indeed a little too much to expect that these poor souls, victims of the horrifying environment in which they are condemned to live, 'without the joys and the restraints of family life can stand the strain of factory work and of these vile housing conditions without the aid of artificial stimulants.' An idea of the loss in efficiency thus caused may be had from the fact that tea garden experts estimate a 10, 25, or even 50 per cent. increase in labour efficiency from effective hookworm control alone. And this disease is widely prevalent in several parts of India owing to the absence of latrines. Further, such vile housing conditions serve as one of the causes why labourer is not pulled towards the industrial areas or, in case he is pushed by the pangs of poverty, tends to get back as soon as it is possible.

Why have these depressing conditions persistently existed? Who in the main is responsible, Government, local bodies or the employers; for it is on them that the responsibility for healthy housing conditions must be cast, labour being too ill-paid to mend matters. Let the Labour Commission testify: 'One fact which stands out is that the action taken by the parties concerned—employers, Government and local bodies—is in inverse ratio to their responsibility. Employers have done most; municipal councils least.' And the Government with its 12 pies per annum spent on Public Health has, let us add, just watched on. Ever since, matters have not improved. The Labour Commission suggested the formation of a Ministry of Health to be charged with the responsibility of drawing up 'plans with approximate costs of different types of houses, and be available for advice.' It also recommended that the extension of the Madras Town Planning Act to the rest of the country as this measure has 'proved of considerable value in the development of housing schemes.' In Bombay and Bengal Presidencies in particular, according to the Commission, these Acts were 'urgently required.' But none

of these recommendations have been given effect to. The assumption, by the Congress, of office in the provinces marked a new epoch in Government policy in that in several provinces a more liberal housing policy was inaugurated. In Cawnpore, for instance, the Provincial Government 'accepted the main responsibility for solving the housing problem.' But their stay was cut short by an unhappy turn of events and nothing substantial could be achieved. The municipalities, too, on whom 'the primary responsibility' rests have done almost nothing; vested interests have proved too strong for them. And when we remember that the annual monetary gain that accrues to certain sections of the population from the present state of affairs is often higher than the cost of the houses so built and a 15 to 25 per cent. return is the general rule we can imagine the strength and bitterness of such opposition. In some cities there have existed some Improvement Trusts, but from lack of effective co-operation between these bodies and the municipal committees they have failed to yield the maximum benefit. Take the case of the Cawnpore Improvement Trust. It has not had the power to declare the slum areas unfit for human habitation—although there is no reasonable ground for not declaring these hovels as such. And it claimed that with £7,500 a year it could "change the face of the city."

Must this state of affairs continue in the future? 'Every humanitarian instinct' said the Royal Commission on Labour, 'should compel a united and continuous effort' to mend this horrible position. The Bombay Plan, it will be recalled, has envisaged an ambitious plan for healthy housing of the nation. But it is clear that the task of housing our industrial labour must be given a very high priority and must be conceived as an integral part of our national industrial and localization policy. As our industrial development proceeds apace new urban areas will grow up and if we have a well-conceived localization and town planning policy, we shall have a unique chance of avoiding all the evils of haphazard urban development such as attended industrial development in the West during the *laissez faire* days of the last century. What should be the respective responsibilities—financial as well as directive—of the State and of private enterprise respectively in this respect? All this have to be worked out and properly delineated when we chalk out a comprehensive programme. It is, nevertheless, of some interest in this connection to note that the Delhi Improvement Trust has evolved a scheme for re-housing displaced poor-class families. The main features of the scheme are: (1) the provision of a house to suit the specific family on a lease-purchase basis, and (2) the provision of a subsidy from public funds to cover the difference between the bare economic hire-purchase instalment and the paying capacity of the family as assessed by the Trust. But the task would require active co-operation on the part of municipalities, the Provincial Governments and the Centre. The Provincial Governments, for instance, may come to the help of the municipalities by arranging for the floatation of loans at cheap rates and supplement their financial resources in other ways. The Centre must take steps to ensure uniformity of practice throughout the country. And financially too, it must come to the help of the Provincial Governments. Meanwhile, the country will watch with the deepest interest what steps are taken by the Bengal Government to improve matters there. For it will be recalled that only the other day the Governor of Bengal gave such an assurance to the people of his Province.



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The Week's Notes

FERTILIZER INDUSTRY

The Government of India have concluded their examination of the report submitted by the Technical Mission appointed to advise on the production of artificial fertilizers in India. It will be recalled that the Mission came to the conclusion that a single plant producing 350,000 tons of sulphate of ammonia per annum would be the most economic unit; we noted at the time, however, that others who are competent to express their opinion have differed from this and have asserted that the costing data given by the Mission are much higher than they should be and smaller units would be quite economical, quite apart from the advantages of decentralization. It is noteworthy that the Travancore scheme, which has already secured the plant and machinery and which expects to start working by the end of this year, contemplates a plant capacity of barely 60,000 tons of sulphate of ammonia per year. Howbeit, the Government have decided to establish initially a factory at Sindri, near Dhanbad in Bihar, for manufacturing 350,000 tons of sulphate of ammonia per annum and it has also been announced—probably partly as a sop to the public, who have tended to look upon the single plant scheme as a device for giving the monopoly to the I.C.I.—that they are also investigating the prospects of erecting another unit of 100,000 tons per annum on a site somewhere south of the Vindhya. The Pitkeathly Mission would now proceed to the United States and Britain to negotiate for the purchase of plant and its erection. The circumstances surrounding the investigations of the Gowing Mission have been mysterious and it cannot be said that public suspicion has yet been entirely dissipated even by the announcement that the Sindri plant would be State-owned and State-controlled. It has been reported in the Press that the I.C.I. just before the war purchased from a German manufacturer a plant having a capacity of 350,000 tons of sulphate of ammonia, which was erected in Manchester. After some time the plant was found unsatisfactory and uneconomical and it is now lying idle in Manchester. Some quarters suggest that behind all the grand arguments of the Gowing Mission lie the machinations to dump this derelict plant on India so that not only would the I.C.I. have thereby got rid of an unsatisfactory plant at India's expense, but would also have secured technical control over one of our key industries. In India the product will have to be heavily subsidized by the State so that the disadvantages of securing this costly plant will be shifted on to the broad shoulders of the general tax-payers in India. The Pitkeathly Mission has been charged *inter alia* to find out the comparative costs of the plant in Britain and the United States and to investigate how far a new design would be required to suit Indian condition. We hope the findings of the Pitkeathly Mission will be published and be fully above board. For although the Supply Member assured us that we are at "the end of the beginning," it is to be feared that we are still in the midst of a drama much of which is being enacted behind the scene.

RAILWAY RATES

With the passing of most of the important railways in the country under the State management, the occasion has arrived when it has to be decided whether India is to have a single or co-ordinated rate policy for transport throughout the country and measure profitability on an All-India basis, or each railway system, as at present existing or as it may be

better regrouped, is to have separate rates, on the basis of its own costs and nature of regional demand, striving to show its own profits. The differences in rates existing in the different railways and on different lines have in the past hampered free internal trade while the rates structure has favoured import trade; rationalization in this respect would greatly help industrial development in the country. Mr. Cuffe, the President of the Annual Session of the Indian Railway Conference Association showed a correct realization of the need of a proper railway rates policy in the interest of the post-war industrial development of the country. Railways have their own part to play in order to ensure that each new industry as it gets into production will have the rates arranged for it which will give the industry a reasonable chance of obtaining a market in a reasonably wide area. The War Transport Member did not show a proper appreciation of the question when he brought in the question of regional freedom of enterprise and rejected the idea of centralized control over rates on the ground that the link must be maintained between the rate making and general working of the railways to ensure economic working. That railway rate policies should help trade and industry is not an argument for uneconomic working of lines. It will not be fair merely to transfer the burden of higher transport costs from one region to another. But modern statistical devices make it possible to adjust such differences equitably and the profitability can be determined through appropriate costing methods and supply adjusted accordingly. Further, a monopoly such as the railway is in a position to vary its output, and theoretically can have more than one point at which its profits are maximized. Railway rates, again, can be so adjusted in this respect as to help trade and industry to its best. India is a vast country, and there are obvious dangers of over centralization, but there is no justification for the complacency displayed by the War Transport Member. The need for some amount of uniformity and harmony in rates on an All-India basis is pressing and can no longer be neglected.

CAPITAL GOODS FROM BRITAIN

In its letter to us published last week, the P.E.P. linked the repayment of sterling debts to India's plans of industrial development and said: "If you will let us know your most urgent needs, we will do our best to satisfy them as quickly as possible." The crux of the matter is to what extent will Britain be able to supply us the capital goods on which the bulk of the sterling assets will be most profitably spent. The question of prices at which those goods can be got and the time when they will be available are, no doubt, all important. But as it is, it would seem that for some years following the war Britain would not be able to provide us those capital goods. The recovery of Britain's export trade by more than 50 per cent. over the pre-war level which is stated to be necessary for earning the foreign exchange to pay for her current imports will by itself call for a thorough modernization of all her obsolete industries and entail the installation of new machinery costing millions of pounds. Can the British economy meet this re-equipment and re-conversion demand for plants at home vital for export recovery and at the same time spare machinery for export as well to countries such as India which cannot postpone all their demands for a decade and until Britain's reconversion is completed? It is reported that already there are signs of conflict

between demands for home investment and export. In the case of the woollen industry the manufacturers are already insisting that no machinery should be sent abroad until domestic industry is completely re-equipped. And it will not be a surprise if a similar conflict arises in other fields as well. In certain lines, e.g., machine tools, adequate capacity might be found without great difficulty, but of the rest we have grave doubts. The sooner the reconversion is completed, the greater would be the recovery of British exports, and this might be helped by such factors as the universal demand for goods at the end of the war, the probable elimination of German and Japanese competition, etc. Other nations holding sterling balances might be ready to take a good volume of consumer goods—for example, Egypt, under her recent agreement with Britain, although even consumer goods would not appear to be so readily available. But India affords little scope for the import of consumer goods and if Britain is unable to supply the urgently needed capital goods immediately after the war, honesty would require that she should release scarce currencies to enable these goods to be bought from elsewhere.

COMMITMENTS IN THE AIR

The *communiqué* on the Chicago Air Conference issued by Government and the explanation offered by Sir Gurunath Bewoor and other returned delegates at a Press conference at least make it clear that pending international agreement as to the methods of traffic regulation, India has not been committed to undue or onerous obligations from which it would be difficult subsequently to recover, although India's part in the world's air is far from having been recognized. The right of each country to reserve internal air services and to determine the agency for the operation of its own external and internal air services has been recognized, the principle of cabotage has been accepted and the sovereignty of the air left unimpaired. India has signed 4 documents: (1) the Final Act, (2) the main Convention, (3) the Interim Agreement and (4) the Two-Freedoms Agreement. The first is merely a record of the Conference and the main Convention does not come into force until it has been ratified by the Governments of the signatory countries, and 26 countries should ratify it. The Convention mainly pertains to perfection and uniformity of technical standards of aviation and India has nothing to lose by adopting it. The Interim Agreement sets up an Interim Council for certain preparatory functions and for the purpose of studying all questions of technique and costs of international air traffic. India, which, representing a major geographical region, was entitled to a seat on the Interim Council, failed to be elected, but got a seat due to Cuba's charitable withdrawal. India's adherence to the Two-Freedoms Agreement only entails that India gives (1) the right of freedom of flight across her territory, i.e., "innocent" passage and (2) the freedom of landing for non-traffic purposes, subject to the right of reference to the Interim Council in case it is felt that the freedoms are abused. The Two-Freedoms Agreement also will not become binding until confirmed by the signatory Government by notification to the U.S. Government. The Government of India will be examining the documents from that point of view. On the principal question, i.e., the grant of freedom to scheduled air services to take traffic to and from India, the position is that it will be subject to specific bilateral agreements. The Government are relying on the principle of reciprocity and the *communiqué* says that it will be open to India to make such conditions as she may desire to protect her legitimate interests. Sir Gurunath said at the Press conference that if unregulated development of international air services were allowed to develop, it would result in India having to face well-established

foreign competition, when she wanted to run the services herself, as in the field of shipping. We would ask Sir Gurunath: (1) when in the opinion of Government India would be able to take up these services and whether even now she is not entitled to the share; (If Government think the time is not yet, reciprocity is just non-sense.) (2) why the Government of India have not yet made any plans of the external air services India proposes to run, when the smallest country that was represented at the Conference did not fail to announce its ambitions; and (3) whether Government can give the assurance that they will not let the Indian sky be covered by the planes of all countries plying international services, but impose conditions to get India her share.

POLICY FOR JAPAN

At the recent session of the International Conference of the Institute of Pacific Relations at Hot Springs, there appeared "sharp disagreement" on the question of economic disarmament of Japan after her defeat. On the face of it, the treatment that should be meted out to Japan should be no harsher or no kinder than that meted out to Germany, for their cases are identical in this respect. Many indeed have noted that in certain sections of the British press and particularly in the United States press, there is exhibited a comparatively greater vehemence against Japan than against Germany. Some have attributed this to the fact that Japan is an Asiatic power, while others explain it by the fact that Japan, unlike Germany, possesses certain strategic and colonial advantages which are tempting for the Anglo-American powers. There was no disagreement about the necessity of immediate military disarmament of Japan after her defeat, and it was felt that there would be no great technical difficulty in that respect either, particularly in view of the fact that her capacity for offensive operations could be effectively neutralized simply if her navy and mercantile marine were destroyed. Controversy rather ranged round the problem of long-term economic disarmament. Delegates from the United States and Britain proposed that the proper and thorough method of preventing the Japanese from re-arming would be the complete destruction of some "key" industries, including the aluminium industry. However, such a method, it was realized, was not knave-proof and besides presented many technical difficulties, quite apart from the adverse reaction this was bound to have on the economy of Japan as well as on international commercial relations in general. Spokesman of the South-east Asian rubber industry, for example, feared that with the building up of the gigantic synthetic rubber industry in the United States, the elimination of a large market for natural rubber like Japan would be a catastrophe for the natural rubber industry. It was quickly realized by the delegates that the main obstacle to successful economic disarmament of Japan, as of Germany, was less the technical difficulty of achieving such disarmament, but rather the absence of unanimity among the United Nations as to how to determine, carry out and maintain such a policy, especially over a long period after the passion of war-time and aftermath has subsided. American attitude, particularly in view of their vital strategic and colonial interests in the Pacific, seem very emphatic, while, delegates from China who has suffered most from Japanese aggression, adopted a surprisingly moderate and realistic view. Sir Andrew MacFadyen, leader of the British delegation also sounded a sober note. He said that while Japan should be made to pay reasonable reparations after the war, "we must not make the mistake of last time of imposing over-heavy payments" and Japan should be given a chance to maintain her national economy and continue manufacture of cheap export goods, "even if this competes with British export markets,

because the Japanese people must survive. If cheap exports goods of the Japanese variety are produced they will ultimately create a world demand for goods of the better type exported by England." Strategic and commercial considerations do not tally at all points. The capacity of Japan for military aggression may be better neutralized by rapid development of industrial power in China and India than by de-industrialization of Japan; while Japan should no doubt bear her share of responsibility for the rehabilitation of territories overrun and devastated by her, she must also eventually be allowed to take her due place in the world economy.

A CHARTER OF TRUSTEESHIP

A proposal for a "Charter of Trusteeship" for colonial and dependent territories is reported to have been agreed upon at the International Conference on Pacific Relations, largely as a result of efforts of the Indian delegation. This charter is to contain an explicit declaration that those States which have responsibility for the administration of dependent territories should administer them in trust for the world community, promote their advancement towards self-government and independence and in the meantime promote their social and economic welfare. An international expert body, composed of experts from colonial and non-colonial Powers sitting as individuals in the general analogy of a permanent mandated commission, is contemplated to be established within the framework of future international security organization in order to supervise the working of the trust. Such a development means in essence the abrogation of the sovereignty of the colonial Powers over the colonial peoples and territories, and a clear recognition of the fact that such a control must be functionally justifiable. It implies that we must recognize that, for instance, Java or Annam do not belong to Holland or France by some divine right, and that the exclusive connection with any foreign Power is only temporary and for a certain purpose. The need to reiterate these considerations and have them recognized internationally at present arises out of the disquieting anxiety which Powers like France and Holland, that are no longer economically capable of any idealistic role of imperialism, are displaying to have their former colonies back. The principles on which the charter is to be based are not new, and there has been no difficulty in recognizing them in respect of territories of the vanquished Powers. When the territories of Turkey and Germany were placed under international supervision after the last war or if those of Japan are similarly dealt with after the present war, a manifest distinction is made between territories occupied mainly by the controlling people and those occupied by peoples differing in race and national sentiments. International security will be a misnomer if there is no orderly method of rational change, and alterations in sovereignty of Powers on peoples differing from them in national sentiment are to depend on the exigencies of war alone. It is only when responsibilities towards a world community, and the functional aspects of colonial control are unambiguously accepted that the scramble for exclusive relations with weaker areas can be ended.

STILL MORE HUMILIATIONS?

Indians in South Africa have suffered long and bitterly. Measure after measure has been enacted perpetuating and strengthening the rigours of the colour bar. And what was thus sought to be denied to the Indian settlers whom 'the self-interest of the European' took to South Africa was not any excessive or unjust demands for 'privilege or creation of vested interests.' It was a claim merely for equality of op-

portunity to ply their normal activities and make their honest living. It was an elementary right and it could be denied only by an atrociously intolerant community although, in 1927, the South African Government had declared its firm belief and adherence to the belief that it was the duty of every civilized Government to devise ways and means and to take every possible step for up-lifting every section of their permanent population. It will also be accepted that in the provision of 'educational and other facilities' Indians will not be allowed to lag behind. Despite these protestations and promises made over 18 years ago, the Indian community remains a voteless community without any say in the governance of the land on which more than 80 per cent. of South African Indians were born and which they have also made their permanent abode. In this very agreement the Union Government recognized that the Indian Government had a stake in the problem. It is now rumoured, and the reports are presumably based on solid foundations that measures 'to remove the problem finally from India's sphere of interest'—measures which, it is feared, will make the Indian community entirely dependent on the mercy of the white population and will reduce to naught the functions of the High Commissioner and even of the Government of India, as the protectors of the rights of a quarter million South African Indians—are now under contemplation. As Sir Shafaat Ahmed, the retiring High Commissioner, in a farewell speech rightly pointed out, 'the justification for the India Government's interference in this question was that in the past there have been treaties between India and the old Natal Government' which could not be annulled by the unilateral action of the Union Government.' Sir Shafaat further held out the grim prospect of fresh discriminatory laws from the present session of the Parliament. On the basis of past experience, it can be predicted with certainty that these will aim at the economic strangulation of the Indian community. What is the Government of India going to do. Mr. Hofmeyr, South African Minister of Finance, has frankly pointed out that the responsibility for this unhappy state of affairs in which to be an Indian has become 'almost a crime' must rest in part on the shoulders of the Government of India 'who have been a consenting party, an unwilling consenting party over-borne by pressure from the Governmental authority in South India.' And from the way the Central Government have been fighting shy of applying economic sanctions as a retaliatory measure, there does not seem much reason to hope of any effective help from them to the 250,000 Indians in South Africa. Nor are we very hopeful that the world would refuse 'to tolerate it and would insist on concrete measures for the removal of discrimination.' Perhaps the Indian community has nowhere to look for effective support. It must stand on its own legs and fight to the finish the battle of its freedom. We can only wish it success in its endeavour till such time as India is free and her words have gained more weight in international counsels.

LAND TENURES

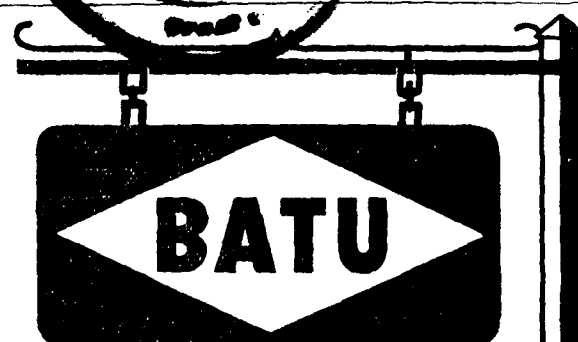
At the recent meeting of the Consultative Committee of Economists, it appears, the question of reforming the various tenures systems that obtain in the country was raised and Sir Ardeshr admitted that 'something or the other will have to be done to the system of land tenures'. That is, however, not going very far. The progress of Indian agriculture is indissolubly linked up with the question of the ownership of land and considerations of social justice also point most emphatically in the direction of a thorough overhaul. A serious state of affairs prevails in various parts of the country. In Bengal, for instance, the Floud Commission reports a steady

reduction in the number of actual cultivators possessing occupancy rights and..... a large increase in the number of landless labourers. At the same time there has been an increase in the number of rent-receivers. The conclusion obviously is that while it is not profitable to till the land in person it is remunerative enough to sub-let it. The relation between landlords and tenants reveals everywhere a very unsatisfactory condition. "The landlords have encroached upon and restricted rights in the village commons, neglected their duties towards irrigation—and displayed little practical interest in the improvement of the condition of the tenants." In short, he has become a 'rent-receiver rather than a wealth producer, having ceased to play his old part in the agricultural combination.' A similar divorce between ownership of land and its actual cultivation has been apparent in the Punjab, commonly known as the land of peasant proprietors. Between 1891-92 and 1936-37 the percentage of total area cultivated by tenants-at-will increased from 35.7 to 48.8 per cent., while only 7.3 per cent. of the cultivated areas is farmed by occupancy tenants. It need not be emphasized that the absence of any property rights with a consequent sense of insecurity is a serious drag on agricultural efficiency and output. This state of affairs, which is fairly general throughout the country, is far from satisfactory and "a systematic inquiry into land tenures in the different provinces with a view to their improvement is absolutely necessary." It is rather disappointing to learn that even such an inquiry on an important piece of reform like this should not be taken by 'several provinces' on the specious ground that 'the only result might be to embitter relations between landlords and tenants.'

A STRANGE PLEA

Early this month the Mayor of Madras convened a conference to explore ways and means of relieving the milk shortage in the city. Speaking on this occasion, Mr. J. P. L. Shenoy, the Commissioner of the Corporation, is reported to have said that "it is difficult to contemplate, in this state of shortage, supply of milk to children or others not accustomed to milk; that would have to wait till after the war." Surely, arguments of this sort should not be heard at this time of the day. It is precisely because of the "state of shortage" that special measures are demanded in the interests of the vulnerable sections of the population. When an essential commodity goes short, social ethics as well as welfare economics would seem to require that whatever there is of this commodity is made available for those who need it most. The war has engendered social and economic pressures, which have impinged most heavily on the younger generation. Many of our children are born today only to fall victims to diseases, which, where they do not end in infantile deaths, lead to impaired vitality. Medical science has shown that the provision of a small amount of milk to expectant and nursing mothers and growing children would go far to improve this evil state of affairs. It becomes, then, the clear responsibility of the public authority to see that these vulnerable groups are assured of a minimum quantity of milk at prices, which they can afford. In other words, partial rationing of milk at subsidised prices is today one of the primary duties of the Government, particularly in the big cities, where it is now altogether impossible for the poorer classes to get any milk at all. To plead that we should wait till the end of the war for tackling a situation which the war itself has posed in its most acute form may be expedient and also convenient (because it is trouble-saving), but it does not certainly amount to an honest attempt to discharge obligations, which authority owes to the

people. If Bombay City could have operated a scheme of subsidised milk distribution for a year and found at the end of the period that she could boldly extend it to cover a wider field and if Bangalore City may propose to embark on this same praiseworthy object, what is there in it that make it particularly "difficult to contemplate" for the executive officer of the Madras Corporation. It is preposterous to say that there is not enough milk for subsidised distribution to mothers and children, when even such an obvious measure of conserving scarce supplies as banning their use in the commercial preparation of luxury sweets has not yet been taken in Madras, although Bombay has done so months ago. We would urge the Madras Corporation as well as the Madras Government not to delay further in putting into operation a scheme of subsidised milk supply, benefiting growing children and expectant and nursing mothers. The Bombay example as well as the Bangalore proposal should serve to lessen their diffidence.



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SPECIAL ARTICLE

Crop Insurance for India

Manohar R. Idgunji

CROP insurance is insurance against the risk of loss or deficiency in respect of periodical crops raised by the cultivator. It is a means by which systematic contributions by farmers, made in proportion to the risk to their crops, create a reserve from which to finance relief in periods of crop failure. Crop insurance deals with the problem of deficits,—individual deficits which may exist even in years when there is a general surplus of production in the country as a whole. The function of crop insurance is to supplement rather than supplant the various other means of stabilizing farm income, such as diversifying sources of income, planting of several crops, etc. Crop insurance for farmers is the counterpart of unemployment insurance for industrial workers. Crops can, of course, be protected from hazards, but protective measures can never provide complete security and, in fact, if carried beyond a certain point, are often more expensive than insurance.

The crops may be brought under coverage, in a scheme of crop insurance, gradually one by one. Normal crop yields for a year have to be fixed. These need not be fixed for each individual farm—unduly complicating matters in the condition of this country—but may be fixed for groups of similar tracts of land, which would in most cases be identical with the administrative districts. In bumper years the farmer would be required to deliver to the Government Insurance Institution (assuming that the scheme will be administered by the Government), as premium, a certain percentage of his surplus crops, i.e. of the amount in excess of the normal yield or its cash equivalent. The price used in determining cash equivalent should be one that tends to reflect the local market price, and may be obtained by using central market prices with deductions for freight and handling charges. The surplus contributed as premium will be stored by the Government in warehouses to be specially constructed for the purpose. In years of crop failure, i.e. of yield below the normal, through no fault of the farmer, Government will redeliver to him enough of the crop, or its equivalent in cash, so as to give him either the whole or a fixed percentage, say 75% of his normal yield. The premium as well as the indemnities payable under the scheme should be assessed in kind, but may be payable either in kind or in cash. It is necessary that the cash premiums are invested by the Government in that particular insured commodity, in order that the scheme should work unperturbed by price fluctuations. The insurance of price would be desirable, if it were feasible, but prices are to a considerable extent determined by human actions, and are not predictable. On the other hand, factors affecting production are largely physical and, in considerable measure, can be predicted.

Such a system of crop insurance will have many-sided advantages. It will provide security of income and prosperity for the cultivator by protecting him against the vagaries and vicissitudes of the seasons and other adverse factors and thus help him to maintain his standard of living. It will ensure a normal and steady food supply in the country through an "ever-normal granary." It will also protect the consumer from wide and violent fluctuations in prices due to occasional shortage or failure of crops by stabilizing prices. It will help the prosperity of the cultivator also by eliminating or reducing indebted-

ness often contracted in years of crop failure. The removal of the element of uncertainty from agriculture will enable the cultivator to plan better and to reorganise the farm on more economic and business like methods. Even the public treasury will benefit in that it will be relieved of a considerable amount of burden on account of the cultivators. As a national programme crop insurance will bring security to the individual farmer and, as a consequence, will bring more stability to agriculture as an industry.

Crop insurance was introduced in the U.S.A. under the Federal Crop Insurance Act of 1938 which provided for all-risk crop insurance for wheat. Such insurance was made available for the first time on the crop seeded for harvest in 1939. The Federal Crop Insurance Corporation, established by that Act, is an agency of and within the United States Department of Agriculture, and subject to the supervision of the Secretary of Agriculture. Local Administration is through county committees. The committee men are elected from amongst the farmers. There are two plans of insurance, viz. 75% plan and 50% plan, i.e. plans providing that if the yield is less than 75% or 50% of the "normal" yield, as the case may be, the shortage is made up. The insurance takes effect upon the seeding of the crop and payment of the premium. It terminates upon the threshing of the wheat or on September 30, whichever occurs first. Insurance is in kind and voluntary. In June 1941, cotton was added to the venture, the first crop insured being the 1942 crop. However, the Agricultural Appropriation Bill, passed in July 1943, withdrew financial support for continuing the programme and provided only sufficient funds for completing insurance on the 1943 crops. The arguments advanced for such action were that participation in the programme was too small, and the expenses too large to justify its continuance. This recent action of the Congress may not mean that the idea of crop insurance has been definitely and permanently abandoned. The basic legislation to provide for crop insurance remains on the statutes. It has to be noted that the attempt has not quite succeeded because participation was purely voluntary which resulted in 'adverse selection.'

It has been suggested that since Indian agriculture is largely dependent on rainfall, a simple scheme of rain insurance, i.e., insurance against the risk of deficiency of rainfall, would be identical in its results, for all practical purposes, with a scheme of crop insurance. This proposition does not appear very convincing. Agricultural production may suffer equally from over-abundance of rain or from ill-timed rainfall as from its deficiency. Again, there are other factors that affect crops, like unfavourable weather conditions, floods, insects and disease. Therefore it appears that a mere scheme of insurance against deficiency of rainfall will not serve a very useful purpose. We must have a scheme of "all-risk" crop insurance.

The introduction of a system of crop-insurance in India is not, however, without its difficulties. Fixing the normal yield figures is bound to be a difficult proposition, where most of the cultivators are illiterate, keep no accounts and have no idea of running the farm as a business. Crop yields depend on numerous

actors like facilities of communications and opportunities of scientific agriculture. Again, our crop records are inadequate. Our statistics relating to crop yields are neither satisfactory nor complete for a large part of the country. These factors will also render the calculation of premium rates difficult. Another difficulty that may present itself is the probable attitude of the cultivators themselves, because of the immediate sacrifice involved in premium payment. The size of the premiums may frighten and repel them and the scheme will have to be made compulsory, if it is to prove of any practical use and value. This will also eliminate all possibility of adverse selection. Further there is the problem of storage of grain. Local warehouses will have to be constructed all over the country and the storage will have to be guarded against theft, damp, insects, etc. This will bring in the question of initial cost. In America it was estimated at \$50 millions for the first ten years in a scheme covering all staple crops of America, and it was calculated that if this cost were met by Government, the scheme could be after that period self-supporting. In our country, the cost of storage with all the overhead costs of administration will, of course, have to be borne by the Government. And finally comes the most formidable difficulty, namely that the cultivators are poor, their surplus in a good year is limited and often already mortgaged in advance owing to indebtedness. How can such people who can hardly make a bare living afford to pay for insurance? It is precisely for this reason that crop insurance in our country has to be socialised; in other words, it must become social insurance. For this purpose, the cultivators shall have to be classified according to their incomes, and the major share of the premiums in the case of cer-

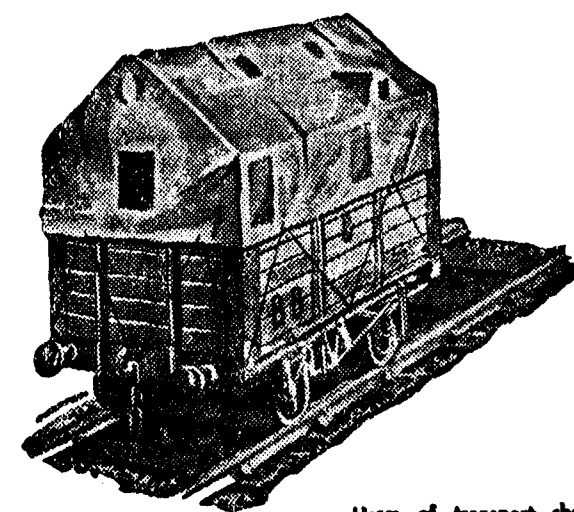
tain lower income groups will have to be borne by the state. The Provincial Governments and the Government of India should have no objection to bear part of the cost of the scheme, since such a scheme will not apply like the scheme of sickness insurance to a fraction of the total population, but to a major part of it. Thus, by applying the principle of social insurance, this most important difficulty will be removed, and it will be feasible to introduce a scheme of crop insurance in our country. It is very essential that the question of introducing crop insurance in this predominantly agricultural country of ours is given close and serious attention. The difficulties in the way are no doubt great, but without wasting too much time in stressing them, we must try to work some practical way out. Their existence cannot justify an attitude of inaction and apathy.

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THE WORLD ABROAD

Ratification of Bretton Woods Proposals

(From Our Washington Correspondent)

WASHINGTON, Jan. 21, 1945 (By Cable).

PRESIDENT ROOSEVELT'S budget message, which was mentioned in last week's article dealt at considerable length with the "imperative" need for accepting the Bretton Woods proposals "at once." The President also outlined a series of other recommendations for translating into deeds the Administration's plans to aid other nations through investments, credits and loans of various types. In the wake of the President's message there was activity at White House indicating that the Administration was preparing special steps to win Congressional acceptance of the International Monetary Stabilization and set up the Bank for Reconstruction proposals laid down at the Monetary and Financial Conference in July last. President Roosevelt said that as the war progressed it became more and more necessary to hasten plans "to secure world-wide economic co-operation in both the transition period and the post-war period." After stating that the United States has learned that it can no more withstand the effects of economic isolation than of political isolation, the President defined the "Articles of Agreement" written at Bretton Woods as "the integral parts of a broad programme for economic co-operation and contact among the United Nations in regard to those problems where failure to adopt common policies will result in economic spite, fences, economic waste and economic warfare."

In support of his request for prompt action, President Roosevelt said that all countries agreed that exchange instabilities should be corrected, destructive exchange practices eliminated and arrested, as the "need for international investment is already becoming acute." As if to demonstrate that steps were being taken to follow up this request, President Roosevelt held a series of conferences with key officials. First of all, the Secretary of State, Mr. Stettinius, and Mr. Morgenthau were received. Then Senator Robert F. Wagner, who was a delegate to the Bretton Woods Conference and presumably will sponsor the measure in the Senate, saw the President. Later, Mr. Roosevelt saw Mr. Eric Johnston, President of the United States Chamber of Commerce, and Mr. Winthrop Alhrich, President of the Chase National Bank, New York, who has proposed the abandonment of the international stabilization programme and favoured the 'key countries' approach. They said on leaving the executive mansion that "international economic matters" were discussed. Mr. Brent Spence, Chairman of the House of Representatives' Banking Committee, disclosed that Congressional leaders also had conferred with Mr. Morgenthau in an effort to decide in what form the matter should be raised in Congress.

President Roosevelt, in his message pictured the need of liberated countries for loans for reconstruction of industries, transportation, their cities, agriculture and trade, and said: "The International Bank will make direct long-term loans out of its capital or from borrowed funds and particularly will guarantee private loans for these purposes. While the proceeds of these loans will be spent to procure equip-

ment in countries where it is available, the risks of lending will spread equitably among all member countries. It is, therefore, imperative that both the Fund and the Bank be established at once in order that they may be properly staffed and equipped to cope with the problems which are already developing as the countries of Europe are liberated." The President recognized, however, that there will be some investments which should be made directly by national financial institutions and accordingly proposed that Congress should expand the lending authority of the Export and Import Bank "especially during the next few years when the foreign demand for our products will be particularly heavy." He described this Bank as a vehicle for providing short and medium term loans for financing the U.S.A.'s exporters as well as long-term loans for reconstruction and development "where special American purposes are to be served and where other countries may not wish to participate." Finally, the President recommended the removal of legislative restrictions against loans to countries which are in default on the loans arising out of the first world war. He termed the removal of these restrictions essential to the operation of the International Bank and the Import Bank and private investment. Meanwhile, the New York Times reported last week in a dispatch from London that the British financial circles "are awaiting with impatience the introduction in Congress of legislation to implement the Bretton Woods pact to see whether it embodies the changes which will make it acceptable here (in London)." It is understood that Lord Keynes discussed these modifications when he was here recently in connection with Lend-Lease, but no disclosures have been made regarding the outcome. The Times said there is one point at least that must be settled regarding the interpretation of the Final Act, namely, the London Government's contention that it will adjust the value of the International Monetary Fund before altering the value, and it will reserve "its right to persist with its intention should the Fund refuse consent." The paper said that Britain was nervous about its commitments to a multi-lateral trade system because of uncertainty regarding the United States' policies. This, perhaps, strengthens the evidence that a commercial conference is needed.

* * * *

After his return from the Hot Springs Conference, Dr. Lokanathan discussed the problems of economic reconstruction with special reference to the Bombay Plan with State Department officials. Mr. A. R. Siddiqui, President, Muslim Chamber of Commerce, Calcutta, said last week that the only creditor nations in the post-war will be India and the United States. He was addressing a meeting of the Commerce and Industry Association, New York. Mr. Siddiqui further said that at the same time the U.S.A. will be a debtor to India because, he said, for every ten dollars that the U.S.A. sends to India through Lend-Lease, India puts up 100 dollars in reverse Lend-Lease. He emphasized India's need for industrialization and expressed the hope that Americans would invest capital and supply technical aid as junior partners in Indian enterprise.



Rs. 100 DENOMINATION

Prizes	Numbers of Prize-winning Bonds		
	Series A	Series B	Series C
Rs. 50,000	025923	084574	080539
Rs. 20,000	033789	019823	012495
Rs. 20,000	059908	088871	049497
Rs. 5,000	037299	061745	017193
Rs. 5,000	007589	032441	050365

RESULTS

The following results of the second half-yearly draw for prizes in connection with the Five-year Interest-Free Prize Bonds, 1949 held on the 15th January, 1945, at the Regal Theatre, Bombay, are published for general information.

Rs. 10 DENOMINATION

Numbers of prize-winning bonds.

Prizes.	Series AA	Series AB	Series AC	Series AD	Series AE	Series AF	Series AG	Series AH	Series AJ	Series AK
Rs. 2,500	015670	073806	027627	041820	016399	054512	070988	066121	017935	010034
Rs. 1,250	011163	079738	059915	012044	057230	02455	082730	081932	059407	010286
Rs. 1,250	014324	077727	014692	002530	014280	016516	028480	067146	002564	062706
Rs. 500	026819	071379	098463	040549	062512	050045	042814	011551	052049	032479
Rs. 500	076072	028813	038990	026625	010263	088386	006516	080559	019980	046188
Rs. 500	022441	020524	051146	028588	013428	025864	041862	027446	019443	062536
Rs. 500	054716	019267	064396	073619	093135	075022	063825	048958	033251	047222
Rs. 500	083159	062893	054713	025333	046041	006712	062970	007414	094343	086034
Rs. 250	094046	063540	046537	077003	042448	056568	066332	056765	011761	043543
Rs. 250	057751	054392	083339	025263	036419	089656	057642	038242	091605	026834
Rs. 250	065417	057226	070465	046953	015638	002148	080286	088614	010411	043992
Rs. 250	050360	059258	040294	073230	066102	041899	097430	030499	034965	039312
Rs. 250	006849	095931	056146	069035	084564	006824	071020	066064	060025	014716
Rs. 250	049366	041068	040295	034933	014318	033228	050962	036101	076698	079964
Rs. 250	016360	081837	073583	058208	006356	047515	074537	078497	009838	008653
Rs. 250	020496	041417	009971	081669	031116	044091	059175	046086	037913	082888
Rs. 250	039561	028508	026555	093500	022410	019599	058467	034901	039871	047790
Rs. 250	044376	084968	041562	015322	066210	066212	034123	053018	037476	058730

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All Bonds purchased participate half-yearly with an equal chance of winning prizes in all draws until 15th January 1949, when all Bonds will be redeemed in full.

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ISSUED BY THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA.

A DELHI DIARY

SATISFACTION, if not exactly optimism, is the prevailing feeling in New Delhi at the progress of Mr. Bhulabhai Desai's talks for the formation of an all-party Government at the Centre. The stage has not yet arrived for venturing any opinion on the probable result of the talks, but the Opposition leader's second meeting with the Viceroy marks undoubtedly an important step forward. This interview was mainly intended to acquaint the Viceroy with the trend of discussions between Mr. Bhulabhai Desai and Nawabzada Liaquat Ali Khan and explain personally to the Viceroy any points which the Government may raise in this connection. A good deal remains yet to be done. As soon as the Assembly session opens, the discussions will have to be resumed. If by that time the Viceroy is also able to get his final instructions from London and disclose the Government's mind, something definite will be known about the prospects of agreement. The Home Member's tour of the provinces, though it may not have any direct connection with the Desai-Wavell talks, is looked upon as a study tour to gain first-hand knowledge of political trends in the country and more particularly, recent developments in Congress opinion. It is generally taken for granted that the talks are proceeding on the basis of a double assumption. Firstly, the advent of an all-party Government of the Centre, which has the backing of the Legislature and can hope to command public confidence, will in no way prejudice the war-effort—on the contrary it will strengthen war-time administration in every Department to a degree which the present administration cannot possibly achieve. And secondly, if the new Government is to have full opportunity to discharge its responsibilities as a National Government there should be some general understanding that except where his special responsibilities come in, the new Government will have full freedom of action. As it is still difficult to say what the attitude of Whitehall is to Mr. Desai's efforts, the public can only wait and watch.

The result of the Assembly ballot today for non-official resolutions has not been quite favourable to the Opposition's wishes. A Nationalist Member, Mr. A. C. Datta has secured the first place for his resolution demanding the removal of restrictions on the movement of duty-paid tobacco by amending the Central Excise Rules. The next resolution, however, is of some importance as it raises the question of reorganizing the Departmental arrangements of the Government of India. According to this resolution, also sponsored by Mr. Dam, the Government of India are called upon to create separate departments for Education and Health. As there is already a resolution standing over from the last session—the Muslim League Party's resolution for the abolition of the National War Front—the resolution about having separate Secretariat Departments for Education and Health may or may not be reached, but the question of reorganizing the Secretariat is sufficiently important to call for immediate attention.

Let us take the distribution of portfolios. Some members, for instance—the Law Member and the Commonwealth Relations Member—have comparatively speaking, little administrative work. There are some, like the Commerce Member who is overweighted with responsibilities—the whole of the Commerce Department with its big Export and Import control establishments and the ever-extending activities of the Industries and Civil Supplies Department. If the portfolios can be sensibly arranged and work distributed in a rational manner, it would be all the better for the Government of India. That, however, is not the only difficulty. Even subjects have been grouped

in such a haphazard manner that no logical explanation is possible. Why should the Labour Member, for instance, be entrusted with the Geological Survey or Technical Education? Why should Forests or Irrigation be under the Education Member? If the question is carefully examined it will be seen that there are a number of meaningless anomalies. The fact is that the Secretariat establishment of the Government of India has grown more or less in a haphazard way and that so far no organized attempt has been made to remove existing anomalies and place the whole administration on a sound and rational basis. It is certainly high time that the question is taken up by the Assembly for detained consideration. So far as the proposal for having separate Departments for Education and Health is concerned, there is undoubtedly a good case for it. Both are important subjects—quite as important as Agriculture. If the Government of India desire to fulfil their responsibilities in the right spirit, they should certainly have separate Departments. But there is no meaning in merely multiplying Departments, for that would only add to the confusion. The more effective course would be to review the entire question of Departmental organization in the Government of India and regroup subjects in such a way as to ensure efficiency and co-ordinated development.

Of particular interest is the resolution which Mr. Manu Subedar has tabled in connection with the Central Government's expenditure. He has asked for the immediate appointment of a Retrenchment Commission "consisting of officials and non-officials for examining the increase in the cost of administration of each of the Central Government's Departments and in particular of the personnel, and to suggest ways and means for reducing expenditure and for the absorption of additional personnel in essential post-war schemes arising out of post-war planning." It is a pity that this important resolution did not succeed in the ballot, but the subject can be easily taken up at the time of the Budget discussions. This is not the first time that the question of retrenchment and economy has been raised, but as the public knows, every time the Government resisted the demand that in the midst of the war it is not feasible to hold an inquiry of this kind and that the officials of the Government of India were too busy with urgent war work to be able to spare time for any such committee. The only assurance which they gave was that the Government through their own Departments were exercising as much care as possible for bringing down expenditure to the minimum. The public, however, has seen from experience that these assurances have not brought any appreciable relief. The last report of the Public Accounts Committee has itself shown how badly the finances of the country have suffered for lack of proper control. Even the cost of the civil administration has risen to nearly rupees five crores per month—about ten times the pre-war figures. The cost of Defence Services is now well over a crore per day. The alarming rate at which the Central Government's expenditure has been increasing may be seen from the fact that during the seven months, April to October, the increase as compared with last year has been over Rs. 75 crores. As there are rumours of further heavy taxation, the Legislature has every right to insist that there should be the strictest economy in public expenditure. And as the only satisfactory way by which the public can be assured is by the appointment of an Inquiry Committee the Government will not be justified in opposing the demand. The time has certainly come for taking up the question of retrenchment. For work of this kind, the Government need not, and should not, wait till the end of the war.

ARGUS.

MONEY MARKET

Improving Advances—Check in Speculative Fervour—Selling Pressure in Gilt-edged.

(From Our Correspondent)

BOMBAY, Jan. 21, 1945.

A SLIGHTLY easier tendency has been noticeable in the money market and demand for short-term loans was satisfied. The change coincided with an improving tendency in the gilt-edged market, particularly in the latter half of the week. One cannot say whether the tightness in the Bombay market will be a thing of the past soon, but from certain indications it is possible to arrive at such a conclusion. For one thing, the booming conditions on the Stock Exchange have gone and under threats of intervention by the authorities concerned, the Stock Exchange is very quiet now in contrast with the wave of speculative fervour which swept over it last week. Much of the speculation was helped by bank advances, which is one reason why some of the banks, especially the new entrants, put up their advance rate. A second reason was that there is a very large floating stock of about 2½ lakh tolas of gold which had accumulated on account of the dull trend of the bullion market in the past fortnight; so large a stock naturally immobilized an appreciable volume of funds from the short-term market. Added to these were the seasonal demand for financing of commodities and growing import business. Naturally, there was a sudden spasm of stringency notwithstanding the considerable expansion of the credit base in the past one month.

Treasury Bills

The Government of India Treasury Bills auctions witnessed slightly keener bidding than last week, inasmuch as total applications came to Rs. 3.28 crores, but the actual amount accepted was only Rs. 1.58 crores. It did not suit the authorities to accept tenders below Rs. 99-13-9, and even then the average rate of accepted tenders came to Re. 0-9-0 per annum. While the tender limit for Central Government Bills for next week is kept unchanged at Rs. 6 crores, it is noteworthy that permission has been given to the Bengal and Assam Governments to issue Rs. 5 crores and Rs. 2.5 crores respectively of Treasury Bills on January 25 and 24. This may be taken as a sign of improvement in the money market as otherwise the Reserve Bank would have counselled the Governments concerned not to place their Treasury Bills now. The balances of Provincial Governments with the Reserve Bank have declined to Rs. 10.5 crores and reading this in conjunction with the existence of a small ways and means advance, one, however, gets the impression that the cash balances of some Provincial Governments are not on the comfortable side. Hence probably they have to issue Treasury Bills willy-nilly.

Scheduled Banks

The position of scheduled banks is extremely in-

teresting. The return for the week ended January 12 shows nearly Rs. 5 crores decline under demand deposits, which shows how much of "hot money" has already been withdrawn to pay taxes or meet other commitments, despite the increased currency. Time deposits have been showing a curiously rising tendency and are now nearly Rs. 206 crores against Rs. 204 crores a week ago. All the time, advances have been leaping up, as borne out by the increase from Rs. 241 crores to Rs. 245.5 crores in the week under reference. The banks appear to be meeting the situation created by falling deposits and rising demand for loans by reducing their cash balances and also by reducing their investments. Thus, to take the case of the Imperial Bank, deposits fell by nearly Rs. 5 crores, while advances increased by a crore and more. The result may be seen in the shrinkage under investments from Rs. 148.8 crores to Rs. 145.7 crores, coupled with a fall of Rs. 1.1 crores in the till. If that is the case with an institution like the Imperial, one can readily imagine the policy of other banks. In the present situation, it would be surprising if they had not been selling their investments of gilt-edged securities. Hence the sudden drop in gilt-edged prices.

Gilt-edged

The market is still oppressed by selling pressure and losses have been on a wide front. This is due both to the sudden stringency in the money market as a result of the policy of the banks, but also due to the heavy accumulation of large parcels of securities by certain parties who are now unloading steadily. However, in the middle of the week, belated support came to the market from official quarters, which, therefore, brought about a slight improvement as a result of which 3½ per cent. Rupee Paper has improved to Rs. 99-11-0 to Rs. 99-13-0 and 3 per cent. Victory Loan from Rs. 99-8 to Rs. 99-9. The latter loan experienced the heaviest selling and is naturally the first to revive. When the loan touched Rs. 99-8, it attracted support on the realization by the market that the official rate was still 8 annas over the market rate and that the prospects of a new loan are on definitely less favourable terms. Selling is now readily absorbed. The 3 per cent. 1966-68 (Funding Loan) was the first to recover to Rs. 98-3-0. Still, one cannot help observing that with the exception of 3½ per cent. 1954-59, 4 per cent. 1948-53, 4½ per cent. 1950-55 and 4½ per cent. 1955-60, all other loans were quoting much below the levels of last week. The Defence Loans were hardest hit. 3 per cent. 1953-55 is five annas lower, 3 per cent. 1951-54 four annas lower, over the week. 3½ per cent. 1947-50 lost six annas over the week. A more active open market policy on the part of the Reserve Bank would have probably prevented such large declines in gilt-edged.

THE BUSINESS WORLD

INSURANCE IN 1943

WHILE pleading vigorously that premiums should be recalculated at a rate of interest of 3 per cent. or even less, the Year Book admits that "it would be inadvisable, nay even imprudent, to increase substantially the rates of premium to which the public are more or less accustomed now-a-days because it would substantially retard, if not kill, the insuring habit which the people of this country are slowly imbibing." It, therefore, suggests that any increase in premium consequent to recalculation at a lower rate of interest may be prevented by substantially reducing "the loading for bonus which till now used to form a prominent factor in deciding the size of the premium." This would mean that "the difference between participating and non-participating premiums would be so small that it would not be worth the while of any insurer to have these two classes of premiums in their prospectus." Apart from the relevance of this issue to the size of the interest rate to be assumed in the valuation base, (our views on the latter point have been indicated earlier), we would agree that there need be no provision for non-profit premiums at all with respect to whole life and endowment assurances, on which classes alone are bonuses declared and that the participating premiums should contain only a very small loading for bonus.

The total expenses of management came to be 27.9 per cent. of the premium income for the year 1943. Although it is slightly above the figure for the preceding year, which was 26.7 per cent., it is still appreciably less than the expense ratios for 1939 and earlier years. If the figures of half a dozen insurers having the largest premium income are excluded, the expense ratio in the case of remaining insurers was as high as 31.4 in the year under review. The Year Book points out that "one of the reasons, though not the main one, for high expenses of insurance companies in India is the presence of a large number of uneconomic units" and recommends that "persons at the helm of affairs of smaller and weaker units will do well to consider whether they should seek amalgamation with bigger companies" and that "the latter also have a duty to perform towards the well being of Indian Insurance and they should view sympathetically proposals for amalgamation from smaller companies in the realization that any harm done to policy-holders, confined though it may be to those of a unit however small, will give a shock to confidence in insurance and undo the good work of several years in making the masses insurance minded." A note of warning, however, is sounded against amalgamation between two weaklings, as the chances are that the two together may produce a unit no stronger than the weaker of the two. All this is wholesome advice in the best interests of insurance business in this country and the Year Book is also justified in its contention, in this connection, that "while one might raise the bogey of monopoly as an argument against combinations, it is possible to overdo the contrary aspect and create several weaklings warring with each other for the meagre business available and thereby spoiling the field and confidence."

An interesting suggestion is also advanced that some economy may be effected by the issue without medical examination of policies for relatively small sums. On the authority of an enquiry made into the duration of persistence of medical selection in connec-

tion with an investigation into the mortality experienced by those insured with the 'Oriental' during the decennium 1925-1935, the Superintendent of Insurance believes that it may be assumed as a feature, at least for the present, of medical selection for assurance purposes in India that the effect of medical selection on lives assured does not, on the average, last for a period much more than one year. He, therefore, advocates that non-medical policies may be issued for sums not exceeding Rs. 1,000 to begin with, and that if the experience acquired over a period of, say, 5 years is found to be satisfactory, the principle may be extended to policies upto Rs. 2,000, but not over that figure. Insurers would not be taking any great risks if the non-medical policy is issued on the basis of a declaration of good health and a careful scrutiny of the personal and family history of the proposer and subject to the condition that in case of death in the first year a part of the premiums paid alone is returned according to a sliding scale; they would do well, therefore, to give further consideration to this proposal.

The present issue of the Year Book embodies a novel feature of considerable utility. We are referring to the table (Pp. 54-65), which gives percentage of lapses (in sum insured) according to "mean duration" (i.e., calendar year of lapse minus calendar year of issue of policy). The lapse experience is given separately for the new business transacted in each of the years 1940, 1941, 1942 and 1943. The last columns of the table give the weighted average of the lapse ratios for the various mean durations and can be taken as representing the combined lapse experience during these years. The Superintendent of Insurance hopes to continue this feature in subsequent issues so that it is made possible to study the trend of lapse rates by comparing the experience of a few consecutive years. This trend has obvious significance because of the light it throws on the quality of the business as regards persistence. Generally speaking, the lapses in 1943, have been low, but the Year Book takes care to point out that they may not necessarily continue to be so in the future, particularly because a more than ordinary percentage of the large volume of business secured during the present boom may possibly lapse when the price-income level subsides after the war.

The Superintendent of Insurance has also taken the occasion to deprecate the issue of short-term Endowment Assurances, on the ground that the rate of premium of such policies is very high and "only a very small part of the premium performs the genuine function of life insurance namely of giving cover against death and the substantial balance partakes of the nature of investment." While one may not be out of sympathy with this view, it is difficult to subscribe wholly to the implications of the further statement that "a whole-life policy, with premiums limited to the active earning period, would be the ideal type which would meet the needs of most, for under such a policy practically the entire premium performs its legitimate function." Under existing conditions in this country, Endowment Assurance performs a legitimate socio-economic function in providing opportunities for secure investment to the small man; the importance of this consideration can be discounted only in countries, where the banking habit is well-developed and banking facilities readily available. As it is, to many of the lower income groups in the

urban areas and to many more in the villages of this country, the device of Endowment Assurance has come as a god-sent medium for saving for old age under conditions, which guarantee a high degree of safety of investment. Secondly, it is unrealistic to ignore the psychological factor as well as the deep-rooted religious sentiments, which lead the prosper and even his dependent policy rather than greater favour at an endowment policy rather than at a whole-life policy. It is both more reasonable as well as more expedient, therefore, to urge the advantages of a moderately long-term assurance policy; but even here account will have to be taken of the fact that the average expectation of life is very low in this country.

The Year Book pleads that policy conditions should be further liberalized and that in particular the requirements of Section 113 of the Insurance Act, 1938, should be voluntarily extended by the insurers to policies which lapsed before that Act came into force, that the internal staff as well as the field organization should be properly trained, that the recent attempts by certain insurers to educate the public on matters of health through advertisements and leaflets, being a step in the right direction, should be continued and that this service should be developed, in due course, "to cover medical service, not of course of a complicated type, as is now the case in some foreign countries particularly the United States of America." The necessity for a table representing the combined mortality experience of Indian lives insured with all the life offices operating in this country is urged and it is recommended that the insurers should take concerted action to arrange for a committee of actuaries to undertake the necessary investigation.

In the year under review, there were 37 Indian insurers carrying on insurance business other than life only, in addition to 35 companies of the 'dual'

type, while there were 76 non-Indian insurers confining themselves to the non-life field, in addition to 11 of the 'dual' type. The net Indian premium income of all these offices from fire, marine and miscellaneous insurance business amounted to Rs. 763 lakhs of which the Indian insurers' share was only Rs. 289 lakhs. The latter also had a net premium income of Rs. 110 lakhs from business outside India; on the other hand, a considerable portion of the Indian business of all insurers is said to be re-insured outside India. It is evident that, in the words of the Year Book, "the Indian insurers have a long leeway to make up" in the non-life field. They are particularly weak in marine insurance as would appear from the fact that their premium income under this head was only Rs. 73 lakhs as against their 'non-Indian rivals' Rs. 207 lakhs. This, is largely a consequence, perhaps, of the domination exercised by foreign business houses over our foreign trade. The Superintendent of Insurance draws certain valuable lessons from a study of the incidence of the Bombay Explosions of April, 1944, on the insurance companies and urges the paramount need firstly for re-insuring that part of the risk undertaken over and above what one can retain safely in one's own portfolio, secondly for spreading the risk geographically, and thirdly, and above all, for the adoption of the self-denying policy of transferring profits to reserves till the latter attain the strength required to cover not only current unexpired risks, but also catastrophic occurrences, which, though they may not happen often, have yet to be adequately provided against as possibilities over a period of years. The Superintendent of Insurance has done a service to the cause of Indian insurance in the stern warning he has addressed to the rash and the unscrupulous that "although one might secure some profit by... adopting unsound methods dictated by the instinct of gambling for one, two or even ten years, yet when the untoward event happens, the loss will be so huge as to wipe out a substantial part of what were being treated as profits and, if these have been distributed, to involve the concern in ruin and disaster."

NOTES

THE HYDERI MISSION

At a recent Press conference, Sir Akbar Hydari, who is shortly to lead an official delegation to the U.K., explained the object of his mission and urged that its purpose was not to flood the country with imported goods, to the detriment of Indian industries. The assurance would be received with relief all over the country, as it was at one time feared that the delegation would enter into commitments with British industry that would react adversely on our national economy. But, while we should be grateful that this official delegation has no "hidden or sinister aims," there was nothing in what Sir Akbar said that was calculated to meet certain fundamental criticisms of the Government's policy in these matters. Time and again it has been urged that relief from the real burden of war can come only through increased domestic production and not through mass imports of consumer goods, which might damage the national economy irretrievably and that it should be first concern of the Government, even as a war measure, to secure from abroad the machinery and plant necessary for industrial expansion. It is no exaggeration to say that the Government have not so far taken any action in the direction of according necessary facilities to industrialists anxious to import capital goods. Indeed, one might even go further and say that, whereas it is their clear duty to assist actively business men in

TEXTILE BLACK MARKETS

A particular responsibility rests on the Textile Control Board, which is meeting this week at Bombay. The distribution part of the cloth control has been a small success from the very inception of the scheme, and all the arrangements for licensing, allocations of quotas, etc., and the stern warnings given by the Chairman of the Board and by Government spokesmen have been left unheeded by the anti-social section of the textile trade which has persisted in sabotaging the scheme in the feeling that the warnings were either not seriously meant or were unenforceable. Sir Akbar Hydari's stern admonition that Government would take measures to "wipe" out the black markets if no improvement was noticed within the next two months, followed by the warning of the Textile Commissioner, also has been lost on the traders. The scarcity of the relatively finer varieties of cloth, especially white cloth, here in Delhi and in Bombay, has lately assumed the character of a scandal. We do not know whether elimination of needless middlemen or even rationing of finer varieties in the principal towns will meet the needs of the situation. But the Textile Control Board must know its job and not shrink from any decisions, however stern they be, to end the evil. The issue at stake is not only the interest of the consumer, but the prestige of the textile industry and trade itself. In the measure in which the Textile Board backs up the Government in that measure will success be ensured.

to discharge that duty, but have, on the contrary, adopted a very unsympathetic policy in the issue of import licences not only for machinery and spare parts, but also for crucial components. They still persevere in their original sin of emphasizing import of consumer goods at the expense of expanding indigenous capacity, and so long as this squint in the Government's eye persists, the good intentions of individual officers of the Government do not constitute a reasonable guarantee that the interests of the country would be adequately safeguarded and served.

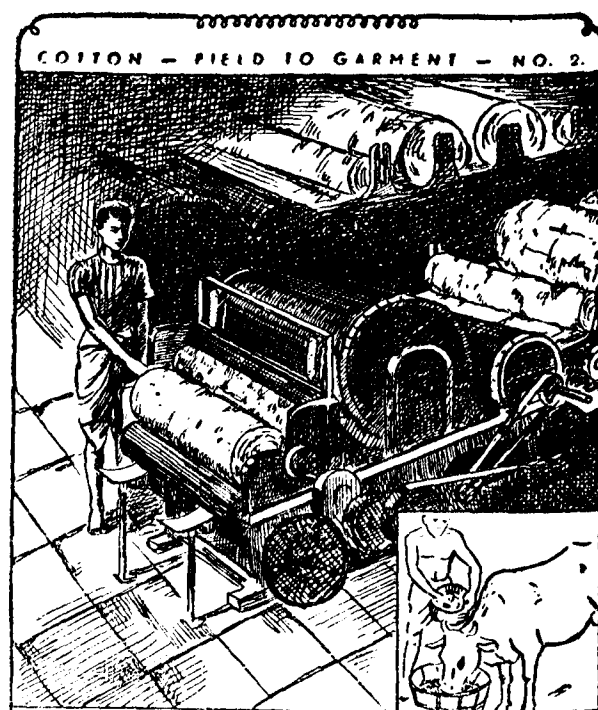
FINANCE FOR BRITISH INDUSTRIES

Sir John Anderson, Chancellor of the Exchequer, told the Commons the other day that on the initiative of banking, insurance and investment sections of the business community two companies have been formed with a view to supplementing the present sources of the supply of capital to British industries. One of the companies to be named the Finance Corporation for Industry Ltd., will have a capital of £25 million and will be authorised to borrow to the extent of £100 million i.e., four times its capital. It will aim primarily at financing industrial businesses and not undertake the reorganization of industrial concerns on its own account. Financial assistance will be made available for both temporary and long period needs to enable such concerns to rehabilitate and develop. It will be noticed that in so far as it will undertake to provide long-term finance the Company will fulfil one important need of British industries who have not had the same facilities in this regard as their continental confreres, since British banking has been traditionally short-term. The Company would be an ordinary commercial undertaking registered under the Companies Act and Government would not be involved in any direct responsibility. In view, however, of the fact that finance is the very backbone of industry and a sound financial policy would greatly help the country's industries, Government will make available to the Company the assistance of an industrial advisory panel, which will also serve to ensure that the policies pursued by the Company will be in conformity with Government's general economic policy and thus help in the general policy of full employment and the appropriate Government departments will be kept fully informed of all major developments being considered by the Company. It is understood that labour and management will also be represented on the industrial panel. The other company, the Industrial and Commercial Corporation Ltd., which like the first will also be a commercial undertaking, will have a smaller capital of £15 million and will be allowed to borrow to the extent of twice its capital. It will provide medium and long-term capital for small and medium-sized businesses in amounts of 5,000 to 200,000 sterling. This is an important step in the direction of rehabilitating British industries in the post-war period and, as Sir John indicated, it will help in an important degree the Government policy for employment.

SUGAR-CANE PRICE

The U.P. Government Press Note intimating the abolition of the compulsory defence savings deduction from the minimum price of cane from January 25 will be welcomed by the grower, the manufacturer and the public alike. This is an instance of a wrong decision reluctantly revoked. Leading sugar manufacturers

had always held that the effect of this deduction would be to restrict cane production as well as the free movement of the crop to the factories. It is a fair measure of bureaucratic cussedness no less than of official shortsightedness that the worst fears had to be realized before the Provincial Government could be moved to retrace a wrong step. It is some satisfaction that one of the minor devils out of Sir Jeremy Ralsman's Pandora's box of anti-inflation devices has at last been exercised.



MIXING THE FIBRES

The raw cotton is picked with the seeds tangled in its fibres. To spin a fine thread every trace of seed or leaf must be removed. The first use of machine-power is therefore in the Gins which separate the fibres from the seeds. Incidentally, the cotton-seeds make a first-class food for cattle.

Different varieties of cotton-plant, different soils and methods of cultivation yield raw cotton of very different quality. The fibres vary in length, colour and strength. A mixture of types must be made before an even yarn can be spun. This is the next machine stage. Heavy power is used to open up the compressed bales of raw cotton and to stir the fluffy masses of fibre together. Then the loose mixture is beaten by another machine so as to drive the remaining dirt from the fibres and to press them together into a kind of soft blanket nearly an inch thick. It is like a huge roll of cotton-wool, several feet wide—but rough, because the fibres in the mass are all curled, twisted and interlaced with each other.

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FROM THE PROVINCIAL ANGLE

(From Our Correspondents)

CALCUTTA, Jan. 21, 1945.

Bengal Letter

SOME aspects of the problem of cheating black markets in Bengal were discussed recently at a Press conference by Mr. P. J. Griffiths, Director-General of Enforcement and Public Relations, Department of Civil Supplies, Bengal. Mr. Griffiths emphasized the fact that it was not possible to deal with black markets only by a system of controls. It was necessary, he said, to mobilize public opinion against those who broke the law or tried to make profit out of the distress of others. To make it, however, easier for the public to ventilate their grievances it was proposed by the Government to set up an extended Public Relations Section to be staffed by special officers who would receive and answer complaints. This move on the part of the Government is to be appreciated, but even a vigilant and strong public opinion is only a meagre safeguard against black markets. The power and the responsibility for taking action against black markets lies largely with Government.

Bengal's Sugar Industry

A timely step has been taken by the Committee of the Marwari Chamber of Commerce in drawing the attention of the Government of Bengal to the deteriorating position of the sugar industry of the province. The problems of the sugar industry had been investigated sometime ago by the Sugar Inquiry Sub-Committee of the Bengal Industrial Survey Committee, but hardly any step has since been taken for implementing the recommendations of the sub-committee. The only thing that has been done by the Government has been to set up a Provincial Sugar Board, but this Board has

Punjab Letter

LAHORE, Jan. 22.

THE second part of the Bombay Plan for the economic development of India which was characterized by Sir Manoharlal as a bold and comprehensive plan, has aroused considerable interest amongst all sections of people in this province—industrialists, landlords, labourers and others. Whereas big landlords view with alarm the conclusion of the authors that "the zamindari system is not likely to be conducive to the tremendous development in agriculture," supporters of peasant proprietorship express satisfaction with the proposals. Enquiries made from Congress workers and leaders show that the reforms contemplated in the Plan are viewed with satisfaction, but hope is expressed that some suggestions would be incorporated regarding control over money-lenders, zamindara banks and co-operative societies. It is felt that the Punjab has a good market for fruit, and if fruit-gardening and fruit industry are encouraged cultivators in their spare hours can earn an additional income. Toy industry, honey-making, carpet, *gur*, *shukkar*, egg, milk-products, hides and skins industries can benefit them a good deal.

Extreme circles (Kisan Sabhas and Labour Unions), however, suggest complete socialization of land and other means of production such as banking, industries, transport and insurance. Any suggestion for control over agricultural marketing would have been welcomed. The labour circles opine that whereas the proposal in the memorandum regarding full employment for the entire population of working age is most heartening, the absence of faith in trade unionism and of desirability of share of workers in factories is very discouraging indeed. The blending of socialism and

not so far shown any sign of activity. In the meantime new problems have cropped up and have been causing anxiety to those who are interested in the industry. The cultivation of sugar-cane has declined inasmuch as it does not fetch as much money as other crops. This factor combined with the lower recovery of the cane crushed, which is 8 per cent. in Bengal as compared to 11 per cent. in U.P. and Bihar, has created a difficult situation for Bengal's sugar industry. The financial strain on the industry has increased greatly for this and other reasons.

Cloth And Yarn Shortage

Shortage in the supply of cloth and yarn still continues to be a serious problem for this province. New circulars and notifications continue to be issued from the office of the Provincial Textile Controller for the purpose of regulation of the textile trade, but these have made confusion worse confounded instead of improving the situation. There is a strong and insistent demand for the reshuffling of the control machinery to avoid a cloth famine in Bengal. It is also reported that there is virtually a complete stoppage of import of goods from Ahmedabad and Bombay manufacturing centres as the booking from these places has been stopped. If the cloth problem is serious in all conscience, the lack of supply of yarn has created no less difficult a problem for the large body of handloom weavers in Bengal. It is complained that the yarn control orders have served only to drive yarn into the black market and five millions of weavers in the province are threatened with loss of employment and livelihood.

capitalism is looked with suspicion both in labour as well as capitalist circles. In this connection it would be of interest to mention that Prof. J. B. Taylor, Adviser to the Industrial Co-operatives in China, has suggested that post-war planning in India should be on co-operative lines.

Five-Year Plan

In this connection it will be interesting to note that a *Five-Year Plan* for the uplift of 35,000 villages of the Punjab in the post-war era has been put up by the Directorate of the Panchayats of the Punjab Government, which was formed in 1940. This will cost about Rs. 1 crore and 35 lakhs. The Plan is divided into 3 parts. In the first stage it aims at training up 3,000 village workers, known as village guides, who will be responsible for social welfare and economic uplift of the villages, such as water-supply, education, sanitation and road construction. Secondly, it is proposed to set up a cultural centre in each village under one village guide. The centre will be called Panchayat-garh and will provide a common discussion room, a library, a play-ground, first-aid equipments and a radio-set. To feed libraries in villages central libraries will be opened in each tehsil headquarters where adequate supplies of books will be maintained from the Village Improvement Fund created out of the taxes imposed by the Panchayats for the purpose. In addition some direct Government grants will also be given. Finally, under this Plan, Panchayats will be responsible for formulation and execution of plans of uplift subject to the approval of the Central Body on the model of the Soviet system.

20-Year Housing Plan

Yet, another interesting plan is engaging the attention of the public in the Punjab. That is the *20-Year Housing Plan* to accommodate the increasing urban population in the Punjab. It has been formulated by Mr. U. A. Coates, Provincial Town Planner, to the Punjab Government. He says: "There is likely to be enormous building activity in the Punjab after the war. It is estimated that the urban population of the province will increase by about forty lakhs and unless they are to be compressed into existing areas, some eight lakhs houses are likely to be required during the 20 years following the war. This estimate provides for five to six years' accumulated shortage in consequence of the stoppage of building activities during the war." Mr. Coates urges introduction of overcrowding legislation for the congested areas in the cities as a natural sequence to the development of areas outside. Dealing with slum clearance and housing, Mr. Coates suggests these activities should be in two parts. "The first should require slum owners to re-condition their property where possible according to prescribed standards, and where not possible, to demolish at their own expense and without compensation. The second is the housing of the poorest classes who will have to be subsidized since it is not possible except by overcrowding and housing them in slums to make a profit. About 200 crores is required to make a beginning. Standards of housing development should be laid down for villages which should be given more cultural amenities such as village community halls. The provision of such services alone would cost about ten crores."

Rescue Policy Holders

While desirability of nationalization of insurance companies after the war is strongly stressed in economic circles here, a need of immediately rescuing the policy-holders in Life Companies is put forth by many prominent insurance experts in the province. A cry has been raised that most of the companies are having a deficit due to heavy expenditure maintained through unnecessary expenses and fabulous salaries given to the managers (which in the Punjab go up to Rs. 6,000 p.m.). A strong feeling exists that the companies have got no right to thus write off the profits which should go as a benefit to the policy-holders. Public opinion favours reduction in the salaries of managers and reduction in the cost of insurance. For that purpose it

is suggested that suitable amendments may be made in the Insurance Act (Amending) Bill. Attention of Mr. L. S. Vaidyanathan, Superintendent of Insurance, Government of India, who is on a short visit here, has been drawn to that effect.

Commerce Member's 'No'

Sir Aziz-ul-Haq, Commerce Member, Government of India, who was here, told traders the other day at Lyallpur that they were not entitled to any special treatment or sympathy of the Government in view of their misbehaviour during the last two years. He refused to acquiesce in the demand that there should be reduction in the War Risk Insurance Rates, particularly in the Punjab as there was no risk in the province. He also did not agree to the raising of the ceiling price of cotton. Further he refused to withdraw restrictions on the forward business of various commodities.

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AGRICULTURE

Consolidation Co-operation or Collectivisation?

By Mahesh Chand

ONE of the most important problems of Indian agriculture is how to increase the size and decrease the scatteredness of the holdings; barring the necessity to secure in the short period a better price to the agriculturist's produce, it is, perhaps, the most important problem. Consolidation, supplemented by steps to prevent subsequent sub-division and fragmentation not only in regard to inheritance, indebtedness and charity but also renting (including sub-letting) of land, is an obvious solution. As land should go to one most suited and having a taste for the agricultural profession, and in view of the impracticability and undesirability of a radical change in the inheritance laws on account of great opposition from the masses, a system of primo—(and for that reason any other)—genture cannot be recommended. I have not mentioned the difficulty of securing funds to pay off the other successors and that of providing alternative means of livelihood for them. These are likely to arise even in the case of a restriction on the sub-division of land below a minimum limit of holding, which I would recommend. Such a restriction would permit sub-division to a certain extent and for a certain time, within which efforts may be made to make the agriculturists realize the evils of small and scattered plots with greater force. Again, though this would condition the application of the inheritance laws, it is likely to be less felt than if those laws have been interfered with. But it would at the same time be preferable to establish a Panchayat or village council, and for this reason that the restriction would call for the successors to decide who should have land and the Panchayat can play a role in persuading the unworthy to give up the idea of cultivation. In case, however, transfer of land is to be made in charity, the Panchayat may again play a persuasive or regulative role. But, in general, in the case of transfer on account of charity, sale, including sale necessary to pay off the successors and the money-lender, and re-allotment after ejection, it seems desirable to adopt the system of pre-emption for the cultivators of the neighbouring fields. This would mean that there might be changes in the areas of holdings and less likelihood of an increase in the number of plots to a holding and of scatteredness. The administration of the restriction may be preferably left to the Panchayat rather than to any centralized system.

The local governments, which were carrying on with persuasive consolidation, have of late realized that it is not very effective and compulsory consolidation legislation has been enacted in some regions. The principle is that if a certain percentage of right-holders owning a certain portion of village-land apply for consolidation, a scheme for the whole village shall be prepared and enforced by the State. The legislation is sure to hasten the work of consolidation, inasmuch as it would be easier to persuade a portion of the right-holders. The difficulty on account of villagers' love for land, obstruction by certain owners, party feeling, and legal tangles relating to the rights of minors, widowers and absentees would be minimized. But the section that can be easily persuaded is likely to possess a small portion of the village-land and, therefore, either the percentage of land required to be possessed by the applicants should be set at a low figure or, better still, be ruled out, as has been done by the U.P. Govern-

ment. A scheme of consolidation may not still be feasible on account of incomplete records of right and complexity of ownership and tenurial rights in land. The records of rights may be prepared and completed as is being done in Hyderabad and Travancore. The other difficulty, however, would leave "consolidation" unsuited to the region, as is the case in Bengal, Bihar and Orissa. In view of this and the supplementary measures necessary to get permanent value out of consolidation, an alternative solution deserves consideration.

Co-operative farming is one alternative: collective farming is another. Collective farming has come to be established in Russia. All the same, it must be noted that the *kolkhoz* is not a voluntary organization. Its managing committee, though apparently democratically elected, has a State watchdog at its head who makes it serve the production and price policies rigidly determined by the State. The member of the collective farm is a mere mechanic or a specialized worker in some single branch of agriculture and is sure to lose personal determination and individuality. From the long-period point of view, agriculture must thrive as a way of life, and mechanized agriculture cannot serve that end.

Still India needs large-scale farming in the short period and farms much bigger than what they are today in the long period. The solution is co-operative farming and this should be examined both in regard to the land already under cultivation and that which can be freshly brought under the plough. It would be difficult to persuade the cultivating tenants to pool together their land for large-scale farming or to give up their rights in land in favour of the co-operative farming society in exchange for shares in the society. It would, therefore, be better in the first instance to form co-operative supply societies for seeds, manures and implements. Meanwhile, the benefits of co-operative farming ought to be demonstrated by organizing co-operative farming societies for new land to be brought under cultivation. Preference should also be given to the coop when land is being rented out after ejection. Each society may be assigned about 100 acres of land with occupancy rights. The State may give a non-recurring grant for the purchase of implements or as an inducement to the members and may waive the revenue, irrigation and such charges for a number of years. Sub-letting, mortgage and sub-division rights may be allowed to the society subject to the condition that the resulting fields shall not fall below a minimum area and that land could be mortgaged only to a co-operative institution. No such rights may be allowed to the individual members of the society. The society may first carry on cultivation itself employing the members as paid workers and distribute the proceeds minus the expenses to the members in proportion to the wages earned by them. Later, the society may allot pieces of land of, say, five acres each in size to the members on occupancy basis and then continue to help them to secure their agricultural requirements (by purchase or on hire) from the society. The society may also guide them in regard to the production plan. The society would be very much like a village Panchayat ultimately when other cultivators of the village too have joined it. The State can, no doubt, go a long way to launch the

scheme and make it a success, but co-operation from the enlightened landlords and the educated youth, especially those hailing from the rural areas, is essential for progress.

The difficulty of finance and alternative employment for the extra hands in the villages on account of compulsory consolidation or co-operative farming still remains. Development of the land mortgage banks and cottage and small-scale industries is the solution for this. It should be possible to organize such non-agricultural industries either under the co-operative farming societies or under independent co-operative production societies. To some these may appear to be pre-requisites to the joining of co-operative farming societies by the existing cultivators, but they are not essential pre-requisites.

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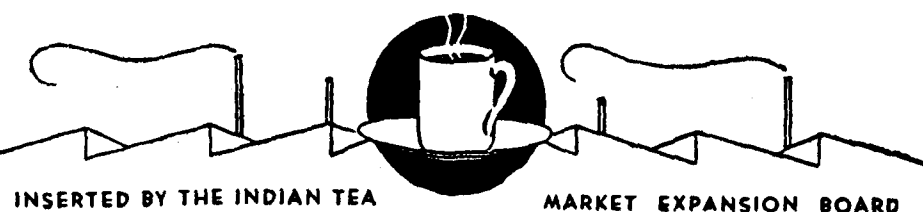
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It reminds one of the old algebra problems, but in terms of day to day factory experience it does not always work out that way. In fact, energy flags as the day goes on and to keep it up is the factory manager's constant aim.

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the job in the middle of a long shift, it has the effect of maintaining output at a high level. In a very great many factories throughout India this fact is being turned to good advantage in terms of increased output.

To those interested in this subject, much valuable advice and assistance will be gladly given by the Indian Tea Market Expansion Board, 101, Clive Street, Calcutta.



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MARKET EXPANSION BOARD

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COMMODITY MARKETS

HAPUR, Jan. 24, 1945.

Grains and Pulses

The markets particularly those of maize, *bazra*, gram and *urad* manifested an upward trend under brisk demand. The Government have opened retail depots for selling the wheat to the public, but there is always so heavy flock of petty buyers that to make an access to the premises of the depot, is a task of great hardships and ankle pushes. It is urged that some other depots may be opened in different wards of the town for the convenience of the consumers.

The other markets of the U.P. and the Punjab also ruled firm. The current prices of wheat in the main centres of the up-country are given below:—

Hapur: Rs. 9-12, Chandausi: Rs. 10, Okara: Rs. 9-8, Lyallpur: Rs. 8-10.

Rabi crops generally are in satisfactory conditions. In Orissa late winter paddy has ripened and other paddy plants are thriving. Crops are too good in the whole of Punjab except in a few districts, where they are under average. In the C.P. and Berar the harvesting of paddy is proceeding while in Assam crop prospects are fair.

According to the latest reports received from overseas, the yield of 1944/45 crops will aggregate no more than 50,000,000 bushels and, when it is considered that the animal feeding requirements may reach 40,000,000 bushels for the season, there will be only limited amounts for export, after seed and home milling needs have been met, mainly from the balance of the old crop surpluses. In Argentina and the United States, the conditions of the fine cereals are stated to be generally favourable for the plants and some progress has been reported with preparations for the next Spring crops.

Gur: Prices maintained steadier feeling. Arrivals averaged 1,200 maunds. The present rates for *Gur Chikna* are quoted at Rs. 8-12 and for *Phatwan* Rs. 9-2.

Guwar: Market remained quiet and dull with fluctuations confined to narrow ranges following an order directing the traders not to enter into any fresh transactions until further order.

The current quotations of grains against those ruling a week back in brackets are as follows:—

Wheat: Rs. 9-12 (Rs. 9-12), stock 565 *khattis* (550 *khattis*). Gram: Rs. 8 (Rs. 7-10), stock 50 *khattis* (50 *khattis*). Barley: Rs. 6-2-6 (Rs. 6-2-6), stock 156 *khattis* (156 *khattis*). Peas: Rs. 5-14-9 (Rs. 6), stock 137 *khattis* (138 *khattis*). Arhar: Rs. 6-14 (Rs. 6-12), stock 128 *khattis* (128 *khattis*). Urad: Rs. 11-13-6 (Rs. 11-8), stock 13,000 maunds. Moong: Rs. 9-11-3 (Rs. 10-4), stock 12,000 maunds. Maize: Rs. 6-13 (Rs. 6-4). Bajra: Rs. 7-13 (Rs. 7-5-9).

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NOTICE

The VI Annual General Meeting of the Shareholders of the Company will be held on Sunday, the 25th February, 1945, at 4-30 p.m., at the Company's Glass Works, near Yesvantapur Railway Station to transact the following business:—

1. To receive and adopt the Directors' Report, Audited Balance-Sheet and Profit and Loss Account for the period ended the 31st December, 1944.
2. To declare a dividend.
3. To elect Two Directors in the place of the retiring Directors, who retire by rotation according to Article 112 of the A. of A of the Company, and are eligible for re-election and offer themselves accordingly.
4. To appoint Auditors for the current year and fix their remuneration.

By Order of the Board,
For the OGAL GLASS WORKS LIMITED,
Shanker Rao P. Ogale,
Managing Agent.

24, GANDHI NAGAR,
Bagalore City, 22-1-1945.

N.B.—The share transfer books of the Company will be closed from 12th February to 25th February, 1945 (both days inclusive).

The Dividend on shares as recommended by the Directors, if passed at the General Meeting, will be paid on and after 31st March 1945.

BHARATI CENTRAL BANK LIMITED

(Established In 1930)

Head Office:—15, CLIVE STREET,
CALCUTTA.

Tele: 'PAYMENT'

More than 50 Branches
all over the country. This
bank transacts all sorts of
higher banking business on
sound and scientific methods.

Mg. Director:

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

Stamp out BLACK MARKET



The public should refuse to pay more than the control price stamped on the cloth while making their purchases; that is the surest way of stamping out the black market.

ISSUED BY THE TEXTILE COMMISSIONER
(Government of India)

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT (Rs. in lakhs)						BANKING DEPARTMENT (Rs. in lakhs)					
	12-1-45	5-1-45	14-1-44	1-9-39	12-1-45 compared with 1-9-39		12-1-45	5-1-45	14-1-44	1-9-39	12-1-45 compared with 1-9-39
Notes held in the Banking Dept. ..	9.46	9.45	10.25	35.04	— 25.58	Cash	9.70	9.69	10.50	35.15	— 25.45
In circulation ..	1030.13	1021.01	825.89	182.13	+848.00	Balances held abroad* ..	352.10	332.68	128.67	10.08	+342.02
Total Notes ..	1039.59	1030.46	863.15	217.18	+822.41	Investments ..	13.82	14.80	7.84	6.81	+ 7.01
A. Gold Coin and bullion ..	44.41	44.41	44.41	44.41	Nil	Bills discounted—					
Sterling Securities ..	924.33	914.33	744.84	59.50	+864.83	(a) Internal and External ..					
Total of A ..	968.74	958.74	789.25	103.92	+864.82	(b) Treasury Bills ..	1.96	1.95	3.44	1.16	+ 80
B. Rupee Coin ..	13.01	13.88	15.57	75.87	— 62.88	Loans and Advances to Government ..	10	5	1.23	31	— 21
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45	Deposits—					
Silver bullion under coinage ..	..	..	..	..	..	Of which G. of I. ..	267.18	248.26	49.06	14.89	+252.29
% of Reserve to Liabilities ..	93.185	93.040	91.439	63.149	+30.036	(b) Banks ..	256.37	231.21	38.66	14.89	+241.48
						(a) All Govts. ..	68.72	67.71	73.39	26.91	+ 41.81
						(c) Others ..	21.44	21.03	9.05	1.24	+ 20.20
						* Including Cash and Short-term Securities.					
IMPERIAL BANK (Rs. in lakhs)											

IMPERIAL BANK					SCHEDULED BANKS						
(Rs. in lakhs)					(Rs. in lakhs)						
	12-1-45	5-1-45	14-1-44	1-9-39	12-1-45 compared with 1-9-39		12-1-45	5-1-45	14-1-44	1-9-39	12-1-45 compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other Accounts ..	228.73	233.02	213.27	87.26	+141.47	Demand Liabilities in India ..	602.02	606.90	505.39	134.36	+467.65
Govt. Securities ..	141.73	144.83	133.70	51.03	+ 90.70	Time Liabilities in India ..	205.98	204.02	161.47	102.24	+103.74
Other Investments ..	3.99	3.99	2.91	98	+ 3.03	Cash in India ..	29.08	30.29	23.47	6.70	+ 22.38
Loans	15.24	14.90	15.32	7.66	+ 7.58	Balances with Reserve Bank ..	66.74	67.02	71.82	25.17	+41.57
Cash Credit Overdrafts	45.15	44.60	21.05	19.76	+ 25.39	Advances in India ..	245.57	241.00	170.45	101.52	+144.05
Bills discounted ..	4.39	4.42	4.36	2.95	+ 1.44	Bills discounted in India ..	14.68	14.15	7.40	3.57	+11.11
Cash in hand, with R.B.I. and other Banks	29.96	31.11	45.25	14.69	+ 15.27						

BANK OF ENGLAND					10-1-45
(£ '000)					30-8-39
	10-1-45	3-1-45	12-1-44	30-8-39	compared with 30-8-39
Total Bullion ..	1,752	1,949	884	263,700	-261,948
Public Deposits ..	9,500	16,400	11,900	31,100	- 21,600
Other Deposits ..	276,800	307,800	242,200	129,100	+147,700
Of which Bankers' Deposits ..	222,200	251,400	188,200	90,100	+132,000
Govt. Securities ..	259,000	300,800	224,500	113,100	+145,900
Other Securities ..	11,200	12,500	15,900	31,000	- 19,800
Of which Discounts and Advances ..	20,100	15,200	6,100	6,400	+ 13,700
Notes and Coins ..	13,900	13,500	25,800	34,200	- 20,300
Notes in circulation ..	1,231,600	1,238,400	1,075,300	529,500	+702,100
% of Reserve to Liabilities ..	7.02	4.10	10.06	21.38	- 14.36

TREASURY BILLS SALES (3 Months' Tenure) (Rs. in lakhs)					TREASURY BILLS MATURITIES (3 Months' Tenure) (Rupees in lakhs)				
Date of Issue	Amount tendered	Amount accepted	Average rate	Interest	Date of maturity	Amount	Date of maturity	Amount	
Oct. 27, 1944 ..	14.15	6.00	0 7 11	..	January 27, 1945 ..	6.00	March 8, ..	6.00	
Nov. 3, ..	15.01	6.00	0 7 11	..	February 3, ..	6.00	15, ..	6.00	
" 10, ..	10.16	6.00	0 7 10	..	" 10, ..	6.00	22, ..	6.00	
" 17, ..	17.74	6.00	0 7 11	..	" 17, ..	6.00	29, ..	2.53	
" 24, ..	9.61	6.00	0 8 0	..	" 24, ..	6.00	April 3, ..	1.41	
Dec. 1, ..	11.29	6.00	0 7 11	..	March 1, ..	6.00	9, ..	1.24	
" 8, ..	13.30	6.00	0 7 11	..	Total outstanding: 60.76.	16, ..	1.58		
" 15, ..	10.15	6.00	0 8 0	..					
" 22, ..	10.30	6.00	0 8 3	..					
" 29, ..	8.58	2.53	0 8 10	..					
Jan. 3, 1945 ..	2.31	1.41	0 8 8	..					
" 9, ..	1.39	1.24	0 9 0	..					
" 16, ..	3.28	1.58	0 9 0	..					

CLEARING HOUSE RETURNS (Rs. in lakhs)					STERLING PURCHASES BY RESERVE BANK OF INDIA				
Date	1943-44	1944	1944	1945	1943-44	1944	1944	1944	1943
Bombay ..	20,42.31	10,45.50	1,71.63	1,89.34	54.04	54.66			
Calcutta ..	17,40.12	11,29.03	1,93.08	1,94.96	..	..	..	..	..
Cawnpore ..	1,02.41	54.17	7.75	9.27	2.53	2.23			
Delhi ..	1,21.08	58.67	11.05	9.71	3.16	2.40			
Karachi ..	1,02.84	57.83	8.86	..	..	3.00			
Lahore ..	78.82	45.83	7.42	10.82	2.11	4.74			
Madras ..	2,00.02	1,07.86	17.74	8.26	5.16	..			

NON-SCHEDULED BANKS (Rs. in lakhs)					EXCHANGE RATES (T.T.)				
Date	Demand	Time	Total	per cent. of cash to total	Jan. 26, 1945	Jan. 19, 1945			
31-12-43 (530)	17.52	17.27	34.79	4.88	1-5 31/32	1-5 31/32			
29-1-44 (576)	17.16	18.51	35.67	3.86	332 3/4	332 3/4			
23-2-44 (543)	18.08	19.50	37.58	4.08	1-6	1-6			
31-3-44 (508)	18.88	20.49	39.37	4.08	4.02 1/2—4.03 1/2	4.02 1/2—4.03 1/2			
28-4-44 (578)	19.30	22.53	41.84	4.19	4.03	4.03			
26-5-44 (549)	19.65	21.08	40.74	4.19					

Number of banks submitting their returns within brackets.

BANK RATES					CASH POSITION (Rs. in lakhs)				
	Date of last change	Previous Rate	Present Rate		12-1-45	5-1-45	14-1-44	1-9-39	12-1-45 compared with 1-9-39
Bombay ..	28th Nov. 1939	3 1/4%	3%		9.70	9.69	10.50	35.15	— 25.45
London ..	26th Oct. 1939	3%	2%		95.82	97.30	95.29	31.87	+ 63.95
U.S.A.—New York	29th Oct. 1942	1%	1 1/2%						
Fed. Res.	27th Oct. 1942	1 1/2%	1%						

RESERVE BANK OF INDIA					SCHEDULED BANKS				
12-1-45	5-1-45	14-1-44	1-9-39	12-1-45 compared with 1-9-39	12-1-45	5-1-45	14-1-44	1-9-39	12-1-45 compared with 1-9-39
Reserve Bank of India ..	9.70	9.69	10.50	35.15	— 25.45				
Scheduled Banks ..	95.82	97.30	95.29	31.87	+ 63.95				

	(Rs. per fine tola)			(Rs.) (Rs. per 100 fine tolas)		
	Spot	Forward	Sovereign	Spot	Forward	
Jan. 13, '45	73 14 0	73 14 0	53 12 0	129 0 0	129 0 0	
" 17, "	73 14 0	" "	55 8 0	129 0 0	123 15 0	
" 18, "	73 10 0	73 10 0	50 8 0	129 12 0	129 12 0	
" 19, "	" "	" "	" "	" "	" "	
" 20, "	72 12 0	72 12 0	50 12 0	131 2 0	132 2 0	
" 21, "	" "	" "	" "	" "	" "	
" 22, "	73 2 0	73 2 0	" "	132 10 0	132 8 0	
" 23, "	73 5 0	73 5 0	50 8 0	133 4 0	133 4 0	
" 24, "	72 2 0	72 2 0	50 0 0	132 13 0	129 14 0	
LONDON (Jan. 23, '45)	per std. cz.	£8-8-0		23½d.	(Ready)	
NEW YORK (Jan. 23, '45)	per oz.	44¾ cents		44¾ cents		

† Closing prices at Bombay.



THE EASTERN ECONOMIST

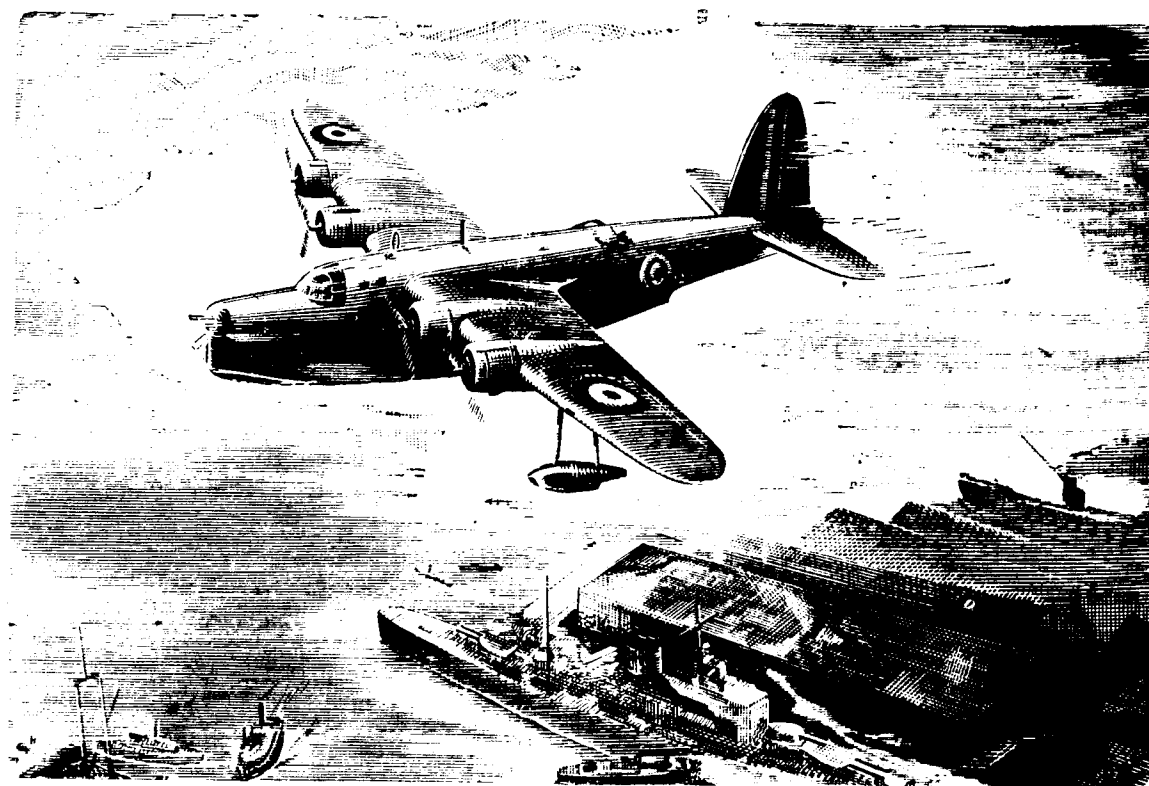
Vol. 4, No. 5

NEW DELHI, FEB. 2, 1945.

ONE RUPEE

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A Short "Sunderland" flying-boat (four Bristol "Pegasus" radial air-cooled engines) is shown returning to base. These fine aircraft have given invaluable service in convoy and reconnaissance anti-submarine operations. The "Empire" class, their civil equivalent, is renowned on world air routes.

PERPETUAL PATROL

In every climate, in fair weather and foul, British aircraft have patrolled the oceans continuously since the outbreak of war, spotting submarines and safeguarding shipping. Their duty imposes a great test upon endurance, yet they are typical of the many outstanding engineering achievements of the British aircraft industry.

There is a very significant quality about them all: though the years pass, many of the designs still do not become obsolete; they were far ahead of their time when they were first produced, and are so fundamentally right that simple changes still keep them in the forefront.

After the war, whether you are booking a seat in an air-liner, sending goods by air to a distant country, or choosing aircraft for your own transport service, you will remember with full confidence the fine service given by British warplanes.

THE BRITISH AIRCRAFT INDUSTRY

ANNOUNCEMENT BY THE SOCIETY OF BRITISH AIRCRAFT CONSTRUCTORS - LONDON - ENGLAND.

Railway Finances

LIKE the budget of every preceding war year, the Railway Budget for 1945-46, which is going to be presented towards the middle of the month will be fully reflecting the buoyant and prosperous state of railway finances. As on each similar occasion in the last three years the revised estimates of revenue and surplus for the current year will be substantially in excess of the budget estimate for 1944-45, and the effects of loose and faulty budgeting, which, by bringing about more revenues than expected, encourages and also conceals extravagance and inefficiency, will be very much in evidence.

The budget for 1944-45 estimated gross traffic receipts at Rs. 192 crores, total working expenses at Rs. 114.3 crores, net revenues at Rs. 80.96 crores, including miscellaneous receipts and a surplus of Rs. 52.21 crores, after allowing Rs. 28.75 crores for interest charges. On a modest computation, the revised estimate of gross traffic receipts may be safely placed at Rs. 215 crores, i.e., Rs. 23 crores in excess of the budget figure, seeing that the gross earnings of Budget lines from 1st April, 1944 to 10th January, 1945, (9-1/3 months) amounted to Rs. 160.5 crores, Rs. 23.9 crores in excess of the figures for the corresponding period of 1943-44. If we assume earnings to be made in the last three months of 1944-45 at the same rate as in the first nine months or assume them to exceed those of corresponding period of last year

at the realized rate of Rs. 2.6 crores per month, the figures of gross earnings will be Rs. 210 crores and Rs. 220 crores respectively. The figure of Rs. 215 crores is thus a safe minimum, which is fortified by the increased equipment promised by the Member for War Transport and the decreased difficulties such as floods, stoppages and other dislocations experienced by the railways during the year.

Assuming a ratio of 60 per cent. of total working expenses to gross earnings or Rs. 129 crores, and allowing for miscellaneous receipts Rs. 4 crores, the net railway revenues would be Rs. 90 crores and if the interest charges Rs. 29 crores are deducted, the surplus would be Rs. 61 crores, or roughly Rs. 60 crores. Dividing the surplus between the Railways and the Central Government in the proportion of 1 : 3, the share of the Central Government will be Rs. 45 crores as against the budget estimate of Rs. 31.4 crores, and that of the Railways Rs. 15 crores compared with the budget anticipation of Rs. 10.8 crores.

Reviewing the financial record of the railways during the entire war period, we are impressed by the fact that not only have the debts to the depreciation fund Rs. 30 crores, and the arrears of contribution to general revenues Rs. 36 crores been paid off, but the general revenues also have gained to the tune of Rs. 90 crores up to the end of 1943-44, and if to this

is added Rs. 45 crores for the current year, to the tune of Rs. 135 crores. The depreciation fund in which the actual and the nominal balances were the same only in 1942-43, is expected to be at Rs. 82 crores in March 1945, whereas the Railway Reserve Fund, which stood only at Rs. 590 lakhs in 1940-41, is likely to show about Rs. 45 crores at the end of the current year. In all, the net earnings of the Indian railways in the years since 1939-40 to March 1945, would aggregate the astonishing figure of about Rs. 290 crores, accounted for by Rs. 170 crores arrears and fresh contributions to general revenues, Rs. 30 crores repayment to the depreciation fund, Rs. 50 crores fresh accretions to the same fund and Rs. 40 crores to the Reserve—a record which would seem to justify the self-congratulations of the Railway Member.

In reality, however, judging by every criterion of public good and business efficiency, it is only painfully clear that not only have the Government failed, as in every other field, to utilize the opportunity afforded by the war to strengthen the railways physically and financially, but have worked the transport system to death and appropriated the surpluses of the railways for general purposes with such complete recklessness that the reserve of financial strength built up leaves the railways utterly without power to provide the services and meet the calls which will be made on them after the war. Has the present policy helped the railways: (1) to meet the heavy renovation and replacement demand at much higher cost after the war out of their own resources; (2) to build up enough resources to do some little compensatory act of justice by way of amenities to the third-class passengers whose appalling and inhuman conditions of travel have brought the railways the prosperity they enjoy; and (3) to strengthen their general reserves to justify the character of commercial enterprise they claim and to enable them to meet financial vicissitudes and extend unremunerative lines and services which cannot be financed out of loans. The answer to each one of the above can only be an unqualified 'no.'

On the other hand, what are the calls to be made in store for the railways after the war? The present prosperous phase will vanish. By the admission of the Member for War Transport himself, the tremendous advance in operating costs from Rs. 54¾ crores in 1939-40 to Rs. 95 crores in 1944-45, is not likely to be susceptible of any rapid reduction; nor does he think it desirable to aim at it except by a gradual process. Even the earning power of the railways is going to be very seriously affected by the need for abnormal repairs due to their postponement in war-time. Stocks secured at inflated prices will have to be written down. In deed it is distinctly probable that the wholly abnormal war traffic would rapidly shrink and the railways might fall into a serious state of financial disequilibrium as in 1930-35.

On the other hand, what are the calls to be made on the railways? First and foremost, enormous replacement of assets worked to death now. The lack of a scientific depreciation fund has been the bane of the Indian railway system. The Railway Convention Committee recommended an enquiry into the lives of the assets and the Government appointed a committee of officials for the purpose. But a recent *communiqué* announced the abandonment of the enquiry for want of personnel and data. Nothing could be a greater reflection on the competence of the Railway Board or of their solicitude for the national assets in their charge. No doubt, an additional allowance of Rs. 4 crores for depreciation was provided for in the

last budget and is to be continued for the duration of the war and the depreciation fund itself now is as high as Rs. 82 crores. But depreciation has been calculated on the basis of the original cost of the assets, whereas replacement will have to be made at a considerably higher level of prices likely to prevail after the war. Furthermore, if provision is to be made for obsolescence of assets—and the Indian railways have no small leeway to make up in the direction—the fund will have to be much bigger.

By far the saddest part of the Government's neglect is their failure to build a reserve which will enable the railways to carry out the improvements for third-class travel so long demanded in the country out of the railways' own resources. Last year, in the name of this cause, the preposterous proposal of a 25 per cent. rise in rates in order to create an amenities fund of Rs. 10 crores was brought forward, but was dropped owing to the chorus of condemnation with which it was received. But Government dropped also the proposal of creating a special fund for providing amenities to third-class passengers. Both as a measure of implementing an improvement long overdue which the railways should not refuse if they are to be regarded as a civilised means of transport and as a compensatory act of justice to third-class passengers to the injury to which they have been subjected during war-time, an ear-marking of funds out of current surpluses is eminently desirable, but in stead we have only vague promises of improvement for the post-war future, which can most plausibly be put off for the slightest symptom of financial difficulty. Not only this. The Government's financial planning for reconstruction promises 'deliberately working the Government commercial departments for profit,' i.e., further increases in rates. We would urge that the Government should be committed to the creation of a fund to finance third-class amenities out of current surpluses so that it could not be put off on any grounds.

The fact remains that despite the separation of the railway budget from the general budget in the last two decades, the railways have not been freed from the exigencies and exigencies of the Central finances. The Railway Convention which worked unfairly to the railways during the depression, could have brought some strength to them in war, had it not been suspended. As it is, the general revenues are getting a greater share than what they are otherwise entitled to. In view of the huge losses suffered on account of the railways by the Central Government in the past, the inescapable responsibility of the State to ensure the proper working of the railways and the unbroken tradition of extravagance of the railways which an abolition of the obligation to contribute would only strengthen, some contribution to general revenues should always be retained. But given measures to banish extravagance and waste by appropriate popular checks, the claims of the railways themselves for keeping the system up-to-date and efficient must take precedence over the demands of the Central Exchequer. The Central Government have been shirking an enquiry into the revision of the Convention, as the present apportionment of surpluses is favourable to them. But there is little doubt that a change in the formula is eminently desirable so as to put the railways in possession of more funds. It remains to be seen whether Sir Edward Benthall has succeeded in persuading the retiring Finance Member to agree to a revision of the unfair allocation.

It is no reply to this to say that, but for the railway contribution the Finance Member would have to levy more unpleasant and more objectionable additional taxation. On the contrary, it is only further

condemnation of the Government's policy not only in transport, but over the economy as a whole. For, it only proves that just as the railways tried to meet the demands of war by the wrong method of putting up rates, cutting down services, dismantling lines and wearing down the assets desperately, the Central Government have strained the civilian economy to starvation and waste by their reckless policies. The hardship to third-class passengers imposed by railway policy is the parallel to the privations on the masses imposed by the Government's economic policy. The wearing down of railway assets with insufficient replacement is matched by the high wearing down of industrial machinery not alleviated by an oppressive tax policy. Over the whole range, there has been enormous deflation of real assets ill concealed by the inflation of money. If the Government's right economic policy should have been the mobilization of the resources of

the country, the railways should equally have equipped themselves to meet the demands by putting through schemes for construction of locomotives, etc., and both have failed. The construction of locomotives, wagons, rails and all other railway materials should have become possible in this country long before the war, or at least immediately on its outbreak. But instead we find the Member for War Transport repeating, year after year, the same absurd pretexts for failure in the present and dubious promises for the future. Only in the measure in which the railway budget unfolds proposals and projects for fully strengthening the transport system both physically and financially now and for the post-war future can it be said that common prudence has not been cast to the winds and that a business-like view been taken. The quinquennial record is not very hopeful, but even now it is not too late. We shall wait and see.

The Organization of Controls

THE second of the four crucial questions which we posed last week in examining the second memorandum of the Bombay planners, relates to the organization of economic controls. This is the category of *means*, but *means* are not only conditioned by the ends in view but also importantly condition the latter, as the recent history of planning in Russia, Germany and other countries has only tended to emphasize. Consequently, the Bombay planners urge in their second memorandum that "the plan must fit in with the general outlook and traditions of our people, and the cost of efficiency in terms of human suffering and the loss of individual freedom must not be unduly heavy." From this follows several principles for the organization of economic controls in a planned economy: The planned economy shall be capable of organic evolution out of the pre-existing economic set-up, which, incidentally, in the course of the war, is already beginning to acquire a roughly coherent and organized structure. The cost of economic development shall be distributed as equitably as possible. And finally, we must avoid, as far as possible, setting up of a ponderous, bureaucratic, regimented economy.

The compromise which is worked out is best labelled as a "directed mixed economy" and the organization of controls is with a view to ensuring its workability in accordance with a programmed rate of development. The Bombay planners thus urge, first, that there should be sufficient scope for the play of individual initiative and enterprise; secondly, that the interests of the community should be safeguarded against the abuse of individual freedom; and thirdly, that the State should play a positive role in the direction of economic policy and the development of economic resources. The apparatus of the State must, in deed, be utilized to get the maximum of the advantages of over-all co-ordination and direction. An enlargement of the positive as well as preventive functions of the State is essential to any large-scale economic planning, and the assumption by the State of the function of a "central directing authority" is a *sine qua non*. But over and above this minimum function of global control and direction, the State could either take upon itself, in entirety, the ownership and management of the gigantic and rapidly growing productive machinery or delegate it to diverse types of productive units. Complete and outright socialization would at once render the problem of economic allocation of resources and rational costing almost intractable and put utmost strain on our capacity for large-scale organization. All theoreticians of planned eco-

nomy are now agreed that rational costing and allocation of resources become impracticable until we can organize at the least a pseudo-competitive framework so that both final consumer goods and intermediate goods can be *priced* and a valid economic calculus worked out. The principle of economy of central control is, therefore, dictated not only by the consideration of the social and political dangers of extreme regimentation but as providing a basis for rational calculus in an economy of dynamic changes which are implicit in rapid planned development.

In a mixed directed economy, therefore, there would be place for diverse types of economic organization in which the ownership-control-management assortment would be determined from unit to unit by pragmatic considerations of ensuring the workability of total system in accordance with a programmed rate of development and formulated public ends. The Bombay planners have been quick to recognize that if the State exercises top control and global direction, the institution of property itself, as we have known it, will have undergone a significant metamorphosis. For ownership implies right of absolute disposal, but, as they point out, in a planned economy, *e.g.*, the monopolies would not be allowed to limit their output with a view to maximize profit as in capitalist economy, or, again, scarce natural resources would not be allowed to be exploited without consideration for the future requirements of the country. The so-called capitalist would thus be reduced to the status of *either* a passive rentier whose current income would be heavily mulcted by a steeply graduated income-tax and whose aggregate capital itself would be reduced to a fraction under the impact of a heavy death duty. Or he will be reduced to the status of a peace contractor or perhaps even a manager of the State, enjoying some considerable autonomy and latitude in executive action and paid on the basis not of a stipulated salary but of efficiency and realized profits (or loss) where efficiency would be "audited" and profits limited and preponderantly shared by the State. Control is, indeed, more important than ownership and management: no matter who nominally owns or manages, control is the linchpin.

What then would be the precise configuration of the *terrain* of a directed mixed economy? As we have seen, there would be diversity in types of organization—private, co-operative, collective, State and mixed enterprises, as well as enterprises worked by autonomous public bodies would all work together in

the field of production and distribution and the validity of this heterogeneous complex will depend on the measure in which the system of global controls envisaged can make this complex cohere and work. The Bombay planners proceed to define the criteria according to which slices of ownership, control and management will be respectively allocated to the State and public and private agencies, of course, without prejudice to the essential function of the State in respect of global control and direction. State ownership will exist as a more or less permanent feature in the group of industries where "it is a necessary means of enforcing State control." Again, State ownership is necessarily involved in all cases where the State finances an enterprise which is important for public welfare or security or is "new" and cannot be properly developed without direct financial encouragement by the State. But it is made clear that no particular arrangement would be stereotyped for ever. In the interest of the whole, the State can at any time take up the ownership of any private concern; on the other hand, whenever feasible and in the interest of the principle of decentralization, private agencies may buy out any concern which was originally financed and owned by the State. Again, for State-owned industries, management may rest with the State or may be delegated to private agencies or *ad hoc* public bodies. The Bombay planners suggest that the case of each industry would be considered on its own merit and a significant factor to consider would be the availability of organizational personnel, although, without doubt, considerations of public welfare and security would be overriding. In the same industry again, some units may be run by the State and others by private enterprise—the simultaneous operation of both systems in the same industry providing a useful incentive and corrective to each. Each case will be judged on individual merits and, no doubt, in many cases, decision will depend on a "nice balancing of many factors."

Topping this heterogeneous complex of State, private and mixed agencies, would be the system of global control and direction. Of course, enterprises owned wholly or partially by the State, public utilities, basic industries, monopolies, industries using or producing scarce natural resources and industries receiving State aid should normally be subject to State control, the nature of which will vary from industry

to industry and unit to unit in the same industry according to specific requirements of each case. However, what we refer to here is the essential framework of global control and direction which the State must provide and which, while allowing maximum decentralization of initiative within this framework, will at the same time perform the vital, integrative function of making the economy work as a whole towards programmed goals. This system of marginal control will be designed to give *direction* rather than impelling force to the entire economy; it will operate through global influence on commodity and factor price formation; prescription of conditions of work and participation in management; channelling of capital issues; determination of general priorities in regard to domestic and foreign resources; rationing and distribution of consumers' goods in the initial stages; equitable distribution of financial cost of development; efficiency costing; and so on. The impact of State authority and control will again be minimized and maximum public co-operation forthcoming by instituting a representative government enjoying confidence of large masses. This corpus of controls, both permanent and temporary, will again be operated by a new service—an *economic civil service* which should be "established in the country composed of persons with the special education, training and experience appropriate to the economic functions of the State."

The broad picture of the directed mixed economy which emerges is neither pure capitalism nor pure socialism—neither of which, incidentally, exists anywhere in the world—but a "third category." It constitutes, in short, an effort to build up by deliberate thought a rationalized economic system in which there will be room for "diverse experiment" and which will couple the advantages of both decentralization of initiative and central planning. The crucial question here, however (which must be answered if we are to judge the second memorandum of the Bombay planners and which we posed last week), is: Can the contemplated complex of heterogeneous controls, ownership and management—partly private, partly public and partly mixed—cohere together into a healthy and functioning directed economy, fully attuned to the requirements of rapid expansionism and programmed development. We address ourselves to this crucial question in our next issue.

The Control of Cartels

AN attempt was made in two recent issues to delineate the principles that should govern international agreements in the spheres of commercial policy and commodity regulation. Connected with this is the question of the control of international cartels through inter-governmental action.

The need for such control is now generally recognized, although there is sharp difference of opinion on the measure and manner of control that should be adopted on the international plane. For more than one reason, it seems desirable that a certain degree of regulation should be imposed on the activities of private international cartels through concerted inter-governmental action in the light of a code of agreed principles. The chief reason, of course, is that the cartel, domestic or international, is essentially a restrictive device, preventing the creation of additional wealth and is, therefore, out of place in any economic set up, geared to the expansionist ideal of an ever-increasing flow of goods and services into the world markets. Another objection, which applies to inter-

national cartels, is that they may have adverse consequences, strategic and political, as well as purely economic, particularly for relatively undeveloped countries. As *The Economist* pointed out in a recent article on this subject, "An attempt to mulct consumers for the benefit of producers is bad enough in any case; but when the producers are in one sovereign state and the consumers in another, there may be serious political repercussions. The influence that a cartel can exert on the location of an industry, by discouraging or forbidding new entrants, is a far more serious matter when it affects the relative industrial strengths of nations."

As to the degree and method of regulation, it has been said already that not all countries would favour the same approach. We have, on the one extreme, the attitude of the United States that would control cartels so that they cease to be, and on the other, the British view that can be persuaded to tolerate only a very mild degree of supervision, preferably on the national plane. Interesting in this context is the fact that while it is roughly true to speak of an American

view of cartel control as opposed to the British view, there is considerable divergence of opinion in both countries. Thus, the attitude of the Administration, as revealed in the frequent pronouncements of officials such as Assistant Attorney-General, Mr. Wendell Burge, may be described as militantly anti-cartel and as one, which would fain impose a Sherman Act on all the countries of the world; but there is also plenty of evidence that influential sections of the American business and financial community would welcome a more moderate policy. It is to be noted that the American Delegation to the International Business Conference was not willing to put its signature to any recommendations for far-reaching control. In contrast to this outlook of the commercial interests in general, however, are the views of individual business men in the United States, such as Mr. Robert Gaylord, President of the National Association of Manufacturers and Mr. Ingersoll, President of the Milling Machine Company. They subscribe to the view that "if other nations choose to sanction cartels we cannot complain, but they cannot force us to cartelize our trade. We can compete as champions of free enterprise hampered perhaps at the beginning, but in the long run favoured, because competition will spur us on while lack of it lulls them to sleep." On the other side of the Atlantic, while British big business as well as the British Government are opposed to any comprehensive control, the trade unions and certain sections of the press (e.g., *The Economist*) have expressed themselves in favour of state supervision. On the whole, however, it seems highly likely that the Washington Administration would make a determined attempt to reach an inter-governmental agreement relating to the restriction of the more objectionable cartel activities in international trade.

What should be the broad aspects of such an agreement? This question has to be studied in the context of the three main types into which it is convenient to classify cartel arrangements. Firstly, there are the agreements among primary producers designed to regulate the volume of supplies to world markets by production or export control, or both as a means of preventing excessive and socially destructive fluctuations in prices. Secondly, there are the international agreements of private cartellists, fixing prices and dividing the world markets into spheres of influence. Thirdly, there is the host of contracts and understandings—usually secret—among producers of patented merchandise and proprietary articles, the main purpose of which is to eliminate competition and forbid or discourage new entrants.

In regard to the first type, it is better that commodity regulation on the international plane is undertaken by common agreement among the governments of producing as well as consuming countries in accordance with settled principles rather than by cartel arrangements between producers. For, in the latter case there are the very real risks of artificially cur-

NOTICE

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tailed supplies, monopoly prices and the bolstering up of high cost capacity. The argument is heard that Governments are often interested parties, or can be influenced by interested parties and that there is no reason, therefore, to suppose that government sponsored international commodity regulation schemes would be any better than private ones; but it is not very convincing, and may indeed be said to be out of date. A great deal of post-war reconstruction planning in international monetary and financial fields has already been done on an inter-governmental basis and if the governments of the various countries can be expected to behave themselves properly in these vital spheres, there is no reason for withholding confidence from them when it comes to the question of commodity control through inter-governmental agreements. It would appear reasonable, therefore, to say that in so far as some degree of control is necessary in the case of the production of and international trade in primary commodities, such control should be on an inter-governmental basis and not through producers' cartels.

In so far as the other classes of cartels are concerned, regulation may conveniently be carried out by an international organization, representative of the governments of the various countries. This body may be authorized to conduct enquiries, when complaints are made against particular activities of combines or cartels and to give the widest publicity to its conclusions and recommendations. It would then be up to the governments of the offending cartellists to take appropriate action against the latter and/or for the adversely affected countries to take measures to protect their interests. It may also be provided that all cartel arrangements of an international character should be registered with the proposed international organization and accessible to public inspection. The organization may also be charged with the duty of investigating, through special committees, the possibilities of banning certain cartel practices, introducing a system of licensing for others and of developing desirable international conventions relating to corporation, patent and trade mark law.

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The Week's Notes

FREE TO PLAN ?

Sir Ardeshir's assurance to the public and to himself that there is no interference with India Government's planning from Whitehall is welcome as far as it goes. But does that go far enough? We readily believe that plans for India are not made at London, that Whitehall does not dictate the lines on which the plans are to be drawn in India and even that it does not interfere with the Government of India in the process of drawing blue-prints in which they are now engaged. But we shall ask Sir Ardeshir to take the public into confidence and say what exactly, at this stage of planning, are the points of contact of the Government of India with Whitehall, so that we might know what exactly are likely to be the points of conflict. Preparation of blue-prints is relatively an innocuous affair from the point of view of Whitehall. It is only when the plans come up for execution that the traditional antipathies and vested interests in Britain which have all along opposed India's progress will begin to pull political wires. Some parts of the plan, e.g., agricultural and transport, might meet with no serious opposition. But in regard to large schemes of industrialization it will not all be smooth sailing. Would Sir Ardeshir give out what decisions in industrial planning, taken by the Government of India, have been submitted to Whitehall for approval and what the latter's reactions are. On two specific questions, (1) the policy of protection and (2) the regulation of foreign enterprises, we have it on Sir Ardeshir's own evidence that a liberalization of the conditions of protection was a certainty and that the 'safeguards' in the Government of India Act, 1935, prohibiting the regulation of foreign enterprises in India, were receiving consideration and would offer no obstacle to national interests. Has Sir Ardeshir taken up these matters with Whitehall? Has he represented to H.M.G. that regulation of non-national concerns which crowd out indigenous enterprise from every key industry from chemicals to banking, is an essential part of fiscal autonomy and protection? Without sufficient evidence of a changed attitude at Whitehall on these vital matters, it would seem premature to presume that we are free to plan. Until the responsibility of the Government is directly to the people of India there would always be suspicion about its subservience to outside interests.

ANOMALY IN ECONOMIC ADVICE

On December 4, 1944, the B.B.C. broadcast in its Eastern Services a discussion on "Organization and Planning" in which Mr. Wickham Steed took the chair and Sir Theodore Gregory, the Economic Adviser to the Government of India, and Mr. Kingsley Martin were the speakers. This discussion, which Sir Theodore, presumably, availed to re-affirm his economic philosophy, raises an important question of public policy. Nobody grudged Sir Theodore the benefit of his intellectual conviction while he was in his responsible academic chair in London; but one would have thought that he has had seven years of experience in India to improve himself. Sir Theodore, who opened his official file on inflation with a memorandum on the function of the price mechanism which was little else than the old lecture notes at the London School of Economics, put together, remained to see its realistic and tragic connotations in India. In the B.B.C. discussion talk Mr. Wickham Steed said that he had been reading the Bombay plan and the Roy plan which claim to raise the general standard of living in India three times and four times respectively

in the course of 15 years. Mr. Steed was impressed by the fact that each plan involves what seems to be an enormous expenditure and neither seems to jib at the cost. Mr. Kingsley Martin suggested that this was "because they will actually create wealth." To this Sir Theodore put in the taunt: "That's what they think!" He is against economic planning because there would be difficulty in respect of agreement as to ends, choice of authority and the choice of methods the authority shall adopt. But surely by general and democratic agreement we may set the economic goal that we want to double our *per capita* real income in a certain period coupled with a more equitable distribution of the national income. And by rational thought and a process of trial and error we may hit upon the best form of authority and method from the point of view of the technical achievement of the formulated goal. Sir Theodore would like to think that there is an "undesirable interference with human liberty" unless planning is confined to the "expansion of public health services and measures of that kind." But as Mr. Kingsley Martin aptly suggested, the most disgraceful position of public health is illustrated by the fact that "ribs of the ordinary Indian show through his skin" and this position can be effectively rectified only by great improvement in the general standard of living which is precisely the aim of the Bombay plan. Sir Theodore again wants to give nineteenth century capitalism the benefit of doubt because in the last 20 years there have been (a) an increasing drain on profits through higher taxation and (b) very great structural changes in industry—factors which "have prevented capitalism doing as much as it might otherwise have done." But if under capitalism, as in Britain, only 5 or 10 per cent. of national income is devoted to capital formation while under planned economy, as in Russia, 30 or 40 per cent. of national income is devoted to capital formation, can anybody doubt that Russia would have several times higher a rate of general economic development than Britain? Who can suggest that there is any hope of improving our standard of living to any tolerable level except through comprehensive economic planning, in any period less than a geological era? The Government of India is today committed to economic planning and it is anomalous that anybody whose intellectual conviction is against economic planning should occupy so responsible a position as Economic Adviser to it. Why talk of jam today or jam tomorrow when you are in jam all the time?

RECONVERSION PLANNING

The highlight of Sir Rahimtoola Chinoy's speech to the annual session of the All-India Organization of Industrial Employers last week was the emphasis he laid on the need for careful planning of the reconversion of the Indian economy from war to peace-time basis. The essence of reconversion in India is economic rather than technological. In other countries reconversion takes on the character of technological readjustment of plant and productive facility from war uses to those of peace, but in India technical reorganization to war purposes has been much less important and has been confined to railway workshops, and other publicly owned enterprises. Standardization and readjustment there has been, for example, in the steel, engineering and textile industries, but not in so far-reaching a degree or manner as to upset the established set up of the machinery. Switching over to war economy in India has meant primarily the appropriation of the output for war as contrasted with civilian consumption; and reconversion consequently

means, as rightly emphasised by Sir Rahimtoola, enabling the Indian producer to resume full contact in his own market by releasing output to meet civilian needs, so that he might not be handicapped by the earlier reconversion start enjoyed by his competitors from the U.S.A. and the U.K. in the Indian home market. This latter danger cannot be too strongly warned against, especially because the terms of the recent Lend-Lease agreement between Britain and the U.S.A. have been so framed as to facilitate a 40 per cent. reconversion to peace economy and a beginning being made in export recovery so vital to Britain. On a previous occasion, commenting on the Viceroy's annual speech to the European commercial organization, we have stated the case for reconverting Indian economy to peace-time basis at the same rate at which it is proceeding in the U.S.A. and the U.K. and we welcome Sir Rahimtoola's re-emphasis. The contents of the reconversion policy also are fairly clear: (1) to restore the industries in the country "in their normal setting of over-all expansion" by the suitable administration of economic controls; (2) to rationalize and re-equip plant and machinery; and (3) to revise and rationalize the tax system so as to subvert the above ends. It will be seen that far from there being any conflict between reconstruction planning and reconversion planning as apprehended by Sir Rahimtoola, an impetus to productive mobilization even now as part of reconstruction planning, forms an indispensable element of reconversion in the economic sense of the term.

TECHNOLOGICAL RECONVERSION

But reconversion in the technological sense is not unimportant. Especially in industries and plants now concerned with Defence Services production and owned by Government, the questions will soon arise, (1) to what extent will it be necessary to retain capacity even after the war for defence needs, (2) how soon and in what manner should military stores and equipment be reprocessed into material acceptable to the trade, particularly when there is likely to be a severe shortage of commodities generally, (3) the best method of utilizing in the general interest factories and work-shops not needed for Defence Services, whether they should be handed over to private enterprise or be run by Central or Provincial Governments, and (4) retention of adequate technical staff and of a nucleus of productive capacity in defence industries susceptible of expansion in case of necessity. These are questions exclusively within the field of Government planning and there is no evidence yet that even the primary data have been gathered and the guiding principles decided upon, except that munitions industries will be State-owned. In so far as technological reconversion is found to arise in the iron and steel, engineering and other privately owned industries purely from war-time readjustments, the case for special reconversion allowances, in the matter of E.P.T. would surely be overwhelmingly strong.

WELFARE WORK IN COAL MINES

The acute coal situation seems to have at long last roused the Government to some realization of their responsibility. The Mines Welfare Advisory Committee, set up under the Coal Mines Labour Welfare Fund Ordinance, recently recommended the undertaking of certain welfare measures. The Committee unanimously recommended that provision be made for an Anti-Malaria Scheme for 1945-46, with a recurring expenditure of Rs. 7 lakhs and a non-recurring expenditure of Rs. 3 lakhs. It was felt that responsibility for such measures in the outlying areas would be beyond the financial resources of the Fund and the Provincial Governments should be asked to assist in the task in

their respective areas. The Committee also approved the provision for the construction of two regional hospitals in the Jharia coal-fields at an estimated capital cost of Rs. 3 lakhs and two hospitals for the Raniganj coal-fields at an estimated cost of Rs. 1,54,000. Part grant of Rs. 3 lakhs each towards the capital cost of Central hospitals in Jharia and Raniganj was approved. Provision was also made for propaganda measures and for growing vegetables. Token grants for a water-supply scheme costing Rs. 5 lakhs and a housing scheme costing Rs. 10 lakhs were also made. This represents a welcome step forward. But the scrutiny of these items of welfare work seems to show that the Committee lays all the emphasis on cure. Prevention measures have rather suffered a neglect. It is true, as Mr. H. C. Prior, Chairman of the Committee, has pointed out that, the 'Labour Welfare Fund could not provide for full capital and recurring cost of all possible measures.' That is still greater reason for the conservation and wise expenditure of the funds at the Committee's disposal. Public health is a subject that should also interest the Provincial Governments and the colliery owners should be interested in their workers' health. The latter should be required statutorily to make a certain minimum of such provisions and the Committee would do well to make a comprehensive survey of labour's urgent needs and the items of welfare work that would appeal to and attract labour in the coal-mines and to the coal-mines. This comprehensive scheme may then be split up and the responsibility for its execution distributed if possible. It should not foster the impression that with the constitution of the Welfare Committee, the responsibility of Government and the mine-owners has ceased. It would save duplication of effort and help in the best utilization of funds. More important, the Committee should realize that the problem needs to be tackled with speed, for procrastination and delay would make the situation worse. Only in December last, due to inadequate coal supplies textile production was curtailed by about 25 million yards—the largest reduction on record, and the cloth situation in some parts at least is almost bordering on famine conditions. And with speed alone the Committee can hope to win labour's active share and co-operation in the scheme.

A MILK SCHEME FOR MADRAS

Last week, we commented on the unsatisfactory attitude adopted by the Commissioner of the Madras Corporation, in the matter of supplying subsidized milk to "priority consumers." We are glad that the Madras Corporation, under the progressive leadership of its Mayor, has refused to be convinced of the validity of the logic that would seek to make out that "it is difficult to contemplate, in this state of shortage, supply of milk to children or others not accustomed to milk; that would have to wait till after the war" and has resolved, at a recent meeting, to operate a milk supply scheme on the Bombay model. The proposal aims to make milk available to children of the age of five and under and to expectant and nursing mothers at about half the current market price. While this is all to the good, attention has to be drawn to an important defect in the scheme as at present envisaged. Although the subsidized price would be about half the prevailing price, it would still be nearly double the pre-war price. This means that only the relatively well-to-do classes would be able to take advantage of the subsidized milk supply and that the benefits of the latter would not percolate to that extensive strata of the poor, who, judging by any canon of social justice, have a greater right to concessions of this sort. Indeed, it is anticipated that only 50 per cent. of the children of the specified age group would be availing

themselves of the milk supplied under the proposed scheme. The Commissioner sought to defend this grave limitation by arguing that free milk would demoralize the people and that the object should be restricted to the provision of milk to people, who can afford to pay moderate prices. This only shows that he is ages behind modern ideas of social insurance and social security. As the *Hindu* pointed out in a vigorous editorial, "while it may be demoralising for those who can afford to pay to be given free milk it is no less demoralising for any society to allow conditions to exist in its midst under which the children of the poor must go without milk No community can be half healthy and half diseased, half fed and half starved If there are classes whose incomes are so low or precarious that they cannot afford to buy milk for their children the State will have to make free milk available to such." We would urge that the Madras City-fathers should not be content with the very modest scheme that is proposed and that they should endeavour to introduce a greater element of subsidy so that the really needy may also benefit.

GOVERNMENT MUST SUBSIDISE

The Corporation has adopted a resolution requesting the Madras Government to provide an annual subsidy of Rs. 20 lakhs to finance the scheme. If the proposals are to be liberalized, as indeed they should be, the Government will have to provide a bigger amount. But there are reasons to fear that the Government may be found unsympathetic; it will be recalled that a Special Officer appointed by them to go into the milk problem in the city came to the contemptible conclusion that no special arrangements should be made at present for the supply of milk to "priority consumers" and that the Government readily endorsed this view. Finance cannot be a bottle-neck, for they have ample revenues and plentiful funds, gathered as often by foul means as by fair ones (*e.g.*, their revocation of prohibition), which they have not always been spending for worthy objects or in the interests of the public. They can find no better use for the tax-payers' money than in making part of it available for such welfare objects as subsidized milk supply and there is the precedent of the Bombay Government's ready assistance to the Bombay Corporation in operating a similar scheme. As the Mayor of Madras pointed out, if part of the proceeds of the Sales Tax and Excise collected from the city is allotted for the purpose, there would be funds enough to finance a liberal scheme.

STRENGTHENING CHINESE ECONOMY

Some satisfactory news about China has begun to be received. The opening of the Ledo-Burma Road, and the projected construction of the Calcutta-Kumming pipe-line which could release substantial quantities of transport capacity so far taken up by the imperative need to transport aviation petrol may be expected to ease the supply situation in China. But more encouraging than the partial lifting of the economic blockade which has inflicted severe distress on China's hard-pressed population is the announcement made in a statement by Mr. Donald Nelson the other day that 'we can look forward to far-reaching gains on the economic front as a result of the action taken during the autumn in China.' It will be recalled that Mr. Donald Nelson, Chairman of the War Production Board in the U.S.A. was sent as a personal envoy to China in November last, by President Roosevelt. It was generally believed at the time that the views of Mr. Nelson who once said 'we have learnt that when we help other peoples to build healthy industries, we make them better customers for America' eminently fitted him as the head

of an economic mission to China, which is a potentially rich country and hopes to secure American aid in her economic regeneration. From his sojourn in China Mr. Nelson has returned with none of his enthusiasm in the least dissipated. He believes 'China has the capacity and the desire to develop herself industrially with American aid.' 'If that aid is realistically planned, and if financial arrangements are put on a sound basis' he had no doubt that China would take immense strides towards industrial progress and thus 'a market of enormous size should progressively open up for American export industries.' But even from the short-term point of view Mr. Nelson would seem to have achieved substantial success. He reported that 'the 1945 schedule of the Chinese War Production Board of key items is double the programme previously planned by the Chinese Ordnance Department' and that 'by the spring of 1945, the rate of China's total war production should be at least double the November rate.' Besides for the first time the Chinese economic war front is now co-ordinated and 'increased and co-ordinated production, plus improved transportation will make itself felt in an accession of strength through the entire Chinese economy. All this should serve to augment internal output and alleviate much economic distress caused by the severe inflationary conditions prevailing in China. How far the heightened status of Chinese industry will serve to exert a liberalizing influence which, Mr. Nelson hopes, will add to the chances of genuine co-operation between the National Government and Communists' remains to be seen.

INDIAN LABOUR IN MAURITIUS

An insight into the deplorable conditions of labour on the sugar plantations of Mauritius is furnished by the report of a Royal Commission appointed as a sequel to riots in 1943. Most of the labourers are immigrants from India. The labourers are reported to be poor, ignorant and of low physical standard; and unduly low real wages and economic grievances are judged to be the primary cause of the trouble. The Commission points out that during the last decade a change has taken place in the attitude of labourers, and certain employers have found it difficult to reconcile themselves to this change. Some employers fail to appreciate the labourers' claim to better conditions of living and on the contrary, believe in cheap labour of low standard and forget the human side of the problems of industry. Employers have not displayed that interest in the general welfare and in the personal problems of their workers which might have been expected of them. Insistence on legal rights, sometime with intimidation in view, has been the line frequently followed, and unjustified abuse has not been unknown. The institution of a better organized machinery for collective bargaining, a central committee of workmen's representatives, conciliation boards, and an arbitration tribunal are among the recommendations of the Commission. Provision of compulsory arbitration when certified by Government, and reorganization of the Labour Department, which is to be free from extraneous duties are also suggested. The Commission lay part of the blame for the deplorable conditions on the Administrative organization of the island. They gained an impression that there is insufficient contact between the Administration and the people administered. There is no properly organized District Administration. Generally speaking magistrates, teachers, engineers and labour inspectors do not live among the people. Administrators are generally ignorant of and unfamiliar with the language, religion and customs of the people.

SPECIAL ARTICLE

The Banking Bill

(Contributed)

THE preamble to the Banking Bill limits its objective "to consolidate and amend" the present law concerning banking companies, and we, therefore, miss all reference to the indigenous bankers (who are not companies), who, despite the substantial growth of joint stock banks during the last five years, are still the back-bone of agricultural finance in the country. What a pity that when after so many years of banking inquiries, legislation is on the anvil, such legislation does not even notice the indigenous bankers at all.

If the Bill thus ignores agricultural finance, it also shows no effort towards development of industrial finance, and the Bill would seem to proceed on the assumption that if and when industrial banks come into being and function, the law will not be late in arriving—and then to control their growth!

The Bill is thus very limited in its scope, being to protect the depositors of the banks, and while it does succeed well in the endeavour to protect such depositors in various respects, it fails to safeguard the depositors against the operations of the directors of the banks, for whereas shareholders of banking companies are obliged under the Bill to have a stake in the banks, though they can only remotely and indirectly control through the annual elections of directors the fortunes of the bank, the directors, who directly and immediately control the bank's fortunes, are not obliged under the Bill to have a commensurate stake. It is true that they would not be directors unless they had holdings of fairly large numbers of shares, but it seems to be advisable to give legislative effect to requiring directors to hold some minimum stake in the bank. It may be suggested that the board of directors should in the aggregate hold, say, 20 per cent. or 25 per cent. of the share capital of the bank and that every individual director should hold 2 per cent. or 2½ per cent. of the share capital of the bank.

The idea of having amongst the directors of a banking company, directors chosen by the bank's depositors may seem novel and may be received by some with levity, but inasmuch as the bank's depositors have generally a much larger stake in the bank than the bank's shareholders, it is only meet that there be provision for directors chosen by depositors. It should not be difficult to work out a practicable scheme for election of depositors' directors.

Section 6 is comprehensive enough, but does not seem to include the business of running Public Safe Deposit Vaults, which several banks do.

Section 7 makes obligatory the use of the words bank, banker or banking on companies doing banking business and requires companies using as part of their name the words bank, banker or banking to be subject to the Act. This leaves out completely all firms calling themselves bankers free from the obligations contemplated in the Act. It should, therefore, be made obligatory that no firm or person shall use the words bank, banker or banking in connection with its business, whatever it be.

Section 6 permits banks to deal in stocks and shares, Section 8 prohibits banks from dealing in goods, and the explanation to Section 8 expressly provides that "goods" under Section 8 do not include stocks and shares. Apparently goods include bullion,

so that under Section 8 banks may not deal in bullion, whereas under Section 6, they may deal in bullion. This is anomalous. It is known that banks do deal in bullion in the same sense as they deal in stocks and shares. The Bill should be brought into line with fact.

Section 9. The period 7 to 10 years seems too long. Reasonable period would be 3 to 5 years. Section 10. Who shall judge that a manager's remuneration is disproportionate? The Finance Member of the Central Government and the Governor of the Reserve Bank should be jointly charged with this responsibility.

Section 11 provides in much detail the capital requirements of a banking company, but it lays down no provision to relate the share capital of the bank to its total working capital. It is only meet that the shareholders of a bank should bear a liability commensurate with the responsibility inherent in the size of the bank's deposits. The paid up capital and the reserves should be 5 per cent. or more of the total deposits of the bank. This may seem large, but this percentage may be reached in five years from commencement of the Act.

Section 14. The percentages in this clause are inadequate to ensure liquidity of a bank. Two and a half per cent. of time liabilities and 7½ per cent. of demand liabilities for compulsory deposits with the Reserve Bank may be suggested. In this connection, we know that certain banks accept deposits withdrawable by, say, 3 or 7 or 14 days' notice. Are such deposits to be considered time liabilities or demand liabilities? Deposits withdrawable by less than one month's notice should be considered demand liabilities for this purpose.

Section 15 (2). The prohibition is with regard to holding of shares exceeding 40 per cent. of the issued and subscribed share capital of a company. There is no reference to holding of debentures. This omission seems unwise, for holding a large block of debentures of a company having, say, equal amounts of debentures and shares can be as bad as holding 40 per cent. of shares in a company without debentures. It might be provided that

(a) a banking company shall not hold in any company whether as pledgee, mortgagee or absolute owner of an amount exceeding 40 per cent. of the issued and subscribed capital of a company without debentures.

(b) a banking company shall not hold more than 50 per cent. of the debenture capital and more than 25 per cent. of the subscribed share capital of a company whether as pledgee, mortgagee or absolute owner thereof.

The section does not specifically refer to underwriting of shares. Presumably, the limitations contemplated in the clause apply to holding consequent upon underwriting. Having regard to the nature of the business of underwriting, it should be possible to allow higher percentages for underwriting, irrespective of the holding consequent upon such underwriting. It may be suggested that the underwriting percentages be 80 for debentures and 40 for shares where the share capital consists of both debentures and shares, and 60 for shares where there are no debentures.

Section 16. It is quite easy to get round this provision. Addition at the end of the clause of the words

or holder of shares singly or jointly of amount exceeding 25 per cent. of the subscribed share capital is necessary.

Section 17. The system of issue of licences should be applicable to all banks and not merely to those incorporated outside British India or the United Kingdom. The system of licences is capable of much wider use than contemplated in the section. Licences should be renewable every three years or every five years and the renewal of the licence should be subject to the Reserve Bank being satisfied with the working of the bank during the period. Where the Reserve Bank is not satisfied, the licence may be renewed for a shorter period than 3½ years, and may be issued upon conditions to be complied with by the bank within stated period. Licences should also be capable of cancellation upon the judgment by the Reserve Bank of unsatisfactory working of the bank, subject to concurrence by the Central Government.

Section 18. Silver should be included. Besides, instead of the percentage in respect of the total of the time and demand liabilities, the percentages should be different for the two different kinds of liabilities, i.e., 20 per cent of time liabilities and 33 1/3 per cent. of demand liabilities. In the explanation to this section, it is not understandable why the amount of any loan taken from the Reserve Bank is to be excluded in computing the liabilities of the bank.

Section 19 (1). This is not much protection to the depositors of British India, for the requirement of this sub-section is only an annual one, which is easy for compliance and yet can be very substantially departed from throughout the year to the detriment to the safety of the British Indian depositors. The requirement of this sub-section should be weekly, or at least monthly. Section (19) (3). Export bills drawn in British India only should be allowed to be included in the assets.

Section 22. Banking companies incorporated in British India are required under this Section to prepare the balance sheet and profit and loss accounts in respect of all their business, whereas the banking

companies incorporated outside India and carrying on business in British India are required to prepare the balance sheets and profit and loss accounts in respect of their business only in British India. The latter should be required to prepare their balance sheets and profit and loss accounts in respect of their business in the whole of India, not merely British India.

Section 23. There will be advantage in requiring audit of accounts of banking companies to be carried out by auditors from a panel of auditors chosen by the Reserve Bank of India, and this should be considered. Section 28 is rather halting in that power to direct inspection of a banking company is vested in the Central Government; such power should vest in the Governor of the Reserve Bank or his Deputies. The Reserve Bank should report to the Central Government as and when it considers it necessary or desirable in the interest of the depositors and the Central Government may issue suitable directions under sub-sections 2 and 3. There should also be provision for continuance or continuance on conditions, or discontinuance of the licence of the banking company. Section 30. The Court should be empowered to call upon the Reserve Bank to submit a report upon the banking company.

A simple glance at the geographical distribution of banking offices in India shows their concentration in the larger cities and some urban areas. It should be the aim to encourage opening of banking offices in places hitherto ignored and to discourage opening of further offices in places which are already well served by various banking offices. The provisions of Section 11 (1) could perhaps be further liberalized to contribute towards this, but there should be a more determined directive to achieve the object. Section 17 provides for the grant of a licence by the Reserve Bank before any bank can open a new office anywhere. Grants of licences should be made in accordance with principles to be framed and published by the Reserve Bank for general guidance in this matter. Perhaps the Reserve Bank of India may set up a Committee to investigate the matter and frame suitable principles not only for the grant of licences, but also for special facilities for banking offices in the smaller places.

Ten Years of Tea Regulation

(By Samar Rajan Sen)

ALTHOUGH the war has brought considerable prosperity to the Indian tea industry, one cannot help thinking that this is but a temporary phase and that the transition from war to peace economy is likely to put this industry, like many others, into great difficulties. Production has expanded enormously in almost all the tea producing countries of the world, while many of the pre-war foreign markets of the beverage have been lost to it, perhaps for a long time to come. Substitutes which have been familiarized in these countries during the war will surely prove to be strong competitors of tea in future. There can, therefore, be little doubt that the tea industry will be faced with the problem of acute overproduction immediately after the war unless something is done meanwhile to prevent it. Fortunately, however, the Indian tea industry is not only one of the best organized in the world, but also has behind it the experience of ten years of marketing and—production control which is likely to stand it in good stead during the difficult years of post-war readjustment.

Towards the beginning of the last decade the position of tea industry had become very serious indeed. The world was in the depth of the worst trade de-

pression in human memory. The world production of tea had expanded so greatly and the world consumption had declined so much that there was a huge glut and prices had dropped to miserably low levels. The industry well-organized as it was acted promptly and devised a three-fold programme namely, (i) control over exports on an international basis; (ii) control over production and marketing of tea on a national basis; and (iii) propaganda for the increased consumption of tea on an international, non-sectional and non-competitive basis.

It was recognized that the first two items of the industry's three-fold programme were but temporary, though necessary, palliatives and that the real remedy lay in the third item. The tea producers of India, Ceylon and the Netherlands Indies, therefore, carried on intensive propaganda for the expansion of tea consumption. Apart from individual efforts, the Indian Tea Markets Expansion Board alone spent about Rs. 20 lakhs and the International Tea Market Expansion Board about Rs. 40 lakhs every year for this purpose. The result of this great publicity campaign has been quite encourag-

ing. In India, the consumption of tea increased from 52 million lbs. in 1932-33 to 90 million lbs. in 1937-38 and 115 million lbs. in 1942-43. The world absorption of tea improved from 845 million lbs. in 1932-33 to 860 million lbs. in 1937-38. In spite of heavy competitive advertising by rival beverages and the average price of tea being higher during the period of regulation than before.

If all things are considered, it cannot be denied that the industry was quite justified in taking the step it did. In view of the peculiar character of the productive technique of the industry there was also no possibility that a policy of restriction would accentuate the difference between high and low-cast concerns appreciably. The policy of restriction, moreover, promised to bring about a balance between demand and supply and stabilize the industry in the long-run. And when a large majority of the producers agreed to co-operate, there was no reason why the scheme should not be successful. In fact it was found that the policy of tea restriction met with conspicuous success in actual operation, particularly during the first few years. Within one year of the introduction of the scheme, world exports of tea declined from 966.5 million lbs. to 803.9 million lbs. and annual carry-over stocks in London decreased from 276 million lbs. to 251 million lbs. The average price of all teas in London improved from 9.45d to 11.70d, per lb. while that of tea with exports rights in Calcutta went up from 5 as 2 ples to 9 as. 7 ples per lb. Although the amount of total exports of tea from India declined from 379 million lbs. to 318 million lbs., its value improved from Rs. 17.15 lakhs to Rs. 19.84 lakhs. The total quantity of tea produced in India went down from 434 million lbs. to 384 million lbs. Annual carry-over stocks in Calcutta declined from 27 million lbs. to 19 million lbs. The average price in Calcutta of all teas, for exports as well as internal consumption, improved from 5 as. 2 ples to 8 as. 1 pie per lb. The index number of the same adjusted for changes in the general price level increased by as much as 60 per cent. And the chain index number of the profits of the—Indian tea industry went up from—1.1 to 93.9. The International Tea Committee followed a very cautious policy and was careful not to exploit its monopolistic position industry. The Committee made a very careful study of the market situation and raised or lowered the export quota accordingly. This is why we find that the price of tea with export rights was kept at a fairly steady and high, but not too high, level throughout the period of regulation. The fact that the annual average price of such tea in Calcutta never fell below 8 as. 9 ples per lb. and that it almost always enjoyed a premium of about 4 as. to 6 as. per lb. over the price of tea for internal consumption is a rough index of the success of the scheme.

Three important weak points of the scheme could however, be noticed from the very beginning. Firstly, the great disparity between prices in export markets and internal markets encouraged considerable evasions and smuggling in spite of rigid statutory control. It must be admitted, however, that, from an administrative point of view, it was much easier to control exports or marketing than production. Secondly, the share of the non-regulating countries in the world exports of tea steadily increased with the passage of time, in spite of the cautious and—watchful policy of the International Tea Committee. Exports of tea from the regulating countries declined from 85.5 per cent. to as low as 79.4 per cent. of world exports within four years of regulation. The International Tea Committee was, however, fully alive to this great potential danger, as its policy of changing the export quota from year to year indicated. Thirdly, the regu-

lation of exports as—enforced in India under Indian Tea Control Act of 1933, caused a great deal of discontent within the country. It did not make proper provisions for new and small and low-yield estates. These grievances were, however, partially remedied in 1938. Moreover the provision permitting the transfer of export quotas gave some relief to low-yield estates producing quality teas.

For the success of the export regulation scheme alone, if not for anything else, it was necessary to have some control over the production of tea. It was in recognition of this fact that the International Tea Agreement recommended the control of production by the signatory countries so that it would not, in any one year of regulation, greatly exceed the potential consumption of the country concerned plus its export quota. Under the Indian Tea Control Act there was a statutory restriction of new planting. So the Indian Tea Industry was quite safe on that score. The voluntary restriction schemes sought to keep the total output of tea in India within the limits set by India's export quota plus estimated internal consumption. In this respect the results actually achieved were not at all discouraging. In the first year the realized degree of restriction was 76.9 per cent, while the prescribed degree was 76 per cent. of the All-India crop basis. Even in subsequent years the discrepancy was rarely more than 5 per cent.

It must be admitted that the policy of crop restriction gave a certain measure of stability to the industry which could not be dreamt of in earlier years. Stocks were kept within reasonable bounds and profits at a fairly high and steady level. While the annual average price of tea for internal consumption was not allowed to fall below 4 annas per lb., the Indian tea industry was also careful about not increasing it too much. Until the Japanese invasion of the Netherlands Indies created an acute shortage of tea in 1941-42, the average price of tea for internal consumption rarely exceeded 5 annas per lb. This cautious policy was due to several reasons. Firstly, the tea consumed in India was of an inferior quality and could not secure very high prices under any circumstances. Secondly, it was only by keeping the price of tea at a low level that the Indian tea industry could hope to expand the consumption of the beverage in a poor country-like India where the consumer's resistance to any price rise is even normally considerable and the competition of substitutes not at all negligible. Thirdly, the high prices obtained for teas sold with export rights covered almost entirely the supplementary costs of the tea planter, and so he could easily sell teas for internal consumption at very low prices. Fourthly, the crop restriction scheme being voluntary and not compulsory, the participants in the scheme did not want to risk increased defection and outside competition by trying to realize too high a price for their teas.

As a matter of fact, the fear of defection and outside competition was a constant bug-bear to the Indian tea industry and made it very cautious with regard to the price policy. There were ominous defections right from the very beginning. The voluntary crop restriction schemes had the support of 94.32 per cent. of the producers in 1933-34, 93.6 per cent. in 1934-35, 90 per cent. in 1935-36 and only 87.76 per cent. in 1936-37. And even then this progressively dwindling measure of adherence could be secured only by granting substantial concessions to small and low-yield estates. It was only when the policy of production control was substituted by one of marketing control in 1938-39, that the support increased from 87.76 per cent. to 90.59 per cent. Again, as soon as an

attempt was made to put down the restriction screw too tightly, an increasing percentage either openly flouted the scheme, or while professing adherence to it, secretly placed teas on the market in excess of the quota. While the divergence between the prescribed and realized degree of restriction was only 0.9 per cent. of the crop basis in 1933-34, it was 1.5 per cent. in 1934-35, 4.2 per cent. in 1935-36, 5.5 per cent. in 1937-38 and 4.8 per cent. in 1940-41. On the whole, therefore, the statutory control of exports and new plantings and the voluntary restriction of crops was an ideal combination for the Indian tea industry.

There are, however, certain specific aspects of the policy of tea restriction which deserve more than a passing reference here.

In the first place, a large bulk of Indian planters have not been able to derive the same proportion of benefits from the policy of restriction as their European confreres have. Most of the Indian-owned estates are either comparatively small or low-yield and so had to suffer from certain difficulties as a result of restriction, particularly before 1938 when adequate provisions had not been made for them. From another standpoint, too, they may be said to have been prejudicially affected. Indians took to the plantation rather late in the day. But, thanks to their enterprise, they were making a rapid headway. And as Dr. Buchanan noticed in 1934 ownership was tending definitely to pass into Indian hands. But with the introduction of the policy of tea restriction which sought to stabilize the industry by prohibiting new plantations and thus considerably strengthened the hands of the vested interests this process was not only discouraged but definitely retarded.

Secondly, another distinct problem arose in so far as there was a large number of widely different varieties of tea and the planting restrictions applied to all varieties without regard to the different conditions that existed for each one. Actually, it was the low-grade teas which had been in over-supply. But under the restriction scheme the high-grade producer too was compelled to cut down his crops. This penalized the high-grade producer in several ways. Although the price of low-grade teas improved considerably due to restriction, that of high-grade teas, which was already fairly high, did not. Restriction, however, increased the cost of production of all teas, particularly of the high-grade ones. Again, most of the estates producing high-grade teas were low-yield ones and did not receive adequate concession in earlier stages with regard to planting restrictions, any method other than blanket curtailment having been fought with various practical difficulties.

So, the ultimate result was that the policy of restriction tended to bring all teas towards the common level, irrespective of country of production and grade. There was a moderate levering upwards of the basic price level for common tea, and a considerable levelling downwards of the prices of all the higher grades, except the very best, which formed only a minor proportion of the total crop even of the most famous "quality producers" of Assam and Darjeeling. Restriction of supplies tended to accentuate this concentration of market prices; for distributors, naturally, sought weight rather than quality. Moreover, tea consumption, like that of many other staple products, became increasingly standardized, because it had to cater for the multitude rather than the connoisseur. Undoubtedly, this state of affairs gave a differential advantage to "weight"-producing companies in areas like Cachar, Sylhet, the Dooars and Southern India, as compared with "quality" growers in Darjeeling and Assam. A fair proportion of these latter growers

reacted to the restriction scheme by endeavouring to produce the highest possible percentage of teas of recognized high market denomination. The result, however, was frequently that these teas differed insufficiently from the grades next below them to obtain more than a fractionally higher price. So many others abandoned "quality" production and concentrated the "quota" production on the more profitable "weight"-producing blocks.

The effect of tea restriction, not unnaturally, has not been favourable to the plantation labourer. The year 1932-33 was the worst year of the great trade depression and general trading conditions were certainly worse in that year than in 1935-36. But the Indian tea industry employed about 30,000 less labourers in 1935-36 than in 1932-33. The average monthly wages of settled male labourers in tea gardens too declined from Rs. 10-10-4 in 1932-33 to Rs. 6-9-0 in 1935-36. What is the chief cause of this strange deterioration in the position of the tea garden labourers when the tea industry itself was earning high profits? Obviously, restrictionism, that was being practised since 1933-34. It is no use trying to belittle the importance of this fact by saying that "the tea garden labourer was able to supplement his cash earnings in the garden by private cultivation and obtained certain other privileges which added largely to the amount of his real wages." Even before the introduction of tea restriction, he enjoyed these privileges. With the improvement, however, of the tea trade and a progressive relaxation of the degree of restriction after 1936-37, the position of the tea garden labourers began to improve gradually.

The effect of tea restriction on the consumers was not the same in India and elsewhere. As a matter of fact, the Indian tea industry was determined not to pursue a policy of scarcity in India in view of the great possibility of the expansion of the tea market in this country. Not only was an intensive propaganda campaign launched in India but care was taken to provide adequate supplies for Indian consumption and keep the price of these at a very low level. In fact, the price of tea for internal consumption was lower after the introduction of tea restriction in 1933-34 than before. It was not, therefore, surprising that the consumption of tea in India expanded by leaps and bounds since that year.

The effect was, however, otherwise abroad. Price of tea in export markets went up considerably after the introduction of restriction. And the immediate effect of this on the consumption of tea abroad was depressing. The *per capita* consumption of tea in the U.K. declined from 10.56 lbs. in 1932 to 9.43 lbs. in 1934, while that in the U.S.A. dropped from .75 lb. in 1932 to .58 lb. in 1934. With the extension of propaganda activities and stabilization of prices, however, the foreign consumption of tea slowly improved, though not so rapidly as in India, in subsequent years.

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THE WORLD ABROAD

Storm Over Wallace's Nomination

(From Our Washington Correspondent)

WASHINGTON, Jan. 29 (By Cable).

PRESIDENT ROOSEVELT began his fourth term last week by nominating Mr. Henry A. Wallace, one of the most controversial personalities of the preceding three terms, to the second or third powerful position in the Government. In asking the Senate to approve Mr. Wallace as the Secretary of Commerce, the President proposed that the retiring Vice-President be entrusted with jurisdiction over Federal Lending Agencies which control between 30 to 40 billion dollars. The administration of this assignment obviously could exercise profound influence on the direction of the United States' post-war economic, political and social life. These agencies, comprising the Reconstruction Finance Corporation and myriad subsidiaries operating at home and abroad, had been incorporated within the Commerce Department almost entirely because of Congressional confidence in Mr. Jesse Jones who was deposed to make room for Mr. Wallace and virtually unlimited discretionary powers had been placed in Mr. Jones' hands. The immediate result of Mr. Wallace's nomination was a full-scale debate about the kind of economy that the United States is going to have after the war. At the dead centre of the imbroglio lay the question how the vast Federal lending powers are to be used in the post-war economy.

Opposition to Mr. Wallace was epitomized in the statement issued by Senator Byrd, who said: "Mr. Wallace is the leader of the most radical groups in America..... It may well be that the action of the United States Senate on this appointment will have a decisive effect on the future of the free enterprise system." Senators Wagner and Kilgore summed up the case for Mr. Wallace's support with the joint observation that "to oppose his confirmation on the ground of his forward looking philosophy and his willingness to develop new techniques is to be defeatist about America's future." So bitter was the controversy surrounding the nomination that observers were almost of the single mind that Mr. Roosevelt's action at the present critical moment was maladroit—so much so that some of them were tempted to reappraise the previously reached conclusion that Mr. Roosevelt is politically one of the most astute Presidents the country has ever had. Mr. Wallace's appointment has rekindled all old animosities and ideological divisions which typified the first two of President's administrations when the New Deal spending policies and theories of the Government were under fire. At a time when the President's hand needed the utmost strengthening for the tasks confronting him in the international field, a wedge was driven between Leftists supporting Mr. Wallace and the Rightists supporting Mr. Jones, between New Deal Left-wing in Congress and the Conservative-Democratic-Republican Coalition. The split in Congress also meant that a large segment of the House was at odds with White House. In point of sequence this is what has happened: On January 21, Mr. Jones made public a letter from President Roosevelt asking him to retire and his own reply. Mr. Roosevelt's letter praised Mr. Jones' administration of the Federal Lending Agencies and made clear that Mr. Wallace's appointment was a political reward. "It is for this reason only that I am asking you to relinquish this present post for Henry." Mr. Jones replied that he would "accede," but said that it would not set well with the business and the financial community. It did not. Next day White House sent Mr. Wallace's

nomination to the Senate and said it had "no knowledge" that Mr. Jones was going to make public the letter from Mr. Roosevelt. The same day Senator George introduced a legislation to remove all lending functions from the jurisdiction of the Commerce Department and made the Federal Loan Agency independent. On January 24, the Senate Commerce Committee, to which both Mr. Wallace's nomination and Mr. George's Bill were referred, heard Mr. Jones' testimony on Mr. George's Bill which received priority. Next day it heard Mr. Wallace outline his economic philosophy. On January 26, the Commerce Committee voted, 15 to 4, in favour of Mr. George's Bill and, 14 to 5, to reject Mr. Wallace's nomination. Chairman Bailey will report both actions to the Senate and a show-down battle is expected on the Senate floor this week. This is a controversy between two forces contending for control of Federal spending and lending powers, and represents a major bid by the New Deal Left-wing comprising mainly of Labour organizations and Liberal Senators. Two men appraised the issue thus: Mr. Jones should not quit the R.F.C. and its subsidiaries which conduct the most gigantic business enterprise..... as post-war adjustments will need to be most carefully handled in order not to destroy our entire business and financial structure..... The lending agencies of the Government could be used to destroy what we have built up in this nation in 170 years." They said they thought Mr. Wallace was incompetent to do the job. The question of Mr. Wallace's appointment "is not a question of a choice of personalities. The question is really one of whether the American people want these enormous financial powers to be utilized and invested in free America which is also prosperous America..... It is a question of the path that the American will follow in the future." Mr. Wallace proposed that the lending functions be used to help to provide 60 million jobs in the post-war mainly through governmental guarantees of abnormal risks taken by private enterprise. He proposed that the President's Economic Bill of Rights be enacted into a law in various ways. There were editorials, plenty of which speculated that Mr. Wallace had an eye on the Presidency for 1948 and hoped, through Commerce Secretaryship, to win the support of small business, having already the support of Labour, a considerable segment of Agriculture which Secretaryship he previously held. The influential New York Times columnist, Mr. Arthur Krock wrote, however, that Mr. Wallace "could learn, if he were so disposed, that no system—in this case capitalist—readily entrusts its defence to the harshest of its assailants and once the most vocal admirer of many phases which are its anti-thesis." Most journals, however, praised Mr. Wallace's integrity but challenged his programme which to them seemed to have little interest in obtaining value received for Federal investments. The New York Journal of Commerce, for example, said that "business could now get a Federal guarantee of its credit simply by undertaking to hire more people. The R.F.C. has hitherto made the prospect of repayment an important consideration in granting loans to business." Meanwhile, important publications like the Business Week asked the question whether the severe doctrinal divisions provoked by Mr. Wallace's nomination would affect Mr. Roosevelt's foreign policy. All these matters are for the Senate to decide this week and, despite the Commerce Committee's repudiation of Mr. Wallace, the controversy waxes hotter as the next step approaches.

Banks and Secrecy

(From Our Special Representative)

LONDON, Jan. 29, 1945 (By Cable).

THE Financial Editor of the *Manchester Guardian* strongly dissents from Dr. Lokanathan's suggestion as reported from Hot Springs that inasmuch as a direct loan from America is impracticable since too many objectionable strings would be tied to it, Britain should borrow from the United States on behalf of India. According to the version printed here, Dr. Lokanathan is reported to have suggested that part of the loan could then be utilized for Indian purchases in Britain while the remainder would be available for purchases in the United States on goods unobtainable in Britain.

Says the *Guardian*: "Seemingly it did not occur to Dr. Lokanathan to ask whether this country would like to accept with the dollar loan those strings which he considers intolerable for India. On the other hand, he has been quoted as assuring American business men that 'if credits were granted through London and made recoverable through London, Indians will be perfectly able to do away with the Imperial Preferences procedure when it comes to buying American goods.' All this—to put it bluntly—is pretty cool, but at any rate we have been given material for much useful thought."

Judging by comments of Financial Editors, commercial banks are distinctly disturbed at the possibility that Government may invade the close secrecy which has hitherto marked dealings between banks and customers. The first threat in this connection comes from Paris where it has been reported that the French Government intends to press the British Government to compel British banks to disclose the full particulars of all French-owned deposits. The French Government has decreed that all nationals must report the amount and the location of all assets held abroad. There had been a similar decree before, but in the pre-war days the French propertied classes completely ignored such a demand. The comments suggest that French pressure is already being exerted though this is not officially confirmed here. The Financial Editor of the *Liberal, News-Chronicle* strongly objects to this pressure and adds that "London after the war will have a great opportunity to re-establish her position as the centre of world finance. But once it became known that the British Government was willing as a matter of principle to compel banks to make a disclosure of accounts standing in the names of their foreign customers, London could throw in her hand at once. Foreign money will not come to London if it is exposed to that risk. Indeed, if this principle of disclosure had been established before 1939, we might as well have been asked and perhaps found impossible to refuse to disclose to Hitler's Government all balances held here by German refugees!"

The writer seems unconscious that the British Government already exercises powers which violate the secrecy between the bank and the customer. Many years ago customs officials were given the right to enter any bank and see the accounts of any individual regarding whose import or export transactions they felt suspicious. On the other hand, the representatives of the propertied classes have thus far

successfully resisted all efforts to amend the Annual Finance Act to empower income-tax and sur-tax officials similarly to examine bank accounts of taxpayers, though such powers would obviously strengthen Government's hands against tax evasion.

Another threat to the Bank's policy of secrecy seemingly comes from the Committee on the reform of Company Law of which Justice Cohen, is the Chairman. According to reports current in the City the Committee is divided regarding the widely supported proposal that the owners of shares must disclose their identity and may no longer conceal their operations by nominally vesting ownership in so-called 'nominee companies' maintained by the Banks. These nominee companies furnish banks with small, but useful income but the device has long been condemned on the grounds that it enables 'insiders' including company officials to operate in the company's shares on the Stock Exchange behind the thick veil of secrecy. But there has been a fair amount of propaganda recently suggesting that these nominee companies, on the whole, are useful and harmless devices.

In the opinion of many what makes the secrecy issues, important is the light, that it sheds on the post-war trends—trends which reflect a back to 'business as usual attitude' and away from anything savouring of control. This trend may have gone further in New York than it has in London, but it is now visible here also.

Not in many years has the business man's honest contribution to the solution of a major problem been treated more unkindly by the Press than has the long-awaited report of Mr. Robert Foot, new Chairman of the Mining Association, Great Britain giving results of his seven months' study of the chaotic coal-mining industry and his proposals for remedy. Briefly like the Bolsheviks who cried 'all power to the Soviets' Mr. Foot's remedy is 'all power to coal-owners.' In other words he suggests that full control of the industry be placed firmly, in the hands of a 'Central Coal Board' composed solely of coal-owners who solemnly promise to do utmost to pay the miners high wages and sell coal to consumers at low prices. The miners have decisively and derisively rejected the scheme, but the Press has been equally firm in rejecting it on the grounds that the industry's record has not been such as to warrant both miners and consumers leaving their interests in the hands of the mine-owners.

Bullion circles believe that Indian hunger for silver will again be appeased by a silver loan from the United States which—like a similar loan last spring—will be repayable in the same quantity of silver, rather than in other goods or money. But Senators from the silver-producing states—once described collectively as the most extraordinary monetary phenomenon in the world—are again pressing the American Government to permit private interests to satisfy the Indian hunger by selling silver at high prices to Bombay. As far as it can be seen from here, Mr. Morgenthau shows no inclination to yield to their demand.

Labour Problems

(From Our London Correspondent)

LONDON, Jan. 17, 1945 (By Air Mail).

EVER since the practice of negotiating agreements between Trade Unions and Employers' Associations began, there were complaints that the unorganized employer of labour had the advantage because he was not bound by these agreements. The same could, of course, be said of unorganized labour, but here the glove was on the wrong hand. Unorganized workers in non-organized workshops had no means to set up wage standards and whilst strikes were nonetheless occurring from time to time in these establishments, more often than not they failed. The wages in the non-organized part of industry were, on the whole, considerably below the agreed standards elsewhere. During the years of depression this had a not inconsiderable influence on the wages paid in the organized sections. And the organized industrialists and traders complained rightly that they had to fight against unfair competition.

At the beginning of the war the Government took powers to establish Wages Boards which could impose certain minimum standards of pay. Besides this, the voluntary system of wages agreements was encouraged. It is clear, however, that as soon as the war is over there will be a strong demand for the Government to relinquish many of its emergency powers. In order to keep the machinery going and to improve upon it during the transition years, the Government brought in a Bill to give legal support to agreements between Trade Unions and Employers' Associations. The "Wages Councils Bill," as it is called, passed its second reading in the House of Commons and is supported by the parliamentary parties. It can, therefore, be expected to become law in due course and is likely to pass the Committee stage without great opposition.

There are two main points incorporated in the Bill: firstly, that wages agreements between employers and workers will become legally binding on all sections of the industry or trade concerned if the agreement is ratified by representative bodies on both sides. This is a new principle in wages legislation in this country. Trade Unions have been calling for such legislation long ago. Now it appears that Employers' Associations have come to see the advantage also and are supporting the measure.

Secondly, the Bill gives power to the Government to set up commissions of inquiry to find out whether there is sufficient machinery in any particular industry for the negotiation of voluntary agreements or not. Where such commissions report that there is either no existing machinery or that the machinery in existence is insufficient, the Government is to set up Wages Councils consisting of three members appointed by the Government and two members each from the employers and workers' side of the industry concerned. These Wages Councils will have powers to fix minimum scales of wages, and they also can fix rates for over-time and Sunday work. These rates will be binding for all employers in the particular section of industry.

Mr. Bevin, the Minister of Labour, made it clear that there is no intention to stabilize wages. His aim is to encourage voluntary negotiations between the parties and to obviate a spate of small strikes which otherwise would have to be expected after the war when the non-organized employers probably would try to reduce wage rates by direct action. As Mr. Bevin said, let them compete by all means on the basis of efficiency, quality and production, but not at the cost of the basic standard of wages agreed between the

parties.

There are no legal penalties proposed in the Bill against employers who fail to pay the wages agreed between the parties or fixed by the Wages Councils. But the workers can summon their employers in the courts for the difference. The Bill is to be in force for five years. The Government, no doubt, fixed this period as being long enough to demonstrate its advantages and, also, any bad points. It will force Parliament to take action before the five years are up one way or another. One may fairly expect that a revised Bill will take the place of the present one after that period.

The Bill will be a bad blow for those employers, among them a large number of smaller establishments, who until now mainly competed by their ability to pay smaller wages. They are the same employers who refuse to have anything to do with a Trade Union. In future, if they want to have any say in the matter of wages, it will be in their interest to become members of their respective Industrial or Trade Associations and to be represented by them in any negotiations to take place.

Some weeks ago we referred to the financial needs of industry as a whole in replacing its obsolete and outworn plant. The point then made was that even financially strong undertakings would find that their replacement reserves were now insufficient owing to the rise in prices for new machinery and other plant. Mr. Edwin Fisher, Chairman of Barclays Bank, also referred to this problem in his speech to the shareholders. He thinks that "the national interest will call for a somewhat broader conception of the place of banking" in relation to the need for the small business man to raise medium or long term capital.

Prof. Gustav Cassel, the eminent Swedish economist, whose death is reported, was one of the leaders of the 'monetary' school of economists. I presume to say that his theories on monetary management will be highly appreciated again in ten years' time when the newness of the "expenditure is income" exaggeration has worn off. In his last article that reached London (in the *Skandinaviska Bank Review*), written three months ago, he firmly re-asserted his thesis that economic crisis and war were the misdeeds of men and not of fate. "During the present century," he wrote, "all the great crises have been caused by errors in the economic policy of States and in their management of the monetary system.... In these circumstances, it seems strange that in order to avoid economic depressions attempts should be made to construct a new social order in which greatly extended powers of economic management would be conferred on the State. Such plans for a new social order have undoubtedly tended to lessen interest in normal progress."

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A DELHI DIARY

THE highlight of the week is the five-day Food Conference due to conclude on Friday. Even from the brief summaries of the proceedings available the public can see that there is considerable lack of co-ordination in Food administration. Both the Food Member and the Member for Education, Health and Lands, who addressed the Conference, were quite frank in stating the problem. The latter, Sir Jogendra Singh, quite unnecessarily dragged in the population question. He estimated that "in 1951 we may have to provide food for between 430 and 440 millions and by 1971 for 580 millions." Authorities themselves differ on the question whether the population will increase at this rate or not, but whatever may be the population, this country has sufficient resources to cope with the problem. But what are the Government of India now doing to increase production and provide adequate supplies of food grains of good quality? The Food Member frankly stated that "we have a long way to go before we can be satisfied either that the food available to the people in all parts of India conforms in quantity and quality to what we should wish."

Interesting figures were given by the Education Member to point out the additional yield of food grains available. Compared with the pre-war average of three years ending with 1939 the area under grain crops increased in 1943-44 by over 11 million acres giving an additional yield of about 4 million tons of food grains. He claimed that so far as rice is concerned, the target of 90 million acres has been exceeded. But is this enough? Sir Jogendra Singh himself did not go beyond expressing the hope "that with favourable weather conditions there should be a sufficiency of food provided the surplus is carefully stored and the stocks are either built up by the provinces and States or carried by trade as in normal times." But the fact, however, is that there is still a serious deficiency in supply, deterioration in quality—sometimes to an alarming extent—and inadequate transport arrangements. Neither in the matter of production nor of distribution—not to mention the prices—are the Government's record in this country in any way creditable.

The Education Member offered the usual apologia for the fact that while in England the acreage under crops has been increased by 90 per cent. in the last five years, the figure for India was only 3 per cent. He pleaded that India has already 36 per cent. of its area under the plough and cannot add to it appreciably without creating additional facilities of irrigation, drainage, etc., for land reclamation. But whose fault is it that the question of land reclamation and such other questions have been so badly neglected? Who is responsible for delaying the starting of the fertilizer industry and even the import of tractors? Some of the facts revealed to the Conference itself showed the extent of neglect in the past. The Education Member mentioned the instance of yeast and said: ".....we now produce from 400,000 to 500,000 tons of molasses. All but a small proportion of the molasses goes to waste and at least 300,000 tons per annum could be available for conversion into food or fodder yeast. It could provide 100,000 tons of yeast per annum sufficient at the recommended rate of a quarter of an ounce per day for 25 million people." The report of Mr. Coyne issued this week raises another question—avoidable loss of food grains. According to the Reports on the Marketing of Wheat and Rice in India, peace-time losses totalled over 600,000 tons annually for these two grains alone. Mr. Coyne adds: "I have no hesitation in stating that rodent damage alone probably accounts for a million tons of all food grains with similar amounts lost from

insect and moisture damage. A figure of three million tons may seem astonishing, but that is the order of magnitude of the annual losses in India with which we are concerned today." Mr. Coyne describes this state of affairs as deplorable and points out that if action can be taken to reduce them appreciably, a very great contribution to the food supply of India will have been achieved.

These instances are only illustrative of what the authorities have so far neglected to do and what can be done. When the Famine Inquiry Commission's report is published, more startling disclosures of past neglect and faulty methods in dealing with food questions will be available. The members of the Commission were themselves present at the conference and watched the discussion. It is not clear yet what is likely to be achieved as a result of the conference. The Food Member has for some time been steadily expanding the personnel of his Department. He has already announced the creation of a Planning Directorate which "will be concerned with both long-term and short-term policy directed towards improving the national diet," including such questions as the means of getting protective foods into consumption. There is also a Storage Directorate. And now it is proposed to set up an Inspection Directorate. The Food Member told the conference: "So far as the Provinces and States are concerned, the function of these Directorates will, in the main, be advisory, but they will also, I hope, prove of practical service in ascertaining your needs and helping us to give you the assistance which you require in the preparation of designs, in securing adequate priorities for the materials you need for construction and in providing any technical advice which you may need in the adoption of measures to prevent damage by climate or by insect and rodent pests." Mere multiplicity of Directorates, the continued import of "experts", the institution of control measures and elaborate machinery for providing technical advice cannot by themselves achieve much. For the success of a co-ordinated all-India policy, it is necessary to initiate measures which will associate public opinion and strengthen public confidence. In the conference, however, there was little sign of a move in that direction.

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MONEY MARKET

Stringency of Short Credits—Weakness In Gilt-edged

(From Our Correspondents)

BOMBAY, Jan. 28, 1945.

THE money market is a shade less tight than last week, and whereas some banks paid 1¼ per cent. for call money last week, they were able to obtain inter-bank accommodation at ¾ per cent. during the week. This, of course, applies only to Indian banks, as the exchange banks' rate is practically unchanged. There is, however, no denying the state of squeeze in the short credits market, in which banks experience such a demand for accommodation that they require prior notice if anyone requires a loan or an overdraft. The rate for advances against securities has sometimes been as high as 2½ per cent.

Demand For Deposits

The coincidence of very large withdrawals of deposits by institutions for payment of taxes with the emergence of a fair-sized demand for loans against cotton has naturally made the banks eager acceptors of deposits. A few of them were even prepared to pay ¾ to 1 per cent. for three months deposits. It is, however, significant that they are not prepared to increase their rates for deposits of longer duration. Apparently, the banks regard the present phase as temporary. Meantime, they have been meeting the large calls on their resources by putting themselves in funds through sales of Government securities on the one hand, and on the other, by occasional recourse to borrowing from the Imperial Bank. It speaks much for the remunerativeness of bank loans today that they find it worth while to borrow from the Imperial Bank at as high a rate as 2½ per cent. This is mainly because the rate for advances against Government securities has been pushed up to 2½ and even 3 per cent. Simultaneously, it is also understood that some of the new banks have reduced the rate for advances against cotton from the traditional 3½ to 3 per cent. In fact, one of the Big Five whose advance rate had remained for years at 3½ per cent. has now been obliged to reduce it to 3 per cent. The exchange banks do not appear to have followed suit and are reported to be awaiting the lead from the Imperial Bank. It is good in a way that some of the new banks, the *enfants terribles* of the banking world, should thus blaze the trail for cheaper money, and that the monopoly of the older institutions should thus be receiving a healthy challenge from the juniors.

The Reserve Bank apparently does not take a serious view of the money market situation, for in addition to the issue of Central Treasury Bills to the tune of Rs. 6 crores, the Bengal and Assam Governments have been allowed to place bills to the value of Rs. 5 crores and Rs. 2.5 crores respectively. During the week, total applications were higher at Rs. 5.5 crores as against Rs. 3.2 crores last week. But the authorities have succeeded in maintaining the average rate at Re. 0-9-0 per cent. per annum. Over the last four weeks, the full amount for which tenders are invited has never been forthcoming. The Assam Government got full amount but only by paying an *anna* more than the Central Government. This difference used to be there even in normal times of monetary plenty, so that the higher rate is not very uneconomical for Assam.

Gilt-Edged

The reports of peace feelers have been coming thick and fast in the last three days in the wake of

the astonishing Russian drive into Prussia. This has been responsible for a good deal of selling in gilt-edged securities, coming as it did on the top of the steady unloading of securities by banks. The 3½ per cent. Rupee Paper improved to Rs. 99-14 on January 23, but closed weak at Rs. 99-8. But the worst offender was the 3 per cent. 1957 Victory Loan which declined to Rs. 99-7 after having been higher at Rs. 99-10 on Monday. The local banks were sellers in this loan, and the public also joined in the selling pressure because, as happened in the case of the Fourth Defence Loan last year, the security was available in the mofussil at a much cheaper level and naturally straddle business was profitable. The drop in the yield of the Victory Loan naturally dragged down securities such as 3 per cent. 1946 Defence Bonds and others. It is estimated that banks alone have been selling short and medium-dated loans to the extent of a few crores of rupees in two weeks. No wonder that the market should strike such a dull patch, especially when investors have serious doubts whether money would at all be cheap after the war.

It is a regrettable fact that the Reserve Bank's open market policy in this period of stress for the gilt-edged market should have been so disappointing. It is true that the Bank entered the market to support the Victory Loan and the Defence Bonds, but the support was fitful, meagre and halting. Estimates of the official measure of support vary from Rs. 3 crores to Rs. 5 crores, but it is known that they supported the market in 3 per cent. 1957 at Rs. 99-9, as a result of which the rate rose to Rs. 99-10-6. But at this stage, support was immediately withdrawn, for reasons best known to the authorities themselves. The price immediately came down again to Rs. 99-7, with Paper also down at Rs. 99-8 at the same time. The result is that investors are keeping off not knowing how things will shape. A full blooded supporting policy by the Reserve Bank would have made all the difference even in this market and would have convinced investors that the present down trend is a purely passing phase. On the other hand, by pursuing the present uncertain policy, the authorities unwittingly perhaps encourage apprehensions of dearer money and lower gilt-edged prices. All this does not augur well for new borrowing.

The return of the scheduled banks dated January 19 shows a small increase under both time and deposit liabilities of banks, as also an increase in balances with the Reserve Bank. But advances show an increase of Rs. 5 crores, and since the increase in cash is equal to the increase in working capital, it must be presumed that all the Rs. 5 crores money for advances have come from sales of investments. Bank earnings for 1944 have been higher, and if the present usability for money will only continue for some time, bank profits for the first half of 1945 should be impressive.

The Reserve Bank return for the week ended January 19 shows expansion of currency (active) by Rs. 2 crores, there being a corresponding addition to sterling securities in the reserve. The Banking Department return shows interesting changes of which the chief are a Rs. 3-crore increase in the Central Government's balances, a rise of Rs. 4.3 crores under Other Government Accounts.

Bullion

The Bullion Market presented an interesting phenomenon this week. While gold pursued a downward trend throughout, silver moved up sharply, although towards the close it fell in line with the yellow metal. Victories on Russian front encouraged the bears in gold and unnerved the bulls. Opening at Rs. 73-6-6, ready gold of .99 fineness declined, by stages, to as low as Rs. 67-8 on Saturday forenoon, when there were strong reports of peace talks in Europe. Throughout the week, the rate for one week delivery was quoted at a discount of about half to one anna. There was a sharp fall in the offtake of gold from the Reserve Bank which, in consequence, lowered the tender limit from 30,000 tolas to 15,000 tolas. The amount of gold actually sold by the Bank was still lower, varying between 6,000 and 12,000 tolas per day. The Bank's selling rate followed the open market rate, declining from Rs. 73-2 to Rs. 70-9. Up-country offtake was poor, the estimated daily average of such being 15,000 tolas. Floating stocks in the local market estimated at 200,000 tolas.

Stock Exchange

The share market ruled extremely weak on long

Peace Prospects Depress Values—E.P.T. Concessions To Coal Industry—Jute Market Quiet

CALCUTTA, Jan. 29, 1945.

THERE was a sharp decline in prices early in the week on the Calcutta Stock Exchange on hopes of an early end to the war. Bombay took an alarmist view, and discouraging advices from that centre and bear selling by local operators, there has been a decline in prices all round. But the behaviour of the local market towards the close suggests that certain sections are inclined to be less panicky.

Bank shares have been easier in sympathy with the other sections of the market, *Reserve Bank* being quoted at Rs. 133 and *United Commercial* Rs. 38-12 premium. The results of important banks have been published and there is no longer any speculation regarding dividends. Only one prominent bank to increase the distribution is the Bank of Baroda with a bonus of 1 per cent.

Coal shares have not been marked higher with the announcement of new concessions to the industry. Since the concessions have been made at a time when the general market is inclined to be bearish. Also, the proposals had no surprise element in them. The relaxation in respect of E.P.T. by increasing the basic minimum to Rs. 72,000 from Rs. 36,000 will not be of any advantage to the bigger collieries in whose shares there is greater interest. As for the smaller collieries there has been such a sharp increase in prices in recent weeks that there is no reason to be enthusiastic further. There will be no automatic increase in the minimum from Rs. 36,000 to Rs. 72,000 as collieries will have to apply to the authorities stating that they are mining a wasting asset. Also, no colliery which is not able to effect an increase in raisings to the target level will not be eligible for the concession. Additional production bonuses have been announced. For an increase of 10 per cent. in raisings above the target, collieries will be entitled to the payment of 5 per cent. on all the coal raised which payment will be free of E.P.T. but subject to income and super taxes. If there was an increase in raisings by 20 per cent. and above over the target a bonus of 7½ per cent. of the selling price would be paid on all the coal raised. In any case, the maximum payment payable would be limited to Rs. 2 lakhs.

Cotton shares were uninteresting with *Cawnpore*

liquidation by the bulls and heavy bar sales induced by the excellent war news from all war fronts. Naturally, speculative scrips were the worst to suffer, *Tata Deferreds* among Steels and *Bombay Dyeings* in Textiles losing about Rs. 160 and Rs. 135, respectively, over the week. Buying fervour was entirely absent, with investors preferring to wait and watch. Although the market remained closed on Friday and Saturday, large sales were reported outside the floors of the Exchange. When news of reported peace talks reached the market, there was considerable nervousness among the bulls. The bears naturally took advantage of this stage of affairs and heavily depressed the values.

During the days when the market remained open, *Tata Iron* and *Steel Deferreds* declined from Rs. 2,225 to Rs. 2,163 and *Ordinaries* from Rs. 418-8 to Rs. 407. At one time on Saturday, however, the former declined to as low as Rs. 2,075 and the latter to Rs. 395. But, subsequently, rose to Rs. 2,105 and Rs. 400. Among Textiles, *Bombay Dyeings* dropped from Rs. 1,870 to Rs. 1,808-12 on Thursday when the market officially closed for the week. But by Saturday it had fallen further to about Rs. 1,750. Similarly, *Kohinoors* rapidly fell from Rs. 629 early in the week to Rs. 605 on Thursday and still further to Rs. 585 on Saturday.

Textiles at Rs. 13 ex-dividend and *Elgin* at Rs. 66, *Dunbar* were noted at Rs. 317 and *Kesoram* at Rs. 7-2. The announcement that there would be a further reduction in ceiling prices as from the beginning of the next month has not had any effect on prices so far.

The feature of the Engineering section is the announcement by the *Steel Corporation* of an interim dividend of six annas per share for the year ended December, 1944. For some time there was speculation regarding a higher dividend, though the influential section of the market held that it would be only maintained at the level of the previous year. The total distribution of 1943 was 14 annas per share consisting of an interim dividend of six annas and a final dividend of eight annas. On the reports that there would be no issue of additional capital on bonus terms to shareholders by the Chairman of the Indian Iron at the annual meeting on Monday last, there was a decline in the quotation for *Indian Iron* to Rs. 39-8. *Steel Corporation* were one and a half points lower at Rs. 33. *Burn and Co.* were Rs. 400 against Rs. 425. *Kumardhubi Engineering* were quiet at Rs. 11-4.

The jute market has been quiet with a very small volume of business passing. The announcement regarding the size of the crop for the next season has not been made, though it is still reported that only eight annas of the basic acreage of 1940 will be licensed. The continued difficulties regarding coal supplies have been responsible for the lack of interest of mills in the market.

In the loose jute section business has been small with sellers eager for business. They are prepared to offer a discount in rates if large orders could be placed especially as old orders are being rapidly worked out. Mills are reported to be interested in lower grades only. *Indian Jat Middles* and *Bottoms* were Rs. 16 and Rs. 13 per maund with European packing at Rs. 16-8 and Rs. 13-8 per maund. *Indian District Tossa Middles* and *Bottoms* were Rs. 16-4 and Rs. 13-4 per maund.

The jute manufactures market was very steady as there were reports that the steam-driven units had not been able to resume working. The receipt of new orders, though not for large quantities, had also an encouraging effect.

THE BUSINESS WORLD

TRANSPORT CO-ORDINATION

ALTHOUGH, at the recent meeting of the Post-war Transport Policy Committee, the War Transport Member showed a welcome realization of India's need for a co-ordinated transport policy, the task of co-ordination appears to have been conceived of simply as one of harmonizing the interests of various agencies, particularly rail and road, and of fostering each agency on a basis of profitable competition, with a special partiality for the development of motor transport at the cost of railway extension. These objectives, no doubt, constitute the essence of the problem in other advanced countries; but India's problem of the co-ordination of transport agencies is considerably different from that of other countries. The various possible services have not developed here, so far, to a degree when there is a real danger of widespread uneconomic competition, and conditions of competition have to be equalized to serve a comparatively static volume of trade and traffic. For an India planning co-her economic progress, the principal problem of co-ordination is one of economising and husbanding her scarce resources, particularly foreign assets, in such a way that while the post-war development in transport maintains at all stages the tempo of progress in other sectors of the economy there is no development of competitive agencies. Wherever our general economic purposes are capable of being served by existing agencies or agencies straining foreign resources comparatively less, we must prevent needless outlay on alternatives, the full employment of scarce capital rather than percentage profitability being the guiding consideration. In his brilliant essay on the economics of rail-road competition and advocacy for road development, the War Transport Member failed to appreciate this special aspect of the problem of transport co-ordination.

If we understand the question in its proper proportion, the rail-road competition so far is of negligible importance in this country; and the central problem of co-ordination is in the matter of future development and differentiation of their respective place in our planned economy. Whatever competition there has been in evidence in the past, is the result of haphazard road development; with vast areas of the country-side still unserved by motorable roads, the percentage of railway mileage in British India having a metal road parallel and within ten miles was as much as 48 before the war, and has further increased to 54 since. The obvious fact deserves better recognition, that India is not a small country like Britain where the motor can serve most services as efficiently as the rail. Our conditions approximate the American, and on account of our vast distances and considerable trade in raw materials and bulky commodities, railways alone can serve as our national highways. There is a clear room for differentiation of function; and instead of roads running parallel to the railways and competing with them they can work as feeders. The railways, as in the United States, may confine themselves to long distance traffic in bulk. Under the pressure of war-time traffic some differentiation on this line has already taken place; the pressure of trade and traffic when India works a plan of economic development will be sufficient to maintain such a differentiation. Railways have got to work very much faster than they do now; the average speed of the fastest trains hardly exceed 36 miles per hour. If the amount of centralization involved in planning is to succeed, they must emulate the American trans-continental speed of 75 miles.

Considering our scarcity of resources, it may appear plausible that "there is no sense in building a railway, if a road can do the work equally effectively." What is doubtful is the capacity of roads to serve all our purpose effectively. Even in respect of traffic, in branch lines, it is doubtful if we can really do without the railways. In view of our continental distances, it is not possible for motor transport to serve as the final carrier of raw materials and produce from the remote countryside to the centres of trade and industry. Nor can they displace the bullock cart in gathering produce from the fields profitably. They can, thus, only appear as intermediaries between bullock-carts and the railways, increasing the costs of transportation. Further a single railway train will warrant no less than 50 to 60 lorries to transport all it can carry. On these considerations, it does not appear justified that railway extension in any area should be entirely neglected in the interests of road transport.

While there are obvious difficulties in accepting the proposition that no railway should be built where a road can be equally serviceable, the contrary principle that no highways need be built where a railway does the work effectively appears, on the whole, unexceptionable. That there are going to be too many war lorries to dispose of or soldiers to be demobilized are not adequate considerations for uneconomic investment. Evidently, motor transport cannot serve the trans-continental purposes of our country. A glance at the map for national highways, in the plan of Road Engineers reveals the national waste which may come about in this manner. Most of the roads proposed run parallel to the existing railways and strike one with the redundancy of development in this direction while India has more pressing needs than multiplying transport agencies. It also brings out how little it is realized that the question where a road is wanted or not and of what quality is essentially an economic question, and not a question which technicians are competent to deal with. It is not a question of gradients and specifications, but one of estimating existing and potential demand. In the age of turn-pikes and tolls, there would be no possibility of the sort of waste with which modern India is threatened through the projection of technicians beyond the sphere of their precise competence. The conception of a road system with national highways, provincial roads, district roads and village roads branching off takes no cognisance of railways or waterways and is oblivious of the possibility of a composite system of transport which may be developed with road, rail and water complementing and supplementing one another, and working to their capacity to fulfil a national plan. The tempo of life in this country even after twenty years of planning is going to be very much lower than in Britain or America and the capital-intensity represented by motor transport will have no justification.

If economic considerations are to have their due place in road planning, it will be found that neither the direction in which roads should lie nor their standards can be settled in abstracto on considerations of road engineering. It will be a question of discovering the direction in which trade is already passing and is likely to develop in future. The existing village roads, trails and tracts represent in a sense visible demand so far ineffective. If road planning starts from below and the local and district bodies draw up their road plans, and the central and provincial

authorities confine themselves to co-ordinate such plans and assist their fulfilment; the resulting pattern of distribution of road mileage will, perhaps, be very different from the suggestions of the Road Engineers. Perhaps, most of such roads would be feeders to the railways and there would be little problem of road-rail competition. Considerations of village sanitation may dictate a concrete surfacing of roads within a village, so that reservation of better surfacing material for the highways traversing partially inhabited tracts would be less justified.

When the plan for economic development gets going, we may have for instance, four more Jamshedpurs or Cawnpores as a result of a 500 per cent. increase in industry. The direction in which transport agencies, road as well as rail, must develop must depend, so far, on the decision of industrial location. Ordinarily, there may be a conflict between natural and social advantages on the one hand and existing transport facilities on the other, when industrial location has to be decided. In a planned development

there is no place for such conflicts. When transport as well as industries are to develop simultaneously, there is a special advantage in selecting most economical sites, which may be frustrated through an unco-ordinated transport policy. The direction in which transport agencies and highways are wanted may prove to be considerably different from a plan based on a neglect of such dynamic possibilities. The transport policy which India wants must not only conceive all transport agencies and transportation as a single unified problem. It must also be an adequate instrument in the fulfilment of the national plan and take due cognisance of dynamic factors in the situation. Civilization will not come to stay in the Indian villages if the roads are only good enough to help the educational officer or health officer to visit the villages more frequently than they do now; it will come only when roads are serviceable enough to leave a few extra annas in the pocket of the villager with which to purchase the amenities of civilization. It is possible to build a highly organized road system, which may be no part of the economic framework of society.

NOTES

RESTRICTION OF RUBBER OUTPUT

Under the stress of war-time need the synthetic rubber industry has developed enormously and its production alone has reached the total colossal figure of 1,210,000 long tons and the combined annual production of both natural and synthetic rubber, as soon as the former starts in its stride, may be expected to make the enormous total of 2,750,000 long tons. This is likely to be far in excess of total world demand which averaged in 1935-40 to 1,052,000 tons. It may be that the prospective demand will catch up with the increased supply. But the possibility of a future surplus remains and must be "planned against" if distress to the rubber industry is to be avoided. This was emphasized the other day by an official of the Rubber Study Group now holding its sessions in Washington. The Group, which is composed of delegates from Britain, the Netherlands and the United States, is not, however, thinking of an international agreement, for it believes that restriction schemes may be put into effect independently by nations and/or by industries. It emphasizes only the need to keep close touch with facts and with each other. This is, presumably, because the conflict of interest between the U.S. synthetic industry and natural rubber plantations in which centre the interests of Britain and the Netherlands has not been reconciled. The old International Rubber Regulation Scheme, which was essentially a restrictive machinery, dominated by the Dutch and British plantation interests, had to be given up under the need for increased supply for war and there is need for a suitable international agency to replace the old. At the moment a "wait and see" policy seems to have been favoured. But whether when the contingency of anticipated over-production faces the rubber interests as a fact they will succeed in evolving a workable scheme which harmonizes all interests, time alone will show. With the prospects for natural rubber so uncertain, considerable speculation in rubber shares which is going on in this country has a disconcerting feature; for it may well result in a rich harvest for some who are in the know of things at the cost of the average investor who may have to bear the burden of an unprofitable investment in the post-war period.

SALES TAX PROSPECTS

It was recently reported that the Privy Council has dismissed the appeal preferred by the Government

of India against the decision of the Federal Court, which held that the Madras General Sales Tax Act in so far as the levy of first sales was concerned was *intra vires* of the powers of the Madras Legislature. This should be welcome news to the provincial governments. A Sales Tax is already in force in Madras, Bengal and Bihar and it is very likely that other provinces will also soon resort to it in their quest for additional revenues to finance post-war plans. The chief merits of the Sales Tax are that it has proved to be a powerful revenue-raiser and that it has helped to bring more pronouncedly into the tax-gatherer's net urban groups which have been hitherto lightly taxed in comparison with the land-revenue-paying agricultural population. Its chief defect, of course, is that it is a tax on consumption and highly regressive. It is conceivable that in an expansionist economy, it may be found restrictive and irksome and direct taxes which may be even more powerful revenue-raisers from the urban population may have to be preferred to the Sales Tax. In the immediate future, however, provincial governments are not likely to give up the Sales Tax method of raising money for reconstruction funds.

SHARK LIVER OIL INDUSTRY

With the acute shortage of cod liver oil for treatments of vitamin A deficiency, need was felt, about 1940, for some effective substitute. The preliminary researches undertaken by the Madras Fisheries Department in collaboration with the Nutrition Research Laboratories, Coonoor, revealed that shark liver oil could serve the purpose as it was found to be rich in vitamin A content. At the same time the Fisheries Committee of the Imperial Council of Agricultural Research emphasized the need that the Provincial Governments should take interest in the establishment of an oil extraction industry in their respective areas. In August 1940, therefore, extraction of shark liver oil, on a commercial scale, was actively taken up by the Madras Fisheries Department, a former Director of the Department had already evinced interest in the venture even before the war-time emergency. Bombay followed the example in September 1940 and soon Baroda and Travancore as well as Karachi entered the field. Thus the industry may now be said to have firmly been established in this country. The post-war prospects of the industry are bright; for "the scope of its use for

nutritive purposes is much wider than would be generally supposed." Apart from its use for human consumption as a medicinal preparation, it may also be used in fortifying "articles of food deficient in dietetic value" which has been widely made use of in the American programme of the improvement of nutrition. Thus the food authorities in the U.S.A. have widely used shark liver oil to fortify oleomargarine. As Dr. S. B. Setna has pointed out in the January issue of the *Journal of Scientific and Industrial Research*, "perhaps, similar scope for the use of shark liver oil may be found in India to fortify animal and vegetable products used as cooking media." Madras has already shown the way by making arrangements for fortifying malt at the Government Malt Factory at Coimbatore. There is also the possibility of using fortified feed for cattle and poultry. In this connection also the U.S. Government's experience gives grounds for expecting happy results. Fortified feed for poultry in the U.S. has been found to have had very beneficial results "in such diverse directions as production of eggs, hatchability and growth of the birds." It may be hoped that the consumption of fortified feed by our bovine population will be "accompanied by richer and more abundant yield of milk as well as an improvement in the quality of their flesh." There is also some scope for the development of a shark skin industry. Shark skin is excellent as leather but there is not one shark skin factory anywhere in India. There is thus an immense scope for the development of this industry and the occurrence of sharks in fairly abundant quantities along the entire western and the eastern coasts of India will provide the necessary raw materials to increase output over the 1,500,000 lbs. of oil of cod liver oil standard which is the estimated current output of Madras, Bombay, Baroda, Travancore and Karachi. But an essential pre-requisite of progress and development is that "sharks should be more intensely fished for." The Bombay Government has assisted the fishermen in improving their technique of fishing to some extent. It may be hoped that other Governments interested in the industry will undertake similar measures; for a vigorous scheme in this direction may also be expected to yield a good monetary harvest.

PAROCHIAL THINKING

In a recent public utterance, the Supply Member sought to lay down a strange principle for the location of industries. According to him, it should be one of the purposes of post-war reconstruction that not only should industry be localized in a particular region, but also the management, capital and finance of that industry should vest in the citizens of that region. What the Supply Member pleads for amounts in effect to the introduction of an intolerant spirit of provincialism into the sphere of post-war planning. To take a concrete example, under the dispensation which Sir A. Ramaswamy Mudaliar would set up if he could, a business man hailing from, say, Delhi would lose the right, which inheres in him as a citizen of India and by virtue of common nationality, of starting an industry in Madras. Contrariwise people residing in other parts of the country are to be prevented from subscribing to or acquiring the shares of limited concerns in, say, the Madras Presidency. It is difficult to imagine a grosser instance of provincialism run mad. The Supply Member would have as many economic Pakistans as there are provinces. It must be stressed that this narrow outlook has nothing in common with a healthy desire for balanced regional development.

M.I.T. MEN IN INDIA

Early last month at Bombay the post-graduates of the Massachusetts Institute of Technology (Boston, U.S.A.) gathered at a Convention organized by Mr. S.

M. Dahanukar, himself a distinguished old boy of the M.I.T. Industrial India has reason to be thankful for this premier training centre, which has turned out a number of first rate technicians, now employed in superior posts in some of our front-ranking manufacturing enterprises. The M.I.T. men who gathered in Bombay had three objects in view, firstly, to organize themselves into an Association, that would maintain an up-to-date Register of the Graduates of the Institute and also serve on the lines of an Employment Exchange for its members, secondly, to co-operate with the post-war reconstruction work of the Government, in so far as the latter are willing to avail themselves of their expert advice and service, and thirdly, to promote the establishment of an Institute of Technology in this country on the model of their alma mater. These proposals were warmly welcomed by Sir M. Visvesvaraya, who stressed the significant role which technicians of the training and qualifications of these M.I.T. men can play in industrializing India. We wish Mr. Dahanukar and his colleagues every success.

INDIAN SEAMEN

Questions such as recruitment of Indian seamen through the instrumentality of *serangs* and butlers of the selecting officers, abuses illegal gratifications and bribery, low ratings, long and irregular hours of work, bad conditions on board for them, absence of any provisions of welfare and sickness benefits and above all the disparity between the wages paid to them and to fellow seamen of other nationalities, were raised for immediate redressal by the witnesses appearing before the Whitley Commission. But the Commission burked their consideration by saying that they did not come within their terms of reference. Steamers registered in India, however, form about 5 to 6 per cent. of the total tonnage cleared at main ports whereas a great bulk of the tonnage is registered outside India, particularly in Great Britain, and hence the Indian seamen are in alien hands.

Among the many other chronic disabilities of the Indian seamen, it is noticed that the racial discrimination is still rampant in the alien companies in total disregard of the Indian public opinion which has always urged that "speedy efforts should be made to bridge the difference between the two scales of wages." Mr. K. Ahmed, too, in his minute of dissent to the Royal Commission on Labour had suggested "gradual increases in the rates" then payable to the Indian seamen. But no effort has ever been made in that direction and even today there is the same large gap to be bridged. The Indian seamen these days get as low as £3 15s. per month as compared with £14 received by European seamen working together under same circumstances. The same disparity as in wages is maintained in the war bonus also. Indians get a sop of £1 14s. 6d. to £2 0s. 6d. a month whereas the Europeans receive about £10. The International Labour Office is said to have drafted a "seven seas charter" proposing a basic wage of £18 a month to all able bodied seamen. This target is well within reach so far as the wages paid to the Europeans are concerned, but for the Indians getting only £3 15s. may seem an "unattainable idea." In its last meeting, the Joint Maritime Commission passed a resolution urging the Governments concerned to improve the conditions of employment and general treatment of Indian seamen so that there might be no unfavourable comparison with crews of other nationalities. The resolution will be forwarded in due course to various Governments and it is hoped that they, particularly the British Government owning largest tonnage, would respect the recommendation to end this "economically and ethically unjustified" disparity.

FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, Jan. 27.

THE Draft Banking Bill was discussed by the conference convened by the South Indian Joint-Stock Banks Association this week. There was considerable and keen discussion on the clauses relating to the definition of banking, capital standards, the position of smaller banks and the protection to the depositors. It was felt that the definition of banking was too wide and required modification so that adequate protection was given to all interests with the least dislocation. The Association favoured raising the requirement as to minimum capital to Rs. 1 lakh in the case of banks incorporated in India and to Rs. 5 lakhs in the case of those incorporated outside India without regard to reserves. But it was against linking capital to population which would adversely affect the small banks. In South India, particularly, the smaller banks have earned a unique reputation and distinction for efficient service and sound management and any step which may have the effect of smothering them will be detrimental to the national interests. The smaller banks in South India have a net work of branches in small towns and villages and, if anything, encouragement should be afforded to them to develop business in areas outside the scope of big banks. In the opinion of the Association, the obligation to maintain 25 per cent. of the total time and demand liabilities in cash, gold or approved securities would also be detrimental to small banks. The security to the depositor lies in sound management and the provision in the bill would, at best, give protection to only 25 per cent. of them. The Association therefore suggested, on the lines of the Argentine Legislation, that it should be 16 per cent. of the demand liabilities and 8 per cent. of the time liabilities. In this connection, it was urged that "approved securities" should also include securities of Indian States and also balances with the scheduled banks.

The Planning Member in Madras

Sir Ardeshir Dalal, Member for Planning and Development visited Madras this week. The object of his visit was to acquaint himself at first hand with the progress made by Madras in formulating a detailed five-year post-war development plan. His assurance that there has been "no suggestion or interference from Whitehall in the matter of the post-war reconstruction plans of the Government of India, and that he was free to plan in the best interests of India" created a very good impression. He also made it clear that it was the intention of the authors of the Bombay Plan that foreign capital should not be associated with our industries in such a way as to dominate our industries. He complimented Madras on planning on right lines and expressed the view that the schemes formulated would mean an expenditure of Rs. 125 to Rs. 175 crores which was not beyond the resources of the Province. The assistance of the Central Government to the Provinces, he revealed, would be on a population basis with special regard to backward areas. There was great scope for industrial expansion in the Province and he particularly drew the attention

Bombay Letter

BOMBAY, Jan. 27, 1945.

AS a result of discussions between the Government and the various Committees of the Textile Control Board a reduction in the prices of 5 per cent. on cloth manufactured with warp 50s and under and of 6¼ per cent. in the ceiling prices of yarn ranging from 16s. to 45s. manufactured from Indian cotton will be brought

to the fields of textiles, sugar, vanaspati and leather. He stated that the manufacture of dyes, magnesium and steel was not possible in the Province due to the highly technical and specialized nature of those industries and want of other resources and raw materials. The discussion on crop planning revealed that the Province was agreed on planning to regulate production so that the cultivator got a minimum stable price. The Planning Member was not against nationalization of road transport if railways were not excluded, as proper co-ordination between road and rail transport was necessary.

Anti-Inflation Morality

In order to "exploit all possible sources of revenue as an anti-inflationary measure and with a view to making available as large an amount of money as possible for financing post-war development schemes," the Madras Government have decided to open the arrack shops in the four "Prohibition Districts" as from April 1, 1945. It may be remembered that *toddy* shops were opened from the beginning of this year and therefore from April 1, the four districts will become completely wet. The additional revenue by this measure is expected to be about Rs. 58 lakhs per annum. Amongst the other reasons advanced for the opening of the shops, the Government state that "they are now in a position to supply arrack."

The Stock Exchange

Excellent war news from Russia and Burma, and the resultant earlier peace prospects were responsible for a general collapse of share values on the Stock Exchange. Post-war uncertainties and consultations in Washington regarding rubber requirements in the immediate and post-war period added to the uncertainties. On the top of it came the announcement of a reduction in the prices of textiles which adversely affected textile shares. Sellers dominated in all the sections and the market closed with an easier tendency. The volume of business was restricted in the Government Securities section. Three and a half per cent. Paper was easier at Rs. 99-13. There was a fair volume of business in 3 per cent Victory Loans 1957 at around Rs. 99-9. Bank shares were easier during the fortnight. Indian fully paid which touched Rs. 355 declined to Rs. 340. *Indian Overseas* were down to Rs. 112. *Bank of Mysore* were, however, steady. Textile shares suffered in the general collapse. *Cochin Spinnings* declined from Rs. 172 to Rs. 158. *Rangavilas*, *Radhakrishnas* and *Janardhanas* were down by about twenty points. All the popular counters in the Planting section suffered severe set-backs in spite of uniformly good crop reports. *Cochin Malabars* declined from Rs. 20 to Rs. 17-4, *Tropical Plantations* from Rs. 46-12 to Rs. 41-4, and *Travancore Rubbers* from Rs. 25-12 to Rs. 22-8. In spite of the increase in the contract price of tea to the Food Ministry, tea shares also declined. In the miscellaneous section, the Mysore group of industrial shares saw a fair volume of business.

into effect from February 1. No reduction has been made in the case of superfine cloth and yarn as there has been a substantial increase in the price of Egyptian cotton. Alongside of this a new distribution scheme has also been announced. The central idea is that quota holders in the producing centres should come together into a small number of groups each

under a leader who will be responsible to the Textile Commissioner for the delivery of cloth ex-godown in the quantities and at the prices laid down to the various wholesalers' groups in the provincial or district centres of consumption. The maximum margin to be allowed to dealers in manufacturing centres is reduced to 3 per cent. and broker's commission to ½ per cent. The new scheme is, however, at best a compromise that will disappoint many who expected something more drastic in view of the stern warning of Sir Akbar Hydari about a month and a half ago that should the "black market" in cloth persist, the Government will take up the whole fine goods production of the mills and distribute it themselves. However, it is best to await fuller details of the scheme and hope that at least in its execution it will strike at the root of the "black markets."

Industrial Research

The proposal announced sometime ago by the Rt. Hon'ble M. R. Jayakar to establish in Poona a Research Laboratory with the object of assisting industrial, agricultural and scientific advancement in Maharashtra is quite in tune with the times as research is the hand-maid to all economic progress. A list is now being drawn up by experts of problems which have to be solved, particularly those relating to agriculture in Maharashtra. For instance, it is proposed to conduct a research on "how to treat cowdung so as to separate the gases for fuel purposes leaving its gross part unimpaired to serve as manure." The tremendous saving which such research if successful will bring about needs no emphasis as at present most of the cowdung is being burnt up as fuel only. It is also the hope of the proposers of this scheme that the institution would provide a nucleus for the proposed new University for Maharashtra. It may be recalled here that the report of the Jayakar Committee recommending a separate University for Maharashtra is still before the Government.

Milk

It appears that the Government of Bombay have given up the idea of attacking the milk problem from the production side and are now concentrating all their attention on the distribution side. Their latest attempt in this direction is, however, a sound one. It is proposed to ban the use of fresh milk for serving tea, coffee, etc., in hotels, restaurants and tea shops in the Bombay City. Instead of milk these establishments will be able to use skimmed milk

U.P. Letter

CAWNPORE, Jan. 28, 1945.

THE U.P. Government have adopted a new cloth distribution policy as a result of which each district will import only that quantity of cloth which is meant for consumption of the people living within its borders. Thus Cawnpore, which hitherto used to import from Bombay, Ahmedabad and other manufacturing centres over 10,000 bales a month and then distribute these to the various mofussil districts, will now import only 385 bales which has been earmarked for consumption in Cawnpore. The rest of what Cawnpore used to import, not only in normal times, but also during the period 1940-42, will now go direct to consuming districts.

The reasons that have ostensibly led the U.P. Government to adopt this policy of cloth distribution are two-fold. Firstly, there are transport difficulties, and secondly, it is expected to help the elimination of black markets. It has been argued that the bring-

ing of cloth first to Cawnpore from the place of manufacture and then its distribution and consequent re-railing involves unnecessary transport of goods. Under the district-wise imports direct from places of manufacture the Control authorities, it is argued, will have it within their means to maintain proper vigilance over importers and thus should succeed in reducing the black market activities. In this connection it may be noted that complaints have appeared recently in the Press as to the whereabouts of the 21,000 bales allotted to the Province from out of the production of the Cawnpore Mills themselves. It has been suggested that effective control on this source of supply in the province itself should be instituted.

Cotton Problems

At the half-yearly meeting of the Indian Central Cotton Committee in Bombay, the main theme of discussion was the proposal to evolve a short-term cotton plan for India. It may be recalled that sometime ago the planning sub-committee had proposed that the area under short staple cotton be reduced by 2 million acres and that under low grade medium staple cotton be reduced by 1,100,000 acres. These proposals were circulated among the various Provincial and State Governments and it was revealed at the meeting that the Provincial and State Governments were agreed on the question of reducing the acreage under cotton by 2 million acres as against 3,100,000 acres recommended as above by the sub-committee. The main Committee, however, felt that the target aimed by the sub-committee should be accepted so that the area under cotton would be reduced next year to 16,100,000 acres as against 19,200,000 acres in 1942-43. To implement the plan the Committee has laid down certain lines of action along which they have requested the Government to proceed. Firstly, there should be no increase in areas under styles not proposed for reduction over the area in 1942-43 or 1943-44 which ever was less. Secondly, irrigation water should not be supplied for producing short staple cotton in canal irrigated areas. Thirdly, the reduction proposed in the different administrations should be enforced compulsorily; and fourthly, the mixing of cotton should be prohibited immediately by Central legislation.

The Cawnpore cloth trade naturally has been upset at the latest U.P. Government's cloth distribution scheme. According to calculations of the Kapra Committee about two lakhs people will be hard hit in Cawnpore as a result of Government action which will

make many importers and commission agents go out of business, and thus the many people they employ will be thrown out of employment. There is also widespread anxiety lest this new scheme should only serve as a device to bestow favouritism on those in the good books of the local authorities who will, under the scheme, have the power to appoint importers, wholesalers and retailers.

'NO TEXTILE CONTROLLER YET'

The U.P. Government's proposal to appoint a Textile Controller too has not as yet materialized even though the matter has been pressed by the Central Government's Textile Commissioner several times, and negotiations in this regard have been going on for some months now. The Government prefer to keep the cloth market under the thumb of the Secretariat. The post of the Textile Controller was offered to a British member of the staff of a Cawnpore mill whose management in return asked for the release of their another British employee who is working for the Government of India under the National Service Act. As the release has not yet been arranged by the U.P. Government the Province continues to be without a Provincial Controller for dealing with the textile controls and the U.P. is the only province where each District Supplier continues doing in his domain as he pleases. It has been asked why the U.P. Government should rather have no Textile Controller than have an Indian in this post. In view of the importance of the Indian interests in the cloth industry and trade of the Province, if a non-official is to be appointed it is but fair that the appointment should go to an Indian.

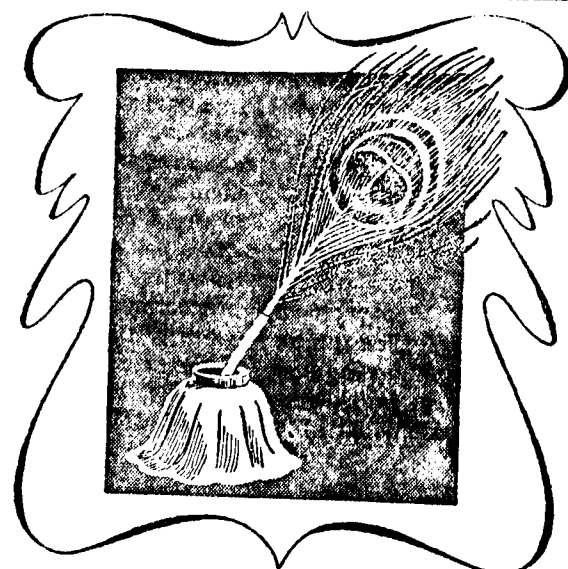
SUGAR INDUSTRY'S POSITION

Mr. D. H. Peel Yates in the course of his presidential address to the 34th annual general meeting

of the Indian Sugar Producers' Association, expressed satisfaction with the manner in which distribution was being handled. He criticized the increase in cane prices decided upon by the U.P. and Bihar Governments during the current crushing season. In his opinion higher monetary yield to the cultivator without having to improve his cane's quality was harmful to the larger interests of the trade and industry. The cultivator was growing unmindful of the need to improve his yield of sugarcane or improving its quality. The competition from Java when it comes, Mr. Peel Yates said, could only be met by either of the two means, that is, by either surrounding the Indian Sugar industry by a high protective wall or by reducing the cost of production. As the main item in the cost was cane Mr. Peel Yates suggested that it was essential to improve farming and reduce the cost of cane.

FULL RATIONING

The U.P. Government have promulgated a Food-grains Rationing Order which will be applied to those towns which are converted from partial to total rationing from time to time. This has already been done in the case of Jaunpur where total rationing is to be introduced from February 1, Lucknow and Azamgarh will be fully rationed from March. Thereafter many other towns, large or small, shall be brought under total rationing. Most of these towns, it is understood, are in the Eastern half of the province which, as is well-known, is also the poorer part. The most important provision in the Order provides for unrestricted movement of cart-borne supplies to local towns for sale to wholesalers. It is to be hoped that the Government will exercise some supervision at least to ensure that the supplies that forthcoming do not find their way into the black markets.



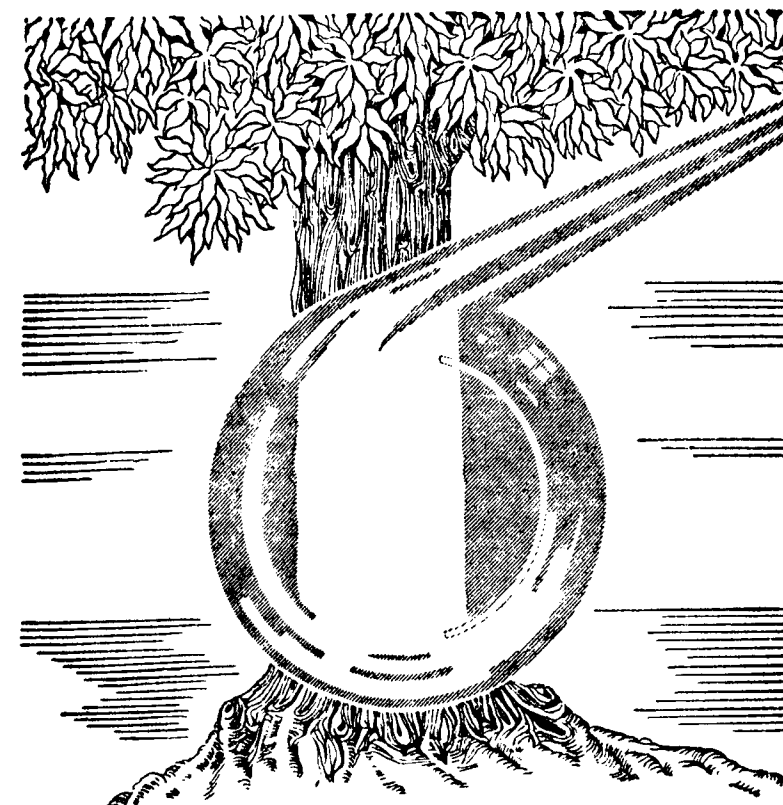
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AGRICULTURE

Batai System of Rents in the Punjab

By Tara Chand Jain

THE *batai* or *wandai* system of rents is of special importance in the Punjab as more than three-fourths of the area under tenants-at-will in the province is cultivated on *batai* terms, that is, in return for a fixed share of the produce. *Batai* rents have been gradually becoming more popular at the expense of cash rents, during the last half a century.

Officially, the area cultivated by tenants is classified under three main heads as follows:

- (i) paying at revenue rates;
- (ii) paying cash rents; and
- (iii) paying *batai* rents.

The following table shows actual area and percentage to total cultivated area worked by tenants-at-will under different kinds of rent:

Year	At Revenue Rates		Cash		Batai	
	Actual (in 000)	Per- cent-	Actual (in 000)	Per- cent-	Actual (in 000)	Per- cent-
	acres	age	acres	age	acres	age
1891-92	638	7.7	2,444	29.5	5,193	62.8
1896-97	740	7.8	2,569	26.8	6,263	65.4
1901-02	1,075	9.9	2,476	22.9	7,371	67.2
1906-07	837	7.4	2,694	23.4	8,061	69.2
1911-12	863	7.1	2,492	20.5	8,930	72.4
1916-17	872	7.1	2,698	21.6	8,884	71.3
1921-22	1,012	7.7	2,671	20.1	9,562	72.2
1926-27	1,297	9.3	2,839	20.2	9,876	70.5
1931-32	1,061	7.4	2,667	18.5	10,671	74.1
1936-37	1,306	8.7	2,312	15.2	11,543	76.1

Thus the percentage gain in area under *batai* rents has been at the expense of that under cash rents, and over three-fourths of the crop area is cultivated under the *batai* system.

Under the *batai* system, in return for the use of the land, together sometimes with certain minor concessions, the tenant produces crops as though the land were his own and hands over, often half the produce after the harvest, to the landlord. The *batai* system is said to resemble the European Metayer system, but there is a lot of difference between the two systems of rents. The principle of the Metayer system corresponds with that of the *batai* system in that the tenant pays to the landlord not a fixed rent, either in money or kind but a proportion of the produce. It differs, however, from the *batai* system in that the division of the produce between the two parties is not made under the Metayer system until what is considered necessary for the upkeep of the stock, has first been deducted from the common heap. Again, whereas in the *batai* system, the landlord usually contributes only land revenue, and in the canal colony areas, half the land revenue and half water rates, the Metayer landlord in some areas provides the whole of the stock, in others half, and again in others the stock and the seed, the tenant supplying the implements.

Moreover, it must be remembered that the mere statement that the rate of *batai* is 1/2, 2/5 or 1/3, does not convey an exact idea of what part of the produce the tenant has actually to part with, nor does it tell us anything about the expenses of production borne by each and consequently we know little about the relative net income of both the landlord and the

tenant. For instance, it is often stated that in the canal colonies, the rate of *batai* is 1/2 with Government demand to be shared equally by the landlord and the tenant; but it is often ignored that in numerous cases, it is saddled with a cess called "kharch zamindara," which may vary from 1 to 5 seers in the maund. At other places, charges such as *Nazrana*, *Chak Khata*, *Andha Thabra* or sack (unmeasured sharing of crop from the common heap by a single lift), *Sheereeni* (sweets), *Khanka* or Gurdwara charges, *Pakhi* (marriage tax), *Kiraya*, *Karda*, *Amlana*, *Munshiana*, etc., are imposed by the landlords on the tenants. But probably one of the most exacting forms of rent consists in that the big landlord expects his tenants to cultivate his (landlord's) *khudkasht* holding free of payment and they have often to use their own cattle and implements. This is never recorded in revenue papers but can only be known when the actual conditions are studied on the spot. The big landlord, especially in the western and south-western districts, has such a strong hold on the tenants that he can call on them for personal services as well. For a study of *batai* rents in the province, we may divide it in the following tracts:

A. Secure Tracts:

(a) Canal-irrigated:

(i) Canal colony districts:

(ii) Old districts;

(b) Well-irrigated;

(c) Unirrigated.

B. Insecure Tracts:

Unirrigated.

A. Secure Tract. (a) Canal-irrigated.

(i) *Canal Colony Districts*. As a rule, in the canal colony districts, all produce and Government demand are shared equally by the landlord and the tenant. In most places, the landlord also levies an additional charge called *kharch zamindara* which varies from one to five seers per maund of the produce.

(ii) *Old Districts*. In the old districts, on canal-irrigated lands, the universal rate of *batai* is half with water rates shared equally but land revenue is generally paid in full by the landlord.

(b) *Well Irrigated Areas*. In well-irrigated areas, the *batai* rate varies from one-fourth to half of the produce. In general, the tenant pays the working expenses of the well but the landlord provides all heavy repairs. The Government dues are shared in the same proportion as the produce, but where the landlord carries the responsibility, he may recover an extra charge, called *malikana*, from the tenant. In some of the central districts like Sialkot, Amritsar, Gujranwala, etc., rents known as *Chakota* are frequently found on well-irrigated lands. The *Chakota* rents usually consist of lump grain plus a *nazrana* fee in cash. The measure for lump grain rents is known as *pand*, which has not a fixed weight, but may weigh 1½ maunds in some villages and may go up to 5 maunds in others. The *nazrana* fee is also not fixed.

(c) *Unirrigated Areas*. The universal rate of *batai* in the secure unirrigated areas is half. But the landlord is responsible for the payment of land revenue in full.

B. Insecure Tracts.

Unirrigated. In insecure, unirrigated areas, the most widespread rate of *batai* is one-third, but it may be even less.

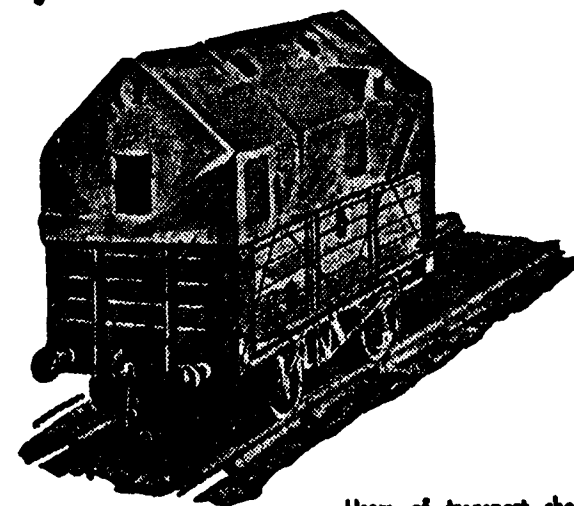
It has been said in favour of *batai* system in India that it is a form of rent in accordance with the custom of the country from time immemorial, that it possesses great elasticity and that the burden of the tenant is reduced automatically in years of failure of crops while the landlord is not deprived of his dues in good seasons. Moreover, the *batai* rent is self-adjusting to changes in prices of agricultural produce. It is also said in its favour that social ties are also established between the landlord and the tenant. All this may be true to some extent, but it cannot be denied that the system suffers from certain serious disadvantages. In the first place, as Calvert has pointed out, "The share system is a heavy tax on enterprise and good cultivation by the tenant, and deprives the latter of a large part of his incentive to greater effort. The cash tenant is a more free man, he can reap the reward of intensive cultivation." He proceeds to observe: "In the Punjab, the larger landlord is a rent receiver pure and simple and spends little if anything back on the land, so that his right to an automatic increase of rent on account of good reasons, higher prices or better cultivation, is not clear." Another inequitable feature of the system lies in the fact that the landlord receives his share of the gross produce irrespective of the cost of cultivation. For instance, according to the general practice in the canal colonies, where the rate of *batai* is half and half, the Government charges are shared equally by the landlord and the tenant. On the surface, this has the appearance

of equity but actually this is not so, because most of the expenses connected with farming are incurred by the tenant alone and consequently the net income of the tenant is considerably less than that of the landlord. Not only so but also in years of falling prices, the tenant is very hardly hit as the expenses of cultivation do not decrease to such an extent as the prices of agricultural produce. The annual series, *Farm Accounts in the Punjab*, compiled under the auspices of the Board of Economic Inquiry, Punjab, clearly bring out that in some years of depression whereas the landlord has always made a profit the tenant has actually suffered a loss on some holdings, not to talk of earning any wages at all for himself or his family members who worked on the farm throughout the year. It will be of interest to observe that in England the landlord gets only 30 per cent. and on the average he has to spend one-third of that in the upkeep of the farm. That leaves only 20 per cent. with him. On the other hand, in the Punjab in most of the districts, the landlord's net income is about 70 per cent., but he spends practically nothing on the improvement of the farm.

It will thus be clear that *batai* rents in the Punjab are indeed rack rents. They are left entirely uncontrolled by legislation, and with the proportion of cultivated area of the province under tenancy condition increasing every year, the conditions of *batai* are becoming more and more unfavourable to the tenants. There is, therefore, a strong case for conversion of *batai* rents into reasonable cash rents, or if that is not practicable immediately, for their reduction through *ad hoc* legislative measures at least by half.

Lahore.

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...



COMMODITY MARKETS

From Our Correspondents)

MADRAS, Jan. 27, 1945.

Groundnuts

Conditions in the Madras Groundnuts market were steady. Crushers and Calcutta buyers were interested in the market and made fair purchases. In the absence of further business materializing with the British Ministry of Food, exporters were not interested. The official final crop report for the 1944 season, has only confirmed the expectations of the trade. The acreage has been estimated at 3.9 million as against 3.4 million in the previous year. The yield is expected to be 1,769,200 tons of unshelled nuts. Recently, difficulty has been experienced in lifting stocks already bought for Calcutta resulting in the slackening of the purchases. There was small local demand for oil. There was no change in cake and demand from agricultural interests was steady.

Skins and Hides

In the tanned hides market, arrivals were moderate during the fortnight. Sales to the Ministry of Supply were lower, and it is stated that in the first three weeks of the month it amounted to only 475 bales. Transport of tanned hides by rail within India has now been restricted by priority being given by the Officer on Special Dut. for Leather Distribution for 25 per cent. of the quantities delivered to the Ministry of Supply. This should naturally curtail local activity. Stocks of buff hides were poor and distribution of the available supplies for the production of sole leather for civilian use was being regulated by the authorities. The Ministry of Supply notified this week that no increase in the prices of tanned skins was contemplated. Despite this, the purchases made by a leading European firm at prices higher than London ceilings aroused fresh hopes of an early upward revision in the prices.

HUPUR, Jan. 31, 1945.

The reports received from overseas, indicate that the prospects of shipments from Australia, during the coming season are not bright and earlier the demand from Eastern theatre has had to be increasingly satisfied by shipments from the Canadian West Coast ports. The importance of the Commonwealth as a supplier can be judged by statistics, just to hand, during the season 1944-45. It is revealed that up to end of November, the computed end of the cereal year, about 65,000,000 bushels of wheat and flour have been shipped. Wheat represented 34,000,000 bushels, which included shipments to India of 8,400,000, to Italy 5,637,000, to Egypt 3,705,000, to the United Kingdom only 320,000, to New Zealand 2,834,000, other British possessions 6,347,000 and other foreign countries 4,343,000 bushels. Flour was shipped to the amount of 590,544 tons, of which Ceylon received

ed 315,505 tons and other British possessions 137,308 tons.

Grains and Pulses

The general tendency of all grain and pulses markets was firm and active owing to good demand and scarcity of wheat. The retail depots opened by the Government are selling wheat at the rate of 3¾ seers a rupee, but the daily quotas fixed for these depots are too small in view of the large demand. The arrivals of wheat averaged 100 maunds daily. Five *khattis* of wheat were exported from here to the eastern centres and the stocks have come down to 540 *khattis*. *Arhar* and *Peas* stocks are lying here in a considerable quantity. It is anticipated that the Government would soon issue permits in favour of the stockists for their exports.

The current rates of wheat in the main centres of the up-country are given below:

Amritsar: Rs. 9-4 to Rs. 9-8, *Lyallpur*: Rs. 9-10, *Okara*: Rs. 9-8, *Cawnpore*: Rs. 12, *Chandauli*: Rs. 12-8, *Shamli*: Rs. 10-3-5, *Sitapur* and *Gonda* Rs. 9-12.

Conditions are generally favourable for the cereal and oilseed crops in the country. Showers were again received in some parts of the Punjab and U.P., which proved very beneficial to the wheat crops.

Market ruled quiet and the prices were generally the same as quoted last week. Arrivals averaged 1,800 maunds daily, while in the preceding week the average was 1,200 maunds.

Guwar: Market was quiet with moderate business. The *Magh* delivery has been settled at Rs. 6-14-10, but some traders have not accepted this rate.

The current quotations of grains against those ruling a week back in brackets are as follows:

Gram: Rs. 8-5 (Rs. 8), stock 48 *khattis* (50 *khattis*), Farley: Rs. 6-10-9 (Rs. 6-2-6), stock 5 *khattis* (156 *khattis*), *Peas*: Rs. 6-3 (Rs. 5-14-9), stock 16 *khattis* (137 *khattis*), *Arhar*: Rs. 7-3 (Rs. 6-14), stock 128 *khattis* (128 *khattis*), *Urad*: Rs. 13-5-3 (Rs. 11-10-0), *Moong*: Rs. 10 (Rs. 9-11-3).

BHARATI CENTRAL

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sound and scientific methods.

Mg. Director:

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

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT (Rs. in lakhs)						BANKING DEPARTMENT (Rs. in lakhs)					
19-1-45	12-1-45	21-1-44	1-9-39	19-1-45 compared with 1-9-39		19-1-45	12-1-45	21-1-44	1-9-39	19-1-45 compared with 1-9-39	
Notes held in the Banking Dept. ..	8.80	9.46	8.54	35.04	- 26.24	Cash ..	9.06	9.70	8.80	35.15	- 26.09
In circulation ..	1032.35	1030.13	854.33	182.13	+850.22	Balances held abroad ..	363.04	352.10	135.99	10.08	+352.96
Total Notes ..	1041.15	1039.59	862.88	217.18	+823.97	Investments ..	13.95	13.82	7.82	6.81	+ 7.14
A. Gold Coin and bullion ..	44.41	44.41	44.41	44.41	Nil	Bills discounted—					
Sterling Securities ..	926.33	924.33	744.84	59.50	+866.83	(a) Internal and External ..					
Total of A ..	970.74	968.74	789.25	103.92	+866.82	(b) Treasury Bills	2.31	1.96	3.44	1.16	+ 1.15
B. Rupee Coin ..	12.57	13.01	15.30	75.87	- 63.30	Loans and Advances to Government ..	25	10	1.07	31	- 6
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45	Deposits—					
Silver bullion under coinage ..						Of which G. of I.	274.83	287.18	55.61	14.89	+259.94
% of Reserve to Liabilities ..	93.238	93.185	91.467	63.149	+30.089	(b) Banks ..	259.71	256.37	39.75	14.89	+244.82
						(a) All Govts. ..	68.42	68.72	74.70	26.91	+ 41.51
						(c) Others ..	21.98	21.44	4.82	1.24	+ 20.74
						* Including Cash and Short-term Securities.					
IMPERIAL BANK (Rs. in lakhs)						SCHEDULED BANKS (Rs. in lakhs)					
19-1-45	12-1-45	21-1-44	1-9-39	19-1-45 compared with 1-9-39		19-1-45	12-1-45	21-1-44	1-9-39	19-1-45 compared with 1-9-39	
Fixed Deposits, Savings Bank, Current and other Accounts ..	232.74	228.73	212.09	87.26	+145.48	Demand Liabilities in India ..	603.05	602.02	501.70	134.36	+468.69
Govt. Securities ..	138.78	141.73	131.40	51.03	+ 87.75	Time Liabilities in India ..	207.81	205.98	162.78	102.24	+105.57
Other Investments ..	3.99	3.99	2.91	96	+ 2.03	Cash in India ..	28.31	29.08	23.73	6.70	+ 21.61
Loans ..	17.59	15.24	15.01	7.66	+ 9.96	Balances with Reserve Bank ..	69.21	66.74	74.55	25.17	+ 44.04
Cash Credit Overdrafts ..	44.16	45.15	22.73	19.76	+ 24.40	Advances in India ..	250.04	245.57	174.49	101.52	+148.52
Bills discounted ..	4.53	4.39	4.22	2.95	+ 1.58	Bills discounted in India ..	14.35	14.68	7.33	3.57	+ 10.78
Cash in hand, with R.B.I. and other Banks ..	32.99	29.96	45.20	14.69	+ 18.30						
BANK OF ENGLAND (£ '000)						U.S. FEDERAL RESERVE BOARD (Million dollars)					
24-1-45	17-1-45	26-1-44	30-8-39	24-1-45 compared with 30-8-39		25-1-45	18-1-45	27-1-44	31-8-39	25-1-45 compared with 31-8-39	
Total Bullion ..	1,723	1,698	879	263,700	-261,997	Resources:—					
Public Deposits ..	6,900	7,800	8,500	31,100	- 24,200	Total Reserves ..	18,684	18,679	20,123	14,661	+ 4,023
Other Deposits ..	266,300	271,100	240,500	129,100	+137,200	Total Bills Discounted ..	141	129	24	6	+ 135
Of which Bankers' Deposits ..	208,100	214,100	187,800	90,100	+118,000	Bills bought in open market ..				(550,000)	-(550,000)
Govt. Securities ..	230,000	242,600	215,100	113,100	+116,900	Total U.S. Govt. Securities ..	18,620	18,651	2,026	2,426	+ 16,194
Other Securities ..	14,500	14,300	13,800	31,000	- 16,500	Liabilities:—					
Of which Discounts and Advances ..	12,500	8,600	4,400	6,400	+ 6,100	F.R. Notes in actual circulation ..	21,647	21,685	16,907	4,605	+ 17,038
Notes and Coins ..	34,000	31,300	33,600	34,200	- 200	Reserve Account ..	14,085	14,156	13,002	10,951	+ 3,134
Notes in circulation ..	1,217,700	1,220,400	1,067,300	529,500	+688,200	Total Reserve to Deposit and F.R. Liabilities ..	49.7%	49.6%	62.4%	86.9%	- 37.2%
% of Reserve to Liabilities ..	12.45	11.23	13.49	21.38	- 8.93	Figures in brackets are the actual ones.					
TREASURY BILLS SALES (3 Months' Tenure) (Rs. in lakhs)						TREASURY BILLS MATURITIES (3 Months' Tenure) (Rupees in lakhs)					
Date of issue	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.	Date of maturity	Amount	Date of maturity	Amount		
Nov. 3, ..	15.01	6.00	0 7 11	..	3.19	February 3, ..	6.00	15, ..	6.00		
" 10, ..	10.16	6.00	0 7 10	..	1.27	" 10, ..	6.00	22, ..	6.00		
" 17, ..	17.74	6.00	0 7 11	..	1.10	" 17, ..	6.00	29, ..	2.53		
" 24, ..	9.61	6.00	0 8 0	..	1.96	" 24, ..	6.00	April 3, ..	1.41		
Dec. 1, ..	11.29	6.00	0 7 11	..	61	March 1, ..	6.00	9, ..	1.24		
" 8, ..	13.30	6.00	0 7 11	..	1.86	March 8, ..	6.00	16, ..	1.58		
" 15, ..	10.15	6.00	0 8 0	..	3.95	Total outstanding: 59.47, ..	23, ..	4.71			
" 22, ..	10.30	6.00	0 8 3	..	2.88						
" 29, ..	8.58	2.53	0 8 10	..	1.95						
Jan. 3, 1945 ..	2.31	1.41	0 8 8	..	4.72						
" 9, ..	1.39	1.24	0 9 0	..	2.94						
" 16, ..	3.28	1.58	0 9 0	..	3.54						
" 23, ..	5.55	4.71	0 9 0	..	..						
Total outstanding: 59.47.											
CLEARING HOUSE RETURNS (Rs. in lakhs)						STERLING PURCHASES BY RESERVE BANK OF INDIA (£ in 000)					
1943-44	1944	1944	1944	1944	1945	1943-44	1944	1944	1944	1945	1945
Bombay ..	20,42.31	10,45.50	1,71.64	1,89.34	54.66	Amount ..	105,310	59,402	9,407	9,285	7,476
Calcutta ..	17,40.12	11,29.03	1,93.08	1,94.96	81.64	Average rate of purchases remained £0-1-6 all the time.					
Cawnpore ..	1,02.41	54.17	7.75	9.27	2.23						
Delhi ..	1,21.08	58.67	11.05	9.71	2.44						
Karachi ..	1,02.84	57.83	8.86	..	2.40						
Lahore ..	78.82	45.83	7.42	10.82	3.00						
Madras ..	2,00.02	1,07.86	17.74	8.26	4.74						
NON-SCHEDULED BANKS (Rs. in lakhs)						EXCHANGE RATES (T.T.) Feb. 2, 1945.					
Date	Demand	Liabilities	Total	Cash Balances	Per cent. of cash to total	Bombay on London (s.)	1-5 31/32	Jan. 26, 1945.	1-5 31/32		
31-12-43 (530)	17.52	17.27	34.79	4.88	14.0	Bombay on New York (Rs.)	332 3/4		332 3/4		
29-1-44 (576)	17.16	18.51	35.67	3.86	10.8	London on Bombay (s.)	1-6		1-6		
23-2-44 (543)	18.08	19.50	37.58	4.08	10.9	London on New York (s.)	4.02 1/2 - 4.03 1/2		4.02 1/2 - 4.03 1/2		
31-3-44 (508)	18.88	20.49	39.37	4.06	10.4	New York on London (s.)	4.03		4.03		
28-4-44 (578)	19.70	22.53	42.23	4.19	10.0						
26-5-44 (549)	19.65	21.08	40.74	4.19	10.3						
Number of banks submitting their returns within brackets.											
CASH POSITION (Rs. in lakhs)						BANK RATES					
19-1-45	12-1-45	21-1-44	1-9-39	19-1-45 compared with 1-9-39		Date of last change	Previous Rate	Present Rate			
Reserve Bank of India ..	9.06	9.70	8.80	25.15	- 26.09	Bombay ..	28th Nov. 1939	3 1/4%	3%		
Scheduled Banks ..	97.52	95.22	96.28	21.37	+ 65.65	London ..	26th Oct. 1939	3%	3%		

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B-General

INDUSTRIAL DISPUTES IN BRITISH INDIA*
STOPPAGES OF WORK FROM 1935 to 1944

Year	Number of stoppages.	Number of work-ers involved.	Man days lost.	Wages.	Bonus.	Personnel.	Leave and hours.	Others.	Successful.	Partially successful.	Unsuccessful.	In progress.
1935	145	114,217	973,457	91	2	21	10	21	25	29	89	4
1936	157	169,029	2,358,962	96	1	24	6	30	31	43	76	74
1937	379*	647,801	8,982,257	234	4	73	12	56	51	117	198	13
1938	399	401,075	9,198,708	209	3	92	21	74	51	130	206	12
1939	406	409,189	4,992,795	232	2	74	12	84	63	144	185	14
1940	322	452,539	7,577,281	202	9	54	10	47	86	80	150	6
1941	359	291,054	3,330,503	218	9	55	15	62	75	111	168	5
1942	694	772,653	5,779,965	359	79	63	7	186	117	169	378	13
1943	716	525,068	2,342,287	342	55	53	14	252	138	210	314	5
1944:												
January	53	50,791	166,584	27	..	..	..	..	9	11	24	6
February	70	83,873	240,122	42	..	..	..	..	8	6	36	1
March	61	63,542	774,171	33	..	..	..	..	8	11	29	3
April	52	43,852	98,754	28	..	..	..	..	7	6	18	9
May	86	111,335	1,707,154	35	..	..	..	..	15	8	40	14
June	55	36,764	124,922	28	..	..	..	..	12	5	14	7
July	38	32,196	92,203	15	..	..	..	..	9	2	11	8
August	46	45,167	229,644	20	..	..	..	..	3	6	18	5
September	48**	49,119	92,242	20	..	..	..	..	4	11	21	2
October	53***	38,612	75,043	26	..	..	..	..	3	15	20	4
November	49	34,904	66,663	36	..	..	..	..	6	10	19	8

* One strike common to three provinces. ** Results not known in six cases. *** Results not known in two cases. †† Does not include figures for 2 stoppages. † Indian Labour Gazette, January 1945.

WORKING CLASS COST OF LIVING INDEX NUMBERS FOR CERTAIN CENTRES IN INDIA*

Centre	Base	Aug. 1943	Sep. 1943	Oct. 1943	Nov. 1943	Dec. 1943	Jan. 1944	Feb. 1944	Mar. 1944	Apr. 1944	May 1944	June 1944	July 1944
Bombay	Year ending June 1934	238	245	248	248	247	238	230	226	231	235	236	241
Ahmedabad	 July 1927	214	228	240	239	232	214	210	206	203	203	205	211
Sholapur	 June 1928	194	211	210	214	207	199	200	201	207	195	195	199
Nagpur	 Aug. 1939	354	356	273*	280*	284*	287*	289*	273*	271	258	259	265
Jubbulpore	 " " "	319	301	301	323	328	326	323	320	320	327	324	334
Patna	Average for five years preceding 1914	513	393	391	365	337	343	349	325	328	320	330	337
Muzaffarpur	 " "	359	342	361	306	281	298	291	320	288	296	300	303
Monghyr	 " "	482	426	438	376	339	357	338	332	326	338	343	349
Jamshedpur	 " "	496	408	401	365	331	339	320	315	317	327	336	355
Cuttack	 " "	343	387	365	363	338	338	340	323	324	326	326	357
Jharia	 " "	486	446	446	377	366	362	378	394	379	366	380	379
Ranchi	 " "	438	439	448	376	359	329	336	332	348	363	340	350
Madras	Year ending June 1934	181	180	184	185	189	193	199	201	201	202	204	203

* Revised.

† Published in the Monthly Survey of Business Conditions in India, June-July 1944.

INDEX NUMBERS OF WHOLESALE PRICES (CERTAIN ARTICLES ONLY)

Months	Cereals	Sugar	Tea	Oilseed	Cotton	Hides and skins	All Com-modities (72 in No.)	Rice	Sugar	Tea	Ground-nuts	Cotton	Hides & skins	All Com-modities (23 in No.)
August 1943	572	355	106	323	176	95	345	1034	143	268	294	238	112	238.0
September	530	375	137	341	186	95	349	847	143	269	302	233	112	236.4
October	424†	344	123	319	178	98	334	602	143	273	298	240	115	240.8
November	317†	319	120	310	161	101	314	602	149	272	266	193	124	240.1
December	262†	334	120	295	162	101	301	481	151	262	243	200	125	235.7
January 1944	234†	341	118	269	155	101	297	487	151	260	237	209	125	237.8
February	245†	413	100	288	151	103	300	456	151	257	232	211	126	236.7
March	247†	424	109	301	141	103	298	376	151	261	243	204	123	236.3
April	243†	352	126	317	141	103	297	347	151	258	241	195	128	238.3
May	241†	306	112	312	141	103	292	315	151	260	239	188	128	241.2
June	241†	311	113	301	138	103	300	315	151	268	238	187	128	244.1
July	241†	319	115	285	137	103	299	333	151	255	184	128	128	244.2

† Control rates fixed by Bengal Government.

LEAGUE OF NATIONS STATISTICS
DISCOUNT AND MONEY MARKET RATES

Countries	Changed	From	To (rule-ing rate)	Money Market Rates	Latest	Months	1943-44	1944-45	1944-45	1944-45
Union of S. Africa	2-6-1941	3.50	3.50	(b) 0.75 (1944-v)	..	April	114.27	90.59	132.94	105.77
Germany	9-4-1940	4.00	3.50	(a) 2.13 (1944-vii)	..	May	100.41	93.45	148.78	116.15
Argentina	31-5-1935	..	3.50	(2) 0.48 (1944-vi)	..	June	97.84	91.07	129.54	110.85
Australia	1-11-1934	4.50	4.25	(b) 1.25 (1944-vii)	..	July	69.15	75.84	135.77	116.53
Canada	8-12-1944	2.50	1.50	(b) 0.38 (1944-viii)	..	August	52.50	..	121.09	..
Chile	12-6-1935	4.50	4.00	..	..	September	51.90	..	118.61	..
Spain	1-12-1935	4.50	4.00	..	..	October	64.51	..	111.87	..
U.S.A. Fed. Res.	27-8-1937	1.50	1.00	(b) 0.38 (1944-viii)	..	November	81.24	..	101.42	..
New York†	Apr. 1942	1.21	1.00	(a) 0.75 (1944-viii)	..	December	63.46	..	110.90	..
France	17-3-1941	2.00	1.75	..	..	January	80.45	..	108.54	..
India (Bom.)	28-11-1935	3.50	3.00	(a) 0.74 (1944-ii)	..	February	77.32	..	107.57	..
Ireland	26-10-1939	4.00	3.00	..	..	March	94.94	..	108.70	..
Italy	18-5-1936	5.00	4.50	..	..	† Monthly Survey of Business Conditions, June-July, 1944.	..	..	..	..
Japan	18-4-1936	3.65	3.29	(c) 2.56 (1944-iv)	..	Week ending	..	..	..	..
Roumania	12-9-1940	3.50	3.00	(a) 4.7 (1944-ii)	..	Average for October 1944	..	233.9	..	-0.3
U.K.	26-10-1939	3.00	2.00	(b) 1.03 (1944-viii)	..	Average for November	..	235.4	..	+1.5
Turkey	1-7-1938	5.50	4.00	(a) 8.50 (1943-xii)	..	Average for December	..	231.4	..	+2.0

† Since 30th October 1942 the rate for advances secured by Government obligations maturing or callable in one year or less is 0.30%.

(a)=Commercial bills and acceptances.
(b)=Treasury Bills.
(c)=Day to day money.

Source: Monthly Bulletin of Statistics, League of Nations, 1944.

INDUSTRIAL PRODUCTION IN INDIA*

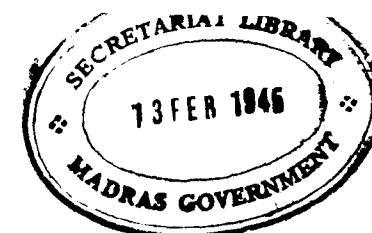
Months	1943-44	1944-45	1944-45	1944-45
April	114.27	90.59	132.94	105.77
May	100.41	93.45	148.78	116.15
June	97.84	91.07	129.54	110.85
July	69.15	75.84	135.77	116.53
August	52.50	..	121.09	..
September	51.90	..	118.61	..
October	64.51	..	111.87	..
November	81.24	..	101.42	..
December	63.46	..	110.90	..
January	80.45	..	108.54	..
February	77.32	..	107.57	..
March	94.94	..	108.70	..
† Monthly Survey of Business Conditions, June-July, 1944.	..	..	..	..
Week ending	..	..	..	..
Average for October 1944	..	233.9	..	-0.3
Average for November	..	235.4	..	+1.5
Average for December	..	231.4	..	+2.0
2nd December 1944	..	229.4	..	-6.1
9th	..	228.5	..	-0.9
16th	..	231.3	..	+2.8
23rd	..	233.0	..	+1.7
30th	..	234.7	..	+0.9
6th January 1945	..	235.6	..	-1.2
13th	..	234.4	..	..

† Issued by the Office of the Economic Adviser to the G.I.

C-Prices

INDIAN STOCKS AND SHARES

	30-1-45	23-1-45		30-1-45	23-1-45		30-1-45	23-1-45
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
GOVT. SECURITIES:								
Bombay								
2 1/2% (1948-52)	99 7 0	99 8 0	Kamarhaty (100)	666 0 0	675 0 0	Imperial F.P. (500)	2,036 4 0	2,012 8 0
3% (1948)	102 6 0	102 7 0	Nudda (50)	122 8 0	130 8 0	Imperial P.P. (125)	495 0 0	537 8 0
3% (1952-54)	100 10 0	100 13 0	Standard (100)	..	..	Reserve (100)	130 0 0	135 8 0
3% (1960-68)	98 1 0	98 3 0	Presidency (5)	11 2 0	11 13 0	New India (15)	82 0 0	82 4 0
3 1/2% G.P. Notes	99 6 0	99 13 6	TATA SHARES: Bombay			Lahore		
4% (1960-70)	112 10 0	112 13 0	Chemical (10)	20 0 0	21 0 0	United Com. (50)	68 0 0	..
4 1/2% (1955-60)	117 0 0	116 4 0	Oil (25)	69 8 0	74 4 0	Hind. Com. (50)	55 0 0	56 4 0
5% (1945-50)	102 12 0	102 15 0	Power (1,000)	1,865 0 0	1,915 0 0	Pun. Na. F.P. (100)	242 0 0	253 0 0
Calcutta	..	..	Hydro (100)	205 0 0	209 0 0	Pun. Na. F.P. (40)	183 0 0	207 0 0
3% Loan (1951-51)	100 0 0	100 14 0	Steel Def. (300)	2,087 8 0	2,325 0 0	MISC.: Bombay		
3 1/2% Loan (1953-55)	100 0 0	100 7 0	Steel Ord. (75)	359 8 0	418 8 0	Ajmer (10)	15 0 0	15 0 0
3 1/2% G.P. Notes	99 9 0	99 14 0	Steel Pref. I (150)	237 8 0	237 0 9	Dom. Sub. (100)	215 0 0	215 0 0
3% Vic. (1957)	99 8 0	99 9 0	Steel Pref. II (100)	160 4 0	162 8 0	Alcock (100)	452 2 0	462 8 0
4% Loan (1955-60)	102 12 0	102 13 0	STEEL ENG.: Calcutta			B.I.C.	..	..
5% Loan (1945-55)	102 12 0	102 13 0	Brathwaite (7)	11 6 0	12 12 0	Dalapur Sugar (50)	218 0 0	234 0 0
TEXTILES: Bombay								
Ahmedabad (100)	445 0 0	455 0 0	National Iron (10)	38 6 0	46 4 0	Dom. Sub. (125)	542 8 0	550 0 0
Dom. Dyeing (250)	1,772 8 0	1,855 0 0	Indian Iron (10)	31 6 0	33 6 0	Pun. Na. F.P. New (50)	260 0 0	193 12 0
Central India (100)	380 0 0	412 0 0	Steel Cor. Ord. (10)	..	152 0 0	Bombay Steam (250)	573 12 0	600 0 0
Century (100)	890 0 0	..	Steel Cor. Pref. (100)	23 8 0	..	Bombay Tram	159 8 0	152 8 0
Colaba (100)	213 0 0	225 0 0	Jesop Ord. (10)	11 2 0	11 12 0	Bombay Petrol	4 11 6	4 10 0
Gekak (100)	290 8 0	311 0 0	Kumardhubi (10)	..	..	Sindia Steam	..	..
In. Bleaching (100)	173 0 0	189 0 0	COALS: Calcutta	..	..	Shivrajpur (10)	53 8 0	53 8 0
Kohinoor (100)	555 0 0	629 0 0	Amalgamated (10)	50 6 0	51 1 0	Anchra Val. (1,000)	1,802 8 0	1,825 0 0
Phoenix (100)	642 8 0	642 8 0	Bengal (100)	694 0 0	737 0 0	Prem. Const. (30)	210 0 0	220 0 0
Sholapur (1,000)	7,650 0 0	7,650 0 0	S. Karampura (10)	27 0 0	23 12 0	Indian Iron (10)	38 5 0	40 10 0
Simpex (50)	250 8 0	268 0 0	Dhalgora (10)	16 8 0	17 5 0	Indian Copper (25)	2 15 0	3 1 6
Swadesh (100)	531 0 0	560 0 0	Burskur (10)	41 4 0	45 3 0	Duma Corpn.	5 1 0	4 15 0
Vishnu (500)	470 0 0	473 8 0	East India (10)	32 8 0	..	Ajmer Cement	228 8 0	243 12 0
Finlay (100)	296 0 0	314 0 0	Equitable (10)	65 13 0	63 10 0	Calcutta	..	..
Morarji (100)	700 0 0	736 4 0	N. Damuda (2 1/2)	16 15 0	..	Bengal Paper (25)	215 0 0	221 8 0
Sassoon Ord. (10)	14 9 0	16 9 0	Standard (10)	11 12 0	12 10 0	Shree Gopal (10)	19 0 0	20 10 0
Calcutta	..	..	Talcher (2 1/2)	..	..	Star (10)	16 12 0	16 12 0
Benares (10)	..	..	SUGAR: Calcutta	..	..	I.P.P. (100)	220 0 0	229 0 0
Bengal Nagpur (10)	..	..	Buland (10)	..	..	Cent. (10)	..	30 8 0
Channpore Tex. (2 1/2)	12 12 0	13 2 0	Balampur (10)	..	18 8 0	Titagarh (5)	28 9 0	29 0 0
Dubur (100)	296 0 0	319 0 0	Smatapur (10)	15 12 0	16 0 0	Indian Copper (2 1/2)	3 1 0	3 12 0
Kesoram (2 1/2)	..	17 2 0	East (7 1/2)	26 14 0	27 12 0	Cons. Tin	3 4 0	3 4 0
Elgin Mills (10)	63 10 0	66 0 0	Carw (10)	..	..	Alumn. Corpn. (2 1/2)	..	..
Muir Mills (50)	430 0 0	..	Mures Brewery (5)	27 4 0	24 0 0	Damia Cement (10)	16 15 0	18 6 0
New Victoria (2 1/2)	7 0 0	7 0 0	New Swan (10)	..	..	Madras	..	..
Madras	..	..	Channpore (10)	..	..	And. Cement (100)	117 0 0	120 0 0
B. & C. Ord. (100)	..	342 0 0	Channpore (10)	..	..	Bruntins (10)	..	13 12 0
Bangalore Wool (100)	..	470 0 0	Channpore (10)	..	..	My. Che. Fert. (10)	..	29 0 0
Cambodia (10)	32 0 0	32 8 0	Channpore (10)	..	..	Ind. Steel Roll (10)	9 2 0	9 0 0
Colm. Spng. (50)	..	293 8 0	Channpore (10)	..	..	Mysore Paper (10)	25 4 0	25 10 0
Pankaja (100)	..	195 0 0	Channpore (10)	..	..	Mst. Che. Ord. (10)	16 8 0	16 4 0
S. Ram Spng.	..	322 0 0	Channpore (10)	..	..	Mst. Che. Def. (1)	..	6 13 0
Vasanthra (100)	..	169 0 0	Channpore (10)	..	..	Spencer Ord.	..	16 0 0
Midura (15)	70 12 0	..	Dyer Meakin (5)	..	..	Hind. Trust (25)	..	26 0 0
Lakshmi (50)	..	..	Lahore	..	..	Lahore	..	..
Sharda (100)	..	..	Punjab Sugar (100)	280 0 0	..	Indian Iron (10)	33 13 0	40 10 0
Lahore	..	..	Gokulnagar (50)	47 0 0	..	Dhrangadura	487 8 0	520 0 0
Ajudhia	7 4 0	..	Jaglit	4 12 0	6 3 0	Rimpur Dist.	24 12 0	27 1 0
Channpore Tex. (2 1/2)	12 14 0	..	Mures Brewery (5)	..	..	National Saltpetre	..	..
New Vic. Ord. (2 1/2)	7 2 6	7 3 0	Jaswant	..	..	North India Oil	..	..
Raza Textiles (10)	74 0 0	77 12 0	Madras	..	..	Star (10)	..	..
JUTE: Calcutta	..	..	Mysore (10)	..	62 8 0	Shree Gopal (10)	18 0 0	19 14 0
Alliance (100)	596 0 0	614 0 0	Deccan (25)	..	93 0 0	Delhi	..	..
Anglo-India (100)	445 0 0	458 0 0	Deccan (10)	..	39 4 0	Ranpur Malze	43 8 0	48 12 0
Birla (10)	212 0 0	221 0 0	Travancore Sugar (7)	..	16 0 0	Ranpur Dist.	23 12 0	27 4 0
Barnagore (15)	..	..	South India (10)	..	16 4 0	Dhrangadura x.d.	480 0 0	535 0 0
Champdany (100)	..	..	PLANTINGS: Madras	..	..	Un. Com. Bank (50)	68 0 0	69 0 0
Ganges (300)	542 0 0	700 0 0	Cochin Malabar (3)	16 1 0	17 4 0	Bharat Bank Ord.	105 0 0	109 0 0
India (375)	693 0 0	83 8 0	Chambra Peaks (2)	10 0 0	10 7 0	Gwalior Brewery	25 8 0	30 4 0
Howrah (10)	81 5 0	83 8 0	Woodlands (10)	..	13 0 0	Channpore Tex. (2 1/2)	13 0 0	13 4 0
Lahore quotations for 22-1-1945 and 31-1-1945.	..	..	Thurmbadi (1)	4 12 0	4 14 0	Hin. Com. Bank (50)	55 0 0	57 0 0
..	..	..	Travan. Rub. (10)	23 0 0	23 12 0	Raza Textiles (10)	72 8 0	78 8 0
..	..	..	50pns50Calcuttaore Di4batre 4..N	..	..	Madras quotations for 29-1-1945.	..	..
..	..	..	TEA: Calcutta	..	..	..	..	..
..	..	..	Bishnath (10)	45 4 0	..	..	..	..
..	..	..	Cent. Cachar (100)	130 0 0	128 0 0	..	..	..
..	..	..	Tezporo (10)	..	21 12 0	..	..	..
..	..	..	BANKS & INS.: Bombay	..	..	..	..	..
..	..	..	Central (25)	80 0 0	85 0 0	..	..	..



THE EASTERN ECONOMIST

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ONE RUPEE

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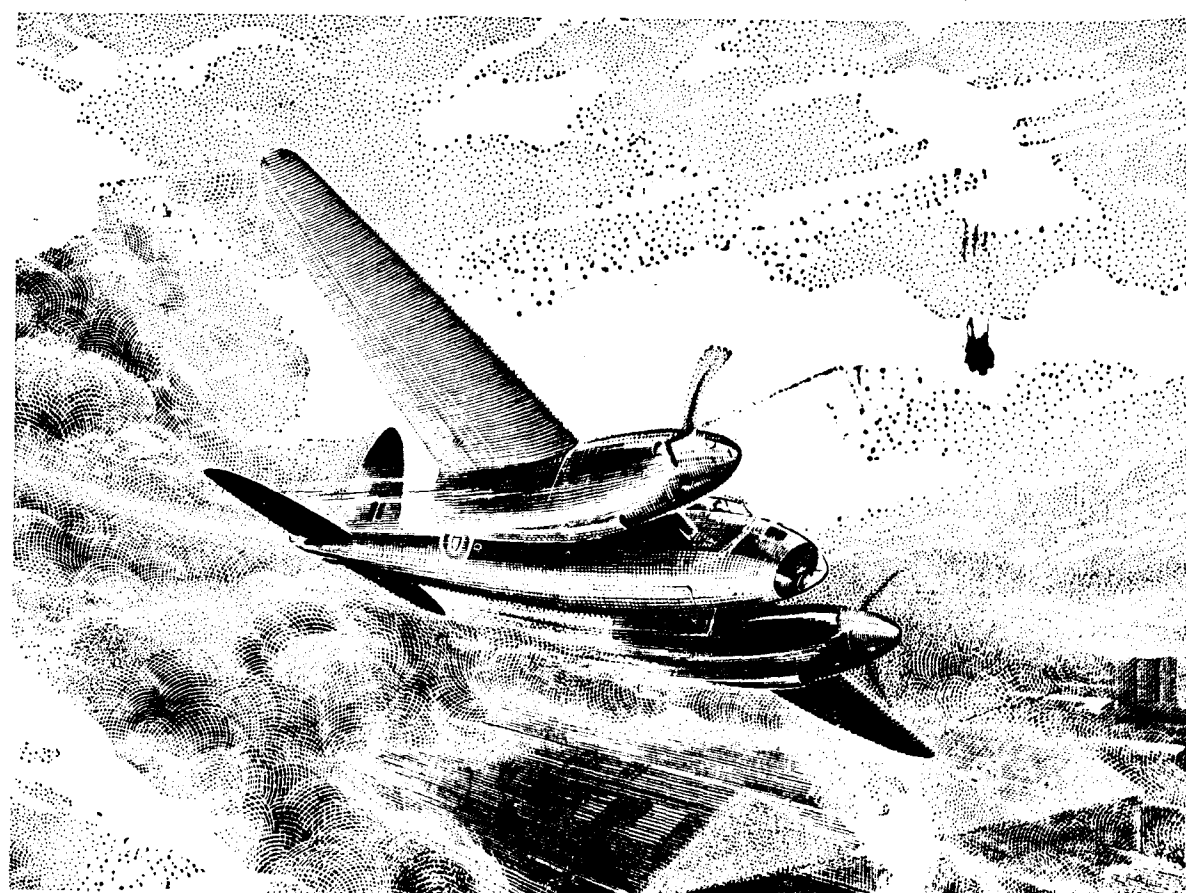
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An outstanding "private venture" production of the British aircraft industry—The de Havilland Mosquito (Rolls-Royce Merlin engines). Most versatile high-speed aircraft in service, equipped for duties ranging from night fighting to long-range heavy bombing, the Mosquito is in quantity manufacture in Britain, Canada and Australia.

BOLD ENTERPRISE

The battle honours achieved by British warplanes in every zone of the global war testify to the great and virile industry that stands as a background to the fighting air forces.

Right up to the present day British official policy has entrusted the design of all aircraft and engines to the individual companies of the aircraft industry—a system which has produced, among other rich dividends, bomber fleets carrying bigger unit war loads than any other Service in the world, fighters whose supremacy has remained unchallenged for five years and flying boats which range the oceans.

Most of the more successful warplanes and

engines which equip the Empire Air Forces owe even more than their design to private enterprise. The genius of the industry's designers frequently enables them to foresee, more clearly than the official technicians, the future operational requirements of the fighting Services. Thus are created the "private ventures"—aircraft and engines of which both specification and design have been evolved by the manufacturer and developed through his initiative.

When its war task is completed, the British aircraft industry will direct to the pursuit of peaceful objectives the inventive genius, technical skill and adaptability through which air mastery in war has been achieved.

THE BRITISH AIRCRAFT INDUSTRY

ANNOUNCEMENT BY THE SOCIETY OF BRITISH AIRCRAFT CONSTRUCTORS—LONDON—ENGLAND

Cloth Control

IN the twenty months since the middle of June 1943 during which period the scheme of cloth control has been in operation, the problem of the distribution of cloth has been a constant headache both to the Government and the Textile Control Board. The first six months to the end of 1943 were only the initial period of preparation for enforcing the control and accordingly, the machinery of control was devised, prices were reduced, dishoarding measures put into force and movement of cloth standardized. But as soon as this stage was passed and the time came for fully passing the benefits of the appreciable price reductions on to the consumers, began a game of hide and seek between the controllers and the traders in which successive attempts on the part of the Government and the Textile Control Board to eliminate malpractices were persistently defeated. The evil took serious form and proportions by April 1944, and the Chairman of the Textile Control Board gave a severe warning to the recalcitrant section of the trade to behave itself. In May and June punitive action was taken against many mills and dealers whose stocks were taken over or frozen. But the effects soon wore off and the black markets grew so menacingly that in October last the Textile Control Board appealed again for good faith and the Government spokesmen had to issue severe threats of punitive action and alternative methods of distribution. The whole question of cloth distribution

has been the subject of prolonged consultations between the Government and the Textile Control Board in the last two months and as a result a central scheme of distribution seems to have been agreed upon and worked out.

At the outset we would point out that so far as reductions in statutory prices are concerned, they have been very substantial, approximating to a reduction of about 55 to 60 per cent. from the peak prices which prevailed in the pre-control regime, and due credit should go to the Textile Control Board, composed of elements of the trade and the industry, which has periodically reviewed prices and recommended reductions five times, so far, including that of 5 per cent. from February, 1945. This should be considered satisfactory, taking into account all factors like increased costs, etc.

But it is in making these statutory prices prevail in the market that the greatest difficulties are experienced. The Government have accepted the principle that the existing trade channels should not be disturbed or disturbed in the matter of distribution. That principle is, in our view, quite wholesome and there is no need for Government to resile from that position. There seems to have been some difference of opinion between the Textile Control Board and the Government on this issue, as the Government wanted to take over distribution in their own hands; and the

Textile Board stuck to the principle originally accepted. We do not believe that the results of Government taking over distribution, notably in Bengal, are encouraging enough to recommend the adoption of the method elsewhere. The Government have accepted this stand on the persuasion of the Textile Control Board in their new scheme of distribution.

The details of the new scheme have not been made public. Mr. Krishna Raj Thackersey gave only the broad outlines the other day. But it does not appear very revolutionary as suggested in certain quarters. Its central feature is the same as in the earlier one, viz., that distribution should be done only by those who were in the trade in 1940-41-42, and that there should be complete co-ordination between the producing and the consuming centres suchwise that every bale of cloth should be accounted for and, if need be, the Government agencies could requisition cloth from the consignees in the receiving areas and determine the manner of its distribution. But under the new plan, the quota holders in the producing centres would form themselves into a small number of groups, each under a leader. This leader or his deputy or deputies duly constituted will be responsible to the Textile Commissioner for the delivery of cloth in the quantities and at prices laid down only to the authorized wholesaler groups in the provincial or district consuming centres. The cloth will leave the producing centres at not more than ex-mill *plus* three per cent. ex-godown, (as compared with four per cent. allowed previously) the commission agent's margin being also reduced from 1 to ½ per cent. payable by the buyer.

Without further details, we cannot say whether the scheme will eliminate some of the existing traders from the field. But if it does, no violence will be done to the principle that existing trade channels should be employed. There are too many new sprung intermediaries in the trade whose presence is a direct encouragement to black marketing and the Textile Board has shown a welcome willingness to dispense with some of them without up-setting trade channels.

Much, of course, will depend upon the grouping of quota-holders in the producing centres and on the degree of responsibility which is fixed on them for fair conduct. There have been complaints that the majority of them in Bombay and Ahmedabad, the main producing areas, are forming favoured cliques which prevent fair supplies up-country. But if the leader of each quota group is saddled with the responsibility of proving regularly to the authorities that the quantities received by his group can be accounted for both as to destination and prices, some check will have been imposed.

The next stage in distribution is to see that the cloth is received in the deficit areas regularly and in the quantities specified. At present, the different provinces are receiving supplies on the basis of pre-determined quotas according to normal consumption, population, etc. There may be need for some revision of the provincial quotas. Bengal's quota is 12 yards per capita and Madras' 10 yards, whereas that of the Punjab is 25 yards per capita. Even making every allowance for normal standards, such wide disparities should not be allowed to prejudice provinces with lower per capita consumption. One bottleneck at this stage of distribution which has fostered black markets from the very beginning is the Government's failure to supply the transport facilities for supplies being promptly carried to the consuming centres. We wonder whether the assurances of better service made by the railway authorities are ever going to materialize.

The distribution arrangements in the deficit areas have so far proved any thing but satisfactory. While we do not look with favour upon any dealer or small body of dealers being given monopoly rights to buy and distribute the cloth, the necessity for forming groups of principal dealers in each district of the receiving province whose leaders or deputies will be responsible, as in the producing centres, for assuring to each district its pre-determined quota, would appear obvious. This is postulated by the new scheme, but the Provincial Governments must exert better to secure that those groups again play the game.

Without prejudice to this main scheme, employing trade channels, every opportunity should be utilized in the present circumstances of taking cloth from the factory or the first wholesaler to the consumer direct, without the intervention of refractory intermediaries. There are thousands of consumers' co-operative societies, hundreds of railway grainshops, and employers' shops which could be used for the retail sale of cloth. The Government's own shops could be employed, where they are already established. Rationing of cloth at 15 yards per capita in all the cities and towns in which food materials are already rationed, has been suggested. We are not persuaded that this is desirable or feasible. Rationing of fine cloth so acutely scarce has perhaps much to commend itself, but not of coarse cloth.

The task of distribution will be immensely helped if production is maintained at the highest possible level. But this is far from being the case. The failure to supply adequate quantities of coal has arrested production by 25 million yards in November and December this year and by different though sizeable quantities by closure of mills for many weeks during the year. This coal muddle promises to continue despite assurances from the Viceregal level and unless Sir Akbar Hydari succeeds in getting coal-cutting machinery—which is said to be one of the objects of his Mission—and unless the War Transport Member fares better, production of cloth, as of cement and every other commodity, will show no improvement. One important recommendation of the Textile Control Board to stimulate yarn production was a grant of Rs. 10 crores to the All-India Spinners' Association to enable it to relieve the scarcity. We trust Government will act upon this recommendation and not let political prejudices thwart an eminently sound economic proposition. The feasibility of working the spinning mills three shifts, as suggested by Mr M. P. Gandhi, also needs to be immediately considered.

As we have argued all along, the success of cloth control and with it, the future of the textile trade and industry are bound up with the elimination of the black market, and the winning of the national consumers' goodwill. The industry has so far offered full co-operation, but not the whole trade. Appeals and threats have proved not very efficacious to curb avarice; but if the associations of wholesalers and retailers in the cloth trade which have sprung up so promptly in the wake of control measures, imagine that their job is to improve their profit margins and bargaining power, and not help in enforcing economic justice, they will be forfeiting the good faith of the people and strengthening Government in drastic action against them. The proposed compromise scheme of distribution must teach the trade economic sanity.

A Functioning Directed Economy

LAST week we described the *terrain* of the planned economy as envisaged by the Bombay planners in their second memorandum. The terrain, as we saw, would consist of a diversity in types of organization in which private, co-operative, collective, State, mixed and autonomous public enterprises would all have their respective places and roles to play. But how would this heterogeneous complex of organizations hold together and work towards a set goal and in accordance with programmed rates of general development? For clearly if this "third alternative" to both the capitalist order and full-fledged socialism cannot be made to work in practice as a healthy and functioning economic system attuned to the requirements of rapid development, the field of choice becomes more limited, and we have to make our choice deliberately and with a full awareness of the implications. The Bombay planners have, however, affirmed their faith that the third alternative is workable and can combine the advantages of both central planning and decentralized initiative and avoid all the perils of regimentation.

The Bombay planners have indeed pointed out that as a result of practical developments and evolution, the rigid distinction between capitalism and socialism has lost much of its significance and both the systems have tended to approximate to each other in form. Certainly, apart from the system of global control which is envisaged, the various types of economic organization—private, public and mixed—such as would co-exist in the planned economy—can also work together in the normal capitalist manner. For we are told that as in the capitalist system, so in the planned economy there would be the market and pricing system for commodities, particularly consumers' goods. Similarly we are told that rewards to factors of production, viz., wages, interests and profits, "should continue to be determined on the basis of demand and efficiency as at present, subject to the overriding consideration that wages should not fall below a certain minimum and that interest rates should be controlled with a view to maintaining full employment." If both the commodity markets and the factor markets continue to operate substantially as now, if further there is neither complete socialisation of means of production nor regimentation of consumption, how will the system of global control ensure that the working of the planned system would be different from the working of the *laissez faire* system? For the usual market and pricing system itself is nothing but a mechanism of arranging a certain order of economic priorities and allocation of resources according to that order. How then can the planning authority independently arrange economic priorities, determine targets and allocate resources and yet operate through the same market and pricing system? If the directing authority independently indicates certain priorities and allocations which are inconsistent with the process of moving equilibrium as arrived at through the pricing and costing apparatus of the market, clearly the decentralized economic structure envisaged by the Bombay planners would break down and we shall be forced willy-nilly to move towards complete regimentation.

The decentralized system envisaged by the Bombay planners can, therefore, hold together only in the measure that the central authority can determine *a priori* and enforce through global control the order of priorities and allocations which are practically arrived at through market pricing and costing. For,

if the targets and degree of capitalisation in the various sectors are determined without reference to such considerations, there would, most likely, be "partial disequilibrium" in the individual sectors and as there would be no machinery for automatic adjustment of demand and supply, the system could go on only by calling upon the State to provide temporary but recurrent subsidies and hold stocks in the various parts of the economy—now here, now there and on an organized basis.

But it is on this point that the Bombay planners in their second memorandum have been rather sketchy. In paragraph 46 they have illustrated the various controls which would have to be worked in the planned economy, but how this system of controls is to work as a whole, is not shown in detail. Probably this was considered to be outside the proper scope of the present memorandum, but unless this is clearly indicated, pronouncement on the technical validity of the rationalized economic system offered by them becomes difficult. Indeed, when they affirm that "to a large extent the controls to be instituted during the planning period will be similar to those which are in force at present under war conditions and to which the country has become more or less accustomed; but they will be better co-ordinated and more systematically administered," the impression conveyed is that the problem is evaded rather than squarely faced. For the system of controls which has grown up during the war will differ from the system of controls which can make a directed mixed economy work under peace conditions of rapid development, not only in the degree of administrative coherence but also in some essential nature of economy. For in a semi-organized economy, only a part of which is mobilized for war and where the defence demands are largely governed by extra-market considerations, and in which further there has been no serious effort for maximum development of productive facilities, the essential economic problems are barely faced.

However, there can be no doubt about the practicability of devising a system of global controls which can determine *a priori* and enforce a valid order of economic priorities and allocation of resources that can be accommodated within the usual pricing and costing process of the market apparatus. As we pointed out in a previous issue, in a planned economy the order of economic priorities can be mapped out in advance by elaborate statistical methods from considerations which follow directly from what has been called the "principle of complementary investment." The equilibrium imposed by the normal process of the market mechanism consists of no more than in arranging a certain pattern of relationship between the rates of development in the various sectors of the economy—a pattern which is capable of statistical "prediction" at successive levels of income-generation and production in a planned economy. If the "targets" for investment in the various sectors of the economy are set in accordance with such a pattern, competition or even pseudo-competition organized among the various economic units—private, public or mixed—is sufficient to keep the entire system moving with continuous economic incentive throughout the economy as a whole. "Direction" would thus consist in setting down the valid equilibrium pattern of simultaneous targets for the various branches of industries and ensuring its enforcement. As the Bombay planners point out, this global control can

be operated through a system of licences for establishing new units and for extending existing one. If under a system of "tenders," sufficient proposals for investment in a certain direction are not forthcoming at any moment, the State itself will arrange for the requisite investment to the extent of the deficiency. If there is "over-investment" in any particular direction, in an expanding economy, adjustment would be brought about not by scrapping the "excess" investment but simply by slowing down the rate of investment in that particular direction. The price-cost structure will, of course, steadily adjust itself to dynamic factors by pseudo-competitive operations, but at any moment the pre-existing set-up of price-cost would form the factual basis for the determination of priorities and proper allocation of resources. It is only in the immediate transition period that there would be need for rationing and distribution of either consumers' goods or raw materials, semi-finished materials and capital goods. The over-all rate of development could be enforced by securing sufficient investible resources and dividing them as between consumers' goods industries on the one hand and producers' goods industries, (including the 'supporting' and the 'circumflex' sectors) on the other in appropriate proportions. All this can be achieved by a central directing authority on the basis of statistical estimates of mass consumers' and producers' goods and services at successive levels of income-generation and production and the appropriate pricing, costing and distribution of final and intermediate products would be effected through competitive process. The emerging structure would be consistent with the basic principle of economy of central control, for the task of central authority is primarily to foretell by prior economic calculations, the equilibrium pattern of development which, under the accelerated tempo, would normally be arrived at only by a tardy process of market adjustments. Two essentials, in fact the two prime movers of the directed system, would be, first, a flexible fiscal machinery which can impound the requisite fraction of national income for investment purposes and, secondly, a central statistical organization competent to make the economic calculations about priority and allocation. As for the fiscal machinery, the Bombay planners lay down: a steeply graduated income-tax, adequate remission for income devoted to capital formation, death duties and heavier impact on unearned income. These are correct principles, but sufficient flexibility to suit the requirements of varying tempo of development can probably be achieved more readily by an excess income tax which can impound almost any fraction of the progressive annual increment of national income over the base year.

It is such basic organization which can make our directed economy a living and functioning system. The detailed and correct principles for such organization have still to be worked out, but theoreticians of planned economy are agreed that such an organization constitutes a valid and workable system. The *modus operandum* of gradual enforcement of a national minimum wage, stabilization of agricultural prices and even the so-called "efficiency auditing" and mutual checking of State and private enterprises, would entail no essential modification in the working of the planned economy. Of course, the free social services, the subsidized utility services as well as the proposed "national relief fund" would lie outside or on the fringe of the market organization envisaged; but they may be made to add to the economic and financial stability of the system, because together they may constitute what has been called the "National Consumable Dividend Equalization Fund" which would act as a buffer to restore equilibrium quickly in the commodity market in a period of rapid and dynamic economic changes.

There can, therefore, be no doubt that the decentralized economic organization envisaged by the Bombay planners can be made to cohere as a workable system responding to the requirements of varying tempo of development which we may envisage, by means of an adequate system of global controls. The details and working principles of the system of global controls have still to be formulated. In the measure that the system of global controls can be made to operate not through detailed regimentation but through marginal direction by means of correct formulation of principles of economic priority and allocation, the entire system would function with maximum economy of central control. A planned economy may work and yet be undemocratic in operation and effect; or it may try to incorporate the maximum of democratic elements but be not workable in practice. The final question to be answered is: If the Bombay planners have succeeded in providing the possible framework of a workable decentralized economic system, have they equally succeeded in sketching the satisfying contours of a vigorous economic democracy?



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The Week's Notes

BETTER CATTLE

The sixth meeting of the animal husbandry Wing of the Board of Agriculture and Animal Husbandry, which was held last week in Hedrabad (Deccan), has recommended that cattle development should be organized on a regional basis and that the country should be divided for this purpose into these main regions: (1) the north-western region, the area lying mostly in the Indus Valley, predominantly wheat producing with rainfall up to 30 inches; (2) central region, the area in Central India, predominantly black cotton soil and millet producing with rainfall between 25 to 50 inches; and (3) area including the lower gangetic basin and alluvial coastal strips, predominantly rice producing, with rainfall over 50 inches. The idea is sound for two reasons. As is well-known, the quality of Indian cattle differ widely from tract to tract. Roughly speaking, it would be true to say that our top-grade dairy cattle are to be found in the semi-arid areas of Sind and the Punjab—the home of the *Red Sindhi* and the *Tharparkar*, of the *Sahiwal* and the *Haryana* in the way of cows and of the *Murrah* and the *Nili* in the way of buffaloes. Central India can also show some breeds, which although not to be compared with the champion milkers of the Montgomery and Rohtak districts of the Punjab, are still fairly satisfactory performers at the pail; the *Gov*, the *Kankrej* and the *Jaffrabadi* are the names that occur readily to the mind. The remaining areas, which include Assam, Bengal, Orissa and the Madras Presidency, possess some of the most uneconomic and pitiful specimens of bovines in the world. The males are weak and puny, unable to draw any but the lightest wooden plough and the females, almost devoid of the capacity to secrete milk. A few exceptions, of course, there are, such as the *Ongole* breed of the Nellore district of the Madras Presidency, which are first class dairy cattle and the *Kangayam* breed of the Coimbatore district of the same presidency and the *Amrit Mahal* breed of the Mysore State, both of which are very fine draught types; but, on the whole, the cattle population of this region is mostly composed of non-descript bovines, which are the products of years of promiscuous mating and inadequate feeding. Given these great differences in the quality of the cattle in the various parts of the country, it is obvious that grading up has to be done on a regional basis if the fullest advantage is to be taken of the severely limited number of superior males. It would be uneconomic, for instance, to waste a *Sahiwal* bull on a South Canara cow. The animal husbandry wing is, therefore, right in recommending that a development programme of various well-known breeds to improve their milk yields and draught qualities should be confined to home tracts of these breeds. Thus, good bulls in each of these regions should be employed primarily to grade up the cattle in that region and once the cattle in the inferior areas have attained a sufficient level of improvement through this process of local selection, they may be graded up still further with the help of pedigree bulls from the superior areas. Scientific breeding, therefore, has to be organized on a regional basis if it is to produce the most satisfactory results in a reasonably short period. Secondly, regionalization is also desirable so that closer attention may be paid to the feeding problems of each area, with reference to the resources and needs of that area. In the north-western region, the prob-

lem would be mainly to help the farmer to tide over periods of draught, which are a recurring tragedy there, resulting in grievous cattle mortality. The preservation of fodder through ensiling and scientific methods of drying and the promotion of the cultivation of perennial grasses and fodder-bearing trees are the urgent aspects of the cattle-feed problem, as it impinges on this region. Some of these lines of activity will also be common to workers in the Central region, but their main problem would be the extension of grazing facilities. In the rice growing tracts, efforts will have to be made to popularize a suitable rotation of crops, that would provide a sufficiency of nutritious fodder, while possibilities of improving the nutritional value of paddy straw through special processes should be investigated. Common to all the regions is the need to plan extensive pastures by modern methods of grass-land management and to make available large quantities of oil-cakes and other supplementary cattle feeds at prices which the farmer can afford.

AGRICULTURAL TRAINING

The Madras Government have announced a scheme for training additional subordinate personnel required for work in connection with the "Grow More Food" campaign. The existing staff has been found to be far too small to cope with the huge volume of work involved in producing pure seeds of improved pedigrees on the seed farms of the provincial Agricultural Department and distributing them, as also manures and agricultural implements, to the farmers all over the presidency. It is proposed, therefore, to recruit young men from the agricultural classes for a short course of training in improved agricultural practices and in taking remedial methods against pests and diseases of crops and to make them thoroughly acquainted with the principles and practice of producing pure seeds by suitable measures at the opportune time, with the identification of strains of different seeds that they have to distribute, and with the basic principles involved in manuring. The training will be given over a period of four months at the six agricultural stations in the province and the trainees will be given a stipend of Rs. 20 per month in the case of fieldmen and of Rs. 15 per month in the case of maistries. The scheme is expected to cost about Rs. 3 lakhs, half of which will be contributed by the Central Government and the target is to turn out in batches a total number of 520 fieldmen and 2,740 maistries for service in the Provincial Department of Agriculture. The scheme has been subjected to criticism on the count that the period of training is too short to enable the trainees to acquire knowledge of the kind and degree that would equip them to be of use to the generality of ryots during their tenure in the Department or to take to a life of farming on their own account in case their services are dispensed with after the war. While there is a certain amount of truth in this view, it would appear, however, that the course is not too short when considered in relation to the limited scope of the scheme, which is to train a sufficient number of subordinate personnel within a reasonable period of time to carry out specific departmental activities involved in the "Grow More Food" campaign. As to the future of these trained men, it would obviously depend, like so many things else, on the tempo of economic development after the war; it may be noted that the Provincial Director of Agriculture, who is also the author of the scheme, has ex-

pressed the hope that "agricultural development will continue to reach its logical limits from the present 'Grow More Food' campaign and that, therefore, these men will continue to serve in the department."

SUGAR PRODUCTION

The characteristic inefficiency of bureaucratic economic control is reflected in India's sugar industry. Complacent and short-sighted interference with economic motives, in the naive belief that this industry could be isolated from changes in other sectors of the economy, has resulted in constant maladjustment in the demand for sugar and the supply of cane. The policy of forcing on the cultivator unremunerative and non-competitive prices, heedless of timely warning, is reacting adversely now on the prime object of ensuring reasonable supplies to the consumer. The production threatens to fall by 20 to 25 per cent. and a reduction of consumption quotas is apprehended. In view of the fact, that the ration per head in most towns is as low as two pounds per month there is obviously little margin for a reduction, and the prospects must be considered disquieting. The greatest shortage of production is likely to be in the U.P. where it is expected to fall to 550,000 tons from 720,000 tons last season. In this province, comparatively lower wheat prices fewer alter native crops, and the part irrigation plays in cultivation on the one hand, and on the other, the predominant position of *gur* industry, which continued to be relatively prosperous, delayed the effect of unduly low cane price fixed for factories; and unlike in Bihar, area under cane was maintained and sugar production increased last season. But with the disastrous muddle in the *gur* control, the shrinking in acreage and supplies of cane have come inevitably this season. In Bihar the production is going to be again as low as last years, and factories in Bengal are threatened with exceptionally short crush. A timely announcement of the price for cane which is being paid now could have easily averted such a situation. If sufficient wagons are supplied for the transport of cane, considerable improvement in production is still possible. A shrinking in production when India should be accumulating stocks to serve foreign markets with the termination of the war and easing of shipping difficulties would be particularly unfortunate.

THE COST OF THE WAR

According to a U.S. Department of Commerce estimate, the cost of the war to the Allies to date is in the neighbourhood of \$500,000 million, of which the U.S.A. has spent almost half the amount. Russia has spent nearly \$100,000 million since 1940, Britain \$96,000 and the four British Dominions together \$19,500 million. The U.S.A. has spent \$234,500 million more than Britain and Russia combined. German costs are estimated at about \$130,000 million. Interesting as are these figures, they cannot be looked upon as a measure of the real cost of the war incurred by the countries concerned. The enormous ravages suffered by Russia are hardly a factor in this estimate of Russian costs, whatever the basis of computation, while relatively to her production potential and margins above efficient subsistence the quota of the U.S.A. cannot be said to have imposed on her a cost equal to that borne by Russia and Britain. The financial cost of the war for India, if computed on the same basis, would seem negligible, but would that take any cognizance of the enormous real burden borne by her? As an estimate of the financial cost of the war, the figures suggest a comparison with a British estimate, adopted by the Reserve Bank of India in its annual report, which put down the total cost of the last war at £42,840 million, or \$192,780 million (rough-

ly at \$4.5 per £). The cost of the present war to date has exceeded the total cost of the last war by about 2½ times and the share of the U.S.A. alone is greater than the total cost of the last war. Whereas Britain's share in the last war was £9,002 million out of £42,840 million or about 21 per cent., her share in the present war is smaller, i.e. 19 per cent. On the other hand, America's contribution has gone up from about 16 per cent during the last war to more than 50 per cent. now. Comparisons of estimates based on perhaps widely varying principles must necessarily be inclusive, but the U.S.O.W.I. which gives these figures, can give the fullest details of the Department of Commerce estimate too.

RUSSIAN RECONSTRUCTION

The amazing achievements of the Soviet armies in the field may tend to obscure the measure of the devastation which Russia has suffered both on the advance and on the retreat of the German armies. Most of her richest industrial and agricultural regions were over-run. In spite of the enormous—and what looked like the crippling—economic loss, she has been fighting successfully the German war machine which was supported till recently by the industrial resources of the entire continent of Europe. The economic aid which she has been receiving from the Allies, has not amounted to more than a small fraction of her own domestic production. It is clear, therefore, that she has been able to build up in regions beyond the reach of the German armies, an enormous industrial capacity. Nevertheless the productive capacity lost to her due to war-time devastation can hardly be put at less than £1,500 million per annum. Virtually the whole of the Soviet lands have already been liberated and reconstruction work is proceeding apace with characteristic thoroughness. A competent observer has recently reported that "Soviet Russia may surprise the world in building for peace as much as she did in winning the war," and that "two years after the end of the war, the restored economy of the Soviet Union will be at least equal to its pre-war status." Russian reconstruction, in fact, is integral with the development plan of the country as a whole. Thus even in the reconstruction process a definite national localization policy can be discerned. Only about a third of the resources budgeted for reconstruction work is being allocated to territories which had been over-run by the Germans and the bulk is being devoted to a planned and systematic industrial strengthening of Russia which will have a decisive effect on the balance of power in the Asiatic continent. Soviet Siberia is thus having a flying start over both China and India in the matter of rapid industrial development. Further in the matter of reconstruction Russia will not be depending entirely on her own resources. It is regarded as certain that at the meeting of the 'Big Three' which is now proceeding, Russia will insist on exacting very considerable reparations from Germany. In addition she is reported to be pressing for the use of two million German labourers to rebuild her shattered cities and villages. Apart from what she can exact from defeated Germany, she is seeking long-term credit from Britain and the U.S.A. Talks with the U.S.A. Administration for extending to Russia a big long-term loan running to several billion dollars for purposes of Soviet Reconstruction, are said to be well advanced and even the possibility of using the lease-lend powers in this connection are being discussed. The British Treasury, however, with its own economic and financial pre-occupations, has been unable to accede to the Russian request for long-term credit for huge industrial orders involving a figure in the neighbourhood of £750 million. It is clear that it

would not be long before Russia fully recuperates from the grievous economic damage done to her in the course of the war and resumes her pre-war spectacular career of rapid economic development.

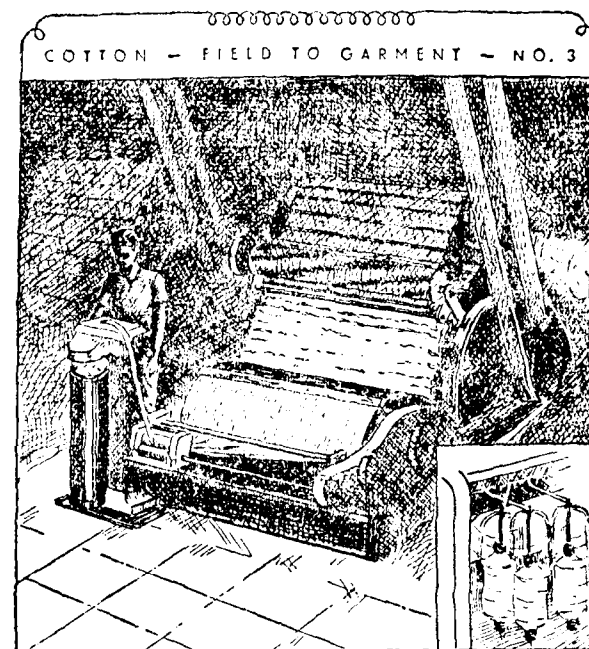
BRANCH BANKING

During the quarter ended December, 1944, the total number of offices of scheduled banks increased from 2,239 to 2,401, i.e., an addition of 162 offices, as compared with an addition of 96 offices in the previous quarter and 102 offices in the quarter ended June 1944. The pace of branch expansion in the last three months of 1944 is the highest for the entire war period, the nearest to it being in October to December, 1943. Apparently the war-time impetus to branch banking has not spent itself, and what with the restrictions on the opening of branches, which would come into force after the Banking Bill is passed, a continuation of rapid expansion is only to be expected. Of the new offices opened in the last quarter of 1944, the three new banks added to the Second Schedule accounted for 32 offices, and the Imperial Bank closed one and opened eight, thus bringing its total to 419. The distribution province-wise is as follows: the Punjab 40; U.P. 19; Bengal 16; Bombay 14; C.P. 13; Madras 7; Bihar and Delhi 5 each; N.W.F.P. 3; Assam 2; Indian States 12. Of these, 26 offices were opened at places which were not previously served either by a scheduled bank or by a non-scheduled bank having capital and reserves above Rs. 50,000.

CAWNPORE'S HOUSING

Bad housing condition have been characteristic of our industrial cities and Cawnpore is no exception. One only of its many serious consequence was the enormously high rate of infantile mortality, 350 per 1,000 live births in 1943. This was the highest in the U.P. as a whole and compares so unfavourably with the rates in the U.K. and Australia where they are under 60 and 40 respectively. The Souter Committee has recently recommended the constitution of a Development Board in Cawnpore which will take over not only the duties and functions of the existing Improvement Trust, but also a number of the functions and responsibilities which are at present vested in the Municipal Board. The proposed Board will be a Planning Committee with a Five-Year term and will be charged with the duty of drawing up plans that will make Cawnpore 'fit for human habitation. The Board will be a nominated body, with an official chairman, and will include the District Magistrate, the Chairman of the Municipal Committee, the President of the Cantonment Board, two municipal commissioners, and 14 leading citizens. Presumably the choice of a nominated personnel has been made on the ground of the inefficiency and incompetence of the municipal administration to tackle the problem satisfactorily in the past. But what prevented the Municipal Committees from functioning effectively was not the fact that these comprised elected members but because almost always they feel powerless in the face of powerful vested interests who are fattening on the handsome incomes from the terrible *ahatas*. It is open to serious doubt whether a nominated board shall be proof against such influence. Finance has been another obstacle in the bettering of this state of affairs in the past. It is welcome, therefore, that the proposed Board is to be permitted to raise loans from the Government and, with Government's permission, from the open market for capital and recurring expenditure

in addition to Rs. 20,00,000 from the Improvement Trust and a fixed lump contribution from the Municipal Board and a substantial amount from taxation. The Souter Committee has also recommended that Government should grant a subsidy to the Board from their share of Income-tax receipts as 75 per cent. provincial receipts under that item comes from Cawnpore. When will the work commence?



PREPARING TO SPIN

The cotton fibres must be made to lie parallel to each other before they will unite to make a strong, smooth yarn. The hand-spinner uses a comb very like a fine hair-comb to do this but it is terribly slow work and seldom thorough. The machine-way is to mount a series of wire-brushes with sharp teeth on revolving cylinders which pull every fibre straight as the 'laps' or blanket-rolls of cotton pass through. At the same time the lap is drawn out and reduced to a thin veil of cotton which you can see through.

This process is called "Carding" and in the last stage the wide veil is gathered into a "Silver," which is a rope of loose fibres nearly an inch thick, but still not twisted together.

The silver is fed into the next machine where it is drawn out through a series of rollers which grip and pull it to reduce its size. There may be three or four such drafting machines before the inch-thick silver becomes a "roving," no thicker than a string and with just enough twist to hold itself together.

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SPECIAL ARTICLE

The Outlook for British Transport Aeroplanes

By Edward Bowyer

AIRPORTS and aircraft are the main ingredients which, when mixed with numerous ancillaries and seasoned with imagination and energy, produce an efficient air transport service. The present popular supposition is that Great Britain and the Commonwealth will end the war with plenty of air bases, but a grave shortage of home-produced airliners.

In fact, the post-war picture may not be so sombre. True it is that the United States, with so large a proportion of its war-time air economy geared to production of military transport aircraft, will possess a crushing superiority in numbers. It is also true that some tens of thousands of these aircraft may be available for conversion for commercial uses—if the airline operator is satisfied that conversion would efficiently and economically meet his demands. On the other hand, there are various "unknowns" which may help the British aircraft industry. In the Far East the demand for transport aircraft is certain to be even greater than in the west. Large-scale landings on the coast of China or on the Japanese mainland cannot be contemplated without a superabundance of long-range transport aircraft. Only by air can hard-pressed units be reinforced and supplied with sufficient speed.

The number of aeroplanes needed for such supporting operations is very high. To quote just one example from the 1944 campaign in France and the low countries: nearly 500 C-47s were employed in one day to carry supplies of a certain single commodity to a forward mechanized unit. They landed in just over four hours.

I believe that the Pacific War will require not only a further switchover of American productive effort to transport 'plane production, but also the large-scale production of such aircraft in Great Britain. In the vast Pacific theatre, shortage of transport aircraft might well prove as serious a handicap as shortage of ships or shells. The Pacific War, therefore, may put the British constructor more on a level with his American contemporary before world peace makes possible the full-scale resumption and extension of global air service. Already, much preliminary work has been done on new British transport aircraft covering a wide range of sizes and performances. Some are already in production, and others are entering the production stage. Much is also being done to adapt our unsurpassed heavy bombers for transport uses; within their limitations these converted aircraft will undoubtedly do a grand job in the carriage of troops and urgently needed cargo to and about the theatres of war.

Further, the British aircraft constructor has a not unworthy record of achievement in design and construction of civil aircraft. The first large four-engined landplane airliners were British. They came into service with Imperial Airways as long ago as 1930 and achieved an outstanding record of safe and troublefree transport flying. In their day, which was ahead of their time, they were the most economical and in many ways the most efficient transport aircraft in service in the world. Some of the world's most efficient four-engined seaplane airliners have come from British factories. Again, their design and production set a new world mark in flying-boat design

and development; first in service nearly ten years ago, many of them are still bearing the burden of main-line operation and are serving the Allied cause abundantly well.

In the smaller categories, British constructors before the War produced many notable aircraft, some of which were sold in quantity to airline operators in most parts of the world. They, too, have continued to give dependable service in widely differing climates and conditions during the War. Finally, the War and the years of industrial expansion which preceded it have equipped the British aircraft industry with full knowledge and adequate machinery for the design and construction of any needed type of transport 'plane. The industry which produced the heavily armed and armoured fighters that won the Battle of Britain, and did not recoil before the unprecedented task involved in mass production of thirty-ton four-engined heavy bombers at a time when the largest bomber in service weighed less than 15 tons with full load on board, is not likely to fail in meeting any demand imposed by the progress of civil aviation.

This writer had the privilege of seeing for himself something of the vast air transport organization built up in India, Africa, and the Americas to serve total war. He has talked with airline operators of four continents, who have told him what types of aeroplane they will be wanting, and in what details of design and provision for maintenance the British aircraft constructor can best serve them. Not one of their requirements is more severe than those laid on the British manufacturer of aircraft for the Allied Air Forces. Indeed, in many respects the design and construction of civil aeroplanes is simpler than that of efficient military aircraft.

Statements released for publication in the past few months provide evidence of the serious effort which Great Britain is beginning to make in the field of transport aircraft. Airliners now in hand in British factories and drawing offices range from a giant 100-tons loaded weight, designed primarily for long trans-oceanic services, to small 'feeder' monoplanes and at least one high-speed craft powered with gasturbines. Among them can be found at least one aircraft to meet the needs of any airline operator, no matter in which part of the world his services run or what kind of cargo he wants to carry. Extreme speed is provided in those categories of aircraft which need it. Long range is provided where necessary. Extreme economy is the outstanding characteristic of one particular freighter, which promises to bring the cost of air carriage down to approximately one shilling (say 11 annas) per ton/mile. Dependability, accessibility for maintenance and repair, imaginative planning of interiors for comfortable and economical accommodation of passengers and the efficient handling of cargo—these are built into them all.

Technical development has been accelerated by the war. Some branches of aeronautical engineering, and in particular perhaps the study of gas turbine (jet propulsion) power units, have leaped twenty-five years of normal progress since September, 1939. While combat requirements have been paramount, some at least of that technical harvest can be applied to commercial aviation. We see, for example, ways and

means of reducing the cost of operation and of making air transport more truly economic. In the long run, air transport must pay its way, and provide its worth in competition with other forms of moving passengers and cargo about the world. British designers are confident that their new knowledge will enable them to compete more successfully than ever with rival forms of transport vehicle, and certainly with types of transport aircraft now approaching obsolescence.

The point is important, because of the temptation lying in the path of the airline operator to adopt the easy method of equipping his fleet with war-type transport 'planes, converted to the degree necessary to fit them for normal commercial services. Close examination of operating costs may show that the converted aircraft may not be worth while, being more costly to operate than up-to-the-minute types of transporters which embody the new knowledge, and have built into them qualities of accessibility and ease of maintenance far superior to older aircraft. The wise operator will pause, also, over the fact that many military transporters now flying are structurally heavier than their civilian predecessors to fit them to carry the heavy concentrated loads and overloads which must be moved about in response to military needs.

No process of conversion, short of the entire replacement of the fuselage, will remove that disability from the military transporter. And the weight concerned is not small; in one popular twin-engined aeroplane the difference in structural weight of the military version and its civilian fore-runner is approximately 1,000 lb.—about one-fifth of the total pay-load. When it is remembered that 1 lb. in pay-load was estimated before the war to have an earning capacity of no less than 600 dollars (say 1,600 rupees) in an average aeroplane 'life' of 25,000 flying hours, the importance of this factor is at once apparent. It means that, as compared with the civilian forerunner, the re-converted military transport may lose, on the same basis, approximately 600,000 dollars (say, 16 lakhs of rupees) in potential revenue—a grievous handicap indeed.

It is said that the unexpected always happens. Just because today American transport aircraft are everywhere, and British 'planes are far outnumbered on the air routes of the world, it does not necessarily follow that all is lost. Things may look very different in a few months. The purpose of this brief survey is, indeed, to indicate that a change to a much brighter picture is at least within the bounds of possibility. *Society of British Aircraft Constructors, London.*

Stabilisation of Agricultural Prices

By S. K. Muranjan

AGRICULTURE has passed recently through a phase of unprecedented distress and is passing now through a phase of remarkable prosperity, the cause in both cases being steep changes in price-levels. In the rapid deflation which succeeded the 1929 crisis, the prices of agricultural produce collapsed at a rate which turned the ratio of exchange to an unparalleled extent against the agricultural producer. Thank to the inflation of war, the recovery which was already taking place was transformed in a short time into an era of unusual profits for most crops. It is hardly surprising that with the memory of the bad years of depression and the present prosperity in mind, the agricultural class generally has begun to place or seek its salvation in a stabilization of prices somewhere round the present levels. With the acceptance of this idea in the Bombay Plan, it may be said that such stabilization has become almost an article of national economic faith.

The plea for stabilization of agricultural prices usually springs from a belief that the costs of production in agriculture are more or less rigid, particularly under a system of peasant proprietorship. This belief, it is to be feared, overlooks one or two important facts. For the peasant, the most important element of cost is his own labour, in other words, the maintenance of himself and his family. The actual burden of this cost is determined by two sets of influences. If he is largely or entirely a grower of the food he consumes, and this is true of the bulk of our peasantry, a large part of his cost or expenditure is outside the reach of any changes in prices. But agricultural produce consists of a large variety of commodities, food and non-food. If the peasant grows produce other than the staple food of his consumption, his concern in the relationship of the prices of crops he cultivates to the prices of his staple food is no less keen than in any general stabilization of prices. If the peasant depends only partly on farming as his source of income and receives the balance of his in-

come from some other source like labour, his concern for food-prices is enhanced still further. If the prices of different agricultural products were as a rule to move together or at least diverge only insignificantly from each other, this difficulty would not exist. But no scheme of stabilization seriously put forward till now holds out any assurance of maintaining the same or approximately the same relative prices among different agricultural produce.

In the second place, the real burden of this cost depends not on the absolute price the peasant receives for his produce, but this price relatively to the prices of non-agricultural goods he has to buy. Even if the price of his own produce remained stable, a rise in the prices of non-agricultural goods will deprive him of a part of the benefit of price stabilization. Price stabilization will be a genuine boon only if the prices of other goods were assumed to remain stable or fall.

When rigidity of costs is alleged in agriculture, the monetary outgoings of the cultivator in view are land revenue, interest and repayment of capital, rent, etc. Where land is owned by the cultivator himself or rent is paid as a fraction of the produce, money rent ceases to be a factor in the situation. Even in those cases, where all these elements have to be reckoned in, it is doubtful whether they outweigh in the aggregate the remuneration of the peasant's labour. It may be conceded, however, that in so far as a policy of general stabilization stabilizes the prices of particular agricultural commodities, the burden of these costs is made relatively easy to bear.

If the price stabilization is agreed on as a desirable goal, the next question would be to devise the appropriate means to achieve the objective. This involves as a matter of course the analysis of causes which tend to make the prices received by the cultivator low rather than high. In suggesting remedies to counteract these causes, the wider consequences of such price stabilization must necessarily occupy a good deal of our attention.

It is sometimes regarded as a serious loss to the cultivator that the whole output of his crop falls into his hands at the close of the season and in the absence of storing and other facilities, has to be thrown on the market in a single instalment. This would be true only if the price ultimately paid by the consumer exceeds the price received by the cultivator by more than the expenses of storage, insurance against loss and deterioration, interest, transport and the labour of distribution, etc. It is quite true that many avoidable causes and practices operate in India to intercept a part of the legitimate dues of the agriculturist. But it is equally true that there is a tendency to underestimate or overlook the costs enumerated just now. As for the questionable inroads on the dues of the cultivator, the proper remedy would be to make our laws on the subject of marketing more drastic than they are at present and their administration more effective or efficient and to weed out ruthlessly all unnecessary intermediate agencies whether by co-operative marketing or otherwise.

Of much greater effect than the seasonal factor, are the arbitrary variations in the output caused by climatic conditions. Not a little of the improvidence or unbusinesslike character of the peasant all the world over is ultimately traceable to these unforeseeable fluctuations in his economic life which consists of alternating cycles of profits and losses. It would be a great gain economically and psychologically if these heavy swings in the peasant's life were replaced with a more even course of moderate but stable earnings. The remedy which suggests itself most readily is an arrangement by which the surplus of bountiful years was carried over into the less bountiful years. But even if the problems of investible funds, storage facilities, technical personnel, etc., were satisfactorily met, it has to be recognized that this remedy has its limit in the liability of all agricultural produce to deteriorate with the passage of time.

This brings us to the possibility of adjusting the output itself to the prospects of prices obtainable in the market. Leaving out the climatic factor as unamenable to human control and liable to frustrate the best schemes and policies, we have still to deal with two major factors influencing prices, namely, the acreage under cultivation and the fraction of the output held back by the cultivator for his own use. The control of acreage by administrative action or financial inducement has become a familiar experience of the war economy and might become the instrument in the hands of a planned economy to secure the supplies of agricultural goods in certain proportions. But it must be recognized clearly that the control of acreage to stabilize prices is quite different from the control under a planned economy to assure the requisite supplies of certain commodities. The former aims at the maximization of the sale proceeds or gross income by taking care that the increase in output stops short at the point at which price is likely to fall more than in proportion. In the latter case, on the contrary, the acreage prescribed under each crop has no reference to the profit of the individual cultivator but is dictated by social priorities. With more accurate statistics of output and market conditions, it should not be impossible to correct the abundance of one season by deliberate curtailment in the next and thus overcome the difficulty of deterioration on account of accumulation over too long a span of time.

The other factor namely the tendency of the peasant to hold back a smaller or larger fraction of his output, particularly food-crops, for his own use operates and is the cause of a perverse elasticity of sup-

ply only because of extreme instability of prices. When prices of food-grains are very high, the peasant finds it sufficient to offer only a small fraction of his output to secure his non-agricultural requirements and is apt to increase his personal consumption. On the other hand, when prices are low, he is apt to depress them still further by offering a larger fraction of his output in order to cover his other needs. If prices of agricultural produce were stabilized, it is probable that the consumption of the peasant will become more stable and his market supplies less variable, provided of course prices of non-agricultural commodities themselves prove not too unstable.

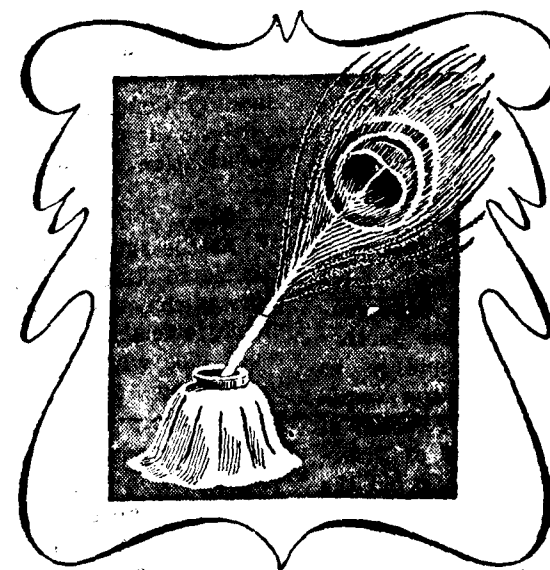
Any scheme of adjusting output with a view to maintain prices cannot overlook the fact that in the case of some agricultural produce at least, this country cannot function as a closed economy but only as a part of world economy. In the case of some products which are produced or consumed locally, it may be possible within broad limits to maintain prices in this manner. But some of our most important staples like cotton, wheat, oilseeds, etc., depend for a good part of their markets on foreign countries and in the absence of special remedial arrangements, must lie at the mercy of international prices. In assessing the bearing of this international factor on the fortunes of our cultivators, we must however distinguish between cases in which the interests of different agricultural countries are alike and others in which interests diverge and each country must perforce adopt its own protective measures. When climatic or acreage factors cause harmful variations in output, it is clearly in the interests of the agricultural classes of all countries that international co-operation should be invoked to prevent such maladjustments of supplies. Similarly, if agricultural efficiency and improvements advance equally in all countries and the increase in output does not bring about a more than proportionate fall in prices, the interests of all classes producers and consumers alike are well served by the progress. Difficulty is caused when the capacity to consume is not able to keep pace with efficiency of production and the fall in price is out of proportion to the increase in output. In this particular circumstance, the aggregate income of the agricultural classes must suffer a sharp decline to the advantage perhaps of the non-agricultural classes. The remedy in this case would again lie in controlling acreage with the object of slowing down or regulating the speed of improvements until such time as demand is able to catch up with increased efficiency. The most difficult and perhaps more common situation arises when improvement and efficiency cannot in the nature of things advance equally in all agricultural countries. This disparity of progress is apt to arise between countries under peasant proprietorship and others under large-scale or capitalistic farming. While the latter find more or less full compensation for the fall of prices in their increase of output, the peasant proprietors have more often than not to bear the full weight of diminished values. This was perhaps what happened to the Indian peasant after the last great war and particularly the great crisis of 1919. One remedy for such a situation would be to establish a complete control or monopoly of foreign trade in these staples and allow discriminating prices to prevail between the domestic and the foreign consumer. But such a solution of this difficulty must mean difficulties for such of our industries as use these staples as their raw materials and have to export a part of their manufactures. Such exports will have to be subsidized to the extent of the difference between domestic and foreign prices of raw materials which means of course a burden on the

general tax-payer particularly the business and professional classes for the benefit of the agricultural classes.

Finally, account has to be taken of those cyclical or secular changes in prices which affect all parts of the economic system. Agriculture is, however, apt to suffer much more in such times as spatial difficulties of combination, numerousness of producers etc., makes them incapable of controlling the aggregate supplies in the market. For this reason, agriculture is much more interested in any general economic or monetary policies which are likely to avoid these fluctuations. But if cyclical or secular changes must persist, it becomes necessary to devise measures to mitigate their special impacts on agriculture. Compulsory or voluntary reduction of agricultural output has sometimes been suggested and even practised as a means to restore the parity of values between agricultural and non-agricultural output. But reduction of output particularly of food in a phase of depression is hardly

to be commended as a socially desirable policy. The only other alternative would be to subsidize agricultural production i.e., transfer incomes by means of taxation from agricultural to non-agricultural classes. In a country like India, special remissions of land revenue to owner cultivators counter-balanced by special taxation of non-agricultural incomes offer a particularly convenient means for such transfer of burdens. In going to the succour of agriculture however, proper regard must be given to the changes in the relative values of agricultural and non-agricultural goods and also any changes which may have occurred in their relative costs of production. If technological advance is unequal in the two lines of production, care must be taken that ill-advised subsidies do not create a profit inflation in the more progressive line.

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THE WORLD ABROAD

Fiscal Policies in Flux

(From Our Washington Correspondent)

WASHINGTON, Feb. 4, 1945 (By Cable). THE debate on the Roosevelt Government's future fiscal policies proceeded apace last week hand in hand with the struggle between left and right wings for supremacy within the Democratic Party. On the specific question of the nomination of Mr. Henry A. Wallace, New Deal Left Wing won a tentative victory over the Conservative, Republican and Democratic coalition in the Senate by obtaining postponement until March 1 of action on Mr. Wallace's nomination. But it is merely a postponement of the fundamental controversy which centres in the desire of Mr. Wallace and those surrounding him to direct the post-war industrial and social economy of the United States. Before delaying action on Mr. Wallace the Senate voted, 74 to 12, to pass the legislation sponsored by Senator George which removes all lending authorities from the hands of the Commerce Department, thus cutting down that Department to suit what, Mr. Wallace's opponents believe, he can be better entrusted to handle. The Administration won a victory by succeeding in getting the George Bill before the Senate ahead of Mr. Wallace's nomination. If Mr. Wallace's name had been taken up without the assurance that he would not control 30 to 40 billion dollars in lending authority, now a part of the Commerce Department, he would have had no chance of confirmation. The Administration then defeated by one vote the motion to take up Mr. Wallace's nomination and obtained the postponement. From now on, Left Wingers will busily seek the support for Mr. Wallace and his programme which he believes will ensure the United States 60 million post-war jobs mainly through the unprecedented use of Governmental credit guarantees.

President Roosevelt threw his support to Mr. Wallace by notifying to the Senate that he would not veto the George Bill if it was passed by the Congress. That measure is now before the House of Representatives where the Democratic-Republican Conservative coalition is endeavouring to incorporate further curtailments on Mr. Wallace's power, should he be confirmed at all. Specifically, this coalition would amend the George Bill to provide for the removal of the Secretary of Commerce from the Board of Directors of the Export and Import Bank and forbid the President from transferring any other lending agencies to the department. It would also provide for the Government's General Accounting Office to audit all Corporations 51 per cent. or more of whose shares are owned by Government. Congress seemed to have become aware of the vast discretionary powers it had placed under the Commerce Secretary, Mr. Jesse Jones, and is determined not to let this mistake prevail nor repeat it again.

The Administration's fiscal and economic theories

London Letter

Financing Industry

(From Our London Correspondent)

LONDON, Jan. 24, 1945 (By Air Mail). THE published figures of profits of the 'Big Five' London Clearing Banks confirm our forecast, made

in the meantime have headed for two more tests in the Senate. The first will come on the consideration of the President's appointment of Mr. Aubrey Williams to be the Rural Electrification Administrator. Mr. Williams is identified with Mr. Wallace's philosophies and a move to defeat his confirmation also is under way among the same coalitionists who narrowly missed having Mr. Wallace rejected. The second test comes when the Senate considers a legislation by Senator Murray which establishes it as Government policy to guarantee job to everyone who wants one. Each year the national budget would be drawn up to show the capabilities of private enterprise in employment and the difference between that figure and the national goal. It would be made up by Federal Works projects. This legislation is bound to provoke outbursts from the business community and the Conservatives in Congress since they are already arguing that President Roosevelt and his followers could justify enormous federal expenditures merely by declaring less than the specified number of persons that are to be employed by private enterprise in the United States. The argument which seems to be taken well is that jobs are not natural occurrences but the result of correct conditions—conditions which induce a large volume of production. Among these conditions would be an expanded export and import trade. President Roosevelt's proposals for accomplishing this are not yet being given much attention by Congress and it is too early to predict how they will be met. The first item on the schedule now appears to be the Bretton Woods proposals. Both from the Senate and the House Banking Committee it was reported last week that legislation is now being prepared to effect the U.S.A.'s participation in the International Fund and the Bank.

At the same time last week the U.S. Chamber of Commerce issued a report protesting against currency blocs as they are a detriment to world trade. Inquiries among officials here brought the reply that any currency bloc which grants such preferential treatment to members that it is prejudicial to the interests of non-members will be opposed by the United States. On the other hand, blocs can be beneficial to countries with common financial interests who may want to maintain balances on account, say, in London, and the U.S.A. does not oppose these activities. These quarters argued, moreover, that the acceptance of the Bretton Woods Agreements will rule out some of the most objectionable activities of currency blocs and quoted the example of the sterling area which has made provisions making available dollar exchange. They reiterated their objections to the 'key countries' approach because they claimed that it will almost inevitably result in the creation of two giant blocs, one tied to sterling and the other to the dollar.

a few weeks ago in these columns, that the profits for 1944 had exceeded those of the previous year. The following table shows the net profit and the rate of

dividends for 1941, 1943 and 1944.

	£000	Divi- dend	£000	Divi- dend	£000	Divi- dend
	£	%	£	%	£	%
Barclays	2,910	12	2,841	12	3,335	12
Lloyds	1,274,199	12	1,515,002	12	1,655,400	12
Midland	1,969,288	16	1,984,396	16	2,038,274	16
Nat. Provincial	1,057,783	15	1,256,395	15	1,270,670	15
Westminster	1,189,686	18	1,347,815	18	1,366,907	18

Although none of the five banks has reached the 1929 net profit figures, gross-profit has exceeded the 1929 mark for all banks in 1943. The difference between gross and net profits has increased due to the increased rates of taxation. The two following tables (*Financial News Index*) show the approximate trend.

Estimated Profits before National Defence and Income Tax.

	£000	£000	£000	£000
	1929	1941	1943	1944
Barclays	2,910	2,841	3,335	3,523
Lloyds	3,180	2,675	3,189	3,485
Midland	3,330	4,135	4,177	4,291
Nat. Provincial	3,310	2,222	2,645	2,675
Westminster	2,700	2,499	2,837	2,878

(Index: 1929 = 100)

	1929	1941	1943	1944
Barclays	100	97.5	115.1	121.1
Lloyds	100	84.2	100.3	109.6
Midland	100	124.2	125.4	128.9
Nat. Provincial	100	66.2	114.5	115.8
Westminster	100	92.5	105.1	106.6
'Big Five'-Average	100	89.6	112.2	116.3

These are, of course, estimates—based on the published net profits with approximate estimated additions of National Defence and Income Tax added. Though the figures are therefore inexact, the trend shown can be taken to be approximately true.

An announcement has been made by Government quarters that two new institutions are to be created which will have as their purpose the provision of medium and long-term capital for industry and trade. Though the Government had a hand in these new creations, they will not be responsible for their working. The Banks, Insurance Companies, and the Bank of England had been consulted by the Treasury and the scheme evidently is an 'agreed' one.

The larger institution of the two, the *Finance Corporation for Industry, Ltd.*, will have a capital of £25,000,000 and borrowing power to the extent of four times its capital. Its purpose is to facilitate the financing of industrial reconstruction, that is, the financing of modernization, replacement of plant, etc. The second institution, having the same purpose with reference to the smaller undertakings, will be named the *Industrial and Commercial Finance Corporation, Ltd.* It will have a capital of £15,000,000 with a borrowing power of twice that amount. The *Bankers Industrial Development Company*, which was an off-spring of the depression and never was a great success, will in due course be superseded and wound up.

Both corporations are to be registered as limited companies. The *Finance Corporation for Industry* will be created by the Bank of England, Insurance, and Trust companies, while the capital for the other corporation will be subscribed for by the banks. Both corporations will be conducted as ordinary commercial undertakings and the Government has no direct

interest or responsibility in them. The sponsors of the larger corporation have, however, agreed to keep the appropriate Government Departments informed "of the nature and extent of all major developments being considered by the company." This company will also have the assistance of a special industrial advisory panel. Answering a question in the House of Commons on the matter the Chancellor of the Exchequer said that he understood that both capital and labour would be represented on that panel.

So far, the Press has not had much to say about this departure from orthodox methods of financing except giving full explanations about it. On the whole, no doubt the development is welcomed. The *Financial News*, however, questions the need and necessity for the smaller company. Since this is merely a "Bankers" institution, owned by them, and the directors of which, one may expect will be merely the delegates from the various boards of directors of the individual banks, the banks might just as well have conducted the same sort of business themselves individually as, in fact, they already do to some small extent. The one advantage may be is that the Board of Directors will probably be selected so as to make it a board of specialists. There is, perhaps, another point in the minds of its sponsors. Whilst the banks will be responsible for the capital, they are not necessarily putting up the money for the debentures to be issued. These debentures will, no doubt, be easily marketable and may be taken up to a large extent by smaller investment institutions and by private investors. On the other hand, compared with the resources of the banks as a whole, the total resources of this company will be rather trifling. Experience may of course be such that the new company will be found to be superfluous; or, it may be a great success, in which case capital and borrowing powers can be brought in line with its needs.

There can be no doubt, however, that the creation of the larger company, the *Finance Corporation for Industry Ltd.*, is a wise and progressive step. It is, in fact, from every point of view, an advance on the Continental banking system where ordinary deposit banking is combined with industrial financing. One has to remember that, though about one-third of the deposits in British Banks are, what are called, 'time deposits,' most of these can be drawn out after giving seven days notice. And although there is hardly any danger of a 'run on deposits,' nonetheless, to invest large parts of their funds in non-marketable industrial loans does present a certain danger to British banks. It is quite another thing to buy debentures of a financial institution, such as the new *Finance Corporation*, which could be liquidated easily and quickly in case of need. Here again, should experience warrant expansion, capital and borrowing power could be accordingly increased and the debentures of the corporation may in due course percolate down to the private investor. Since these debentures will be, no doubt, of varying maturity terms, the character of debenture and loan-investments by the institution are more in line.

It is, perhaps, interesting to note that, though Swiss Banks combine ordinary deposit and commercial banking with industrial financing, they do the latter not by way of deposits but by means of debentures of from three to five years maturity with automatic prolongation after maturity, unless either the bank or the debenture-holder gives six months notice of intended redemption or (in case of the debenture holder) demand of repayment.

A DELHI DIARY

THE Budget session of the Assembly opened on Thursday in a somewhat different atmosphere. The presence of the Congress Party, determined to pull its weight, has, so to say, brought life to a lifeless body. It is no more possible for the Treasury Bench to have its own way in the House or be indifferent to its proceedings. The Government Members are aware, as one could see from the first day's proceedings themselves that the eyes of the whole country are at the moment centered on the House. It is not pleasant for any Government to be constantly censured to be defeated in division after division, to have their Budget thrown out—in a word, to make a public exhibition of their unrepresentative character. Yet, that is the prospect facing the Treasury Bench. If it has at least the effect of persuading the Government to be more responsive to non-official wishes, that would be something to be thankful for. But today's proceedings did not show that the Government Members have any desire to change their attitude to the House. Added to this, the talks current in New Delhi about the Wavell-Desai talks—though it is too early to predict their outcome—have also helped to enliven the atmosphere. All parties in the Assembly are tired and disgusted with the Government's handling of vital problems and feel that if the present state of things is to continue, there can be nothing but disaster or the country. The only hope lies in setting up a National Government. And it is realized that the present talks offer probably the last chance to the Government to effect a settlement.

Quite a number of vital problems came up before the Assembly on the first day itself. On the important question of the future of air navigation and air traffic in India, the Posts and Air Secretary, Sir Gurunath Bewoor, made a long statement, but despite several attempts to draw him out, he only repeated that the question whether it should be the exclusive concern of the State or be handed over to private enterprise is still under the consideration of the Government of India. Are these question of such large economic importance to the country to be left to the sweet will and pleasure of a Government which admittedly has been under Whitehall's dictation? Mr Manu Subedar demanded an assurance on the point as to whether there will be any scope at all for private enterprise, but the Government were in no mood to give a straight answer. Nor was Sir Gurunath able to say when the Government's decision would be announced. If private enterprise is to be given a chance—as is being done in other countries—Indian industrialists should be given sufficient time to make the extensive and complicated arrangements necessary for such large undertakings. Delay will only add to their difficulties, but the Government seem to be taking their own time to decide even these important questions of policy.

The War Transport Member Sir Edward Benthall, disclosed at some length the Government's plans for locomotive manufacture—a subject on which there were several questions. It would appear that negotiations have been "almost completed" with regard to the manufacture of locomotive boilers as a war measure and complete locomotives in the postwar period though the contract has not yet been signed. The Tatas with whom negotiations have been proceeding are to take over the E.I.R. workshops at Singhbhum from April this year for the construction of boilers. Plans are also being prepared for locomotive manufacture after the war at Kanchrapara. Since the war began about 19 light broad gauge locomotives have been manufactured at Ajmer and 12 more are expected to be ready soon. In another statement placed on the table

of the House, Sir Edward gave a list of the various types of wagons and locomotives ordered during the last three years. About 10,000 indigenous wagons and 32,000 imported wagons have either been received or are expected. The number of locomotives on order are nearly 1,350—broad gauge and metre gauge. These figures give some idea of existing railway requirements, but with further Railway development, more stock will be necessary.

Opposition members were naturally anxious to know on what scale the Government are preparing their manufacture plans. Is it their intention to make this country self-supporting and do away with the need for imports altogether? And secondly, is there not a danger that if large orders are placed now with foreign manufacturers, it may be used as an excuse for limiting indigenous production after the war? On both these points assurances were asked of the War Transport Member, but his answers were somewhat vague. He admitted, however, that a certain number of passenger engines may have to be imported hereafter in order to make up such deficiency as may be felt. The need or watchfulness is obvious, or if proper safeguards are not adopted now, the future of the locomotive industry may be greatly jeopardised.

Four official Bills were introduced in the Assembly on the opening day. The Indian Companies Act is being amended so as to make it clear that there is nothing to preclude the withdrawal by an employee, in accordance with the rules of the Provident Fund, of money standing to his credit therein. Another small Bill seeks to amend the Tea Control Act. The statement of objects and reasons explains: "The provisos to clauses (a) and (b) of paragraph 1 of the schedule to the Indian Tea Control Act of 1938 as they are worded at present provide that 'any young area' or 'low producing area' in respect of which an allowance has been included in the cardinal crop basis (i.e. the highest crop basis assigned in anyone of the years 1940-41 to 1942-43) of the estate shall be excluded in computing allowances to be added to it. These provisions are defective inasmuch as they exclude 'young area' or 'low producing area' in respect of which allowances have been made in determining the cardinal crop basis from receiving any further benefit even if ordinarily admissible." The amending Bill rectifies this defect. The Commerce Member's Bill to amend the Indian Patents and Designs Act is intended to protect an inventor against the risks arising from the disclosure of his invention to others at an unprotected stage. The new Bill confers on the applicant an option to file with his application a 'provisional' specification merely describing the nature of the invention and later within a specified period to follow it up with the complete specification describing both the nature of the invention and the manner of utilising the same. The last Bill, amending the Indian Merchandise Marks Act, proposes that cotton crochet and handcraft thread should be included within the scope of Section 12 of the Act (requiring to be marked with the weight of the thread in the unit, the grist number and certain other particulars.) Secondly it is proposed to amend the Act so as to provide generally for the marking of cotton thread with the required particulars subject to powers to exclude cotton thread manufactured in premises deservng to be exempted, but by another amendment the expression 'grist number' is being deleted and instead cotton thread is required to be marked with such descriptions as may be specified in the rules to denote its basic count or thickness.

ARGUS.

MONEY MARKET

Fair Demand for Funds—Weakness in Gilt-edged—Fall in Share Values

(From Our Correspondent)

BOMBAY, Feb. 4, 1945.

BUSINESS demand for funds has been fair sized, although it has not materially affected the money rates. There is still a certain amount of idle funds. Unlike in the first three weeks of January, withdrawal of deposits from banks has practically ceased. There has been, on the other hand, a revival of the upward trend in deposits. This has been neutralizing, to some extent, the effects of continued demand for bank accommodation on money rates. Inter-bank call money rate is back again at $\frac{1}{4}$ per cent. Three months and six months deposits are finding a ready response among banks, which, however, are prepared to pay no more than $\frac{3}{4}$ per cent. and 1 per cent., respectively, for these deposits. Besides the revival of the upward trend in deposits with banks, the reduction in the Treasury Bills offtake by the Central Government is yet another factor which is responsible for the continued easy money rates in the short-term section. For the past six or seven weeks, the Treasury Bill maturities have been exceeding the intake at the rate of Rs. 4 crores a week on an average. During the week under review, the tender limit was reduced to Rs. 4 crores, although the maturities have continued to be at Rs. 6 crores. Despite this reduction—or is it because of the reduction?—the offerings have been sharply lower, being no more than Rs. 4.01 crores as against Rs. 5.55 crores in the previous week. This is a clear indication that the surplus funds at the disposal of the banks are rapidly getting dried up and that, if things were to continue at this pace, the short-term money rates are sure to harden once again in the near future. The Reserve Bank of India seems to be making determined efforts to keep the Treasury Bill rate at Re. 0-9-0 per cent. per annum by rejecting all higher tenders. As a result this week the Bank was able to get only Rs. 3.87 crores, as against the invitation of Rs. 4 crores. Yet another indication of the Bank's desire to prevent any hardening of the short-term money rates is the further reduction in the Central Government's Treasury Bills tenders to Rs. 2 crores for the coming week.

Gilt-edged

In sympathy with the share market where prices experienced a sharp fall, the gilt-edged section was distinctly weak, despite the spasmodic purchases made by the Reserve Bank. Sellers were predominant. The decline in values was all round, but the worst to suffer were $3\frac{1}{2}$ per cent. G.P. Notes and 3 per cent. Victory Loan. Owing to continuous offerings, the former declined from Rs. 99.13 to Rs. 99.5 and the latter from Rs. 99.10 to Rs. 99.4. While the selling pressure in 3 per cent. Victory Loan was due to reselling by unwilling purchasers during the savings fortnight, such pressure in $3\frac{1}{2}$ per cent. G.P. Notes was the chief result of distressed selling by operators who fared very badly in equities this week. Quite a good number of operators had to resort to outright sales of their holdings of G. P. Notes in order to pay their losses in shares as advances from Banks were not freely forthcoming except at high rates of interest.

As already mentioned, there was some spasmodic buying by the Reserve Bank of India. But this, it is said, was not made with the specific object of propping

up a declining market, but only to fill gaps in the investment portfolio of the Bank. A part of the Bank's purchases, it is also stated, represented investments by Provincial Governments which have accumulated large cash surpluses. The Bank purchased only a few selected loans such as the Victory, the 1944-55 Tax-free and 1946 Bonds. The market badly lacked the support of the institutional investors, many of whom preferred to adopt a wait and watch policy in anticipation of further fall in prices.

Bullion

The Bullion Market was highly erratic; following the dramatic break through by the Russian forces into Germany both gold and silver suffered a precipitous fall in value, but later in the week there was a considerable recovery consequent upon bear covering in the face of renewed activities of the bull syndicate, and a sudden revival of up-country demand, particularly for the yellow metal at the lower rates. The continued Russian advance into Germany, however, had a sobering effect at the close. Between the two precious metals, the fluctuations in gold were very wide and too frequent. After opening in the neighbourhood of Rs. 69.8, gold for one week delivery rapidly dropped to Rs. 63.4 on Tuesday, but gradually improved to reach again Rs. 69.2 by Friday. On the last day of the week, however, slightly quieter conditions prevailed, and gold closed at Rs. 68.6 after being as low as Rs. 67.12 earlier in the day. Thanks to the increase in the offtake of gold, the premium for ready delivery widened from almost nothing to as much as 8 as. towards the close. The Reserve Bank continued to sell gold every day at the rate of about 12,000 tolas; the rate obtained by it varying widely between Rs. 64 and Rs. 68.13 per tola.

Silver for one week delivery which was quoted at Rs. 126-8 towards the close of last week, touched a low of Rs. 117-8 early in the week, but improved to Rs. 123 on Friday, owing to syndicate's buying and in sympathy with gold. On Saturday, however, the rate declined to Rs. 121-6, but closed a shade better at Rs. 122. Ready silver commanded a small premium of As. 3 in the first half of the week which later widened to As. 8 towards the close. Sales by the Reserve Bank continued to be at 300 bars per day, but the rate fluctuated in sympathy with the market from Rs. 120-4 to Rs. 125-14.

Floating stocks in the bullion market are estimated at 1,00,000 tolas of gold and 2,000 bars of silver. The daily offtake is estimated at 50,000 tolas of the former and about 200 bars of the latter.

Stock Exchange

The war news precipitated selling in shares by tired bulls, and encouraged heavy short sales. Buying fervour was entirely absent, with investors preferring to adopt a "wait-and-watch" attitude. The result was an all round marked fall in prices, speculative shares, as usual, suffering most. In the steel section, *Tata Defereds* lost about Rs. 100 and in the textiles *Bombay Dyeings* about Rs. 70. But, towards the close, there was a change for the better. Bear covering imparted some strength to the speculative scrips, while some

selective buying by discreet investors toned up good investment scrips like *A.C.C.* and *Tata Power*. *Tata Deferreds*, which were quoted around Rs. 2,163 at the opening, declined to Rs. 2,060 on Tuesday, but recovered to Rs. 2,143-12 at the close. *Ordinaries*, likewise, after losing about 16 points to Rs. 391-4, closed fairly steady at Rs. 405-8. *Bombay Dyeings* were offered at Rs. 1,751-4, *Centuries* at Rs. 875 and *Central Indias* at Rs. 379, but, at the close of the week, prices in most cases had almost surpassed their pre-decline levels, *Bombay Dyeings* closing at Rs. 1,820, *Centuries* at Rs. 910 and *Central Indias* at Rs. 397-8. *Kohinoors* found sellers at Rs. 575, as against the opening level of Rs. 605, whilst *New Greats* declined from Rs. 394 to Rs. 378 on Tuesday, but both closed steadier at Rs. 610 and Rs. 393, respectively. *Swadeshis* lost ground from Rs. 541 to Rs. 525 mid-week, but improved at the end to Rs. 546. In the hydro-electric group of shares, prices remained comparatively stable, except *Tata Powers*, which after declining to Rs. 1,865 mid-week, recovered again to Rs. 1,890 at the finish. *Andhra*

Share Values due to Postwar Outlook and Satisfactory Company Reports: Coal Supply Difficulties Persisting in Jute Industry.

(From Our Correspondent)

CALCUTTA, Feb. 5, 1945.

EARLY in the week there was a rather sharp decline in prices on heavy bear selling and nervousness regarding the state of the market when hostilities cease. The lowest levels for the period under report were touched on Tuesday morning. All the leaders were affected, even gilt-edged. The popular shares registered a drop of two to three points, *Indian Irons* being noted as low as Rs. 37-4, *Steel Corporations* Rs. 30-4, *Howrah* Rs. 80-11 and *Burrakurs* Rs. 39-15. These low levels indicated a drop of over three points in certain cases from the prices ruling three days previously. After Tuesday evening, the behaviour of the market has been different, and a good portion of the lost ground has been regained. *Indian Irons* are now quoting Rs. 38-12, *Steel Corporations* Rs. 31-4 and *Howrah* Rs. 82-12. *Burrakurs* changed hands at Rs. 41-12. With the successful progress of war, the downward trend might continue for sometime, but the emergence of buying at the lower levels and the absence of panic on the part of holders has confirmed the expectations that the end of the war in the West might not result in a slump in prices, such as was witnessed after the last war. The weight of surplus funds seeking investment, and the hopes of large-scale industrial development will, it is believed, prevent any deterioration in prices for equities. In the gilt-edged section, $3\frac{1}{2}$ per cent. Paper has been sold as low as to Rs. 99-4. Terminable loans also have been on offer and the Reserve Bank is reported to have purchased large quantities of 3 per cent. 1957, 5 per cent. 1945-55 and 3 per cent. 1963-65. The conditions in the money market are not quite favourable to firmer gilt-edged prices. Yet, it is rather surprising to note that there is some speculation regarding a new loan flotation. The reductions in the Treasury Bills to Rs. 2 crores per week have given rise to the feeling that the authorities are preparing the market for a new loan.

Coal shares have recovered in the latter half of the week. The reference by the Chairman of the Bengal Coal Company Limited at the half-yearly general meeting last week to the possibility of a large increase in raisings with the arrival of cutting machinery from abroad has had an encouraging effect on the market. The Supply Member's speech at Madras is

considered encouraging. The revision of basic prices with effect from this month is expected to benefit the collieries mining better grades of coal. The feature of this section is the rise in prices for *Central Kurkend* even with the drop in quotations for other counters. There is a rise in the quotation to Rs. 33 from Rs. 31-12. *Bengal* were Rs. 682 ex-dividend while *Burrakur*, as mentioned above, have recovered to Rs. 44-12 from Rs. 40. *Bokaro* and *Ramgur* were not very much affected being quoted Rs. 46-8, *Nazira* were steady at Rs. 20-4. *South Karanpura* fluctuated wildly. There was a drop to Rs. 26-8 but the quotation is now Rs. 28.

Cotton shares were uninteresting with *Dunbar* at Rs. 302 and *Cawnpore Textiles* at Rs. 12-14. *Elgin* recovered from Rs. 63-12 to Rs. 65.

Jute shares were weaker in sympathy with the Coal section earlier in the week, but a similar recovery has been in evidence. The recovery is due to expectations of better prospects after the war, with ceasing of the difficulty in respect of coal supplies. *Anglo-India* were Rs. 455 against the low level of Rs. 448. *Nuddea* closed at Rs. 128 after being lower at Rs. 121. *Presidency* were popular and on good buying registered a rise from Rs. 10-11 to Rs. 11-13. *Rameshwara* were very steady at Rs. 20-8.

Engineering shares were not very much affected with the exception of *Indian Irons and Steel Corporations*. Even these shares are now only one point lower on balance. *Burn & Co.*, were very steady at Rs. 400 while *Jessop* were quiet at Rs. 24. There are good buyers for *Indian Irons* at the lower levels.

Somewhat there is a feeling that the sugar mills will not be unfavourably affected, and that with the erection of distilleries in the post-war period their earning capacity will improve considerably. There was a slight decline in prices, *Balrampur* being quoted Rs. 17-4 and *Belsun* Rs. 15-4. *New Savan*, on the other hand, were very firm on special buying at Rs. 29. The accounts of the *Cawnpore Sugar Company Limited* for the year October, 1944, makes good reading, if the difficult conditions in the last season are taken into consideration. But for the slightly lower recovery it would have been possible to report higher earnings. There was also an increase in working expenses. The

net profit is thus Rs. 14.66 lakhs against Rs. 18.88 lakhs. The larger compulsory deposit has resulted in a reduction in the dividend to Rs. 1-8 per share from Rs. 2-8 per share but share-holders have not been affected as a jubilee bonus of Re. 1 per share was paid during the year to share-holders out of reserves.

Tea shares were inclined to be steady in the early part of the week, but with drying up of investment buying quotations are lower.

In the Miscellaneous section Burma shares were better with *Consolidated Tin* at Rs. 3-6 and *B. B. Petrols* at Rs. 5-13. *Burma Corporation* were steady at Rs. 5-4. Business was resumed in *Calcutta Trams* on Monday last, all outstanding transactions having being squared up at Rs. 48. But even with the adjustment of transactions prices are rather high at Rs. 50. There is scarcity of scrip. Early in the week the quotation was as high as Rs. 54. Paper shares were quiet with *India Paper Pulp* at Rs. 220. The dividend for the last half-year has been maintained at Rs. 6 per share in spite of the smaller earnings.

The jute market is quiet with a small amount of business passing. Mills are not taking any interest in the market as there is no improvement in the coal situation. Sellers in their anxiety to do business have offered a discount of four annas, but mills have not been attracted. If it were possible to offer a bigger discount sellers would have induced mills but mofussil markets are very firm with arrivals still small. Even with the weakness in Calcutta there is no anxiety to liquidate holdings.

In loose jute *Supervised Jat Middles* and *Bottoms* were done at Rs. 15-12 and Rs. 12-12 per maund, with European packing *Middles* and *Bottoms* at Rs. 16-4 and Rs. 13-4 per maund.

In the pucca bales section Export business has been negligible. Mills are not interested in higher grades quotations being nominally at minimum rates. Small business has again been reported in *Rejections* and *Cuttings* at previous rates.

In the jute manufactures market firm conditions continue to prevail with good buyers for all positions upto the end of the year. Mills are not anxious to take up fresh business for hessians except in combination with heavy goods for near positions. Quotations are nominally at maximum rates, but it is said that in the black market a premium is obtainable for ready deliveries.

In the heavy goods section also better conditions are noticeable the receipt of new orders and the interruptions to production having a steadying effect. There is no great enthusiasm over the new orders as the relief to particular mills is not great and there are production difficulties in respect of particular varieties especially with regard to the order of $1\frac{1}{2}$ crores yards of Canvas, group C. 39 inches 19 oz.

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THE BUSINESS WORLD

TECHNICAL EDUCATION IN INDIA

IT has been a long-standing complaint against the educational system prevailing in India that it lays too much emphasis on the literacy and the academic aspect and has been thoroughly out of touch with the practical problems that arise in the ordinary life of the population. Thus in 1931-32 out of the total expenditure on education of Rs. 27,18,56,662, only Rs. 81,38,162 were spent on professional colleges. Training schools for teachers and other special schools involved an expenditure of Rs. 55,94,808 and Rs. 1,30,00,365 only. In 1936-37 all these types of institutions suffered. The expenditure on special schools fell by Rs. 3½ lakhs, the professional colleges suffered a similar cut in expenditure. And despite the insufficiency of facilities for training teachers, expenditure on these institutions fell by Rs. 41¼ lakhs, while there was an increase of over Rs. 41¼ lakhs in the expenditure on Arts colleges. In this atmosphere of indifference towards technical education, training in the higher branches of engineering suffered greatly. Of this neglect "an idea may be formed from the fact that, in the two chief Government engineering colleges in Madras and Poona, admissions to the mechanical engineering courses are restricted to about 25 students, and this for a population aggregating not far short of 70 millions." In 1932 total enrolment in the engineering colleges in British India, excluding Burma, was only 2,120. In 1937 there was a small increase and some 70 students more got the benefit of such training. But "mainly due to financial depression" an economy measure reduced the expenditure on these colleges from Rs. 14,78,513 in 1932 to Rs. 13,78,331 in 1937. Another example of the inadequacy of such provision may be had from the numbers of successful candidates in the certificate and diploma examinations of the Indian School of Mines, Dhanbad. Between 1932-36 forty-three students secured a diploma in Mining Engineering, 38 secured a certificate in Coal Mining. Only ten students secured a certificate in Coal Mining, 13 in Geology and 12 obtained a diploma in Geology.

The gradual overcrowding in the Government services, for long the main, if not the only field of employment open to our educated classes seems, early enough, to have brought to notice the need to extend educational and industrial opportunities. As in many other cases so in education, Government permitted a big gap to exist between the recognition of the need and the taking of practical steps to meet the need. In 1880 they issued a resolution on the subject calling upon the Provincial Governments to take action in the matter. But nothing practical came out of it. Government, however, instituted a number of technical scholarships to enable Indians to go to Europe and America. The system, however, had certain drawbacks which limited very much the practical utility of the scholarships. Selection of unsuitable candidates was common and Indian students experienced difficulties abroad in getting real practical knowledge in regard to the technique and organization of industries. Thanks to the snail-paced economic and industrial development of the country, even these few scholars, when they returned from abroad, were not assured of a suitable employment. The subject again received detailed attention at the hands of the Industrial Commission (1916-18). The Commission made a number of valuable recom-

mendations which, among others, included the provision of industrial or craft schools for the benefit of the cottage industries. It also recommended that provision be made for the training of men for the organized industries which included both the manipulative industries, such as mechanical engineering, and the non-manipulative or the operative, such as the manufacture of chemicals. Foremen were to be trained in the works themselves, and theoretical classes were to be attached to the factories. For the operative industries technological schools were recommended to be opened and practical experience was to be imparted in the factories. In addition to the existing provincial institutions, the Commission recommended the establishment of "two Imperial colleges, one for the highest grade teaching of engineering, and the other for metallurgy and mineral technology." Most of these recommendations were never acted upon. Nor did technical education fare any better, under provincial management, when in 1919 education came to be a provincial transferred subject. The Bombay Government, in 1921, appointed a committee on technical and industrial education. The majority recommended the establishment of "apprentice schools attached to large workshops and factories" to be able to train about 600 students. Even this halting and half-hearted measure could not be worked by the Provincial Governments.

Thus an urgent need of our economic life, despite the general recognition of its existence, remained almost entirely unsatisfied and lack of technically trained personnel imposed a heavy drag on our industries. Foreign technicians had to be imported at a high cost involving the country in heavy expenditure on their return and repatriation. But this is a need which can no longer be postponed if our expectations about the country's industrialization are not to end in frustration. The present war has in this connection rendered a great service to the country, for it has served pointedly to underline the very narrow margin on which we live, thus making it abundantly clear that without an all-round economic development the country's future is indeed bleak. At the same time one of the serious limiting factors of our industrial growth has been sharply emphasized and to some extent made good. The technical training scheme launched on January 1, 1941, provided the country with about 83,591 technicians by November 1944. The Bevin training scheme has provided a few hundred trained men. Thus the country has come to possess a large number of technicians "never heard of before." But these trainees may not fully meet the needs of civil industry. It is welcome news that the need is recognized for adjusting the training given to them to make them useful for civilian industry also. But there is not much reason for self-congratulation at the numbers trained during war-time. In under three years the various training organizations in the U.S.S.R. turned out about 1½ million capable men who have done enormously satisfactorily in the various branches of production to which they were sent. Our war-time training, moreover, has suffered to a greater extent from the defect of a lack of contact with the educational system which, the Hartog Committee pointed out, renders such training as is given "largely infructuous."

But there seems to prevail, higher up, the same indifference towards the imparting of technical education in India on a comprehensive scale that would adequately meet the country's needs. So far, beyond a general emphasis and the recommendations of Mr. Abbott nothing seems to have been definitely decided. Certainly no practical steps in this direction have either been taken or are contemplated for the near future. In this connection we can and must indeed take a leaf out of Russia's history of economic development. In the first five-year plan, the Russians made provision for only 100,000 specialists possessing university education equipped with the knowledge of technique in all constructional work. But they soon realized that dependence on foreign technical talent was not very safe or profitable. Accordingly, "in their second Five-Year Plan provision was made for 200,000 specialists possessing university education and 420,000 specialists from the middle technical schools for the service of industry, transportation and rural economy." In India, in view of the immense size of our country and her population it is on no less gigantic scale that we shall have to make provision for technical training; for as the Labour Member has pointed out, 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." In this context even the scheme for sending 500 students over-seas recently announced by the Planning Member for training in Agricultural subjects (including animal husbandry), Educational Science and Practice, Mechanical, Civil, Electrical, Chemical and Aeronautical Engineering, Geology and Metallurgy and a number of other subjects, comprehensive in its scope as it is, loses some of its value when we remember that the numbers that can be so trained abroad must of necessity be small in relation to our need.

"No country can initiate and carry on industries on a large scale, unless it has an adequate supply of men specially trained for the direction and management of large industrial concerns as well as of others qualified for the minor but very important supervisory posts in them." Indeed it is difficult to over-emphasize the importance of technical training for this country and as Prof. Hill has urged nothing short of a 'mass training of technicians will serve adequately the country's purpose. And as the Sargent report has rightly pointed out 'the development of technical instruction as an integral part of a national system must have a two-fold character. It must both form a link between education and industry and it must at the same time receive quite separate consideration as a form of mental training which is especially suited to certain types of intelligence, irrespective of their future occupation.' The country needs a network of polytechnical institutions alongside of an adequate number of central institutes fully equipped for imparting education in the higher and more advanced branches on the model and of the status of the Massachusetts Institute of Technology. Provision should also be made for the training of artisans to enable the cottage industries to be better

staffed. Institutions for the provision of part-time education should also be established; for 'part-time day classes, or the Sandwich system, which is an extension of the same idea...constitute a factor of great importance in any modern scheme for technical education.' They would be of peculiar value to India as a corrective to the over-academic character of too many technical courses in the country which have not been linked 'closely enough with the actual conditions obtaining in works and factories.' In short the foundation of a real partnership between industry and education must be laid now at the earliest possible moment "to increase the supply of skilled craftsmen and competent executives, to convert abundant raw materials to the service of the country...and above all to check the flow of potentially creative intelligence through academic channels into the slough of unemployment." It is obviously impossible to determine now the actual number of technicians that would be required in the different industries in the post-war period. But the Planning Department of the Government of India should be capable of determining what types of technical talent would be required in the immediate post-war years. At least there is no difficulty in prescribing the categories themselves and it should not be difficult to make provision for these. The only move that has so far been taken by the Government of India is that they have addressed the Provincial Governments in regard to the setting up at the earliest possible date of an All-India Council for Technical Education, recommended by the Advisory Board of Education. This is to be, in the first instance, a purely advisory body and it will be entrusted with the task of surveying the requirements of the whole of India for developments in higher technical education. We hope that the Provincial Governments will rise to the occasion and do their part with energy and speed and that soon an elaborate and comprehensive scheme for technical training will get going. Our universities too, which have so far failed to recognize that one of the main objects of education is to train the recipient for the battle of life should remodel their educational policies and practices and help industry with the services of a fair number of the best brains in the country. It is instructive to note in this connection that in the U.S.A. "universities play an essential part not only in carrying on scientific research on a great scale but in providing the large numbers of scientists and technicians required for the immense scale of industrial research and development." Industrial research in the post-war period is one of the essentials for our industrial growth. Some of the Indian universities have taken an interest in the problem but the work requires to be increased in volume and improved in quality. Not a little responsibility rests on the shoulders of industrialists and the moneyed classes to help in the multiplication and growth of such facilities as so much in other countries owes its origin to individual philanthropy; a praise-worthy example in this country is the proposed Institute of Technology in Madras. All agencies, official as well as non-official, should work together supplementing one another's efforts till the country no longer suffers from a dearth of technically trained personnel which just now is so acute.

NOTES

INDUSTRIALISTS VISIT TO AUSTRALIA

A recent Press Note has announced the personnel of the party of industrialists, who would visit Australia early this month to establish contacts with industrialists of that country and obtain first-hand knowledge of the Australian economy. On a previous occa-

sion, we suggested certain lines of enquiry which the mission can fruitfully undertake in the direction of fostering commercial relations between the two countries, economically so complementary and geographically so well-placed for purposes of mutual exchange of goods and services. In particular, we urged that the Mission should study the extent to which Australia

lian capital goods industries can meet our post-war needs and the inclusion of prominent industrialists in the party may be taken as an indication that sufficient attention will be paid to this problem. Again, in view of the importance of our export trade in textiles with Australia, it is good that the party includes leaders of that industry, such as Messrs. Neville N. Wadia and Ramratan Gupta. Although the delegation is an unofficial one and its visit to Australia is in the nature of a study tour and a goodwill mission, it can still achieve certain concrete results, e.g., it may well try to persuade the Australian Government to abolish discriminating tariff rates against Indian goods as compared with British goods, or to acquaint the Australian business community with the high standard of a wide range of consumer goods produced by our industries, organized as well as unorganized, cottage as well as large-scale. Sir Datar Singh, one of the members of the party, would no doubt make a thorough study of the techniques of live-stock raising, grass-land management and dairying as practised in Australia and New Zealand; the lessons he would draw should be invaluable when we come to make our plans for cattle development. Sir Datar would also do well to find out whether and how far these two dominions would be of assistance in supplying this country with live-stock products, particularly frozen meat for the Defence Services and processed milk to relieve the serious shortage in this country. The tour is a short one of six weeks, but we have it on the authority of the High Commissioner for Australia (Lieutenant-General Sir Iven Mackay) that the itinerary is so drawn up as to enable the party to see a great deal of Australian life and industrial and commercial developments in that country.

CHEAP AUSTRALIAN STEEL

One important fact which the visiting Indian industrial delegation to Australia may bear in mind is that Australia has been able to produce steel at a lower cost than the rest of the world because of efficient plant, high grade ore and other advantages. In Britain, structural steel ore costs £14.3 sterling a ton, whereas steel delivered in Australia costs £13 a ton, i.e., equal to £10.8 in sterling currency. In other words, British steel costs 36 per cent. more than Australian. The Australian figure of £13 refers to ordinary mild carbon steel, used for structural purposes and forms the bulk of the output. This low cost is common to many other Australian commodities also because prices have risen least in Australia during the war. In negotiating imports of capital goods, Australia's low cost must be an advantage, if other things are equal.

BACKING OUT?

Notwithstanding Sir Akbar Hydari's categorical assurance to the contrary, the Government appear to be persisting in the policy of importing consumer goods without adequately exploring possibilities of domestic production. If, as reported, arrangement has been made by them to import 50,000 tons of steel per month, 50,000 tons of cement and long cloth from the U.S.A. of the value of \$50,000, and also long cloth from the U.S.A. of the value of \$50,000, it can only be interpreted as going back on their assurance. The gravamen of the charge against the Government's import policy has always been that precious shipping space and scarce currency, which, if allocated to essential plant and material, would strengthen the national economy, have been wasted on consumer goods. We do not know whether the steel imports are of the kind which cannot be made at home, but would help production in the

iron and steel industry. But the import of long cloth from U.S. has not a shred of justification; nor that of cement, with a domestic industry with a monthly productive capacity of 2,25,000 tons, which now produces only about 1,60,000 tons for want of coal. We fear imports will not be confined to these commodities only. The Government of India are conferring with the representatives of the Federation of Indian Chambers of Commerce and Industry on February 12, to discuss the question of import policy. This consultation should have taken place before the Hydari Mission actually left and the representatives of trade and industry should have been given full information on the scope of the Mission. Even now it is not too late. Government should take the public into confidence and state precisely what commodities and what quantities of them are going to be arranged for by the Hydari Mission.

GOVERNMENT AND BICHROMATES

Sodium and potassium bichromates belong to the group of heavy chemicals, which are essential in various industrial processes. Bichromates are used chiefly for dyeing textiles to the khaki shade and in chrome tanning of leather. Before the war, this country used to import all the bichromates it required, which amounted to 900—1,000 tons annually. With the outbreak of the war, the demand for these chemicals rose sharply due to the increased production of khaki textiles and the expansion of the chrome tanning industry to meet the needs of the Defence services. The Supply Department, therefore, made efforts to interest chemical manufacturers to undertake production of bichromates and even gave an assurance that the industry may count upon Government protection and assistance in the post-war period. A certain measure of success attended their efforts and it was estimated that there were 12 plants in operation in 1944, producing about 250 tons monthly. As this output fell short of the industrial demand for these chemicals, some 250 tons more had to be imported monthly. Incidentally, the potential capacity of the plants in this country is placed at some 400 tons per month, but this full capacity has never been realized, because of lack of coal and of transport facilities for sulphuric acid, lime, etc., which are the raw materials required by the industry. Against this background, it is surprising to be told that the Government have recently imported some 2,000 tons of bichromate valued at Rs. 32,00,000 and that consequently some of the indigenous factories have had to close down for want of a market for their output. If this is the kind of treatment that is to be meted out even during war-time to an essential industry that has been assured of post-war protection in recognition of its war services, what faith can the public or the industrialists place in all this loud talk of a Government-engineered industrial expansion after the war? The Supply Department have been notoriously unsympathetic and step-motherly towards a number of essential nascent industries, which it would be tedious to enumerate and it is time that their activities are made subject to the scrutiny of the authorities responsible for planning post-war industrialization.

DOUBTS ABOUT DISPOSALS

During the war a number of factories and manufacturing concerns have been put up by the Government with public funds. The management of some of these factories has been entrusted to private companies, who have contracted to supply war requirements. There is a widespread feeling that these installations may be handed over by the Government after the war to the firms now operating them, in return for nominal prices. In view of the Governments'

past record and present policy in certain cases, it is not easy to discount this possibility altogether and the dangers inherent in the situation are all the graver in view of the fact that certain key units, such as Government plants producing important heavy chemicals, are now being managed by foreign companies, who may well bring into play all their powerful resources to entrench themselves in our industrial economy through the back-door method of disposals. Rai Bahadur Syamnandan Sahaya has done well, therefore, in drawing public attention to this matter in the course of his recent presidential address to the Eighteenth Annual General Meeting of the Bihar Chamber of Commerce. With the end, at least, of the European War in sight, it is the clear duty of the Directorate-General of Disposals of the Government of India to reassure the public by a categorical statement of their major lines of policy.

H.P.P. ORDINANCE UNDER FIRE

In the course of his presidential address to the Thirteenth Annual General Meeting of the Merchants' Chamber of U.P., held on the 3rd February, Mr. Uma Shankar Mehrotra made certain considered criticisms of the administration of the Hoarding and Profiteering Prevention Ordinance, which would commend themselves not only to the business community, but also to the general body of consumers. In the first place, he pointed out that there is no point in fixing prices and setting up a complicated mechanism for policing the merchants, when there are no stocks to distribute. In other words, price control is no substitute for increased production that would make for regular and sufficient supplies of consumer goods. Secondly, Mr. Mehrotra quoted judicial pronouncements to show that

the subordinate personnel of the enforcement machinery do not always act with due circumspection or from motives altogether above suspicion and urged that a great deal of unnecessary harassment of the commercial community would be avoided if prosecutions are sanctioned only after scrutiny of the relevant material by a small committee of officials and non-officials attached to the sanctioning authorities in the principal centres, or in the alternative, to vest the power to sanction prosecutions in an officer of the rank of Deputy Secretary in the Provincial Secretariat.

THE GROWTH OF HARRODS

The origin of Harrods Store, Ltd., the great department stores, may be traced to a small grocery shop, having a frontage of 60 ft., set up in London in 1849, by Henry Charles Harrod to carry on a cash business for an exclusive clientele, with the help of two assistants. Today, Harrods are a giant concern, employing 7,000 people, serving 10 million customers annually, controlling 3 other department stores in London and Manchester and linked with the South American chain of stores. The store and its factories cover 9 acres, with a floor area of 47½ acres. The store includes a quarter of a mile of display windows, over 1 million square feet of trading space and more than 100 selling departments. Eight lifts, always crammed in shopping hours, ply between floors, piloted by attendants who act as talking guide-books to the various departments. In the year before this war, Harrods' fleet of green delivery vans is estimated to have traversed 2½ million miles—or as much as 10 times round the circumference of the earth. Sir Richard Burbidge who joined the founder in 1889 as managing director was, in a special sense, responsible for the progress of Harrods in their difficult pioneering days.

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YODH RAJ

CHAIRMAN AND GENERAL MANAGER

FROM THE PROVINCIAL ANGLE

Bengal Letter

(From Our Correspondents)

CALCUTTA, Feb. 4.

SPECULATIONS are already rife about the forthcoming budget of the Bengal Government which would soon be placed before the Legislature. There is an anticipation that the new budget will contain an important taxation proposal the nature of which, however, remains a closely guarded secret. In its general aspect the new budget is not likely to be much brighter than the famine budgets of the last two years, but official circles appear to think that in regard to specific items the budgetary position will show some improvement. The improvement is reported to be due to the fact that the Central Government have agreed to bear a larger share of the burden of the Provincial Government's expenditure arising directly from the conditions created by the war. There is expectation of improvement in the financial position of the Bengal Government as a result of the imposition of Estate Duty, the necessary authority for the imposition of which will be conferred on the Central Government by the India (Estate Duty) Bill now before the British House of Lords. The proceeds of Agricultural Income-tax and increased revenue from excise are also expected to improve the budgetary position to some extent.

Medical Relief for Bengal

Dr. B. C. Roy explained some aspects of the health problem of Bengal to the members of the All-India Newspaper Editors' Conference which recently met in Calcutta. The work of giving relief on a planned and co-ordinated basis had to be taken up by the Bengal Medical Relief Co-ordination Committee at a time when the whole of Bengal was engulfed by epidemics in the wake of the famine. The Public Health Department could hardly realize the magnitude of the problem. Non-official organizations were eager to help, but they had hardly either a proper grasp of the realities of the situation or the requisite number of volunteers and doctors to carry on relief work. The Co-ordination Committee, however, started work on a well-planned basis and it has already organized 160 medical centres, each manned by a doctor, a compounder, a nurse and some volunteers, in different parts of the province. The average cost per centre was Rs. 700 per month. If the Committee were to continue relief operations on the present scale it would require about Rs. 60,000 per month.

Opposition to Banking Bill

Hundred and one banks working in Calcutta and

Sind Letter

KARACHI, Jan. 31.

The budget session of the Sind Assembly is expected to be convened in the third week of February. Sind's budget prospects are very bright this year. In spite of Sind having wiped off the entire Sukkur Barrage debt by making a lump sum payment of Rs. 4,70,00,000 to the Government of India, a net surplus of four crores is expected to be revealed by the Sind Premier.

The first factor which contributed to this prosperous tide is obviously the high price of agricultural commodities prevailing in the market. A yield of four and a half crores from the sliding scale of land assessment introduced by the Government throughout the

its suburbs have sent a memorandum to the Finance Department, Government of India, strongly opposing the proposed Banking Bill. As a province which consists largely of small banks, there is a tendency here to take a rather alarmist view of the possible consequences that may flow from the passing of the Bill. Provisions of the Bill both as regards capital structure and the percentage of investment in cash and approved and unencumbered securities are subjects of strong criticism. It is apprehended that the latter would lead to a tying up of funds which would affect adversely both the earning capacity of the banks and the interests of trade and industry which get financial accommodation from banks. One section of opinion, however, favours the Bill inasmuch as it is expected to lead to a movement for amalgamation of banks which is considered to be urgently necessary in Bengal.

Anti-Profiteering Measure

It is understood that the Industries and Civil Supplies Department, Government of India, are arranging to open a few fair price shops in Calcutta, where various household needs such as toilet goods, crockery, cutlery, silk, wool, umbrellas, fountain pens, etc., may be available at controlled rates. The list may be enlarged as more commodities become available for distribution. The Government will give all reasonable assistance to maintain a steady supply in these shops which will be run by retailers, but will be open to inspection at all times to Government officials who will examine the books, check sales and stocks. The shops would be run as a model of fair dealing.

Coal Shortage

Calcutta is once again passing through a phase of extreme irregularity in the supply of soft coke required for domestic consumption. Sometimes shortage becomes very acute. The Deputy Coal Commissioner has, however, given the assurance that the import of coal into the city is not only being maintained, but it has been increased recently. In view of this it is rather strange why coal occasionally disappears from the market. Various industries in Bengal, particularly the textile industry, are suffering from acute coal shortage. Some of them have been under the necessity of closing down for sometime. The Deputy Coal Commissioner himself has admitted that the cotton mills have been living from hand to mouth as regards the supply of coal.

province last year will swell the surplus quite unexpectedly. Government monopoly of trade in food-grains has brought altogether four and a half crores for both last and this year. Land sales and excise exceeded the estimates by a crore.

Sind can, therefore, embark on its proposals for the construction of two barrages more confidently than appeared possible at the last budget session.

Cloth Control

Sind has been allotted a quota of 12 yards per head of its population. The Sind Government have been fighting for getting the quota revised and they have every hope of succeeding. The cloth that Sind is to

get as its quota will be distributed by about 15 wholesalers to be selected by the Government, and the first 15 in the list of those importing the largest amount of cloth would have to be selected.

This may well have the effect, as was admitted recently by Mr. B. R. Patel, Director-General of Civil Supplies, Sind, in a lecture to the Rotary Club, of ruining the Karachi cloth market. Karachi cloth dealers were marketing cloth not only for Sind, but also for the Punjab, North-West Frontier Province and Afghanistan, and with the introduction of the quota system, all these markets would disappear. Karachi's normal cloth business was of the order of about 15,000 bales a month. That would shrink by about 2,000 bales a month as about 1,000 bales from Sind's quota of 3,000 would have to be sent to Sukkur for consumption in Upper Sind.

No Milk Sweets

The Government of Sind have ordered that with effect from February 1, 1945, no sweets, including ice-cream, shall be manufactured from milk or cream, whether fresh, condensed or tinned, and sold by any *halwai*, hotel or restaurant within Karachi. The order does not apply to preparations in private household for consumption and will remain in force for a year.

Water Logging

At a conference of the officers of the Sind P.W.D. high officials of the Government of India and Khairpur

State, held recently at Sukkur, the question of water-logging and seepage in Khairpur on account of the Barrage canals was discussed. As a measure for checking it, the proposal to shift the Tando Mastikhan fall 20 miles upstream from the territory of Khairpur to four miles near Sukkur was considered.

PRESS NOTE

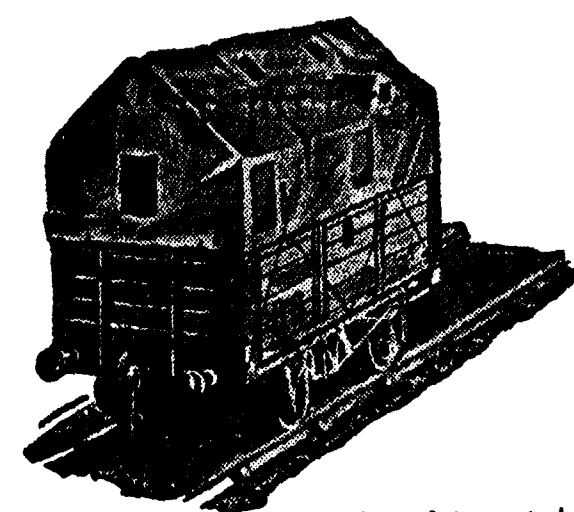
With immediate effect the permission granted to dealers in the Bombay City and Suburban Area receiving goods directly from a manufacturer (quota holders) to dispose of 20 per cent. of their stocks to persons other than other quota holders or retailers is cancelled and all sales of such cloth by such persons may hereafter be made only in accordance with a written authority granted by the Textile Commissioner.

The Provincial Textile Controller will recommend to the Textile Commissioner to grant licences permitting dealers other than retailers within the Bombay Surplus Area to purchase a specific number of bales of such cloth and the Textile Commissioner will, on such recommendation, grant such authorities enabling such merchants to purchase from the quota holders a specific number of bales.

Textile Commissioner.

30-1-1945.

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...



BOOK REVIEW

BOOKS RECEIVED

LIBERAL PLAN FOR PEACE: With an Introduction by Lord Gwelo. Published by Victor Gollancz, Ltd., London, 1944. Pages 126. Price 6 sh. 6 d. net.

WELFARE IN THE BRITISH COLONIES: By I. P. Mair. Published by the Royal Institute of International Affairs, London, 1944. Pages 115. Price 5 sh. net.

BRITAIN AND THE WORLD: An Outline of Reconstruction Problems. By the Hon. H. A. Wyndham. "Looking Forward" Pamphlets, No. 1. Published by Royal Institute of International Affairs, 1944. Pages 60. Price 1 sh. net.

THE FUTURE OF THE RUPEE: By C. N. Vakil and J. J. Anjaria. Published by Popular Book Depot, Bombay 7, 1945. Pages 39. Price Rs. 1-4-0.

CURVE FITTING for Students of Economics. By Brij Narain. Published by S. Chand & Co., Lahore, 1944. Pages 197. Price Rs. 10.

OUR STERLING BALANCES: By Bhuvaneshwar Swarup Bhatnagar. Published by Business Bureau, Allahabad University, 1945. Pages 22. Price 8 as.

INDIA IN WORLD POLITICS: A Historical Analysis and Appraisal. By Lanka Sundaram. Published by Sultan Chand & Company, Delhi, 1944. Pages 285. Rs. 10-8-0.

A SECULAR STATE FOR INDIA: Thoughts on India's Political Future. By Lanka Sundaram. Published by Rajkamal Publication, Delhi, 1944. Pages 114. Price Rs. 3.

COMMODITY MARKET

(From Our Correspondent)

HAPUR, Feb. 7, 1945.

Grains and Pulses

Prices of all grains and pulses except of gram maintained firm tendency on good demand. The arrivals of wheat are very meagre in view of the local demand. There is a great scarcity of wheat in villages also. According to an order from the Regional Food Controller, Meerut, the sellers of *gur* will have to bring 2½ per cent. instead of 5 per cent. wheat against *gur* supplies. To satisfy the public demand, the Government should release some of their *khattis* to the local retailers. It is feared that the producers will not like to bring their wheat in large quantities in the open market during the ensuing season.

The wheat crop in Orissa is good, and in the Punjab it is average to good. In Bengal the prospects of standing crops are favourable.

The area sown with winter wheat in the United States upto December 1, this year is officially estimated a 49,589,000 acres, which shows an increase of 5.0 per cent., compared with 47,127,000 acres sown in the fall of 1943, of which 41,864,000 acres were harvested. The Winter Wheat for 1945 is initially estimated at 761,591,000 bushels, which compares with 528,957,000 bushels, the forecast at this period last year, when

NATIONALISM AND SELF-SUFFICIENCY: A Critique of India's Economic Fortunes. By Lanka Sundaram. Published by Rajkamal Publications, Delhi, 1944. Pages 119. Price Rs. 3.

FRENCH FOREIGN POLICY: By David Thomson. Oxford Pamphlets on World Affairs, No. 67. Pages 67. Price 6 d. net.

THE BRITISH COLONIES: By Vincent Harlow. Oxford Pamphlets No. 68. Published by Oxford University Press, London, 1944. Pages 39. Price 6 d. net.

COMMUNAL SETTLEMENT: By Beni Prasad. New India Series, Progressive Club. Published by Hind Kitabs, Bombay, 1944. Pages 48. Price As. 14.

HINDUSTAN OR PAKISTAN: India, Partition or Unity. Symposium. Published by Islami Markaz, Y.M.C.A., Lahore. Pages 95. Price Rs. 1-8-0.

LET'S TRY LIBERALISM: By Elliott Dodds. Sole Distributors, Simpkin, Marshall, (1941), Ltd. Pages 98. Prices 3 sh. Paper or 6 sh. cloth.

THE GLORY THAT WAS GURJARADESA: Part III. The Imperial Gurjaras. Bharatiya Vidya Memoirs No. 3. By K. M. Munshi. Published by Prof. J. H. Dave, Bharatiya Vidya Bhavan, Bombay, 1944. Price Rs. 15.

INTERNATIONAL RIVER & CANAL TRANSPORT: By Sir Osborne Mance, assisted by J. E. Wheeler. Issued under the auspices of the Royal Institute of International Affairs, 1944. Pages 115.

FROM FORCES TO FARMING: A Plan for Ex-Ser-vicemen. By Harry Walston. Published by Liberal Publication Department, 8, Gayfere Street, London, G.W. 1, 1944. Pages 12. Price 6 d.

SOCIAL POLICY IN DEPENDENT TERRITORIES. Published by International Labour Office, 1944. Pages 185. Price 4 sh.

the total finally harvested amounted to 764,073,000 bushels. The condition of Winter Wheat as on December 1, 1944 is given as 87, as against 69 on December 1, 1943.

The *Arhar* prices ruled firm and some traders are expecting further firmness in prices as the U.P. Government have decided to issue permits to the stockists for exports of *Arhar*; the local prices, however, are not likely to go very high for this reason on account of heavy stocks and want of railway wagons. The stocks are computed at one lakh mounds, and the new crop is to arrive within 1½ months.

Gur: Market remained firm on increased military demand and small stocks. Although there are good stocks in villages, the arrivals have not increased owing to a Government stipulation of bringing 2½ per cent wheat against *gur* supplies.

The current quotations of grains against those ruling a week back in brackets are as follows:—

Wheat: Rs. 9-12 (Rs. 9-12) stock 530 *khattis* (540 *khattis*). Gram: Rs. 7-11-6 (Rs. 8-5), stock 47 *khattis* Barley: Rs. 7-0-6 (Rs. 6-10-9), stock 156 *khattis* (156 *khattis*). Peas: Rs. 6-4-6 (Rs. 6-3), stock 136 *khattis* (136 *khattis*). *Arhar*: Rs. 7-8 (Rs. 7-3), stock 128 *khattis* (128 *khattis*). *Moong*: Rs. 10-10-9 (Rs. 10).

FEBRUARY 9, 1945.

THE EASTERN ECONOMIST

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CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT (Rs. in lakhs)					26-1-45 compared with 1-9-39
26-1-45	19-1-45	28-1-44	1-9-39		
Notes held in the	10.20	8.80	9.21	35.04	- 21.84
Banking Dept.	1034.91	1032.35	853.68	182.13	+871.88
In circulation	1044.21	1041.15	832.90	217.18	+827.03
Total Notes					
A. Gold Coin and					
bullion	44.41	44.41	44.41	44.41	Nil
Sterling Securities	929.33	926.33	744.54	59.50	+879.83
Total of A	973.74	970.74	789.25	103.92	+889.82
B. Rupee Coin	12.62	12.57	15.31	73.87	- 63.25
Rupee Securities	57.84	57.84	58.33	37.39	+ 20.45
Silver bullion un-					
der coining					
% of Reserve to					
Liabilities	93.252	93.238	91.486	63.149	+30.103

IMPERIAL BANK (Rs. in lakhs)					26-1-45 compared with 1-9-39
26-1-45	19-1-45	28-1-44	1-9-39		
Fixed Deposits, Sav-					
ings Bank, Cur-					
rent and other					
Accounts	233.99	232.74	214.54	87.26	+146.73
Govt. Securities	140.42	138.78	137.48	51.03	+ 89.39
Other Investments	4.01	3.59	2.91	96	+ 3.65
Loans	19.54	17.59	15.02	7.68	+ 11.88
Cash Credit Over-					
drafts	45.51	44.16	24.08	19.76	+ 25.75
Bills discounted	4.91	4.53	3.36	2.95	+ 1.96
Cash in hand, with					
R.B.I. and other					
Banks	28.95	32.99	41.15	14.89	+ 14.28

BANK OF ENGLAND (£ '000)					31-1-45 compared with 30-8-39
31-1-45	24-1-45	2-2-44	30-8-39		
Total Bullion	1,799	1,723	904	263,700	-261,901
Public Deposits	11,630	6,900	10,800	31,160	- 19,530
Other Deposits	273,000	266,300	223,000	129,100	+143,900
Of which Bankers'					
Deposits	215,100	208,100	189,600	90,100	+125,000
Govt. Securities	240,700	230,000	204,500	113,100	+127,600
Other Securities	23,000	14,500	15,600	31,000	- 8,000
Of which Dis-					
counts and Ad-					
vances	6,600	12,500	4,339	6,4000	+ 200
Notes and Coins	32,100	31,000	27,000	34,200	- 2,100
Notes in circulation	1,219,600	1,217,700	1,073,500	529,500	+690,100
% of Reserve to					
Liabilities	11.29	12.45	11.72	21.38	- 10.09

TREASURY BILLS SALES (3 Months' Tenure) (Rs. in lakhs)					Sold in favour of Issue Dept.
Date of issue	Amount tendered	Amount accepted	Average rate	Inter-	
10, "	10.16	6.00	0 7 10	..	1.7
" 17, "	17.74	6.00	0 7 11	..	1.10
" 24, "	9.61	6.00	0 8 0	..	1.98
Dec. 1, "	11.79	6.00	0 7 11	..	1.61
" 8, "	13.30	6.00	0 7 11	..	1.98
" 15, "	10.15	6.00	0 8 0	..	3.95
" 22, "	10.30	6.00	0 8 3	..	2.83
" 29, "	8.58	2.53	0 8 10	..	1.95
Jan. 3, 1945	2.31	1.41	0 8 8	..	4.72
" 9, "	1.39	1.24	0 9 0	..	2.94
" 16, "	3.28	1.58	0 9 0	..	3.54
" 23, "	5.5	4.71	0 9 0	..	2.86
" 20, "	4.01	3.87	0 9 0	..	..
Total outstanding:	57.34.				

CLEARING HOUSE RETURNS (Rs. in lakhs)					Feb. 2, 1945
	Apl.-Sep. 1944	Oct. 1944	Nov. 1944	Jan. 26 1945	
Bombay	20,42.31	10,45.50	1,71.64	1,89.34	51.64
Cuttack	17,40.12	11,29.03	1,93.08	1,94.98	..
Cownpore	1,02.41	54.17	7.75	9.27	2.81
Delhi	1,21.08	53.67	11.05	9.71	3.32
Karachi	1,02.84	57.83	8.85	..	2.94
Lahore	73.82	45.83	7.42	10.82	2.00
Madras	2,00.02	1,07.88	17.74	8.28	4.84

NON-SCHEDULED BANKS (Rs. in lakhs)					Per cent. of cash to total liabilities
Date	Demand	Time	Total	Balances	
31-12-43. (530)	17.52	17.27	34.79	4.88	14.0
29-1-44 (570)	17.16	18.51	35.67	3.86	10.8
23-2-44 (543)	18.08	19.50	37.58	4.08	10.9
31-3-44 (508)	18.88	20.49	39.37	4.08	10.4
28-4-44 (558)	19.30	22.53	41.84	4.19	10.0
26-5-44 (549)	19.85	21.98	40.71	4.19	10.3

Number of banks submitting their returns within brackets.

BANKING DEPARTMENT

(Rs. in lakhs)					26-1-45 compared with 1-9-39
26-1-45	19-1-45	28-1-44	1-9-39		
Cash	10.47	9.06	9.51	3515	- 24.68
Balances held					
abroad*	374.81	363.04	132.98	10.08	+374.61
Investments	17.50	13.95	8.05	6.81	+ 10.59
Bills discounted—					
(a) Internal and					
External	2.31	2.31	3.44	1.16	+ 1.15
(b) Treasury Bills					
Loans and Advances					
to Government	..	25	23	31	- 31
Deposits—					
Of which G. of I.	294.21	274.83	52.50	14.89	+279.32
(b) Banks	272.35	259.71	34.06	14.89	+257.43
(a) A.I. Govts.	67.27	68.42	77.37	26.91	+ 43.36
(c) Others	21.69	21.93	5.35	1.24	+ 23.45
*Including Cash and Short-term Securities.					

SCHEDULED BANKS (Rs. in lakhs)					26-1-45 compared with 1-9-39
26-1-45	19-1-45	28-1-44	1-9-39		
Demand Liabilities					
in India	608.44	603.05	502.68	134.36	+474.03
Time Liabilities in					
India	211.21	207.81	161.82	102.24	+108.97
Cash in India	28.01	28.31	22.84	6.70	+ 21.31
Balances with Re-					
serve Bank	65.45	69.21	75.37	25.17	+ 40.28
Advances in India	257.19	250.04	177.02	101.52	+155.67
Bills discounted in					
India	14.29	14.35	7.13	3.57	+ 10.72

U.S. FEDERAL RESERVE BOARD (Million dollars)					1-2-45 compared with 31-8-39
1-2-45	25-1-45	3-2-44	31-3-39		
Resources—					
Total Reserves	18,635	18,634	20,103	14,661	+ 4,005
Total Bills Dis-					
counted	176	141	24	6	+ 170
Bills bought in					
open market	..	..	(550,000)	..	-(550,000)
Total U.S. Govt.					
Securities	19,006	18,620	11,781	2,426	+ 16,530
Liabilities—					
F.R. Notes in actual					
circulation	21,748	21,647	17,040	4,605	+ 17,143
Reserve Account	13,884	14,085	12,847	10,951	+ 2,933
Total Reserve to					
Deposit and F.R.					
Liabilities	49.2%	49.7%	62.9%	86.0%	- 37.7%
Figures in brackets are the actual ones.					

TREASURY BILLS MATURITIES (3 Months' Tenure) (Rupees in lakhs)					Amount
Date of maturity	Amount	Date of maturity	Amount		
10, "	6.00	22, "	6.00		6.00
" 17, "	6.00	29, "	6.00		2.53
" 24, "	6.00	April 3, "	6.00		1.11
March 1, "	6.00	" 9, "	6.00		1.24
March 8, "	6.00	" 16, "	6.00		1.58
" 15, "	6.00	" 23, "	6.00		4.71
Total outstanding:	57.34.		30		3.87

STERLING PURCHASES BY RESERVE BANK OF INDIA					Amount
	Apl.-Oct. 1943-44	Nov. 1944	Oct. 1944	Nov. 1944	Oct. 1945
Amount	105,310	59,402	9,407	9,285	7,476
Average rate of purchases remained £0-1-8 all the time.					8,947

EXCHANGE RATES (T.T.) Feb. 9, 1945.					Feb. 2, 1945.
Bombay on London (s.)	1-5 31/32				1-5 31/32
Bombay on New York (Rs.)	332 3/4				332 3/4
London on Bombay (s.)	1-6				1-6
London 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				
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B-General

LEAGUE OF NATIONS STATISTICS: BUDGET RECEIPTS AND EXPENDITURE*
(In millions of national currencies)

Country	Unit	Financial Year	1939-39			1942-43			1943-44			1944-45		
			A	B	C	A	B	C	A	B	C	A	B	C
U. of S. Africa	(£ S.A.)	(iv-vi)	47.3	68.2	1.9	100.0	163.3	80*	113.0	177.9	100.0*	115.2*	183.2	101.3*
Egypt	(£ E.)	(v-vi)	37.8	40.4	..	68.0*	55.0*	..	79.2*	68.9*	..	75.0*	75.0*	..
Canada	(£ C.)	(iv-vi)	502	553	34	2,250	4,387	3,724	2,836	5,360	4,625	2,772	5,152	4,450
U.S. of America	(\$)	(vii-vi)	5,165	8,785	1,206	22,282	78,182	72,109	44,149	93,714	87,039	45,683*	93,404*	83,900
Argentina	(Peso)	(i-xi)	991	..	..	1,002	..	..	1,041	..	..	1,107*	..	..
Chile	(Peso)	(i-xi)	1,635	1,664	..	2,954	3,052	..	3,265	3,487	..	3,788*	3,788*	..
Mexico	(Peso)	(i-xi)	414	488	..	638	667	..	927*	672*	..	1,100	1,100	..
Germany	(Reichsmark)	(iv-xi)	17,712	28,550	..	34,730	90,397	..	Details not available	..	..	..	..	..
France	(Franc)	(i-xi)	54,635	82,551*	..	93,057	258,643	..	120,646	354,613	..	136,948	..	..
New Zealand	(£)	(iv-xi)	31.9	33.1	..	39.7	42.2	..	43.8	44.1	..	45.8	49.2	..
Australia	(£)	(iv-xi)	34.4.9	..	..	93,530	..	..	181,650	..	..	261,760	..	..
Ireland	(£)	(iv-xi)	1,006.2	1,147.1	409.3	2,922.4	5,740.1	4,810.0	3,192	5,945	4,950*	3,214.2	6,049.8	5,000.0*
Rumania	(£ T.)	(v-vi)	267.3	34.7	93.6	394.3	913.8	456.1	483.7	928.7	553.0	853.5	952.4	517.7
United Kingdom	(£ A.)	(vii-vi)	95.1	99.0	13.8	291.5	697.5	561.7	303.4	636.5	554.4	325.0	653.0	535.0
Turkey	(£ N.Z.)	(iv-xi)	36.6	35.8	2.1	109.1	180.4	143.7	126.9	192.0	152.9	122.0	178.3	133.0
India	(Rs.)	(iv-xi)	700.6	791.3	..	1,433.8	2,809.7	..	2,159.9	3,373.5	..	2,743.4	3,524.9	..

A—Receipts (excluding loans); B—Total Expenditure (including debt redemption); and C—War Expenditure.
* To be revised.
† Monthly Bulletin of Statistics (League of Nations), September 1944.

WORKING CLASS COST OF LIVING INDEX NUMBERS FOR CERTAIN CENTRES IN INDIA*

Centre	Base	1931-35	1943-44			1944-45		
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
Lahore	1931-35	..	3.6	3.5	3.84	3.68	3.68	3.62
Sialkot	..	..	370	364	376	379	365	364
Ludhiana	..	..	405	402	399	388	382	370
Rontak	..	..	324	374	350	351	348	352
Multan	..	..	339	362	362	375	375	344
Cawnpore	Aug. 1939	..	339	353	318	334	314	304
Vizagapatam	June 1936	..	223	222	214	210	220	226
Erode	..	..	204	205	205	209	213	212
Bellary	..	..	214	212	212	218	226	232
Coimbatore	..	..	197	193	193	201	193	197
Madurai	..	..	200	199	205	208	213	213
Trichinopoly	..	..	192	193	198	215	210	198
Calicut	..	..	194	189	198	195	195	196
	..	..	216	215	223	227	228	227

* Published in the monthly Survey of Business Conditions in India.

RURAL AND URBAN RETAIL PRICE INDEX NUMBERS*

Base: January 1943=100

RURAL NOV. 1944	Cereals	Pulses	Other articles of food.	All articles of food.	Fuel and Lighting.	Clothing.	Miscellaneous.
Eastern Zone	..	..	..	..	..	..	..
Bamra	112	199	164	161	164	122	205
Malabar	132	147	177	169	97	133	296
Rajapur	92	151	285	245	128	120	395
Shankargarh	147	155	131	142	87	93	182
Sonali	170	133	187	175	76	134	171
No.thern Zone	..	..	..	..	..	..	..
Mulapali	112	114	129	122	111	113	280
Nana	116	99	101	104	130	108	214
Salamatpur	143	98	129	124	80	..	163
Shujabad	105	142	128	124	110	(a)	233
Gujar Khan	..	..	..	..	..	..	..
Southern Zone	..	..	..	..	..	..	..
Kishna	130	90	109	110	92	76	124
Lakh	112	91	106	101	121	(a)	138
Malur	140	125	143	139	88	113	248
Mun guda	183	148	130	145	85	92	131
Kudchi	..	100	134	125	108	(a)	324
URBAN OCT. 1944	..	..	..	..	..	..	..
Bengal	..	..	..	..	..	..	..
Howrah	104	155	198	178	96	..	151
Budge-Budge	100	155	198	178	116	..	190
Kankarna	98	152	218	191	141	..	161
Raniganj	109	144	217	188	125	..	163
Ajmer	112	128	111	115	124	..	145

(a) Index number could not be worked out due to incomplete returns.

* Indian "Labour Gazette," January 1945.

FOOD INDEX (WHOLESALE PRICES)*

(Base: Last week of August 1939=100)

Week ending	Index	Increase or decrease
Average for October 1944	233.9	-0.3
Average for November	235.4	+1.5
Average for December	231.4	+2.0
2nd December 1944	229.4	-6.1
9th	228.5	-0.9
16th	231.3	+2.8
23rd	233.0	+1.7
30th	234.7	+1.7
6th January 1945	235.6	+0.9
13th	234.4	-1.2
20th	232.6	-1.8

* Issued by the Office of the Economic Adviser to the G.I.

ECONOMIC ADVISER'S INDEX NUMBERS OF WEEKLY WHOLESALE PRICES OF CERTAIN ARTICLES IN INDIA

(Base: Week ending 19th August 1939=100)

Commodity	July 43	Aug. 43	Sept. 43	Oct. 43	Nov. 43	Dec. 43	Jan. 44	Feb. 44	March 44	April 44	May 44	June 44	July 44
Wheat (a)	346	358	338	337	378	339	333	333	333	333	333	333	333
Taa (a)	234	281	253	250	268	140	255	255	255	255	255	255	255
Groundnut (a)	294	243	241	239	238	255	255	255	255	255	255	255	255
Coffee (a)	387	335	311	334	353	352	352	352	352	352	352	352	352
Sugar	143	151	151	151	151	151	151	151	151	151	151	151	151
Tobacco	117	241	251	309	357	359	359	359	359	359	359	359	359
Copra	361	443	393	354	369	398	398	398	398	398	398	398	398
Cotton raw (a)	247	204	195	183	189	184	184	184	184	184	184	184	184
Jute raw (a)	222	217	217	218	216	221	221	221	221	221	221	221	221
Linseed (a)	210	179	189	210	216	221	221	221	221	221	221	221	221
Pig Iron (a)	106	117	117	117	117	117	117	117	117	117	117	117	117
Coal	226	272	278	276	284	237	237	237	237	237	237	237	237
Lac (a)	467	507	507	507	507	507	507	507	507	507	507	507	507
Wool, raw (a)	162	176	191	217	217	210	210	210	210	210	210	210	210
Hides and skins, raw (a)	112	128	128	128	128	128	128	128	128	128	128	128	128
Kerosene	203	178	178	178	180	181	181	181	181	181	181	181	181
Petrol	165	176	176	176	176	176	176	176	176	176	176	176	176
Cotton Manufactures	493	328	324	321	300	295	295	295	295	295	295	295	295
Jute Manufactures	237	255	256	256	256	256	256	256	256	256	256	256	256
Cement	186	189	212	212	212	212	212	212	212	212	212	212	212
Galvanized Corrugated sheets	352	341	353	354	350	352	352	352	352	352	352	352	352
Leather (a)	154	189	181	202	206	214	214	214	214	214	214	214	214
All commodities	239.3	236.3	238.3	241.2	244.1	239.8	239.8	239.8	239.8	239.8	239.8	239.8	239.8

SUGAR POSITION: SEASON 1944-45

(Figures in Tons)

Producing Areas	Production up to 15-1-45	Dispatches during the period 8-1-45 to 15-1-45	Progressive total of dispatches up to 15-1-45	Percentage of production to production	Physical stock as at 15-1-45
U.P.	1,87,324	5,376	19,960	11.9	1,47,364
Bihar	26,477	212	227	0.9	26,250
Bombay	25,467	1,663	4,433	17.4	21,034
Madras	9,321	1,439	4,854	52.1	4,467
Punjab	1,763	2	2	0.1	1,761
Bengal	3,025	..	..	..	3,024
N.-W.F.P.	762	34	75	9.9	687
Orissa	746	18	18	2.4	728
Indian States	40,756	1,810	13,810	33.9	26,946
Total	2,75,641	10,584	43,380	15.7	2,32,261

Note—(1) Balance stock of 1942-43 and 1943-44 sugar as at close of 15-1-45 was 80,243 tons.

(2) Production returns have not been received from 7 factories.

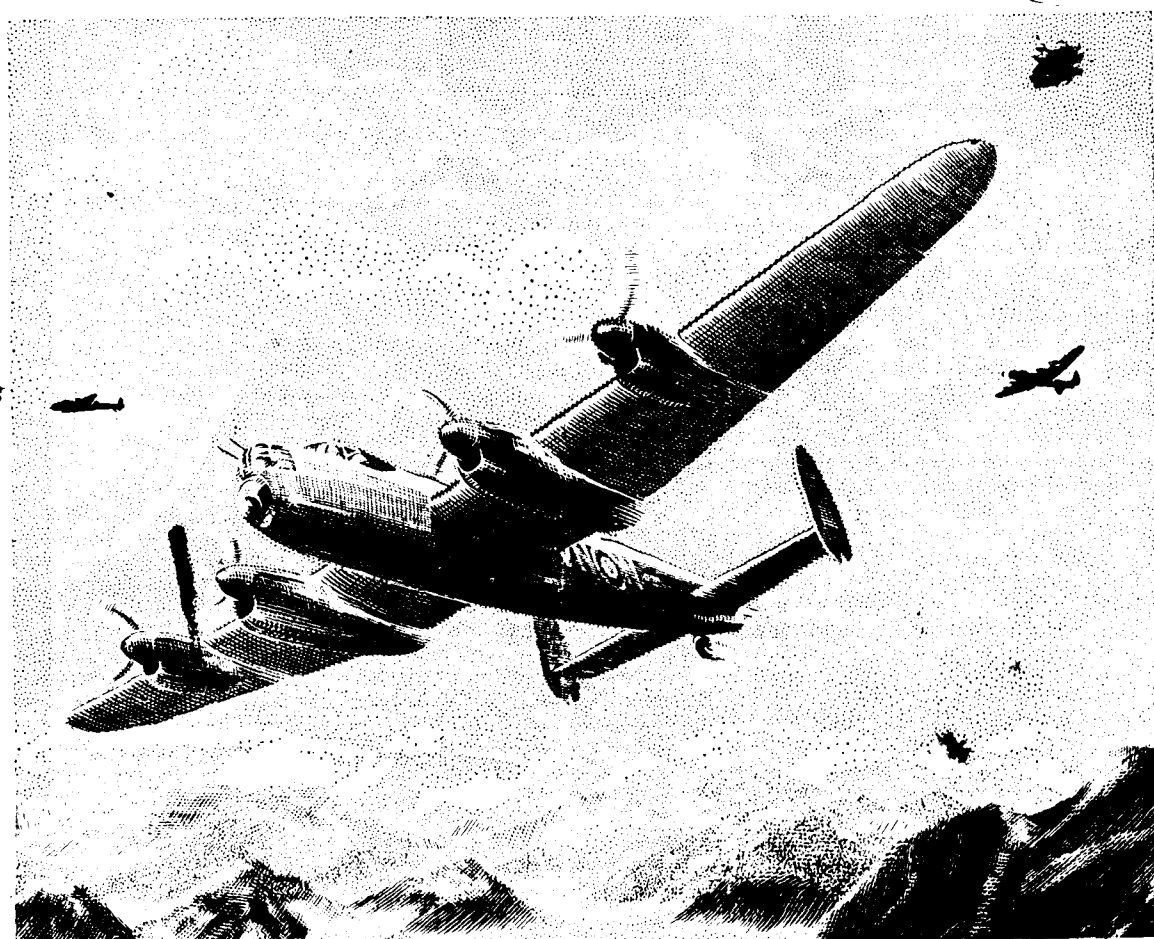
C—Prices

INDIAN STOCKS AND SHARES

GOVT. SECURITIES:	6-2-45	30-1-45	6-2-45	30-1-45	6-2-45	30-1-45
Lombay	..	..	..	..	..	..
2 1/2% (1948-52)	99 7 0	99 7 0	..	..	..	..
3% (1916)	102 6 0	102 6 0	..	..	..	..
3% (1952-51)	100 10 0	100 10 0	..	..	..	..
3% (1960-63)	..	..	..	..	..	..
3 1/2% G.P. Notes	99 7 0	99 6 0	..	..	..	..
4% (1960-70)	112 10 0	112 10 0	..	..	..	..
4 1/2% (1955-80)	117 0 0	117 0 0	..	..	..	..
6% (1945-55)	102 12 0	102 12 0	..	..	..	..
Calcutta	..	..	..	..	..	..
3% Loan (1951-54)	100 0 0	100 0 0	..	..	..	..
3 1/2% Loan (1953-55)	..	..	..	..	..	..
3 1/2% G.P. Notes	99 7 0	99 8 0	..	..	..	..
3% Vic. (1957)	..	..	..	..	..	..
4% Loan (1955-60)	..	..	..	..	..	..
5% Loan (1945-55)	..	..	..	..	..	..
TEXILES: Bombay	..	..	..	..	..	..
Ahmedabad (100)	446 4 0	445 0 0	..	..	..	..

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Design and high-speed quantity production of the Avro Lancaster heavy bomber rate as an outstanding engineering feat. A civil version with especially designed fuselage—the Avro York—is also equipped with Rolls-Royce engines and is on Transport Command service.

PACKING THE BIG PUNCH

British heavy bombers achieve the most concentrated attacks in the history of War. Each unit of the Empire's night armadas carries in its bomb bays a destructive load of unprecedented size and power. No other aircraft in service in the world can carry the huge bombs, weighing no less than six tons, which are included in their armament. A load which formerly needed the operation of three bombers is now transported by one.

Bomber Command is thus able to organize the heaviest raids without congestion at the airfields, and to

achieve the maximum concentration over the target.

The fruits of the British aircraft industry's effort in planning quantity production of these air giants were seen when, for month after month, British bombers unloaded *twenty times as many* tons of bombs on Germany as the enemy, despite years of preparation for war, could drop on Great Britain.

The British aircraft industry will devote itself with equal determination to the problems of peace-time aviation.

THE BRITISH AIRCRAFT INDUSTRY

ANNOUNCEMENT BY THE SOCIETY OF BRITISH AIRCRAFT CONSTRUCTORS - LONDON - ENGLAND

Indo-American Trade

WHAT is America's attitude to India's schemes of development and reconstruction? To this question no easy or simple answer is possible for American opinion, like that of other countries, perhaps even more than in others, is neither definite nor unanimous. It is very complex and a mixture of diverse attitudes prevalent at different economic and political levels and at different moments of time. It is, therefore, exceedingly variable, depending upon political and economic forces operating within and without. All that one can do is to set down this complex set of forces and explain the various strands of thought prevalent on the subject, so that India may, if she chooses, strengthen those forces operating in her favour, or at least shape her action and policy in the light of the international situation likely to develop after the war.

That the American business community, by and large, is willing and keen to establish closer and more direct contact with Indian trade and industry cannot be denied. Not only is this true of the members of the Foreign Trade Council whose views found vigorous expression in the speech of its President at the recent International Business Conference at Rye, but increased expansion of foreign trade has been recommended by the National Association of Manufacturers representing 12,000 firms, large and small, and also by the National Planning Association, a very influential body shaping American economic opinion. To this

end important business interests are prepared to recommend a reversal of U.S. tariff policy so as to facilitate the flow of imports and develop a two-way traffic.

But between wishes and fulfilment there may be a wide gap. The first difficulty is that India's demand for American goods would be far more than America's demand for Indian goods, thus creating a problem of financing our import requirements. Cash trading cannot, therefore, meet the situation. This is recognized by some sections of business opinion who, in the words of Mr. Eric Johnstone, President of U.S. Chambers of Commerce, feel that "the crying need is for the answer to the question: Are the British going to unfreeze their sterling balances?" Credits from private sources in America are undoubtedly possible; indeed a number of industrialists have declared their intention to enter Indian industry, if possible, on a participation basis, on the basis of equal, or even, subordinate partnership. But this is conditioned by a number of limiting considerations. American capitalists are not interested in investing in India until there is political stability here, which implies, stripped of its euphemism, the question whether India will have complete economic independence. They are anxious for equal opportunities with Britain and for no discrimination against them as is implied in the policy of Imperial preference. On our side too, business men may not care to welcome their capital and

participation until we are politically and economically free. It is gratifying to note that the more enlightened section of the business community in U.S.A. are not frightened by the prospects of competition from the economic development India and other less advanced countries. Secondly, American capitalists express grave concern at India's growing tendency towards nationalization of industry. Thirdly, they fear that our taxation is already so high and likely to become so much higher that Indian industry may not be attractive to foreign investment.

Whether one agrees with the above views and fears, one can understand them. But there are other attitudes to which Indian reaction cannot but be critical. There is a section of opinion in that country, of which Mr. Whitney of Standard Vacuum Co. is a true representative, which propagates the view that America should leave a clear field to Britain in the Indian market, and that she should confine herself to the development or exploitation of Chinese and other markets. This view has been sedulously fostered to such an extent that it has found favour in official and State departments. According to this view, Britain is under serious temporary difficulty, that anything done to postpone or militate against her rapid recovery would damage world economy and that, therefore, wise policy demands that the Indian market should be left exclusively to the British producing interests. Hence the demand of India's development and reconstruction needs should not be met or encouraged in America. The shallowness and perversity of such thinking have been exposed on various occasions by us, but it dies hard. India can absorb fully every exportable capital good which Britain is capable of releasing for the Indian market, and yet there would be a large volume of still unsatisfied demand which may be met by America. If the total of India's demand for foreign goods is a fixed quantity, any portion that is met by America can be only at the expense of Britain. But that is not the case. The expansionist economy of India can keep the economy of both Britain and America at a higher level of activity. Indeed, the policy of full employment which will inform India's economy at the post-war period is an essential condition of prosperity and employment abroad. This truth is so simple that it is difficult to imagine that it cannot be understood in America; some do not want to understand.

On the other hand, there are other opinions more respectable but equally dangerous in their effects on India. One is that the relief and rehabilitation needs of Europe and Asia are so much more urgent and vast

that until they are met, the reconstruction and development demands of India should receive only a low order of priority. It cannot be too much emphasized that the word reconstruction applied to India is a misnomer and that her needs are as imperative and urgent as those of the damaged and ravaged nations of Europe and Asia. But it is no use shouting about this in India. We should recognize the fact that there are several countries, *e.g.*, Russia, which will be able to get credits more easily than we can. There is real danger that our situation is not properly understood and that our case may go by default. The need for an Indian mission to be kept in America to present our case and to be continuously available for consultation and information is undoubted. The Government of India and private organized associations must arrange for the setting up of a small, competent body for this purpose in America.

The second strand of thought is more general in its outlook and represents the view of the Federal Reserve System. If in the face of a large backlog demand waiting to be met, and a very large volume of spendable income now impounded by various controls, liberal foreign credits are also provided, the pressure on available supplies in America would be so severe that an inflationary situation would emerge. It is true that America's productive capacity has increased enormously, but even so it is felt that the amount of internal demand combined with the demand of those countries which have already accumulated dollar balances in their favour, *e.g.*, Belgium, Holland, France, etc., would be so far in excess of supplies that prices would go up too high. In any case, the difficulty of controlling inflation would be aggravated, whereas if for a few years after the war, credits are not given, control of inflationary forces would be easier. Despite the high authority of this opinion, we venture to differ. In our view the end of the war would create such a huge employment problem that unless there is a vast demand, both internal and external, the goal of full employment, accepted to be the economic policy of post-war America, cannot be reached. From this point of view, credits to various countries should be regarded as part of the programme of full-employment policy. Be this as it may, there is no denying the fact that America's investment abroad under official inspiration would be entirely conditioned by the monetary and employment policies of America, and not by our own needs or desires. In the light of the above, our ability to secure external finance for our post-war requirements is not so simple or sure as the Bombay planners have visualized.

The Railway Budget

THE Railway Budget for 1945-46, which Sir Edward Benthall described as "somewhat unorthodox," far from being heterodox in the more acceptable and fashionable sense of the term, hardly fulfils, in our view, the modest financial canons of a business enterprise in the abnormal circumstances which the railways have had to face in the last five years and have in store after the war. The transport system has been so mercilessly overworked and the railways' finances so recklessly appropriated for general revenues that the war-time buoyancy of earnings has left them with utterly insufficient financial reserves to repair the physical damage done. The present budget whose most important feature is that it provides for increased earnings to be utilized for writing down the high cost of war-time purchases of rolling stock and construction, does only partial expiation for the fallacies of the past. Nevertheless, given the quinquennial record, it is gratifying that a correction has been made

at this late and unexpected hour and credit for this should go not only to Sir Edward but also to Sir Jeremy Ralsman who has seen the light in twelve months.

The revised estimate of gross earnings for 1944-45 is Rs. 214.3 crores (our own forecast two weeks back was Rs. 215 crores), the working expenses, including appropriation to depreciation, Rs. 147.5 crores, and out of the net surplus of Rs. 42.01 crores after allowing for interest charges and miscellaneous receipts, general revenues get Rs. 32 crores and Railway Reserve Rs. 10.01 crores. For 1945-46, traffic receipts are estimated at Rs. 220 crores, working expenses Rs. 159.9 crores and of the net surplus Rs. 36.5 crores after interest charges are paid, Rs. 32 crores will go to the general revenues and Rs. 4.5 crores to the Railway Reserve.

The most important and encouraging feature of the budget is the recognition that the abnormal cost of

war purchases and the cost of works undertaken for war purposes, costs which would be a charge against the War Budget but for the fact that the railways are a commercial department, should be paid out of the abnormal earnings and should be treated as working expenses. This principle is to be applied for the four years 1943-44 to 1946-47. Space forbids an examination of the principles on which the cost of works is to be allocated between the War Department and the railways and between the railways' own capital and revenue accounts; nor of the basis on which the cost of rolling stock is proposed to be allocated to working expenses, Reserve capital, and Depreciation Fund. The application of ordinary rules would have debited Rs. 16 crores to capital and Rs. 78¾ crores to the Depreciation Fund on account of rolling stock alone and that would not only have resulted in some degree of overcapitalization, but also in the depletion of the Depreciation Fund, thereby seriously crippling the renewal programme of the immediate after-war period.

The rules have been altered so as to avert this and the financial results of the changes work out in such a way that the charge to capital will be Rs. 1 crore, that to the Depreciation Fund will be reduced from Rs. 78¾ crores to Rs. 22 crores, there would be a withdrawal of Rs. 10¼ crores from the Railway Reserve and Rs. 66 crores will be debited to working expenses. Of this sum of Rs. 66 crores, Rs. 24 crores will be accounted for in 1944-45, Rs. 30 crores in 1945-46 and Rs. 12 crores in 1946-47. The Depreciation Fund which but for these proposals would have been reduced to the grossly inadequate figure of Rs. 36 crores by March 1946 is expected to stand at Rs. 92.7 crores, while the Railway Reserve which stood at Rs. 22½ crores in April 1, 1944, is expected to stand at Rs. 29.1 crores in March 1946. We have no hesitation in according support to the withdrawal of Rs. 10¼ crores from the Railway Reserve to write down current excess costs. In the first place, in the present circumstances the retention of funds in the Reserve, while inadequate provision is made for high wear and tear, will cause an illusory impression of railway prosperity and there will be a constant temptation to the treasury to raid it. Secondly, to the railways themselves it might suggest a state of soundness which would serve to diminish the incentive to economy which has never been particularly noticeable. If the Reserves are built only after full provision has been made for all the abnormal factors will they be reserves in the real sense of the term.

In point of fact, even after all these proposals take effect, a Railway Reserve of Rs. 29 crores in 1946 would hardly prove the ability of the railways to meet the contingencies in store. Of this, Rs. 7 crores is reserved for deferred maintenance and the probable loss on account of the inflated value of stores has also to be met, while the extension of unremunerative lines desirable on social grounds, which will normally have to be financed out of accumulated reserves will altogether be starved. For any commercial enterprise of the size, importance and capital outlay of the Indian railways, a reserve of under Rs. 30 crores is just a mockery.

The Financing of Reconstruction

IN normal times when the entire world is one buyers' market and competition to sell and export goods is very keen, demand for external finance (or foreign capital) for the purpose of a country's development schemes would easily be met. Capital surplus countries would only be too eager to export their annual trade balance in the form of capital goods and

In the light of this hopeless margin of reserves, the failure on the part of the Member for War Transport to earmark a definite amount of the Railway Reserve for post-war expenditure on amenities for third-class passengers is a most serious omission which should be made good at once. The creation of a third-class amenities fund is an elementary act of compensatory justice to a crowded and huddled humanity and its importance is on a par with that of provision for replacement. This is a demand which is likely to be put off at the slightest symptom of financial difficulty and especially in the post-war years when the present prosperous phase will have vanished and earnings will have declined, the claims of the poor traveller are hardly likely to receive attention. The Government should be committed even now to spending a certain definite and adequate amount for the purpose after the war. The case derives further strength from the explicit statement of Sir Edward Benthall that the capital for amenities must come not from loans which will compete with other demands and also be unremunerative, but out of the railways' own reserves. The third-class passenger can not depend on reserves yet to be built up; those already accumulated are his by right. Only last year the Transport Member promised to create a fund from out of the proceeds of the then proposed increased fare but in view of the fact that more than what the proposal was expected to yield has been actually realized, he should have no difficulty now in translating his idea into action. Failure to do this would expose him to the charge of insincerity whereas we know that the Transport Member has been very sincere and keen about it.

On the fundamental question of the ravaging effects of war on the Indian railways and the abnormal cost at which they will have to be rehabilitated after the war, we must urge one point with the utmost emphasis. The damage to the Indian railways is no exclusive responsibility of the Indian Government. All the United Nations are involved in it; it is in the interest of all and against the common enemy that the Indian railways were extended, dismantled, overstrained or worked to death; and it is only fair that the cost of rehabilitation should be met by all the beneficiaries. It will be fallacious to consider the question merely as one of allocating expenditure between the Transport and the War Departments of the Government of India. We do not believe that the existing arrangements regarding the war expenditure of United Nations cover this cost. The U.S.A., Canada and U.K. are credited with the cost of the transport materials they have supplied to India, but the excess wear and tear of the Indian railways is conveniently left to be borne by India herself. This is unfair. The rehabilitation needs of the Indian humanity and economy are, too, on a par with those of the railways, in so far as a common war has caused them. But the railways have been the most seriously injured and the least able to look after themselves, being the largest of the industries among them. We trust that the Government of India will not let the rehabilitation claims of this country's transport system on the United Nations go by default, but press them with vigour and in time.

equipment. Today the situation is different. India's vast reconstruction programme synchronises not only with the programme of several countries each equally eager and anxious for development but with a situation when the demand of the world for relief, rehabilitation and reconstruction would be pressing upon the productive capacity of just these few countries which

alone can meet such a demand. It is true that the productive capacity of U.S. and Canada and a few other countries has expanded enormously, but even so, for a few years immediately following the war, demand will outstep supply. Hence the possibility of assigning a low order of priority to India's demand must be recognized, and the Government of India will do well to send a competent mission to present our undoubtedly strong case for immediate reconstruction and development.

At the recent Pacific Relations Conference held at Hot Springs, the reconstruction plans of several countries were reviewed and their financial demands upon America in particular were considered. Plans are under preparation for China, Indo-China, Korea and Netherland East Indies and although each had its special features, all had something in common. Industrial expansion, increased productivity in agriculture and the improvement of education, housing, health and other services were regarded in every case as parallel and complementary aims. The development plan of India when outlined by the Indian Member made a profound impression both because unlike other plans which were in a nebulous state India's plan had advanced beyond the planning stage and also because the Conference realized that India unlike those other countries had vast financial resources of her own for putting through the programme. Nevertheless some amount of external finance was recognized to be essential; and the discussion centred round the availability of such external capital.

The Chinese plan envisages borrowing from U.S. of about 5 billion dollars, and other countries have similar borrowing policies. The Bombay Plan as is well-known provides for external finance of 5½ billion dollars in 15 years, of which 3 billion dollars are expected to come from our sterling balances and 2½ billion dollars from America. What the prospects are of each country getting its requirements of foreign capital in such amounts and on such terms as it may desire was discussed at great length at Hot Springs, although no confident answer was forthcoming. So far as India was concerned, on the question of repayment of her sterling balances, the Chairman of the British Delegation, Sir Andrew Macfayden, made an important statement which deserves to be widely known here. He said that while every penny of the sterling balances would be returned, the rate at which the balances could be released would necessarily depend on how quickly the United Kingdom could build up her export trade; and this in turn would depend upon the recovery of world trade as a whole. In the period immediately following the war, he observed, all proceeds from British exports would be needed for the purchase of food and other essentials for the British people and raw materials for British industry. Only as Britain's export trade revived would capital goods be made available to India against drafts on sterling balances. Sir Andrew warned the Indian group against pinning faith on sterling balances for India's immediate post-war reconstruction and asserted emphatically that the time when actual repayment would start may be several years after the war and that the period of repayment would be spread over a long term of years. This statement coming as it did from the head of a responsible British delegation was rightly regarded as representing the British official standpoint and the Indian Delegate present at the particular Round Table where this statement was made equally definitely stated that such a proposal would not be acceptable to India. While admitting that the balances could be released only over a period, he pointed out that the period should not be longer than 15 or

20 years and must have regard to the time element in India's reconstruction programme and that in no circumstance would India agree to an indefinite postponement of the time when the first instalment of the return of sterling balances would commence. It was in this context that the Indian delegate made the proposal that if Britain was unable to start repayment early, she should arrange for enabling India to draw upon America until the time when Britain can start repayment. There is nothing unsound or perverse in this proposal. Why the British financial papers and writers should not accept this scheme or regard it as unfair to Britain passes our comprehension. If the idea of borrowing in U.S.A. for the sake of India is repugnant, no such objection can be taken to enabling India to share in the credit which Britain is contemplating to raise in America for her own reconstruction programme. Indeed, at the end of the Business Conference at Rye, at the Press Conference convened by the Indian delegation, the latter definitely referred to this point and indicated that India would welcome the grant of a large dollar credit to Britain if a portion of it is set aside for enabling India to use it as a set off against sterling repayment. We hope that Britain will not refuse to help India out of considerations of false prestige. Such a sharing in the credit will benefit Britain and U.S.A. no less than India. America will thereby be enabled to take advantage of the Indian market for capital goods. Britain would find that India would buy from non-sterling countries only when the latter are unable to meet her demands. As for India, this sharing in the credit is indispensable if she is to secure goods from America. The British view on sterling balances is highly disturbing, and as in politics so in the financial sphere, the British loudly proclaim their intention while doing everything to hinder the fulfilment.

A suggestion was also made at the Conference that since the sterling balances were a reflection of the magnitude of the war-effort made by Britain in the interests of the United Nations, the burden should be shared by all of the more prosperous members of the United Nations including in particular the United States. India will certainly have no objection to this proposal, but she should note the danger inherent in it of a possible wiping out of the debt in whole or in part as part of the war-effort of all the nations. On the whole the position in regard to India's getting back the sterling balances in the volume and in the time required by her is uncertain and unpromising.

There is, of course, the theoretical possibility of India arranging for a direct loan from America. But for reasons which we shall explain in a subsequent article, there is many a snag in that idea.

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Hukumchandnagore, Naihari, B. & A. Ry
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(This is only an announcement and not a Prospectus.)

Under the Defence of India Rule 94-A the consent and recognition of the Central Government as well as the consent of the Government of His Highness the Maharaja Saheb Bahadur of Jodhpur have been obtained to this issue. It must be distinctly understood that in giving this consent and recognition the Government of India and the Government of His Highness the Maharaja Saheb Bahadur of Jodhpur 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.

(A copy of this Prospectus has been filed with the Registrar of Joint Stock Companies, Jodhpur, and a copy duly certified under Section 277 (A) of the Indian Companies Act has been delivered to the Registrar of Companies, Bombay.)

The Subscription List will open on the 14th day of February, 1945, and will be closed as soon as the present issue of the capital is fully subscribed and in any case not later than the 22nd day of February, 1945.

JODHPUR COMMERCIAL BANK, LIMITED.

(Incorporated and Registered at Jodhpur under the Marwar Companies' Ordinance, 1923)

(The Liability of the Members is Limited)

AUTHORISED CAPITAL Rs. 5 Crores
Divided into 50,00,000 shares of Rs. 10/- each.

ISSUED CAPITAL Rs. 1 Crore
Divided into 10,00,000 shares of Rs. 10/- each.

Out of this 5,00,000 Shares of the nominal value of Rs. 50,00,000 have been agreed to be taken by the Directors and their friends, which will be allotted in full and the remaining 5,00,000 shares are now offered for public subscription.

The Shares will be payable as follows:

Rs. 2/8/- per share payable on Application;
Rs. 2/8/- per share payable on Allotment;

and the balance of Rs. 5/- in such call or calls and at such intervals as the Board of Directors may in their absolute discretion determine. It is not intended to make any such further call or calls at present.

Allotment:—The acceptance of the applications and allotment of Shares shall be in full discretion of the Directors, who may not accept any application for shares. The Directors in allotting shall have full right and power to give preference to the applications of those who are subjects of H.H. the Maharaja of Jodhpur.

Board of Directors.

CHAIRMAN

Narayanlal Bansilal Esqr., of Raja Bahadur Shivlal Motilal, Bombay and Hyderabad (Deccan).

DIRECTORS

Mukundlal Bansilal Esqr., of Raja Bahadur Shivlal Motilal, Bombay and Hyderabad (Deccan).

Chiranilal Esajoria Esqr., Partner, M/s. Surajmal Nagarmal, Calcutta.

Seth Ramnath Kasturchand Daga, Proprietor, Rai Bahadur Bansilal Abirchand, Bikaner.

Goverdhanlal Bansilal Esqr., of Raja Bahadur Sir Bansilal Motilal, Bombay and Hyderabad (Deccan).

Rangnath Bangur Esqr., of M/s. Magneeram Bangur & Co., Dildwana (Jodhpur State).

Capt. Rai Bahadur Sir Bhagchand Soni, O.B.E., M.L.A. of Ajmer.

Gokalchand Morarka Esqr., Nawalgarh (Jaipur State) and Bombay.

Rai Saheb Sha Goverdhanlal Kabra, Kuchaman and Jodhpur. Gajadhar Somani Esqr., Maulasar (Jodhpur State) and Bombay.

Onkarmal Khetan Esqr., Partner, M/s. Ganeshnarayan Onkarmal, Bombay.

Seth Tolaram Saraogi of Ladnun (Jodhpur State) and Calcutta.

LEGAL ADVISERS

Messrs. Motichand and Devidas,

Solicitors and Notary Public,
Nanabhai Lane, Fort, Bombay.

Sankalchand Jethalal Shah Esq.,

Advocate, High Court,
Kalbadevi Road, Bombay.

AUDITORS

Messrs. Kulkarni and Khanolkar,

Bell & Co. Bldg., Sir Phirozshah Mehta Road, Fort, Bombay.

Messrs. Shah & Co.,

Kalbadevi Road, Bombay.

BROKERS

Bisambharlal Rambilas,

Share & Stock Broker, 34, Stock Exchange, Fort, Bombay.

REGISTERED OFFICE

Jodhpur City

BANKERS

Imperial Bank of India,
The Bank of Jaipur Ltd.

OBJECTS OF THE COMPANY

The Company has been formed with the objects set out in the Memorandum of Association and in particular for the purpose of establishing and carrying on the business of Banking of all kinds in the Jodhpur State and in other parts of India.

PROSPECTS

Jodhpur State, one of the premier States of India, has got vast resources of development of industries. It has an area of 36,000 sq. miles and a population of about 25 lakhs. A Banking concern will be able to carry banking facilities far and wide in the State, thus enabling the public to have full advantage thereof. The public of Jodhpur has already become banking minded and they will be able to make the best use of the banking facilities that will thus be provided to them within easy reach. The Bank will be establishing branches at important centres in British India as well, and thus enabling the Jodhpur public, who resides in British India in large numbers, to have banking facilities near his home, urgency for which has been felt for a long time. The establishing of this Bank will fulfil this need and will bring Jodhpur in direct contact with important business centres in British India and elsewhere. With its ample resources and with its strong Board of influential Directors, the Bank will be able to participate in the financial life of the country and promote its well-being.

MANAGEMENT

The business of the Company shall be managed by the Directors who are authorised by the Articles of Association to appoint a Manager. The following provisions have been made in the Articles of Association regarding appointment of and remuneration of Managing Directors.

"The Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors of the Company for a period not exceeding five years at any one time and may from time to time (subject to the provision of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

"The remuneration of a Managing Director shall, subject to the provisions of any contract between him and the Company from time to time, be fixed by the Directors on the basis of a salary and/or other allowances."

INSPECTION

A copy of the Memorandum and Articles of Association of the Company and copy of Marwar Companies Ordinance, 1923, may be inspected at the Registered Office of the Company and with M/s. Motichand and Devidas, Solicitors and Notary Public, 31, Nanabhai Lane Fort, Bombay and Mr. Sankalchand J. Shah, Advocate, Kalbadevi Road, Bombay.

PLACE OF BUSINESS IN BRITISH INDIA, ETC.

The Company has not established any place of business in British India, but it is intended to make Bombay the principal place of business in British India and Branches are also intended to be opened at Calcutta, Madras, Karachi, Hyderabad and other places.

It is intended to make application to the Stock Exchange of Bombay, Calcutta and other places for placing the shares on their list.

APPLICATION FOR SHARES

Application for less than 50 Shares may not be considered and application for odd shares will be considered as for nearest multiple of fifty.

Prospectus and Forms of application for shares can be obtained at the registered office of the Company and from any of the offices of Imperial Bank of India, The Bank of Jaipur Ltd., and Messrs. Narayanlal Bansilal.

JODHPUR.

Dated this 27th day of January, 1945.

The Week's Notes

IMPORT OF CONSUMERS' GOODS

Details are lacking as to what were the decisions arrived at between the representatives of the Federation of Indian Chambers of Commerce and Industry and the Government at the recent Conference at which the policy of importing consumers' goods was said to have been discussed. It is reported, however, that the Government spokesman put forward the argument that since domestic production would take at least a period from six months to one year in many cases, the needs of the consumers should not be allowed to suffer by a policy banning imports. This is merely clouding the issue. No one in this country has ever asked for a prohibition of import of consumers' goods. Objection to the Government's import policy—or rather lack of policy—has been that such imports have only been designed to disturb local production. Our producers have rendered a service in war-time by filling a gap which even the Government should regard as useful. In such circumstances, an assurance to the domestic producers that at least their cost would be met should have been forthcoming. When imports are permitted the prices of such imports should be fixed in such a way that they would be sufficient to cover the cost of internal production. For this purpose it is certainly not necessary to levy a full compensatory protective duty. It would be enough if that amount of protective duty is imposed, whose proceeds, if given as subsidy to local production, would be sufficient to meet local cost. This limited amount of action is absolutely essential as part of immediate policy. The long-term policy depends upon how far local production in respect of a number of articles deserves to be encouraged and fostered. Instead of examining this matter from a rational and economic point of view, the Government are trying to throw dust in the public eye by raising false political issues.

AMERICAN BANKERS

American bankers are, no doubt, important persons in their own way, but their influence on official or public policy may easily be exaggerated. The report that the American Bankers' Association have rejected the Bretton Woods Plan for the International Monetary Fund should not be construed as indicating that Congress would also reject it. The Administration is very keen on securing Congress ratification for both the I.M.F. and the World Bank, and the President's Budget message urged the imperative need of immediate action. The arguments put forward by the bankers are neither new nor unanimous. It is well known that an important section is opposed to the rejection of the Fund scheme. It is argued that "the Fund would increase the already grave danger of inflation, would delay fundamental economic adjustments and would fail to protect the principles and interests of the United States and her citizens." While Indian opinion is critical of Bretton Woods, it is not for the same reasons that have inspired the American bankers in their opposition. Mr Morgenthau and Dr White, both of the U.S. Treasury, have effectively disposed of all the criticisms of the bankers in two illuminating articles contributed to a recent issue of *Foreign Affairs*. Criticizing the key nations approach recommended by the bankers, Mr Morgenthau points out how "the dictatorship of the world's finances by two countries will not be tolerated by other countries." The fear

that the Fund will cause greater inflation is groundless as there is a definite limit to the granting of short-term credits. Public opinion in the U.S. has been admirably summed up by Prof. Jacob Viner of Chicago in the following words: "The Bretton Woods Scheme is largely an American blue-print for the post-war economic world. It seems to me a magnificent blue-print. If it is to be rejected and torn to shreds, at least let it not be by American hands."

INDIA AND BRETTON WOODS

Should India join the I.M.F. and the Bank? The answer is still what we gave soon after the Bretton Woods Conference concluded its session, namely, await the ratification by Britain and U.S.A. But we may now add a post-script. If Britain and U.S.A. ratify, India should also join, because she will not lose by joining but may possibly gain a little by so doing. India should act and work in these international bodies as if she were independent in fact. It is not necessary, however, to come to any decision yet. The reaction of British financial journals to the friendly gesture of American bankers is a tragic pointer to the way in which Britain is reacting to a stabilization loan proffered by the American bankers. Britain thinks it is something like hush money for getting British support to the discredited gold standard, and would, therefore, not look at it. What Britain precisely wants no one is in a position to know. Touchiness and false pride help nations no better than they do individuals. If Lord Keynes is right that the I.M.F. permits orderly changes in exchange rates and is, therefore, different from the old type of the gold standard, there is no reason why Britain should not restore her economy by using the liberal credits promised her. If Britain rejects the Bretton Woods Scheme when America ratifies it, she would go down to posterity as having sabotaged a noble scheme.

THE ECONOMIC COUNCIL

The Dumbarton Oaks proposals for an international security organization, embodied the plan for an Economic and Social Council which would be charged with the functions of, firstly, systematic study of economic and social problems of international scope and, secondly, the co-ordination of the work of the various specific bodies which are being created for particular functions, e.g., monetary stabilization, international investment, distribution of food and raw materials, and so on. It is clear that the machinery of periodic world economic conferences such as we had during the inter-war years, has proved utterly inadequate in tackling the fundamental international economic problems which required continuous co-operative action on an international plane. At the same time, the piecemeal creation of technical agencies, like the monetary stabilization fund, world capital bank or the U.N.R.R.A.—in overlapping sectors of international co-operation, could only yield results incommensurate with requirements. More and more, therefore, international economic opinion has tended to take the view that the provision of even a permanent machinery for consultative economic co-operation between national governments would not be enough, and effective result could be attained only with the help of an international institution with mandatory powers for over-all co-ordination of national economic policies. The necessity of such over-all co-ordination would be realized when we recall that so many nations

are now busy formulating independent post-war plans for social security and full employment. These disparate national economic programmes could only lead to an international scramble by individual countries to acquire on the international market raw materials and capital equipments in volumes warranted by their separate national economic programmes. Where is the international machinery which could determine on a fair and valid basis an international order of priorities in this respect? The Economic and Social Council contemplated by the Dumbarton Oaks proposals would be subordinate to the General Assembly of the United Nations which may limit the activities of the Council and over-rule its proposals and decisions by a two-thirds vote. Whether the Economic Council can work effectively and with mandatory executive power will, therefore, depend on the composition and power of the General Assembly and on whether the various nations will be willing to surrender parts of their several sovereignties in favour of the General Assembly. And this, again, will depend on whether the various nations can be persuaded to believe that their separate economic ambitions and programmes would not be prejudiced—would indeed be helped, by such surrender of parts of their several economic sovereignties.

ECONOMIC TERMS OF PEACE

The Big Three conferred at Yalta, a health resort in the Crimea, and announced their agreement in respect of comprehensive plans for the final defeat of Germany, and the occupation and disarmament of Germany. The full details of their agreement or the precise terms which would be offered to Germany will not be made publicly known until the final defeat of Germany. But the broad outlines of the economic terms of the coming peace can already be discerned. Stalin, Roosevelt and Churchill have jointly announced Allied intention to eliminate or control "all German industry that could be used for military production" and to exact reparations in kind "to the greatest extent possible." It is not possible to say at once whether this amounts to a 'soft peace' or a 'hard peace,' for much would depend on interpretation and mode of application. The original Morgenthau plan for a hard peace sought to enforce the de-industrialization of Germany and at least its marginal territorial dismemberment. The Morgenthau plan in its original vigour failed to gain support in the inner counsels of the Roosevelt Administration. The Yalta declaration also, while stating the 'inflexible purpose to destroy German militarism and Nazism' held out for the Germans 'hope for a decent life' and a 'place in the comity of nations.' There seems to be a considerable consensus of Allied opinion that Germany cannot be blotted out economically and politically without serious repercussions abroad and consequently constructive statesmanship would consist in allowing her eventual re-integration into the international economic and political system. At the same time Germany, according to the Yalta declaration, would not be exonerated for the economic damages wrought in the countries over-run by her and will be obliged to make compensation for the damage, in kind to the greatest possible extent. In other words, the reparations exacted would not be just token amounts, but up to the limit of technical possibility without essentially hurting the economies of either Germany or the outside world. The Allies, learning from the financial fiasco which attended attempts to exact reparation payments after the last war, have this time announced before hand that reparation payments will this time be made only in kind. No doubt the technique of lease-lend and of blocking of currencies has progressed con-

siderably since the last war, and there would be no inherent difficulty in exacting vast unilateral payments by the victors. But even now Russia with her integrated economic structure would be technically much better placed than other Allies with capitalist structure to assimilate any volume of reparation payments. Certainly Russia has also suffered immeasurably greater devastation during the war and will probably be entitled to the bulk of the reparation payments which will be exacted from Germany.

RECONSTRUCTION OF RUSSIA

Although Russia may seek to repair her ravaged economy by reparations from Germany, there is a limit to the amount of such physical reparations. It is not surprising that she should seek a large credit partly from Britain but mainly from U.S.A. Details are unavailable but it is reported that she has requested 20-year credits, about £750 million from U.K. and about 6 billion dollars from U.S.A. Britain's capacity to lend to Russia is, of course, extremely limited, although trade between the two countries is partly complementary. America has greater economic capacity but her response to the Russian demand has been cool because she would like to have more certain indication of Russia's political and economic policies after the war. Government loans from any country suffer necessarily from the political "strings" usually attached to them, and opinion in certain circles in America is that loans should not be made to any country whose political and economic policies are likely to be aggressive. But borrowing countries would not like to be imposed upon; hence the future of international investment through Government agencies is rendered uncertain. Even in respect of private investment, no government is likely to leave a free hand to private investors. If the Big Three work together, Russia is sure to receive as much credit as she may require. It is certainly of happy augury that "Russia has expressed her clear intention to trade with the remainder of the world instead of clinging to her pre-war self-sufficiency policy."

AN INGNOMINIOUS STAND

Dr. Khare, Commonwealth Relations Member, in replying to the Assembly's accusations, the other day strove hard to prove that the Government of India was 'not in a supplicating mood' and that it has won unique distinction in being the first to 'have retaliated against a fellow member of the Commonwealth.' His mock heroics deceived none in the country but that did not matter, as the Hon'ble Member frankly admitted, he did not care about 'your censure.' But Dr. Khare was less honest when he sought to counter Sir Raza Ali's, a former Agent-General in the Union of South Africa, plea that since the Union Government had given the Cape Town Agreement the go-by there was no point in keeping our diplomatic representative in the Union. The Commonwealth Member indulged in amazing logic in holding that there was no reason to believe that the Agreement had ceased to have any value other than that of a scrap of paper; for in the same breath he admitted that the Union Government itself recognized that the Pegging Act was contrary to the spirit of that Agreement. It did not occur to the Hon'ble Member that this is precisely what is meant by repudiation of an Agreement that the Union Government persists in pursuing a policy which is detrimental to the Indian community in that country and is also against the spirit of an Agreement to which that Government was a party. Still worse, Dr. Khare said there has been no immediate deterioration in the situation to justify the non-filing of this

useless post. To be an Indian in South Africa has almost become a crime, said the retiring High Commissioner the other day. Sir Zafarullah told *Reuter* that Indians in South Africa 'are almost in the position of being a stateless people... They cannot vote. They have to live in defined residential areas. They can hold property only on a restricted basis. Their children cannot attend normal South African schools. And they are not admitted as citizens in South Africa....' But the situation must deteriorate still further before the Government of India which, be it noted, is in a fighting mood, will care to adopt the simplest means open to it to let the South African Whites know that it does not approve of their atrocities. The irony of it all is that even the South African Indians, for the protection of whose interests the new Commissioner is considered an indispensable need have no use for him. It would be well for the Government of India to realize that when a moderate like Sir Cowasjee Jehangir can condemn its action as 'unwise and foolish' and warn it that it is 'rushing into a very dangerous position' it may become difficult even for 'leeches,' as the Opposition characterized the Government of India to stick it out.

DOLLAR CREDITS

Within a few days the budget will be presented. Unless the Finance Member defines his policy regarding dollar credits, he would be subjected to justly severe criticism. Last year beyond stating that a certain unspecified percentage of India's annual dollar surplus would be made available after the war, no assurance was given as to its availability for current requirements before the war ends. These requirements are growing. Many a business man wants to plan for post-war development and needs dollars at least for preliminary surveys which include visits to America by the directing and technical staff. The supply of dollars even for such limited functions is extremely niggardly. Few are permitted to go abroad; and even they are denied sufficient dollar resources for their exploratory work.

There is no justification for the continuance of such niggardly and almost perverse policy. The dollar position has been considerably eased in recent months. Mr Trevor, Deputy Governor of the Reserve Bank admitted this in a speech in December last. He further stated that the British Government were willing to provide dollars for the import of necessary goods. Even if dollar exchange cannot be guaranteed for the importation from U.S.A. of all capital goods deemed necessary by the Indian business community, at least sufficient dollars should be provided for enabling them to send out technicians, engineers and other personnel. The misuse of dollars in America by the British Government and the Government of India for mere propaganda when they could be employed in building up our war and peace economy, has left a profoundly bad impression among the Indian visitors in America. We hope the Finance Member will be able to reassure the public on this matter which so vitally concerns the post-war development of the country.

EGYPT'S STERLING

Dr. Paul Einzig's article on *Blocked Sterling Balances* in the December issue of the *Banker* which provoked a vigorous retort from Mr. Lackany Bey, the Egyptian delegate to Bretton Woods, has its bearing on India as well. There is no need to go into the absurd arguments of the London financial press repeated *ad nauseam* by Dr. Einzig. We will only give two gems from his writings, one from his above article and the other from his reply to Mr. Bey, which illustrate the cheek which springs from self-interest.

"The fairy princes of Whitehall have generously rewarded the poor nations of the East—endowing them with undreamt-of riches overnight, leaving a treasure of £50,000,000 in Baghdad, £100,000,000 in Jerusalem, £200,000,000 in Cairo, £1,000,000,000 in New Delhi, and so forth." He wants Egypt to admit: "We are thoroughly ashamed of ourselves for it. We owe you everything we possess.... The least we can do to repay a small fraction of the debt we owe you is to cancel our sterling balances accumulated during the war." As to who defended whom, we shall let the *Banker* itself speak: "Responsible quarters in India far from hostile to this country would argue that so far from this country having saved India from invasion, in the actual circumstances of 1940 it was the highly trained Indian army which saved the whole Empire." Arguments of Einzig's sort are beneath contempt.

THE BIG THREE DECISIONS

Unanimous decisions, welcome as they may be, are not necessarily wise decisions. The results of the Big Three Conference at Yalta are not such as to inspire the hope of peace after the war. The "fifth" partition of Poland proposed by the Great Powers has already been denounced by the London Polish Government, and the latter's call to fight for Poland's territorial integrity is a portent. The compensation to Poland for the loss of her eastern territory by annexing in the west the German districts will only sow the seeds of another war. America's agreement to this partition may be an act of realism, but when the biggest power, supposed to be inspired by moral ideal in its world policy, meekly accepts a wrong, not much hope is left to the rest of the world. Equally disturbing is the scheme for Zonal occupation of Germany. It is not a question of right or wrong in this case. It is not even practical policy. Germany could be able to play one against the other, and differences among the Big Three are sure to be exploited with dangerous possibilities. Allied unity even in war hangs by a thread, which will snap if too much strain is imposed on it. The feeling roused in America about the ban on the entry of her newspaper men in East Europe should cause great concern to everyone interested in Allied unity.

WHEAT FOR RICE

It is some months since wheat has been introduced as part of rice ration in urban areas in the Madras presidency, but Press reports reveal that despite official propaganda to popularize its consumption, this 'strange' cereal has not made much headway in the south. Thus, the off-take of wheat in Madras city is not even 50 per cent. of the quantity the card-holders in the aggregate are entitled to. How conservative people can be in their established food habits may be seen from the fact that even in Ma'abar, where the food shortage is still very serious, there seems to be little disposition on the part of the card-holders in rural areas to buy their weekly wheat ration. While this experience may drive would-be food reformers in this country to despair, it should also serve to teach wisdom to our Food Authorities and make them realize that there is no short-cut to the solution of the food problem, that more production and more imports are the only significant means of dealing with the present situation and that the cloak of reformist ardour for better nutrition would be too thin to hide the Government's failure in major spheres of food policy.

FOOD POSITION IN CALCUTTA

It is understood that the latest reports received by the Central Food Department indicate that the

stocks of rice held by the Bengal Government in Calcutta amount to more than 160,000 tons, which are equivalent to the city's rice requirements for seven months. The total quantity of all foodgrains in Calcutta now amounts to over 200,000 tons. This statistical position goes far to create a presumption in support of the Central Government's decision, announced last November, to withdraw their undertaking given in the wake of the famine to supply to the Bengal Government a quantity of foodgrains equivalent to thirteen months' offtake of Calcutta. It will be recalled that an adjournment motion was proposed to be moved in the current session of the Assembly criticizing the Food Department's action, but was eventually withdrawn. Incidentally, before one would felicitate the Bengal Government on their success in building up stocks in Calcutta, one should know what exactly is the supply position in the province as a whole and how their procurement policy, especially the prices, have affected food production.

AGRICULTURAL REHABILITATION

Welcome features of the current public interest in the economic regeneration of the country is the growing recognition on the part of leading business men that economic development should not be envisaged in terms of industrialization alone and their consequent readiness to appreciate the needs of the other sectors of the national economy as well. A striking example of this new awareness is to be found in the recent presidential address of Mr. Uma Shanker Mehroutra at the thirteenth annual general meeting of the Merchants' Chamber of U.P. He devoted a good deal of space to a consideration of the economic problems of agriculture and suggested that the crux of agricultural rehabilitation is to create those conditions of land ownership, improved techniques and effective demand for agricultural produce as would enable the farmer to earn more money through specialized farming. He rightly held that agriculture could also be made a wholetime and worthwhile occupation, if only we set about it in the right way. Incidentally, we would suggest (hoping not to be misunderstood) that Mr. Mehroutra has studied our recent Agriculture Supplement to good purpose.

THE WORKER IN WARTIME BRITAIN

How fares the average working man in war-time Britain? Before the war he was earning £4 per week; now £5, which places him among the six million new income-tax payers, during the war, among manual workers. His wife earns £3-10s. per week. The income is pooled for tax purposes, the tax amounting to £79 reckoning allowances; before the war he paid nothing, having two children under 16. He gets a post-war credit of £25 per year. He spends about half his earnings, like the average British citizen, in taxes, direct and indirect; indeed he pays much in indirect taxation—on a pint of beer 7½d. He pays National Insurance Contribution as much as before the war, the rent of Council House is 15s. per week, and he usually manages to save 10sh. in a savings bank, besides buying 6d. savings stamps for his daughter towards Savings Certificates. The prices of important foodstuffs are rigorously controlled and kept down by Government subsidies. The average level of food prices is up by no more than 21 per cent., but it is difficult occasionally to get unrationed commodities such as fish. In winter, supply of liquid milk to adults is reduced down to 2 pints a week, but dried household milk is then made available. The main difficulty is obtaining certain items of standard personal and household equipment, but on the whole, it cannot be said that the war has crippled his economic position in any vital respect, while in some ways he is really better off than ever before.

RURAL DEVELOPMENT IN BOMBAY.

At a recent Press Conference, Sir Henry Knight, Adviser to the Bombay Government, discussed in some detail the financial aspect of the Government's post-war plan for rural development. It will be recalled that the plan, which was announced last August, provides for a fifteen-year programme to raise the economic level of the country-side and aid the resettlement of returned soldiers. Highlights of the plan are the huge capital expenditure envisaged for the development of road transport, irrigation, electric grid and educational and medical facilities. Originally, it was proposed to spend Rs. 50 crores over the first five-year period, but Sir Henry now reveals that the amount would be increased to Rs. 60 crores to provide for non-recurring expenditure amounting to Rs. 50 crores and non-recurring expenditure of Rs. 10 crores. The Bombay Government expect to make up the money in the following way: Rs. 20 crores as subvention from the Government of India surpluses, which are expected to materialize to the tune of Rs. 500 crores in the first five years after the war; Rs. 15 crores in the form of the provincial post-war reconstruction fund, built out of current revenues, which would reach Rs. 7 crores by the end of the current financial year and may be expected to be augmented thereafter at the rate of Rs. 4 crores per year; and Rs. 10 crores through revenue surpluses in the first five-year period. This would mean that Rs. 15 crores will still have to be found either by additional taxation, or by borrowing or by a combination of both. The plan may come into operation in 1947-48, (by which time hostilities may reasonably be expected to have ended) and Sir Henry thinks that it would be enough if that balance of Rs. 15 crores is raised in the fourth and fifth-year of the programme. Assuming that the amount is borrowed at rate of three-and-a-half per cent. for a period of 20 to 25 years, the revenue charges for interest and amortization will amount to about Rs. 1 crore per annum; this obligation may be met out of the annual revenue surplus of a like sum, expected to remain at the end of the first five-year period. Generally speaking, it may be said that Sir Henry's estimates are not over-optimistic and that the development programme need not founder on the financial rocks.

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Problems in Food Control

THE Fifth Food Conference, which met recently in New Delhi, discussed the various aspects of war-time food control, such as procurement, storage, movement and rationing standards, and made a number of important recommendations, which constitute, on the whole, a fairly satisfactory and realistic approach to some of the major problems of food policy.

On the subject of procurement, the Conference had the Butler report before it, but it was not wholly convinced by its fervent advocacy of monopoly purchase. Orissa was diffident and Bihar frankly sceptic, while Madras, Bengal and the U.P. were lukewarm. Sind and Central Provinces were persuaded that their own systems were the best that could be rigged up under the circumstances and only Sir Henry Knight from Bombay was at all enthusiastic about a Government monopoly. In the end, the Conference recommended that "the results so far obtained in the working of monopoly procurement systems justify their further study, and their development so far as the circumstances of each Province and State permit." This cautious attitude has much to recommend it. The arguments in favour of monopoly purchase are striking enough—on paper, but the arguments against should also be equally obvious. The major benefits of a Government monopoly of procurement is that, in the first place, it would help to check the rise of black markets, secondly, it would provide the cultivator with that powerful incentive to increase production, to wit, the guarantee of a market at an assured price, and, thirdly, it would facilitate the co-ordination of storage, movement and the administration of rationing with the basic operation of procurement. Monopoly purchase, on the other hand, is apt to offer innumerable opportunities to an incompetent and intolerant bureaucracy to impose rigid and high-pitched exactions on the peasantry, ignore the hardships in individual cases, interfere unduly with the elementary liberties of the people through vexatious, irksome and even obviously tyrannical restrictions, and above all to fix prices at lower than legitimate levels. It may be argued, perhaps, that the last possibility is illusory in view of the overriding necessity to encourage farmers through all possible means to grow more; the fact, however, has to be faced that monopoly procurement has been found, in practice, to depress food prices on the one hand and to lead to the purchasing agencies making huge profits on the other. An even more convincing objection, perhaps, is that the success of monopoly procurement would be vitally conditioned by the availability of storage and movement facilities of a high order and of an adequate staff trained in handling large quantities of agricultural produce in the exacting context of a tropical climate. As none of these desiderata can be said to be present now, it is best that the food administrations in the Provinces and States go slow; in the existing circumstances, the superiority of monopoly purchase over other systems is not unquestionable, except, perhaps, in the deficit areas.

While holding that the development of monopoly procurement should be primarily in the direction of the acquisition by Government of grain offered for sale voluntarily, the Conference recommended that "in those areas where it is deemed advisable, monopoly procurement may be extended by:

- (1) a compulsory levy and the acquisition, in addition, of any balance that any producer may desire to sell, or
- (2) assessment of the surpluses of individual producers and the compulsory acquisition of such surpluses."

The latter alternative is attractive because of the element of elasticity in it and one may grant, in theory, the contention of Mr. Somerset Butler that it "is the ideal and should undoubtedly be aimed at." In practice, however, it would be safer to stick to the former device, despite its rigidity and the risk it carries of an insufficient appreciation of individual needs. The method of compulsorily acquiring the estimated surpluses of individual holdings offers the official machinery of procurement too much scope for corruption, arbitrary action, harassment and petty tyranny to be readily commended in the present state of bureaucratic morality and efficiency. Besides, there is the very real danger that under this system the cultivator's requirements of grain for seed and domestic consumption may not be adequately allowed for.

On the subject of movement of foodgrains, the Central Government gave the important undertaking, in respect of grains subject to the Basic Plan, that they would "plan a constant movement throughout the year, so that the transport authorities may programme a regular supply of wagons." The Provincial and State Governments for their part assumed responsibility "to the best of their ability, in the case of surplus areas, to see that procurement keeps pace with the transport available and to provide storage for the balance; and, in the case of receiving areas, to send despatch instructions and make arrangements for inspection, so that the programme can be punctually observed." While these announcements, if acted upto, should undoubtedly go a long way in achieving the smooth and regular movement of foodgrains throughout the year, the crux of the movement problem would still be inadequate haulage and wagon capacity.

The Conference took another right step in recommending that the Central Government should also plan a movement programme with the same priorities for other foodgrains (i.e., for foodgrains other than those subject to the Basic Plan) as well. This would place the Central Food Department in a better position to meet with smoothness and regularity the deficiencies declared by the Governments of deficit areas, out of surpluses declared by Governments of surplus areas and to co-ordinate the disposal of all other surpluses by means of authorized and assisted trade movements. Action on these lines is urgently required in order to remedy the present highly unsatisfactory situation, where we see serious local shortages persisting side by side with surpluses elsewhere. It may be suggested that other supplementary foodstuffs, such as *gur* and edible oils, in which also there is conspicuous maldistribution, should also be similarly provided for.

In his preliminary address to the Conference, the Food Member laid some stress on problems connected with storage, and rightly pointed out how the success of both procurement and movement on planned lines depends on adequate storage facilities. The Conference itself, however, did not make any recommendations on this

topic. This is disappointing in view of the serious risk that the temporary importance of imports might mislead the Governments, at the Centre as well as in the Provinces and States, into locating expensive grain storage establishments at places, where they may not be of service after the war. The Conference should have devoted some time to a consideration of this and other aspects of the storage problem.

The healthy principle that the present burden of an over-all deficiency of foodgrains should be shared evenly by all parts of the country was reiterated at the Conference. While the need for such reiteration in the sixth year of the war may be deplored, it cannot be denied in view of the fact that even urban rationing is yet far from having become universal in this country; it is interesting to recall, in this connection, that as late as a few days back the minister of a surplus province was found to deny the necessity for introducing rationing in his province.

Among the resolutions adopted on the subject of rationing, one urged that full urban rationing should be introduced and extended in accordance with the recommendation of the Foodgrains Policy Committee,

while another laid down that until all deficit areas can be ensured sufficient supplies to enable them to sustain a basic ration of 1 lb. of cereals per adult per day, the size of the basic ration in any area should not exceed that quantity. A third one recommended that extra provision should be made for heavy manual workers by means of a supplementary ration and in the form of cooked food through industrial canteens. While all these suggestions are commendable and would help to liberalize the administration of rationing, it is rather surprising that the subject of rural rationing was altogether overlooked. The scarcity of foodgrains in rural areas, concentrated on the cultivation of commercial crops, is something alarming and this scarcity is bound to spread over the countryside generally, with every extension in the system of monopoly procurement of the compulsory type. It would be relevant to draw attention to a feature of the procurement operations in certain districts of the Madras Presidency, which discourages payments in kind by the cultivators or landlords. It is not too early for the Food Department to make a beginning at tackling the problem of rural rationing and formulate an all-India policy for feeding the landless and non-agricultural classes in the villages.

Future Borrowing Policy

WE hope the report that is current that Government are contemplating an increase in the borrowing rate is unfounded. The arguments advanced in this journal on several occasions and those of the Finance Member, Sir Jeremy Raisman, are as true today as they were a year ago. The injury to banks, insurance companies and all holders of Government securities consequent upon any increase in borrowing rates cannot be compensated by any advantage to Government by way of larger proceeds from the floatation of loans. With controls as effective as before, the idea that an increase of half or even one per cent. will bring about a large increase in investment is based on undue optimism. The case of interest on savings banks deposits is different and may justify some consideration. But there is no justification for any proposal to increase the rate on general defence loans. If Britain is going to turn its back on cheap money policy and increase its borrowing rate, the answer is, firstly, that it is improbable and, secondly, that even then India has no reason to follow Britain in its wake.

The maintenance of low rates of interest after the war also is a matter of cardinal importance no less for the cheap financing of the Government's reconstruction plans than for the stimulation of private investment to its optimum levels. The essence of the borrowing policy that should be adopted would be that the scale of borrowing, as well as its timing and technique should be so adjusted that the demands for funds of private enterprise (on which immediately depends the growth of national income and, therefore, of taxable capacity out of which to finance the Government's schemes of social services) are not rendered either unavailable by a wrong capital control policy or costly by collision with the Government's actions in the market.

Government's assumptions work out to the figure of Rs. 2,500 crores as the total investment, both public and private, in the first after-war quinquennium, composed of: (1) Rs. 500 crores, revenue surplus of the Central Government; (2) Rs. 500 crores, loans by

Central Government; (3) Rs. 500 crores, investment by Provinces out of taxes and loans; and (4) Rs. 1,000 crores, private investment. With (1) an expanded currency base over Rs. 1,000 crores likely to go up still further, (2) a volume of bank deposits exceeding Rs. 800 crores, and (3) the scope for increasing the volume of bank deposits (with the same currency and cash base) by quickening the turnover and slightly reducing the margin of liquidity, raising Rs. 500 crores per annum in all will be not very difficult without creating further money. That the total defence borrowings of the Government to the end of March 1945 will be amounting only to about Rs. 1,200 crores is no disproof of the technical possibilities of the situation; on the contrary, it is only a reflection on their methods of war finance. Ruling out, therefore, both currency contraction and expansion, would an attempt to get Rs. 500 crores from out of the available funds cause interest rates to go up?

Given an adequacy of funds, there is no reason why interest rates should go up. Indeed, we would urge that it is exactly in preventing it that borrowing technique should play its part. The demand for short-term accommodation on the part of trade and industry will in the main be determined by the level of economic activity, measures to be taken to avert a slump and will also be derived from the rate of long-term private investment. The financing of long-term needs of industry and trade will have to be done out of own resources or resources of individuals who must be willing to lend them. In either case, their deposits with banks will have to be drawn upon unless the funds come out of hoarded currency. Assuming that a decline in deposits is arrested or mitigated by commercial banks' expanding credit as suggested at the outset, there is no necessity of conflict between the long-term and short-term needs of trade and industry. Both the categories of needs can be catered to efficiently and without greater cost, if the Government's demands are carefully launched.

How are the Government's loans going to be distributed between the long period and short? We have to take into account not only the fresh loans

that would be required by Government, but also their conversion loans as the present debts fall due for repayment. It is here that the time structure of the public debt becomes all important. The following table gives figures of the rupee debt (which constitutes the greater part) of the Government of India according to the period of maturity:—

	End of March 1939		End of March 1944	
	Amounts Rs. crores	% of Total	Amounts Rs. crores	% of Total
Undated Loans ..	128.5	18.1	253.6	21.3
Loans over 10 years	113.8	16.0	445.7	33.4
Loans from 1 to 10 years ..	195.6	27.5	268.2	20.1
Treasury Bills, i.e., under 1 year ..	46.3	6.5	110.6	8.3

These figures indicate that at the end of March 1944 out of the internal debt of Rs. 1,335 crores, long-term loans, i.e., those over 10 years, account for about a third, medium dated loans of under 10 years for 20 per cent. and Treasury bills only 8.3 per cent. At an earlier stage, at the end of March 1943, the position was that 35 per cent. of the debt was due for repayment within 5 years and 43 per cent. within 10 years. The process of funding has been fast at work in 1943 and ever since and it can be expected that in the next two years it will be even more in evidence, with the increased absorption of long-dated bonds in the market. Even so the loans under five years, which are relevant in our context because they will come up for repayment in the immediate post-war period, will be nearly Rs. 300 crores on a modest computation. These 300 crores will be in addition to the demands of reconstruction finance mentioned above.

The financing of conversion as well as reconstruction loans by the device of short-term loans of under five years or even Treasury bills will have one distinct advantage. They can be had on lower rates than longer dated bonds. In particular, if Treasury bills are relied upon, the gain to the Exchequer will be considerable. On the basis that the average yield on the relatively long dated securities is 3 per cent., Treasury bill financing will mean a saving in interest charges of at least 2 per cent. on every 100 rupees borrowed. On the total estimated Government borrowings in the first five years, i.e., Rs. 1,300 crores, including Rs. 300 crores conversion loans, the total saving will be Rs. 26 crores. It need not be apprehended that this by itself will cause the rate on Treasury bill to go up. Less than Rs. 300 crores per year on floating debt which is a liquid asset *par excellence* is not beyond the capacity of the money market today.

The prejudice against financing long-term needs by means of short-term loans is part of orthodox budget tradition which is not as valid today as before. There is no doubt inconvenience and embarrassment caused to the Treasury in its ways and means proceedings from the constantly recurring short-term debt maturities which could be altogether avoided by funding. But given an adequacy of funds in the system to renew the loans, the low interest on floating debt as compared with long debts is not an advantage which can be thrown away.

The war-time experience of Britain and the U.S.A. throws a flood of light on this point. In Britain, loans under one year have been the chief plank in war finance, having risen from 18.1 per cent. in 1939 to 42.4 per cent. of the national debt in 1944. On the other hand, long-term borrowing for over 10 years

has been very insignificant, having fallen from 71.5 per cent. to 38.5 per cent. of the national debt in the same period. The gain to the exchequer on a national debt which has risen from £7,247 mn. to £20,184 mn. on account of floating loans is easy to see. In the U.S.A., too, short-term borrowing has been very important. The most significant fact of the matter is that in both countries there is now a marked opinion in favour of continuing the volume of floating debt.

This revulsion against long-term loans springs from two causes: In the first place, there has been an enormous increase in the preference for liquidity on the part of the public and the financial institutions which hold the Government securities. And it is felt that no purpose will be served by calling upon them to exchange short-term for long-term obligations, if as a result deposits are not going to be prevented from being drawn upon. It will only render institutional assets less liquid, which is not quite desirable. The second and equally important reason is that the loading of long-term bonds on the market will be hardly conducive to narrowing the persistent disparity between long-term and short-term rates which is so desirable if the triumph of cheap money is to be completed. Short-term rates have declined precipitously since 1931, but not long-term rates which still are 2 per cent. higher and they should be brought down.

We do not suggest that funding should not be done. In fact, India's progressive funding so far has been encouraging and better than that of Britain and that should be proceeded with as far as possible during the war, but not thereafter. Funding is essentially a process of rendering liquid resources into less liquid assets and as such is eminently desirable in an inflationary situation during the war in which money has to be prevented from pressing upon prices. But in the post-war period such as we visualize in India in which the inherently deflationary situation will have to be combated by efforts to maintain the total war-time scale of prices if a steep slump is to be averted, funding will only serve to cramp the level of private investment. In any case, it should not be carried beyond the stage at which the banks can induce their deposit-owners to exchange cash for bonds. The basic assumptions of the policy here advocated are (1) that the rate of interest will not be put up and (2) that the system possesses adequate funds to finance all needs without pushing up the complex of interest rates by means of suitable borrowing policy and that there are adequate bases and margins of cash and financial reserves to enable this to be done without resort to fresh money. In any case, it is open to Government to hold back its demands until internal finance raised by private enterprise gets converted into external finance and thereby becomes available for Government's needs.

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(Sd.) F. N. INNES,
Chief Controller of Imports.

THE WORLD ABROAD

Alternative to Stabilization Fund

(From Our Washington Correspondent)

WASHINGTON, Feb. 10, 1945 (By Cable).

THE American Bankers' Association, last week, endorsed with certain proposed modification, the International Bank for Reconstruction and Development recommended at Bretton Woods but it has proposed the elimination of the Monetary Fund. In lieu of the Fund it was recommended that the Stabilization Department be included in the Bank to accomplish the objectives that had been set forth for the Fund but with safeguards against unsound loans which the banking community felt was inherently probable in the idea of the Fund as it originally would have operated. The A.B.A. was joined in its proposals by Committees of the Association of Reserve City Bankers' Association for foreign trade. Together they represent 14,600 commercial banking institutions. The Secretary of the Treasury Mr. Morgenthau immediately sought to repudiate the Bankers' proposals which had taken two months to prepare by one hundred experts. The proposals would 'simply kill' the whole Bretton Woods programme, Mr. Morgenthau contended, adding that he did not 'think their advice will be listened to. I hope not, any way.' The bankers have forwarded their plan to all Congressmen on the eve of Congressional consideration of the Bretton Woods recommendations. During the first day of publication there were one thousand requests for copies of the plan drawn up by the bankers from several quarters including Foreign Diplomatic Consular Offices, Universities and businesses, etc. Mr. Morgenthau has promptly planned to combat the Plan in two speeches scheduled for February 14 and 26. He denied that the Banking Committee which has framed the Plan spoke for their membership and stated that he 'had thought that their horizons would be a little broader.'

The Bankers have stated their general agreement with the Bretton Woods objectives but have labelled some of the provisions as 'financially unsound' which 'if adopted might retard rather than promote an enduring recovery.' They have described the Fund as a method for lending that 'is novel and contrary to all accepted principles of credit' and far in excess of 'standards heretofore accepted by the United States in recognizing and approving changes in currency values and the maintenance of Exchange Controls.' The Bankers also recommended that the capital funds of the Export Import Bank be increased to two billion dollars. The Bank is now authorized to make loans up to 700 million dollars. This recommendation has been made in order to serve credit needs prior to the establishment of the World Bank and to enable loans in which the United States is specially interested. They have recommended too the repeal of the Johnson Act which forbids loans to countries in default on World War I loans. Under the Bankers' recommendations in respect of the Bretton Woods programme the elimination of the Fund would reduce international contributions from 17 billion and 900 million dollars to 9 billion and one hundred million dollars required for the Bank. This would reduce America's share from five billion 925 million to three billion and 175 million dollars. Financial quarters believed moreover that 80 per cent of the capital for the Bank might be never needed because only ten per cent would be sought during first year with a second ten per cent. to be drawn upon when lending operations begin. The remainder is to be drawn on in the event of losses. Gold contributions would be eliminated almost entirely. Under the Bretton Woods plans one billion 643 million dollars would be furnished in gold but under the Bankers' plan only 182 million in gold or dollars would be required whereof the American share is 63½ mil-

lion. The Bankers have asked, however, that the Dollar be firmly related to gold.

Apparently the Bankers thought that a diminished emphasis on gold in their plan would invoke British approval but dispatches from London must have been disappointing. The Wall Street Journal reported that the Bankers' programme has met with highly adverse criticism taking the line that Americans were expressing a preference for rugged individualism and private enterprise against which as a matter of fact the rest of the world might desire some protection. Under the A.B.A. plan all loans of the World Bank would be subject to intensive scrutiny and the United States would have the veto power over any that might be made in dollars. It had been argued against the Fund that its loans would be made indiscriminately regardless of whether the recipient was making any effort to put its financial house in order and whether the prospects for repayment were bright. The proposal was, however, well received in New York as was expected. The New York Times editorial which Congressman Mr. Frank Sundstrom had reprinted in official Congressional Record outlined many of the objections to the Fund and concluded that the A.B.A. programme was 'a constructive and statesman-like report' which 'it is to be hoped, not only the Congress but the Administration itself will study in the same spirit.' The Times commented that the A.B.A. proposal 'provides that the loans made must be for specific purposes and must be examined by a special committee and must offer a promise of repayment, that the country whose currency is lent will have a veto power, that the Bank will not make loans which can reasonably be made through private channels.' The New York Herald Tribune said that the Bankers' report was 'in close accord with the trend of thinking on this matter by the more intelligent and disinterested students of the subject here and abroad.' The paper said that the arguments against the Fund were those that 'have accounted for its declining popularity in recent months and increasing stress upon which has been less publicized both here and in England.'

Meanwhile the case of Mr. Henry Wallace dragged on last week with his opponents in the House of Representatives seeking by parliamentary manoeuvres to circumscribe his powers if he is confirmed as Secretary of Commerce, even more rigidly than was done in the George Bill which the Senate has passed. The House Banking Committee approved the George Bill but three Democrats and four Republicans on the House Rules Committee held up the legislation seeking to incorporate amendments to prevent the Commerce Secretary from serving on the Board of Directors of the Export Import Bank, to prevent President Roosevelt from transferring any Government financial agencies to the Department of Commerce in addition to those which would be removed under the George Bill and to enforce Government audit of all corporations in which Government owns fifty-one per cent. or more of the stock. If this coalition fails to get these amendments incorporated and tries to prevent the Rules Committee from sending the legislation to the floor of the House, the Administration may endeavour to discharge the Rules Committee under a parliamentary manoeuvre which has not been used in the past two years, namely, calling a roll of all Bills pending before the House on what is known as 'Calendar Wednesday' and taking up the George Bill when it reached. Wallace's opponents think that if they can prevent action on the George Bill until the Senate takes up the question of Wallace's nomination he will be defeated.

London Letter

London Rejects U. S. Bankers' Proposal

(From Our London Correspondent)

LONDON, Feb. 13 (By Cable).

BANKING circles are just a trifle amused at the appointment of the Chairman of the Midland Bank. Lord Linlithgow assumed Chairmanship on February 2 and the first visible sign of his new broom has been a circular letter to all members of the staff announcing that the Bank will pay tuition fees to all who are willing to learn Russian at the School of Slavonic and Near Eastern Studies.

Although this gesture towards Anglo-Soviet friendliness is apparently somewhat startling, coming as it does from Lord Linlithgow it is entirely within the traditions of the Midland Bank which has always been, for business reasons, the most pro-Russian of this joint stock banks. Before the last war the Midland carried the accounts of the Russian Treasury as well as of the Czarist family. Even more significant was the fact that in May 1927 the Midland despite the prevailing anti-Russian hysteria boldly signed an agreement with a Soviet trading organization whereunder it undertook to finance Russian purchases from the United Kingdom up to 10 million sterling per annum. Owing to the anti-Soviet hysteria which resulted in police raiding offices 'Arcos' and the severance of diplomatic economic relations between the two countries, this contract was never effective but Midland endured stoically considerable criticism for 'taking Russian gold'. The real significance of the new gesture is, however, cumulative—one more evidence that the City of London is turning towards Russia.

It is understood that the Westminster Bank is making a similar offer to its staff.

The Treasury has issued an order instructing banks to pay an interest of ½ per cent per annum upon immobilized accounts owned by residents of enemy occupied countries. These accounts are technically 'enemy' accounts and their details have to be filed with the Custodian of Enemy Property but banks retain use of funds—in the case of German-owned assets these pass wholly to the control of the Custodian of Enemy Property. But many of these accounts were rushed here for safe-keeping before the outbreak of the war and the owners in many instances neither asked for nor received any interest; nevertheless under the new instructions they will receive interest—a gratuitous payment from the British Treasury.

The banks are rather mystified but the general conclusion is that somebody has convinced the Treasury that such a move would enhance London's popularity in the post-war period as an international financial centre.

The financial comment on the hostile attitude to the American Bankers' Association towards Bretton Woods has been handicapped by the fact that London has not yet received the full transcript of their report and hesitates to assume that the cabled versions fully represent the American Bankers' view. However the cabled versions contained enough specific points to convince London that the American Bankers are against Bretton Woods chiefly for wrong reasons and that their conception of a proper post-war international machinery is completely unattractive to this country and has not the slightest chance of being accepted.

There is a slowly growing consensus of opinion here that—given goodwill and some give and take—London can make the Bretton Woods machinery work but that it is quite useless to expect London to adopt the American Bankers' proposal that the outside world

should borrow the dollars it needs. The argument repeatedly advanced here is that London is already saddled with a huge amount of short-term debt and cannot contemplate increasing it. Fundamentally the only long-term solution of the recurring problem of the scarcity of dollars is for the U.S. to continue lowering tariffs so that other countries can repay with goods. This attitude is thoroughly congenial here since it throws the onus upon the Americans.

Perhaps the most serious problem engaging general attention is what sort of jam will Government and the country find itself in if Japan collapsed shortly after Germany. Heretofore it has been assumed that at least one year will probably elapse between the surrender of Germany and that of Japan. This would be a valuable year enabling industry to switch over its production and absorb, say, 1½ million men demobilized from the services. But if only a few months intervene it is feared that Government's plans for the two eventualities would be kaleidoscoped together with chaotic results. This has been a factor in Stock-Exchange uneasiness which has been visible ever since the American forces landed in the Philippines and maintained their hold.

On the whole the big Joint-Stock banks received only moderate applause at launching, under Treasury blessings, their two new enterprises—the 'Finance Corporation for Industry' and the 'Industrial and Commercial Finance Corporation.' For comment has been unexpectedly political in overtones, if not in actual language. The Right Wing papers have expressed wonder whether the two companies are strictly necessary—if all loans are to be based on the strictest business canons then why cannot ordinary finance companies handle the business? On the other hand Liberal and Left Wing commentators are suspicious of the Bankers' bearing gifts—they wonder whether the new scheme for medium and long-term loans to business and industrial firms is not really an attempt to circumvent that Government control of investment which has now become popularized as an essential of any policy of Full Employment.

THE NEW BANK OF INDIA LIMITED Established: 1937 Head Office: LAHORE. BRANCHES.

Agra	Jullundur City
Amritsar	Jammu
Bazaz Hatta	Lucknow
(Lahore).	Ludhiana
Bombay	Mall Road (Lahore)
Cawnpore	Moga
Chamberlain Road	Multan City
(Lahore)	New Delhi
Delhi	Rawalpindi City
Gujranwala	Shahalmi Gate (Lahore)
Gujarat	Slalkot City.
Hoshiarpur	

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

A DELHI DIARY

FINANCE and taxation, industrial development, coal shortage and a number of other questions of economic importance loomed large in the Assembly proceedings this week. It is usual to scan the Government's answers to see whether there is any indication of a change in policy—at least a desire to respond to non-official suggestions. A few minor assurances have been extracted from Government Members, but generally speaking, the attitude of the Treasury Bench was hardly encouraging. The only Member who gave the impression that he was trying to accommodate himself to the demands of public opinion was Sir Ardeshir Dalal. There was, for instance, the question of British commercial safeguards still disfiguring the constitution. It was necessary to know what steps the Government of India were taking to remove this obstacle in the way of sound planning. Opposition members rightly maintained that without settling this question it was not possible to plan ahead for post-war development. Sir Ardeshir Dalal was quite frank in his answers. Though he did not commit himself, he said that "a start" had been made and appealed to the House not to press the question at this stage—as that would do more harm than good. The spirit in which the House took this appeal showed that if the Government wanted their co-operation—without letting down public interest—it was not difficult to get it.

Not all Members of Government, however, showed this accommodating spirit. The Commonwealth Relations Member, Dr. Khare, had no case whatever when he stood up to answer the censure debate on the South African question. It is not yet definitely known whether the decision ordering the new High Commissioner to proceed to South Africa was taken by the Government of India voluntarily or at the bidding of Whitehall. Still if any evidence were needed of the Government's unwillingness—or helplessness—to accept even the unanimous verdict of the country, his unfortunate speech—not only its content but its tone—provided it. And then there was the speech of the Finance Member in reply to the censure debate on coercive methods in National Savings collections. All sections of the House accepted the need for a Savings movement as an anti-inflationary measure, but two differences emerged from the debate. Though the Government spokesman did not, and could not, justify these coercive methods, he did not come forward with any concrete measures for putting down official excesses in this matter. And secondly, while non-official members urged that the poorer and even the middle classes in this country had no surplus in their hands, the Finance Member seemed to disagree and insisted on the need for a small savings scheme to cover all classes. More than once he referred to the success of the scheme in the United Kingdom, but the Opposition members reminded him that timely and successful measures had been taken to keep down the cost of living in the U.K. while India had to face even mass starvation.

A number of attempts were made to get some idea of the Government's intentions regarding post-war industries. What are the specific industries which they have in view? Which are the industries which they propose to develop as State enterprises? And what are the facilities which they offer to Indian enterprise? Only vague assurances were available

from the Treasury Bench which only helped to increase the doubts in the minds of non-official members. I find very strong feeling among elected members that even in such matters as providing dollar credits for bringing technical personnel from the United States or for the visits of Indian industrialists to the United States for business purposes the Government of India are still unhelpful. Mr. T. T. Krishnamachari has tabled a question calling the attention of the Finance Member to the speech of Mr. Trevor, Deputy Governor of the Reserve Bank, stating that the possibilities of Indian interests securing dollar credit in the future are bright and asking what is proposed to be done to help Indian interests in this matter. There is no doubt that the dollar position has greatly improved, but the Government's policy continues unchanged. It is complained that the Government take an unduly long time to dispose of applications for dollar credit or offer such small amounts that they are totally inadequate. New industries need technical men very badly. Some of them are willing to come over from the United States, but in the absence of dollar credits Indian business men find themselves helpless. Sometimes owing to the delay in granting the credits, the technical men available accept other employment and are lost to us. The Government's policy calls for drastic revision and in view of the improved position, dollar credits should be allowed liberally for all legitimate needs. As the total amount required will not be more than five million dollars at present, the Government of India cannot reasonably object. It is a negligible amount compared to what other countries have already obtained for themselves—Egypt, for instance, with its 300-million-dollar credit.

During the last November session of the Assembly the Government were rightly blamed for not taking early steps to assess the U.K.C.C.'s profits for income-tax and collect the dues. The Finance Member said that the matter had been taken up, but nothing is yet known about the outcome. In the Assembly this week, Mr. Manu Subedar succeeded in getting some information about the large concessions enjoyed by American, Chinese and other troops in this country—customs exemptions and also exemptions from British Indian income-tax. Is it right that India should be asked to forgo such large dues—about Rs. 5 crores according to Mr. Manu Subedar's estimate. Then again there is the cost of movements of U.S. personnel and other non-Indian forces. According to a statement given in the Assembly, the expenditure on the movements of U.S. Forces in India from 1942 to 1944 amounts to Rs. 6 crores. This expenditure is now borne entirely by India under reciprocal aid arrangements. As regards other personnel, the sum involved for the years 1939 to 1944 is Rs. 32 crores—being the cost of movements in excess of the pre-war level for those years. The Finance Member told the Assembly that this latter expenditure is regarded as abnormal expenditure arising out of the war and is allocated between India and His Majesty's Government in accordance with the Financial Settlement. The complaint was made on the floor of the House that undue sacrifices are imposed on this country and not even an account is kept of losses accruing from such items as customs and income-tax exemptions.

ARGUS.

MONEY MARKET

Money Market Easy—Slight Improvement In Gilt-edge Prices—Spurt in Bullion

(From Our Correspondent)

BOMBAY, Feb. 11, 1945.

THE money market is slowly slipping back to its former easy phase, although short credits are by no means in very plentiful supply as yet. Inter-bank business among the Indian banks was reported at half to one per cent., while the call rate quoted by exchange banks remains only at $\frac{1}{4}$ per cent. Some banks, it is reported, have reduced the rate on their advances against securities to 2 per cent. Money is still usable and the financing of the cotton crop movement gives banks a good opportunity to employ their funds remuneratively. The easier money conditions are duly reflected in the several indices, namely, higher applications for Treasury Bills, rising trend of bank deposits and slightly better conditions in the securities market. Bidding for the Rs. 2 crores of Central Treasury Bills appears to have been very keen, since total applications amounted to Rs. 7.2 crores. The average rate, however, remained unchanged at Re. 0-9-0 per cent. per annum. But, considering that next week maturities exceed the renewals by nearly Rs. 4 crores and it is possible that this position is likely to continue for some weeks more, there is justification in anticipating a fall in Treasury Bill yields in the coming weeks.

In the week ended February 2, scheduled banks were able to add about Rs. 5.4 crores to their deposits, both under current as well as time deposits. Their balances with the Reserve Bank have increased by nearly Rs. 3 crores. This, coupled with the fact of a reduced offtake in the form of Treasury Bills and the consequent excess of maturities over renewals should serve to ease the bankers' cash position still further. From the fact that advances have risen by Rs. 2 crores at Rs. 259.1 crores, it is possible to draw the inference that banks are still reducing their investments. With the lessening stringency in the money market and increased deposits of banks, the banks may not find it so much necessary to effect a reduction in their securities portfolio. That would be welcome from the point of view of the gilt-edged market which is still very much neglected.

Gilt-edged

The revival of easy money conditions has also been helped by the fact that there has been an expansion in the currency. The statement of the Reserve Bank for the week ended February 2, shows a transfer of sterling securities from the Banking to the Issue Department to the extent of Rs. 7 crores and an expansion of currency against that. Actually, active notes in circulation have increased from Rs. 1,034 crores to Rs. 1,043 crores. Another point of interest in the statement is the enormous jump in the balances with the Central Government from Rs. 256.9 crores to Rs. 272.4 crores. So large an addition to the Central cash balances shows the rate at which tax payments are being made and sterling is accumulating, especially when one considers that the statement under reference should include also the usual month beginning disbursements. The fairly affluent state of the Provincial Governments is also borne out by the high level of their balances. Also significant is the rise of scheduled banks' deposits from Rs. 67.3 crores to Rs. 71.5 crores. An additional factor showing the comfortable ways and means position of the Provincial Governments that ways and means and advances are standing at Rs. 2 lakhs as against Rs. 36 lakhs in the earlier week. What is, however, much more interesting as

well as significant is the fact that the Treasury Bills rediscounted by the Reserve Bank are shown at as high as Rs. 6.6 crores as against Rs. 2.3 crores in the earlier week. This is proof of the tightness in the money market in that week. Many holders of Treasury Bills should have found an opportunity of utilizing their money more usefully in other directions than by keeping it invested in the Treasuries. Another notable increase has occurred under the item 'Investments' which shows a further increase at Rs. 20.31 crores as against Rs. 17.5 crores previously. Considering that in that week the Reserve Bank was offering fairly substantial support to a number of loans in the gilt-edged market when it struck a bad patch, one may infer that the Rs. 3-crore increase under this item provides a rough measure of the extent of that support. No doubt, there is also the possibility that some of the Provincial Governments' money may have been invested by the Reserve Bank on such an occasion.

Gilt edged

There has been a slight improvement in the tone of the gilt-edged market, but values have not recorded any appreciable gain. Support from institutional investors has been only sporadic, despite what appears to be a deliberate reduction by the Government in its Treasury Bill borrowings in order to encourage the former to pick up some of the Government loans which are now standing at levels which a few weeks ago would have been regarded as very attractive. But it must be added that there are already signs which suggest that the authorities' expectations will materialize in the next few weeks. As the week drew to its close, the Imperial Bank, for instance, extended some support to Victory Loan as a result of which its quotation hardened from Rs. 99-6 to Rs. 99-9. Three and a half per cent. G.P. Notes also improved in sympathy from Rs. 99-6 to Rs. 99-8-6. A fractional improvement was noticeable in other loans also. Three per cent. 1963-65 was a shade better at Rs. 98-10. Three per cent. 1953-55 was steady at Rs. 100-2 and 3 per cent. 1951-54 at Rs. 100-8. Three and a half per cent. 1947-50 was taken up at Rs. 103-9 and $3\frac{1}{2}$ per cent. 1954-59 at Rs. 104-2. Four per cent. 1960-70 Loan, however, was a shade quieter at Rs. 112-9. Five per cent. 1945-55 tax-free loan receded further to Rs. 102-13.

Bullion

In the bullion market, the bull syndicate dominated the field, being completely imperious to the encouraging war news from all theatres. And in this task it was assisted by the continued good offtake by upcountry centres of both gold and silver and the consequent sharp drop in the floating stocks of the metals. The Reserve Bank's offerings of gold and silver alike were appreciably below the flow of these metals from Bombay. This emboldened the bull syndicate to corner the Reserve Bank's offerings by bidding at higher rates and thereby keeping the bears at bay. Being alive to the technical position of the market and the continued interest in the up-country offtake, the bears, however, operated only in a cautious manner and are still biding their time in the hope that there might be some dramatic developments on the Continent. The restricted character of the operations by the bears is reflected in the relatively low *budla* rates which have been varying from 6 to 8 annas in gold and from 2 to 6 annas in silver.

Thanks to the activities of the bull syndicate, the rate for gold, which had declined to Rs. 67-11 on Monday on rumours of peace from Cairo, spurted to Rs. 70-13 on Tuesday. A part of this rise was also due to bear covering. Thereafter, the rate went up by stages to Rs. 72.14 and finally closed steady at Rs. 72. The rate for one week forward was quoted at a discount varying between As. 8 and As. 12, the closing rate for such being Rs. 71.7. The Reserve Bank sold during the week about 60,000 tolas at progressively higher rates. From Rs. 67.14 realized on Monday, the Bank's selling rate moved up to Rs. 71-10 on Thursday, the highest for the week. On Friday, however, the Bank was able to realize only at the rate of Rs. 71-4. The daily average offtake is estimated at 20,000 tolas and the floating stocks at 75,000 tolas. The upward trend in silver started rather late, as the offtake began to make itself felt on the stock position a bit slow in the initial days of the week. After being in the neighbourhood of Rs. 120 in the beginning of the week, spot silver jumped to Rs. 125-10 on Thursday, but finished a little lower at Rs. 124-10. The rate for one week settlement was quoted at a discount which varied from As. 2 to As. 5. The Reserve Bank sold, as in the past many weeks, 300 bars per day at hardening rates from Rs. 119 on Monday to Rs. 124-4 towards the close of the week. The daily average offtake is placed at 350 bars and the floating stocks at 3,000 bars.

The Stock Exchange

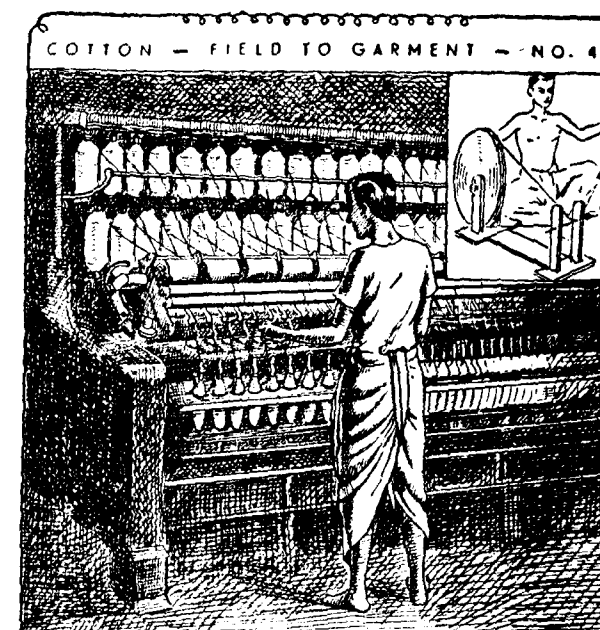
Erratic conditions prevailed in the share market. After being weak early in the week on reports in local papers that the Government has completed arrangements for imports of large quantities of steel, cement and cloth, a slightly better feeling prevailed on bear covering and buying by jobbers. At the close, however, the market once again turned weak on lack of sustained support. Although it looks as though the market has now reconciled itself to the probability of an early end of organized German resistance, budget uncertainties are responsible for the unsteady appearance of the market. The usual crop of reports from the Imperial capital are extremely bearish this time and this has naturally encouraged short-selling in all the speculative counters.

The Brady group of cotton mills has been the first among the Bombay cotton mills to announce the dividends for 1944. At their meeting held on Thursday last, the Directors have decided to pay a dividend of Rs. 20 per share to the shareholders of *New City* and *New Great* and Rs. 7 per share to those of the *Colaba Land Mill*, as against Rs. 25 and Rs. 10 respectively for 1943. In other words, the reduction in the dividend level works out to 20 per cent. in the case of the first two mills and as much as 30 per cent. in the case of dividends for 1944. At their meeting held on Thursday the third, the cut in the dividend of *New City* and *New Great* is considered in market circles to be moderate but it is reported that the actual fall in the earnings of the companies is much more greater and that the Directors must have maintained the dividend only by keeping the provisions for depreciation and E.P.T. deposits at levels lower than what they ought to be. That is precisely the reason for the sudden disappearance of the enthusiasm in these shares which was noticeable immediately after the dividend results reached the market. *New Great*, for instance, which jumped from Rs. 383 to Rs. 400 in a few minutes on Thursday afternoon and closed at Rs. 392 on that day dropped back to Rs. 381. Among others, *Bombay Dyeings* after declining from Rs. 1,820 to Rs. 1,758-12 recovered to close at Rs. 1,780. *Central Indias*, after an earlier setback of Rs. 13 to Rs. 384-8, finished a bit steady at Rs. 386. *Kohinoors* fluctuated rather widely

on many rumours about the final dividend, the closing at Rs. 591 comparing with the opening rate of Rs. 605.

Among Steel shares, *Tata Deferreds* finished at Rs. 2,092-8 after dropping from Rs. 2,143-12 to Rs. 2,077-8 early in the week. Ordinaries, however, encountered sustained selling as a result of which they declined from Rs. 405-8 to Rs. 387.

In the miscellaneous section, *A.C.C.* eased from Rs. 233 to Rs. 227-8 and *Scindias* from Rs. 34-14 to Rs. 34. *Belapurs* evoked little interest and closed quiet at Rs. 2,092-8 after dropping from Rs. 2,143-12 to throughout the week, with buyers preferring to keep aloof.



SPINNING THE YARN

The cotton has been mixed from several different sources at every stage in the mill, so that the string-like "roving" has exactly the same proportion of long and short, strong and weak or differently coloured fibres in every foot of its length.

Spinning puts the full twist into the roving and makes the fibres cling round each other so as to present a smooth surface in the finished yarn. At the same time the yarn is drawn out to the required fineness.

The "ring-frame," most commonly used, gives a continuous pull and twist to the roving which is being drawn out, while the finished yarn is being wound on to its spindles. The double motion of the hand, firstly, in drawing the thread from the "charka" as it stretches and twists into yarn, and secondly, in allowing the yarn to wind back on the spindle is saved by ring-spinning. But for yarns which must be so fine that more than six miles are spun from a pound of cotton, a "mule-frame", which automatically reproduces the movement of the hand at the "charka" has to be used. Machine-spun yarn is consistently of even thickness and strength.

Kesoram
CLASSIC COTTONS

KESORAM COTTON MILLS LTD.
Managing Agents: BIRLA BROS. LTD.,
CALCUTTA.

***** JMT (E) LTD. 9

THE INDO-COMMER

BALANCE SHEET AS AT

	LIABILITIES	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							
							3,00,000
CONTINGENT FUND							
							15,000
PROVISION FOR TAXES							
							84,331
LIABILITIES:							
Deposits Fixed, Current, Savings Bank, Monthly Deposits, Cash Certificates, Staff Security, Provident & Gratuity Fund & other Liabilities							2,35,00,010
							4 6
DUE TO BANKS							
							Nil
DIVIDENDS NOT DRAWN							
							3,623
BILLS FOR COLLECTION							
							9,91,389
BRANCH ADJUSTMENTS							
							2,59,408
DRAFTS & T. TS. PAYABLE							
							3,11,911
SUNDRIES							
							30,341
PROFIT & LOSS ACCOUNT:							
Balance as per Balance Sheet of 31-12-43				1,91,353	2	8	
To place to General Reserve Fund	Rs. 1,00,000	0	0				
Provision for Taxes	Rs. 30,000	0	0				
Final Dividend for the year ended 31-12-43 at 6 p.c. per annum on A, B & C Shares	Rs. 56,241	15	7	1,86,241	15	7	
Brought forward after appropriation				5,111	3	1	
NET PROFIT FOR THE CURRENT YEAR				4,84,168	14	2	
Less: Ad interim Dividend at 6 p.c. p.a. on A, B & C Shares for the half-year ending 30th June 1944				4,89,280	1	3	
To place to General Reserve Fund	Rs. 56,250	0	0				
Provision for Taxes	Rs. 75,000	0	0				
	Rs. 75,000	0	0	2,06,250	0	0	2,83,030
							1 3
CONTINGENT LIABILITIES:							
Claims against the Bank not acknowledged as debt	Rs. 5,076	13	11				
<i>*Entitled only to a tax free non-cumulative preferential dividend of 6 per cent. per annum.</i>							
TOTAL				2,76,54,046	6	1	

Dr.	PROFIT AND LOSS ACCOUNT FOR THE YEAR	
To Depositors' & other interest		3,91,154
Salaries, Bonus & Gratuity Fund		2,07,003
Directors' Fees		1,098
Managing Director's Honorarium		68,332
Auditor's Fees & Legal Adviser's Fees		3,000
Rents, Taxes & Insurance		30,326
Printing & Stationery		15,493
Communications		27,351
Remittance Expenses & Commission		28,610
Depreciation		3,919
Other Charges		51,281
NET PROFIT		4,84,168
		13,11,742
TOTAL		3 11
K. LAKSHMANAN,		
<i>Accountant.</i>		
Directors:		
R. VISWANATHAN.		
K. SIVASWAMI.		
R. S. A. SANKARA IYER.		
V. VENKATARAMAN.		

AUDITOR'S

I have audited the above Balance Sheet and Profit & Loss Account with the books of the Head verified the cash and securities at Mayavaram, and the Madras offices, and have obtained all the information 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 account have been kept by the Bank as required by Section 130 of the Indian Companies Act, 1913.

Madras,
27th January, 1945.

CIAL, BANK LTD.

31ST DECEMBER, 1944

	ASSETS	Rs.	a.	p.	Rs.	a.	p.
LOANS, CASH CREDITS, BILLS DISCOUNTED, BILLS PURCHASED, PROMISSORY NOTES AND OTHER ADVANCES							
<i>Particulars required under the Indian Companies Act VII of 1913.</i>							
1. Debts considered good in respect of which the Bank is fully secured		90,14,742	7	4			1,46,37,566
2. Debts considered good in respect of which the Bank holds:							
(a) Joint & several Pro-notes		13,13,800	8	9			
(b) Pro-notes by several persons singly		5,60,074	2	4			
(c) Bills and Drafts		36,97,375	11	8			
(d) No Pro-notes being temporary Overdrafts		37,663	11	1			
3. Debts considered doubtful and bad		13,910	2	8			
4. Debts due by the Directors and other officers		Nil					
<i>Loans and advances made to the Directors at any time during the period</i>							
<i>Nil.</i>							
BANK PREMISES at cost							
Add additions during the year		24,379	3	5			
		8,891	10	5			
		33,270	13	10			
Less depreciation written off up to 31-12-44		4,800	0	0			28,470
							13 10
SAFES & FURNITURE at cost							
Add additions during the year		1,01,424	4	7			
		6,443	3	6			
		1,07,867	8	1			
Less deductions during the year		3,707	2	4			
		1,04,160	5	9			
Less depreciation written off up to 31-12-44		38,730	15	10			65,429
							5 11
BOOKS & STATIONERY IN STOCK at cost							
							42,935
BILLS FOR COLLECTION per contra							
							9,91,389
SUNDRIES							
							3,80,891
INVESTMENTS:							
*Government Promissory Notes of the face value of Rs. 55,96,000 at cost (market value Rs. 56,03,546-7-6)		55,56,463	5	2			
<i>(G.P. Notes for the face value of Rs. 30,000 lost in transit. Duplicates have been applied for.)</i>							
Shares of joint stock companies of the face value of Rs. 1,15,320 at cost (market value Rs. 1,13,890)							
		97,218	2	0			
Deposit of Staff Security with Scheduled Bank		16,225	0	0			56,69,906
							7 2
INTEREST ACCRUED ON INVESTMENTS							
							66,379
CASH ON HAND							
		35,92,160	4	3			
CASH AT BANKS IN CURRENT ACCOUNT							
		21,78,917	9	8			57,71,077
<i>*G.P. Notes of the face value of Rs. 65,000 have been ear-marked for the Employees' Provident & Gratuity Fund.</i>							
TOTAL							2,76,54,046
							6 1

ENDED 31ST DECEMBER, 1944.

	Cr.
By Interest	6,98,781
Commission, Discount & Miscellaneous Income	3,22,913
Interest on investments (Less difference on sales)	2,90,047
TOTAL	13,11,742
	3 11

T R VENKATARAMA SASTRI,
Chairman.

S. N. N. SANKARALINGA IYER,
Managing Director.

REPORT

Office, and all the branches in Madras and the certified returns from the other branches and sub-offices, and explanations I have required. I beg to report that the above Balance Sheet and Profit & Loss true and correct view of the Bank's affairs as on that date, according to the best of my information and account have been kept by the Bank as required by Section 130 of the Indian Companies Act, 1913.

P. S. SUBRAMANIA IYER, B.A., G.D.A., R.A.
Registered Accountant, Auditor.

THE BUSINESS WORLD

OUR TRADE WITH EUROPE

IN 1938-39 our import trade with Europe constituted some 17 per cent. of our total imports while 16 per cent. of our total exports was taken off by European countries excluding the U.K. Germany's share both in the export and import trade was the largest, accounting for 5.1 per cent. of our exports and 8.5 per cent. of our imports. As a supplier Belgium came next supplying 1.9 per cent. of our imports. France was a bigger customer, taking off 3.8 per cent. of our exports as compared with Belgium's 2.6 per cent., while less than 1 per cent. of our imports came from France. Italy, Switzerland and the Netherlands supplied us with 1.8 per cent., 1.1 per cent. and 0.9 per cent. of our imports, while they took off 1.6 per cent. and 2.3 per cent., Switzerland's share being negligible. Nor was our share in the total trade of any of these countries very large. German exports went mainly to the industrial or otherwise highly developed countries of Central and Northern Europe. In 1933, for instance, 36 per cent. of her exports went to "Industrial Europe, excluding Sweden" while 24 per cent. of Germany's import trade originated from these countries. The share of "British dominions, India and European over-sea territories in the same year was 17 per cent. in imports and only 9 per cent. in exports." In the case of France, the above-mentioned group including India supplied 10 per cent. of French imports and took off 3 per cent. of her exports, while Italy, under the new economic policies initiated with a view to attaining increased self-sufficiency, reduced the volume of her trade with the non-European countries very greatly in preference for a diversion to her own colonies.

The greater bulk of our trade with Europe is concentrated in the more industrialized countries of the continent. This relationship is clearly reflected in the composition of her export and import trade. The exports consist primarily of raw materials and the predominant part of the imports comprises manufactured articles and some amount of industrial ores. India exports raw cotton, jute, raw hides and skins, oilseeds, coffee and tea while she receives machinery and mill-work, instruments and appliances, iron and steel, etc. In 1936-37, for instance, Sweden, Germany, Belgium and France and Luxemburg supplied India with 2.0 per cent., 12.6 per cent., 14.5 per cent., and 2.5 per cent. of our iron and steel imports. In 1938-39, imports from Belgium constituted 12.1 per cent. of our total imports. Imports from Germany amounted to 11 per cent. of our total imported supply. About 21 per cent. of our total requirements of various kinds of machinery in 1938-39 came from Sweden, Germany, Belgium and France, their respective shares being 2.3 per cent., 16.1 per cent., 2 per cent. and 0.2 per cent. Severe German competition in that year succeeded in making a slight inroad into the share of the United Kingdom which fell from 63 per cent. to 59 per cent., and Germany's share rose from 14.8 per cent. in 1937-38 to 16.1 per cent. in 1938-39. In 1936-37 India imported 41 and 382 motor-cars, respectively, from France and Italy. The recession in business activity that set in soon after reduced the total imports of motor-cars from 12,116 in 1936-37 to 11,058 in 1938-39 and the number imported from Italy fell to 232. France, which had increased her exports slightly also suffered a decline in the number of motor-cars imported in India. Imports of German motor-cars fell from 2,097

in the previous year to 1,253 in 1938-39. Imports from Czechoslovakia, which had supplied 93 motor-cars in 1937-38, also fell and only 37 motor-cars came into India from that country in 1938-39. The percentage share of Germany and Italy in the supply of motor vehicles in that year was 8.2 per cent. and 1.2 respectively, while France supplied less than 1 per cent. of the numbers imported into India. 24.1 per cent. of the imports of instruments and other apparatus, which in the aggregate represents about 4 per cent. of the total value of our import trade, was accounted for by Germany, Netherlands, Belgium, Italy and France with 17.6 per cent., 2.6 per cent., 2.2 per cent., 1.4 per cent. and 0.3 per cent. as their respective shares in the imports into India. Hardware constitutes another important item of our import trade. Germany was our biggest supplier on the European continent, supplying us with 34.1% of our need in 1937-38. 13.1% and 5.2% of our chemicals supply came from Germany and Italy. Germany supplied us with 19.7 per cent. of our imports of paper and paste-board. The share of Norway and Sweden was about 12 per cent. each, while Austria supplied with 7.3 per cent. and Netherlands with 4.7 per cent. of our total imports. Sewing threads, woollen piecegoods and artificial silk also came in small quantities.

On the export side, raw jute was by far the most important item of our export to Germany. In 1937-38, 143,000 tons of raw jute worth Rs. 2,54,27,000 were exported to Germany, 48,000 tons of wheat, 34,000 tons of raw cotton, 108,000 tons of seeds, 4,000 tons of raw hides and skins were same of the other articles exported, 67,000 cwts. of lac, 1,000 tons of coir manufactures, 1,000 tons of bones for manufacturing purposes and 53,000 cwts. of raw hemp were also exported. In the aggregate our export trade with Germany was valued at Rs. 841 lakhs while imports were valued at Rs. 12,19 lakhs in 1938-39. Netherlands imported chiefly groundnuts from India of which 169,000 tons were exported to that country in 1938-39. Raw jute amounting to 12,700 tons and oilcakes amounting to Rs. 17 lakhs in value were also exported, while France received, principally, groundnuts, raw cotton, raw jute, coffee, manganese ore, linseed and hides and skins. In 1938-39, thus, 149,000 tons of groundnuts, 76,000 tons of raw jute, raw cotton worth Rs. 145 lakhs were exported. Raw hides and skin exports were valued at Rs. 20 lakhs. Italy made systematic efforts to increase cotton cultivation in her African Empire and this reduced her offtake of Indian cotton to 16,000 tons in 1938-39 as compared with 27,000 tons in the previous year, and while the production of synthetic fibres in Italy reduced our exports of raw jute to that country which fell from 73,000 tons to 46,000 tons between 1936-37 and 1937-38, raw hides and skins and oilseeds were the other important exports to Italy. Belgium took 142,000 bales by raw cotton and 285 thousand bales of raw jute in 1938-39, while France, Italy, Belgium and Germany together took off 205,000 tons of Indian linseed. Indian tea exports constituted 9.8 per cent. of France's total imports of tea while 8.8 per cent. of our tobacco exports went to Netherlands and Belgium. Coffee worth Rs. 825,000 was sent to Norway of Rs. 1,377,000 to Germany and Rs. 1,198,000 to France. In the aggregate our total import trade from Europe was valued at Rs. 28,27 lakhs in 1938-39 while our exports to Europe were valued at Rs. 30,51

lakhs.

The present war has more or less destroyed our trade with Europe. Thus imports from European countries in 1941-42 fell to a mere Rs. 222 lakhs while exports dwindled to Rs. 190 lakhs. But this was to be expected since almost the entire continent had been over-run by an enemy country, namely, Germany. What are, however, the prospects for the future? If the annual fluctuations are disregarded, Europe's . . . cotton imports were almost unchanged during the fifteen years preceding to the present war. Only about a fifth of the total quantity imported of this 'most considerable import article' was obtained from territories politically attached to Europe. These considerations may give one the hope that our cotton exports to Europe will remain steady or may even increase. But there are two strong reasons to doubt that this would be so. Firstly, even prior to the war the great bulk of cotton was obtained by Europe from 'the U.S., Egypt and certain Latin American countries, particularly Brazil, whose production increased rapidly during the 'thirties and encroached upon the U.S. share in the supply.' In the post-war period this situation will re-appear. Indian cotton will need great qualitative adjustments to be able to compete in the European market. Then there is the sceptre of the American subsidy which, even at the moment has deprived India of her export markets in Belgium and France, where the textile industries have, it appears, not suffered seriously under German domination. The exigencies of food-planning may make encroachments on the area under cotton

and it is not impossible that in the long run raw cotton exports may decline. Raw jute which is the second most important item on India's export trade has not yet been satisfactorily displaced, but it may be that the country will like to export jute manufactures than raw jute. Oilseeds exports must definitely be restricted and an oil industry initiated and expanded within the country. At present 50 to 75 per cent. of Indian production of raw hides and about 45 per cent. of the goat and sheep skins are locally tanned, the remainder being exported raw. Due to war demand the capacity of both the tanning and the foot-wear industry and a rising standard of living after the war should enable both to maintain their present capacity. If that comes about, it is likely that in coming years India will tend to export leather and leather goods rather than in the raw. Between 1927-31 and 1933-37 Europe's net imports of coffee rose by only about 1 per cent. in quantity and those of tea fell by 7 per cent. In this circumstance, therefore, it is open to doubt whether Indian tea and coffee can find an increasingly large market in Europe. But during the same period Europe increased her dependence on the supply of cane sugar from non-European sources. There is no reason why the Indian sugar industry should not be able to get some share in it.

On the import side, it is much more difficult even to indulge in guesses. For many years yet it seems hardly likely that Europe can have the capacity to supply any of our needs. Her own reconstruction and rehabilitation will need to be put through with the help of all her resources and even substantial outside assistance.

NOTES

IND. USTRIAL PANELS

Perhaps the most important constructive step taken by the Planning Department to date is the constitution of industrial panels to advise them in drawing up a detailed plan for the five years following the cessation of hostilities, as the first stage of a fifteen-year plan of industrial development for the whole country. The panels are twenty-nine in all and cover a wide range of industries, existing as well as new, capital goods as well as consumer goods. All the major existing industries, such as iron and steel, chemicals, paper, sugar, glass, soaps and oils, paints and varnishes, wool, silk, leather and the cinema are to have one or more panels. A conspicuous absentee from this list is cotton textiles, which, however, has already got the Textile Control Board to look after its destiny. It is gratifying to note that machine tools, light engineering industries, such as bicycles, electro-chemical industries, including calcium carbide and ferro alloys, ready-made clothing, non-ferrous metals, scientific instruments, etc., which have made a beginning or have developed to a greater or smaller extent during war-time, are all to be found in the list. Among important new industries, which are to have panels, mention may be made of industrial plant, automobiles, ship-building, electrical machinery and equipment, plastics and rayon. The list seems to be fairly exhaustive, but cement, jute, matches, cigarettes and processed foods, particularly fruit products, are some of the industries left out; the reasons for this omission are not obvious.

THEIR SCOPE

It would be within the competence of the panels to advise the Government on the major aspects of industrial policy. Thus, they can recommend whether a particular industry should be under Government owner-

ship and if so whether it should be wholly or partly managed by Government. In the case of industries to be developed other than under State ownership, the concerned panels may suggest to what extent the Government should assist in the event of the required capital not forthcoming through public investment. They have also to indicate what controls, if any, should be exercised by Government over industries under private management. Incidentally, these directives would seem to hint that the Government have accepted, at least in broad outlines, the role of the State as chalked out in the second part of the Bombay Plan. The panels are also directed to go into details and make recommendations on the scope and extent of development, including the types of products recommended, the stages by which the industry should be developed, location of industries, the extent to which technical advice from abroad may be necessary, the manner and the degree of co-operation with foreign firms considered necessary and desirable both as regards capital and management, and the nature of the assistance required from Government in the form of protective duties, bounties, research grant, expert advice, etc. An interesting directive requires the panels to study the question whether particular industries should cater for the export market, while another, which is equally interesting, suggests that the possibilities of developing industries on a cottage industry basis should be looked into.

Before submitting recommendations, the panels are to consult Provincial industrial committees, particularly in the matter of location of industry. Provision is made for joint meetings of the panels, wherever necessary, to secure co-ordination and for co-opting members for dealing with specific branches of an industry. With a view to assisting the panels in their work, the Government have undertaken to

provide them with factual information. In the case of new industries, information will consist roughly of a general survey of the industry and the importance of starting it in India, the availability of raw material, the power requirements and the possibilities of the domestic and foreign markets. In the case of existing industries, the panels will also be given details relating among other things to the location of existing units, the types of goods produced, the total production under each category and the assistance, if any, given by the Government. The panels will also be given, as a basis for discussion, the provisional targets to be aimed at in the first five-year period and, wherever possible, the targets to be reached in fifteen years.

TRAINING FOR LABOUR OFFICERS

It is understood that a scheme to train some 60 labour officers of the Central and Provincial Governments, in three batches of 20 each, is to be initiated next month when the first batch will leave for the United Kingdom. The training period would extend to six months. In special cases it may be extended to eight months. The trainees will study the organization and functions of the Ministry of Labour and National Service. Among the important subjects in which they will receive practical instruction are problems of industrial relations including the settlement of labour disputes, factory inspection and labour welfare, wage regulation and inspection. In view of the proposed expansion of the machinery of employment exchanges, a large number of officers will be given special training in operating such exchanges. A satisfactory machinery for the administration of labour laws does not now exist in this country. In Bengal, for instance, 271 factories were not inspected at all in 1938; 1,464 were visited, but about half the number was visited only once in the year. It is to be hoped that the proposed scheme would provide the country with the nucleus out of which might develop an adequate and well-trained staff to deal efficiently with the labour problems of a fast-industrializing India.

SKIN PRICES

The new schedule of prices announced by the U.S. Office of Price Administration for semi-tanned goat skins and sheep skins from India, Iraq and Iran should be of considerable interest to tanners in this country. The schedule, which came into operation on the 7th February, increases the import prices of India-tanned goatskins and controls, for the first time, the import prices of India-tanned sheepskins and Iraq and Iran-tanned goatskins and sheepskins. This action is stated to be part of a joint programme undertaken by the United States, the United Kingdom and Canada to maintain balanced distribution of skins among these countries by equalizing the purchase prices of importers. It is reported that the Union of South Africa would also participate in the scheme through the United Kingdom. The reactions of the trade circles here to the Washington announcement are likely to be of a mixed type. While the increase in goatskin prices, coming as it does from a very important importer, would be welcomed, naturally, it is unlikely that it would substantially contribute to a lessening of the general dissatisfaction over the fact that the sharp increase in production costs is insufficiently appreciated by foreign buyers in fixing prices.

WINTER LAC CROP

According to the final estimates for 1944, the winter lac crop was some 172,125 maunds as compared to 387,000 maunds last year. Both *katki* and *kusmi* crops registered lower yields, the former falling by about 60,000 maunds and the latter by over 150,000 maunds. The decreases are ascribed mainly to the

dearth of good healthy brood and to a certain extent to the lack of interest on the part of growers. 1943, however, was an exceptionally good year, with 2,01,750 maunds from the *katki* and 33,125 maunds from the *kusmi* crop. 1944's *katki* crop of 1,39,000 maunds, although very much smaller than 1943's, still does not compare unfavourably with 1942's *katki* crop of 81,750 maunds. 1944's *kusmi* crop, however, was only 33,125 maunds as against 1942's 81,750 maunds.

INDO-AMERICAN COMMERCE

Attention may be drawn to certain recent American comments on two commodities of interest in India-United States trade relations. The New York *Journal of Commerce* reports that lemongrass oil (used chiefly in perfume making) is advancing because of the uncertainty regarding replacements from India, where shipping prices are showing an upward trend. The discovery of a relatively new use for this article, the appearance of a demand from other countries and the difficulties experienced by shippers in obtaining containers are all reasons suggested by American circles for the firm market conditions.

Carl Farington, Vice-President of the United States Commodity Credit Corporation, has given expression to certain sentiments, which would commend themselves to cotton interests in this country. Speaking of government price-supporting activities on cotton, he is reported to have said: "Some foreign producers of cotton are inclined to look upon our programme as subsidizing rather than one of readjusting domestic prices and they tend to resent this particular type of programme. Any other types of programmes which would achieve equal results in terms of farm income without creating this resentment and which would not involve more serious disadvantages obviously should receive careful consideration." One may not be far wrong, perhaps, in hailing this new attitude as one of the first fruits of the emphatic stand taken by the Indian Delegation over the question of cotton subsidy at the Rye Conference.

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FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, Feb. 10, 1945.

A FEATURE of the working of land mortgage banks in the past year has been the advance repayments of loans taken by agriculturists. The rise in the prices of agricultural produce, the high land values and the consequent sale of land in part to wipe away debts and borrowing from private individuals at cheap rates are stated to be some of the reasons for these advance payments. The last is, however, being disputed by the higher officials. Whatever that may be, one thing is clear that the indebtedness of the agriculturists is being substantially reduced. But the agriculturists have not utilized the land mortgage banks for taking loans to improve their lands to any great extent in spite of intensive propaganda being carried on in the villages. Statistics reveal that out of Rs. 380 lakhs lent since the inception of the Bank fifteen years ago, only Rs. 17.4 lakhs have been used for improving the land. This may be due to the comparatively high rates of interest and speakers at the 15th annual Provincial Conference of L. M. Banks did well to emphasize the need for cheap agricultural credit. The swelling sinking funds have become a problem with the Central Bank. Instead of a sum of Rs. 27.50 lakhs as required by the Trust Deed, the Bank has Rs. 78.20 lakhs in the sinking fund and it is but proper that a method for the utilization of the excess amount to the best advantage of the Bank is devised.

Procurement Policy

Government's policy in regard to food procurement and distribution has come in for sharp criticism as being unhelpful to the promotion of agriculture. The *mirasdars* feel that they are being looked upon with suspicion by the officials and many difficulties seem to arise out of this suspicion and misunderstanding. An unsound stipulation that the grain cannot be removed from the threshing floor without the written permission of the Grain Purchasing Officer has been made. Inadequate provision for seedlings, payment of wages in kind and retention for the family of the ryot are some of the other grievances. More recently, the use of *padugai* lands for growing casuarina, possibly to avert a fuel shortage in the post-war period, has deprived the ryot from raising green manure on these lands and also the grazing facilities for his cattle which are already too inadequate. In the circumstances, it is not surprising to find a leading *mirasdar* of the Southern delta declaring the other day that they will be forced to give up their age-long occupation if they were not treated honourably.

Bombay Letter

BOMBAY, Feb. 12, 1945.

BLACK marketing in the yarn which had of late been more rampant than that in cloth has forced Government into taking the extreme step of "freezing" stocks of yarn and of assuming complete control over their distribution in the province. As a result of the freezing order, 6,000 bales of yarn will come into the hands of the Provincial Textile Controller and these will be distributed by him directly to the weaving and power-loom associations in the districts. The difficulty of obtaining yarn was particularly felt by the small-scale handloom and powerloom weavers who may now expect some relief. But the province requires a minimum of 14,000 bales of yarn a month to feed its hand-

Indian Road Congress

Mr J. Vesugar, Industrial Adviser to the Government of India, presiding over the ninth session of the Indian Roads Congress held here, pleaded for the formation of a National Road Trust with authority over the country's entire road system. He said that the Trust should get the revenues collected from the tax-payers as road users and should allocate these funds in a manner most conducive to national interests. Mr. Vesugar laid particular stress on village communications whose improvement was of the greatest value to the economy of the country. He advocated that the village roads should be "all-weather" routes and capable of free use by motor vehicles. He attacked the taxation policy of the Government in that it was crippling road development. For, "it is only in this country that it is considered a revenue tax and the contention that it should go back into the roads is averred." The Governor of Madras, who opened the Congress, said that communications by road and rail were the arteries through which flowed the life-blood of any modern State and without them they would starve and die.

The Stock Exchange

The prospects of early peace, in the main, and, to a lesser extent, the apprehensions of unpleasant surprises in the forthcoming budget ruled the market during the period. Bear operators and jobbers took advantage of the situation and prices were indiscriminately hammered down. Share values collapsed during the early part of the period touching last September levels. Towards the close, there was some support at the lower levels and a small improvement was seen but the undertone of the market was far from steady. In the textiles section, there was a decline of 30 to 40 points with a rise of 5 to 7 points at the close. *Buckingham's* dropped to Rs. 309, *Coimbatore Cottons* to Rs. 240, *Radhakrishnas* to Rs. 340 and *Rajalakshmis* to Rs. 192. Rubber shares took the full blast of the reaction and very low levels were seen. Disappointing rubber deliveries during January added to the nervousness. But at the low levels, genuine investors took large parcels of the popular counters and there was a quick rally in the values. *Cochin Malabars* touched Rs. 15-4 and improved to Rs. 16-6. Banks, after an initial fall, became steady and there was no pronounced selling pressure. There was heavy selling by institutions in the gilt-edged market and quotations were substantially marked down, particularly in 3 per cent. Victory Loans 1957 and 5 per cent. Loans 1945-55. Three and a half per cent. declined to Rs. 99-7.

loom and powerloom industry and as the yarn available through the "freezing" order falls short of this requirement, there has been considerable black market buying in yarn. The poorer classes of weavers have been thus the hardest hit. Another step for the relief of the handloom industry was the recent order of the Textile Commissioner that no manufacturer of cloth other than handloom cloth shall work more looms or more loom-hours than he had worked on September 30, 1944, without the written permission of the Textile Commissioner. The reason given was that it was necessary to ensure a certain minimum quantity of yarn for the handloom industry. Now that the handloom industry is being looked after by the Government, it is to be hoped that prices of hand-

loom cloth will also be brought under control.

Milk

Some of the city's leading doctors have issued a statement wholeheartedly supporting the recent order of the Government, whereby hotels, restaurants, etc., have to use skimmed milk instead of fresh milk. In doing this, the medicos have performed a useful service because it will set at rest the fears of many that the use of skimmed milk might be injurious to public health. While the medicos admit in their statement that skimmed milk does not contain butter and vitamins A and D, they say that it has a third of the energy value of buffalo milk and it retains all the proteins, sugar as well as other vitamins. In their view, as tea, coffee, etc., are usually taken in hotels as stimulating beverages, and as they do not constitute the sole diet of adults, the use of skimmed milk will not be injurious to them. But they recommend

the use of skimmed milk only as a war emergency measure. The doctors recommend that the Government should rapidly expand their subsidy scheme to include all children up to 14 and nursing mothers in the city as well as in the suburban districts. Under the present subsidy scheme, the Government are acquiring milk at 12 annas a lb. from the trade and distributing it to children up to 6 and nursing mothers in the city at 6 annas a lb., the Government themselves bearing the balance of the cost. If the Government are prepared to buy up all the surplus milk at an economic rate from the trade and distribute it as they are doing at present, then the milk trade should not suffer. There is yet a demand for increased milk production for, as the doctors have pointed out, taking into account the population of Bombay city and suburbs and the minimum nutritional needs, Bombay should consume 20,935 maunds per day while the quantity available at present is only 7,500 maunds per day.

Sind Letter

KARACHI, Feb. 15, 1945.

GLIMPSES into Sind's financial position and plans for post-war reconstruction were given by the Premier, Sir Ghulam Hussain Hidayatulla, at a Press conference this week-end. He revealed that after the payment of Rs. 5 crores towards the capitalization of the Barrage debt to the Government of India, the free balance would stand at Rs. 575 lakhs on April 1, 1945. The revenue equalization fund is estimated at Rs. 350 lakhs which has been built up so that in years of depression it can be drawn upon to meet the gaps in the revenue. Besides, there is the development fund of Rs. 350 lakhs and Sind will have two barrages constructed at a cost of Rs. 28 crores. Sir Ghulam Hussain said that in order to deal with Hur menace and develop agricultural marketing, an ambitious plan for a network of roads costing Rs. 31 crores has been submitted to the Government of India who are expected to bear part of the cost. In the coming budget itself, the Premier said, he had made a provision of Rs. 43 lakhs for construction of roads, mostly in the Hur area. Sind's hydro-electric project is expected to cost Rs. 260 lakhs, while police expansion requires nearly Rs. 2 crores.

In this connection, an official announcement was also made about the appointment of a board under the chairmanship of the Premier and composed of officials and non-officials including trade associations to advise the Government on all questions of policy including the financing of the post-war development plan and individual schemes for industrial and agricultural expansion.

Cotton Statistics

The Government of Sind propose to take statistics of Indian raw cotton stocks held in the province at the end of every cotton season. Such statistics furnish valuable information which could be utilized in various ways for the general growth and development of the cotton industry. An attempt was made last year to collect such information from the owners of ginning and pressing factories and from persons

trading in cotton, but unfortunately, no accurate figures could be secured by this method. It is, therefore, proposed to enact legislation making it compulsory for the owners of ginning and pressing factories and all persons trading in cotton to declare the stocks of Indian raw cotton held by them on August 31 every year. The Government have, however, taken care that the information so secured shall not be utilized for any purpose other than the one approved by the Director of Agriculture or for the purpose of supplying statistics required by the Indian Central Cotton Committee. This is one of the important Bills to be introduced in the Sind Assembly during the budget session which commences on February 21 and is likely to last till the middle of March.

London-Sydney Air Service

A daily air service between England and Australia across India as soon as conditions permit has been decided to be run as a result of the agreement recently reached between the two Governments. Designed to improve empire air communications, the programme is to inaugurate a weekly service this month and build it up to seven weekly in the course of a few months. British Overseas Corporation will operate the service up to Karachi where Australian crews will take over to run the rest of the service to Sydney. Liberators and Catalinas which are at present on the Indian Ocean service will be replaced by Lancasters as they become available.

It is not clear how far Indian interests have been safeguarded in this Anglo-Australian deal which permits transit across the Indian territory and full use of the Indian aerodromes. Aviation circles here point out that both the British Airways and the Australian company must be made to pay a large subsidy to India, persuaded to employ Indian technical personnel in the Indian sector of the route and also prevented from interfering with the Indian aviation services. When the Indian companies are in a position to run their own services, they should be given reciprocal rights to fly to England and Australia in return for their being permitted to fly across India and pick up Indian passenger and mail traffic.

Tea and Industrial Output

Few matters have received such detailed attention since the war began as the efficiency of industrial production. In India the problem has been greater than in most other countries because, to meet the basic needs of the fighting forces, a great new industry has had to be created without the help of either a large machine tool industry or a large mass of skilled labour accustomed to factory conditions.

That tea—India's own product—has played a valuable part in achieving unprecedented output figures is a matter for no small satisfaction. The part that tea has played—is playing, and will

continue to play—is to promote concentration. In the old days it was accepted throughout the world, as an unavoidable fact that output would fall towards the end of a working shift. Today this is no longer accepted, because it has been proved over and over again that tea served to the workers on the job renews concentration and flagging energies with the result that output remains at its peak level right to the end of the shift.

To those interested in this subject much valuable advice and assistance will be gladly given by the Indian Tea Market Expansion Board, 101, Clive Street, Calcutta.

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MARKET EXPANSION BOARD

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TRANSPORT

The Railway Budget

THE following is a summary of the salient features of the Railway Budget for 1945-46:—

The most important among them is the proposal that the increased earnings of railways should be utilized to write down the high cost of rolling stock acquired and works executed during the war so that the Depreciation Reserve Fund shall not be unduly reduced or the Capital at charge improperly inflated. The surplus of 1944-45 is accordingly reduced by 24 crores on account of special items for this purpose and 30 crores will be similarly charged to Revenue in 1945-46. As a result a surplus of 42.01 crores is forecast for 1944-45 (8.83 crores less than last year and 1 lakh less than the original estimate) and for 1945-46 a surplus of 36.51 crores.

In 1944-45, total traffic receipts are expected to be 214.30 crores, 28.87 crores more than last year, and 32.30 crores more than the original estimate. Total working expenses, including appropriation to depreciation and payments to worked lines, are 147.49 crores and exceed last year's expenses by 38.65 crores including the 24 crores above referred to. The budget estimate of traffic receipts for the next year is 220 crores, 5.7 crores more than the current year, and of total working expenses 159.87 crores including the 30 crores mentioned.

Of the surplus, general revenues will receive 32 crores this year and next year also the same amount, unless the actual position turns out substantially different from what is forecast now. Of the amount to be transferred to Railway Reserve, namely 10.01 crores in 1944-45 and 4.51 crores in 1945-46, 7 crores are earmarked for overtaking arrears of maintenance.

The balance in the Railway Reserve will in the year 1944-45 rise from 22.55 crores to 30.4 crores but will be 29.1 crores at the end of 1945-46. This year's opening balance in the Depreciation Fund was 92.3 crores. At its close it will be 98 crores and at the end of 1945-46, 92.71 crores.

The table below summarises the principal figures of the budget estimate for 1945-46 and compares them with the revised estimate and budget estimate for 1944-45:—

(In Lakhs of Rupees)

	Budget Esti- mate 1944-45	Revised Esti- mate 1944-45	Budget Esti- mate 1945-46
Gross Traffic Receipts ..	192.00	214.30	220.00
Total Working Expenses ..	114.28	147.49	159.87
Net Traffic Receipts ..	77.72	66.81	60.13
Net Miscellaneous Receipts ..	3.24	3.01	3.77
Net Railway Revenues ..	80.96	69.82	63.90
Interest Charges ..	28.75	27.81	27.39
Surplus ..	52.21	42.01	36.51

As the result of the large appropriations to total working expenses in pursuance of the principle of writing down the high cost of rolling stock, the percentage of working expenses to gross earnings has strikingly gone up from 59.0 in 1943-44 to 68.8 in 1944-45 and 72.5 in 1945-46.

One severe handicap from which the railway have suffered has been the lack of power and stock. Twenty-nine per cent. of the locomotives are overage and a

large number of over-age wagons have been kept running at a high cost in repairs and in efficiency to meet the emergency. In view of the mounting load on the railways, it became necessary to place increased orders overseas for rolling stock, after the full local wagon production had been tapped. The total stock ordered since 1942 has been 937 B.G. engines, 415 M.G. engines, 46,734 B.G. wagons, 12,481 M.G. wagons, of which 17,934 B.G. and 661 M.G. wagons have been ordered in India. Of these 255 B.G. engines, 334 M.G. engines, 4,029 B.G. wagons and 8,790 M.G. wagons were in service by the middle of January 1945. It is expected that the whole of the orders from overseas will be in the service by the early part of 1946, and the latest order for 10,000 wagons placed in India is scheduled for delivery over 1946, or early in 1947. Sir Edward Benthall gave the assurance that in spite of these immense purchases there would, subject to financial considerations, be plenty of orders available for the new locomotive works which were being established and that from 1947 onwards there would be room, from the technical aspect, for wagon orders on the Indian industry in excess of the pre-war average.

The effect of these large purchases on the finances of the Railways must clearly be abnormal, specially since they have been made at war-time prices, and in some cases the stock delivered has been below Indian standards. The application of ordinary rules would result in some degree of over-capitalization and a very serious depletion of the depreciation fund. To prevent this, Government have decided that all works of general utility executed at the instance of the War Department to meet the needs of war-time military traffic will be charged to military estimates, that where the cost of works was shared between Railways and the War Department the railway share should be charged to Revenue, that in view of their high cost due to the war 50 per cent. of the expenditure incurred after 1942-43 on other important works built entirely at the cost of the railways should be charged to working expenses, that all rolling stock should be treated as on replacement account, that there should be no debit to capital unless there was an increase in total capacity, and that the balance of the expenditure should be so shared between depreciation fund, railway reserve and working expenses, that the debit to the fund was limited to the amount accumulated therein for the items treated as replaced, that the difference between such accumulation and the original cost of the items should be found from the railway reserve and the balance should be charged to working expenses. As a result of these decisions the total expenditure of 94¾ crores on rolling stock, which would normally have been shared between capital and the depreciation fund in the proportion of 16 : 78¾ crores would be now divided as follows:—

- 1 crore to Capital.
- 22 crores to Depreciation Fund.
- 10¼ crores from Railway Reserve.
- 61½ crores by charge to Working Expenses.

On the subject of post-war planning, the Member for War Transport said that railway plans are as well ahead or in advance of those of any other Government. A tentative programme of construction of new railways has been drawn up, in consultation with Provincial Governments; standards for improved rolling

stock and plans for amenities to third-class passengers are being finalized. As regards the manufacture of locomotives and boilers in India, it is hoped to complete the agreement with the Tatas at an early date and to hand over the Singbhum shops on April 1, 1945. With assistance from the Tatas, and from the E.S. Railway it is planned to produce 100 boilers within 15 months of that date. The lay-out and equipment for the manufacture of locomotives at Kanchrapara under State management are also being finalized to enable manufacture to commence after the war without avoidable delay and some orders for machinery have been placed. Proposals for overhaul of the rate system and for regrouping of railways are in hand, while a committee has been set up under the chairmanship of Mr. John Sargent to examine the question of en-

couraging tourist traffic after the war.

On the question of passenger traffic which has increased by 10 million monthly in 1944 over that in 1943 and 25 mn. over that in 1942, steps are proposed to restrict travel by mails and expresses to journeys of not less than a certain distance, to encourage bus services in congested areas and to impose strict control over ticketless travel. The Member for War Transport admits now that "the only cure for the present congestion is to increase passenger services," but contends that "it is impracticable to apply this remedy."

TELEGRAMS: "GENACELOD", FOR GENERAL DEPT.
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(Incorporated in India)
Head Office: AJMER

8 & 9, COLLEGE SQUARE
Calcutta, 26th January 1945

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Thank you again, Mr. Agent. Well done—keep it up.

Yours sincerely,
Bajrath Jalan
 CHAIRMAN.

AGRICULTURE

The Fifth Agricultural Economic Conference

(CONTRIBUTED)

SOME aspects of planning of agriculture came in for discussion at more than one sitting of the Agricultural Economic Conference held at Naini (Allahabad) during the last X-mas week. The difficulties of laying down definite lines of planning, on the distribution side in particular, may be seen from the views expressed.

Mr L. K. Elmhirst, the founder of the International Conference of Agricultural Economics and of the Indian Society of Agricultural Economics, now Special Adviser to the Government of Bengal on the Development of Agriculture and Fisheries, delivered the inaugural address in the course of which he suggested an investigation into the size of farms which would make the best use of irrigation facilities, machines and man power. He was against the splitting up of farms below that size. He wanted the Government to discharge the functions of a supreme landlord and carry out large development schemes which were beyond the power of individuals. He steered clear of the current controversy concerning the abolition or reformation of the Zamindari system.

Dr Sam Higginbottom, the founder-Principal of the Allahabad Agricultural Institute and Chairman of the Reception Committee, in his welcome address drew pointed attention to the disparity between the discoveries of agricultural science and the practices followed by agriculturists in India, to which he ascribed most of the low productivity of agriculture in this country. He condemned the conservative attitude to change, in particular the opposition to labour-saving machinery arising from false sentiment or the fear of further unemployment. He had abundant faith in such machinery creating before long more employment than it deprived workers of immediately. He came down on the parasites sponging on the cultivator—the rack-renting landlord, the rapacious money-lender, the wily middleman and the dishonest official. But he did not suggest any method by which these unworthies could be bypassed. Tenancy laws in India, he admitted, were perfect on paper; but, he said, everywhere illegal exactions continued. He was emphatic that crop yields could be doubled if these evils were ended. He exhorted the economists to devise more equitable methods of distribution of the produce of the land among the workers.

Sir Manilal B. Nanavati, in his Presidential address, stressed three points to be borne in mind by all planners of agriculture in India: (i) the heterogeneity of the cultivators with varying grades of culture, requiring different degrees of attention, (ii) the rural social environment and its effects on economic activities and (iii) the differences in natural resources and organizing power in different tracts. He praised the draft plans of the Government of India and of Provincial and State Governments on the technical side, but criticized them for ignoring the socio-economic side, including the evils of absentee landlordism. His ideal was the reconstitution of holdings on the basis of peasant-proprietorship, which he affirmed would give yields not inferior to those of large-scale capitalist farming. Radical reforms like 'the restoration of ownership to tenant cultivators' and the mending or ending of the zamindari system could, he said, be taken

up only by a National Government. Meanwhile, he pleaded for the building up of an adequate administrative organization which should include, alongside of agricultural scientists, economists, statisticians and sociologists for the study of rural problem in all their aspects.

One session of the conference was devoted to the reading and discussion of papers on the scope and limitations of the individual, State and co-operative effort in increasing agricultural production. There was a consensus of opinion that there could be no clear-cut division of spheres of activity among these three agencies. All were agreed that it was the function of the State to organize research, carry out surveys, spread education, construct major irrigation and drainage works, generate and transmit electric power for the benefit of agriculture and cottage industries, help in the reclamation and cultivation of waste lands and prevention of soil erosion. The reform of the system of land tenures could be done only by the legislature. But finally it is to the individual cultivator that society must look to intensify cultivation, look after the plants and animals and protect them from pests and diseases. It was generally agreed that if he is not the owner of the land but only a tenant, he must be assured the rights of fixity of tenure and fair rents. Co-operative societies, it was widely held, would be the best agency to undertake (may be with the aid of the State in the initial stages) the supply of credit, seeds, manure, implements, etc., and the marketing of produce.

Agreement ceased at this point. Differences of views were exhibited on a number of points, some of them fundamental. A distinguished co-operator was inclined to introduce an element of compulsion in co-operation to bring to reason a cantankerous minority who would hinder the work of consolidation, marketing, etc. A few were apprehensive of further unemployment that might result from the use of labour-saving machinery but were sure that small-scale farming by petty peasants would not yield less per acre than large-scale farms run by capitalists with hired labour. There were others who thought that the size of farms must be enlarged to take advantage of technical advances. One of these wanted the larger farms to be managed by joint-stock corporations in which erstwhile workers might continue to work but receive in addition to wages a share in the profits. More than one feared that joint-stock or any other system of capitalistic farming would exploit the workers and destroy their initiative and therefore wanted the bigger sized farms to be worked co-operatively—working members controlling the cultivation and distribution of produce. This idea of co-operative farming is by no means novel. It has been tried in the last one hundred years in a number of countries in the West; but nowhere has it been a conspicuous success, after the first flush of enthusiasm faded. On the other hand, co-operation for particular purposes, like buying and selling, processing, marketing, power supply etc., by peasant proprietors who carry on cultivation, each on his own account, on his own or hired land, has been a tremendous success in several countries. This lesson of history cannot be ignored by students of economics and of co-operation.

(To be concluded)

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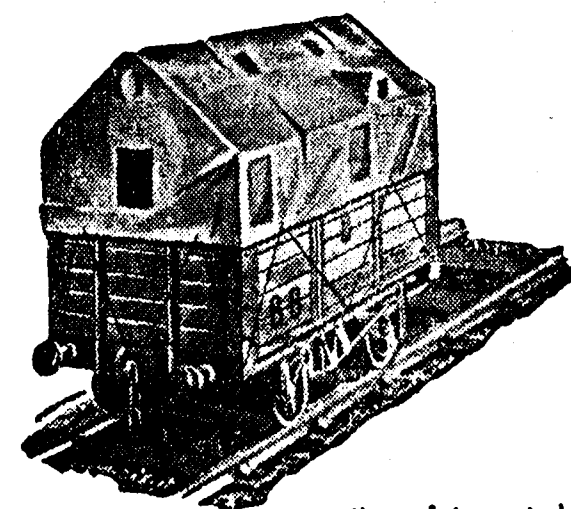
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INSURANCE

Expenses Of Life Offices

THE question of limiting the expenses of insurance offices is occupying, at present, the centre of the field of discussions on insurance matters. Suggestions have been put forward for introducing legislative measures for attaining this object of expense limitation. So far as life insurance business is concerned, the problem, however, bristles with difficulties, the technical basis of life insurance being rather complicated. The various questions that will have to be settled in order to fix equitable limits to expenses are individually sufficiently complicated. A suggestion was made as to getting an expert's certificate as to what limits should be insisted upon in the case of each individual office. An attempt is made here to draw attention to the various problems that will have to be considered and to indicate how detailed, complicated and technical the legislation will have to be if it is to be effective at all and how expensive its requirements will prove to be in practice. For what is really involved here is an analysis on the lines of the "Contribution" method on an experience basis.

In framing the premium basis, two important factors besides expenses have to be provided, viz., mortality and interest. Caution dictates that in all cases, including expenses, margins will be allowed in the estimates for adverse future experience. As the premium rate finally emerges all the margins will flow together, and, if the provision is adequate on the whole, a sound premium rate will result. Thus a little less margin in interest will be compensated by a wider margin for expenses, or mortality and so on. In examining the expense provision, therefore, it is perfectly genuinely possible to arrive at a relatively generous percentage of expenses for a given rate (for a stated age and term), as well as a considerably less percentage on a different estimate of the other underlying factors.

The manner in which the expense loading is arranged in a premium basis must produce expense charges equitably distributed between the various policies. Usually it will be found that the percentage of premium provided for the purpose at longer terms will be (and must be) a little (or even considerably) larger than that at shorter terms. It is not difficult to appreciate this point. If a certain percentage provision for expenses is adequate for a short-term policy (with, therefore, large premium) it will be inadequate at the higher terms (with smaller premiums) as the same percentage will actually produce a considerably smaller cash sum. Also if the percentage is adequate at the longer terms the same percentage will make a considerably higher provision at the shorter terms, encouraging extravagance so far as such policies are concerned. Expenses, on the other hand, do not vary directly in proportion to the nominal sum assured; rather they will vary with number of policies, etc., more than the mere size of a policy. Similar considerations will have to be taken into account so far as the different plans of insurance are concerned. The expense provision on endowment assurance plans may be on a lower percentage basis than for the whole life plans and so on. In determining the percentage expense provision for any office, attention will have to be given, therefore, to the distribution of the new and existing business as regards term and the composition in types of assurance contracts, besides a mere examination of the premium basis. And both these factors are likely to change from office to office and in the same office, from time to time, under the normal operation of change in public

taste, competition, etc. (Cf. A Paper by G. H. Recknell in J.I.A. Vol. 57 and the discussion thereon).

If, therefore, an actuary is to pronounce a professionally sound opinion on the percentage provision for expenses that is available in the total premium income of an office for a particular year, he will have to proceed in the following manner. He will first examine the premium scale in use. Next he will form his ideas about the various margins that ought to be kept for safety. He will also have actually to examine the mortality experience of the office to arrive at the proper allowance to be made for this factor; in fact he will have to go further and analyse the experience under each type of assurance contract since that has a very important bearing on the point. He will next examine the interest rates earned and likely to be earned. Having done all this, he will get the business analysed into various classes, and in each class according to terms, mode of premium payment, etc. And then he hopes to arrive at the expenses allowable for the year. But his difficulties are not yet over. Most offices will have revised their premium rates; and many of them on a number of occasions. He will then have to divide the data into epochs, each epoch relating to a particular scale of premiums. With so many factors to consider, it is possible for two actuaries to come to different estimates of percentage provision for expenses, in perfectly legitimate ways. There still remains the theoretical difficulty; the result relating as it would to the operations of one year, will be subject to considerable statistical fluctuations; the very next year a different picture might be presented. And taken over a series of years it may be discovered that the bases employed were, at least, not the best that could have been assumed. These considerations would lead to modifications being suggested in the procedure in many ways. One method might be to have an 'expense equalization fund.' But these will all alter the picture very materially.

To do justice to the problem at all, the expense investigation will have to be as elaborate as a valuation and thus will be as expensive. It will be appreciated that there are a number of difficulties in the way of certifying the percentage provisions for expenses in a given premium income. It would at least cause hardship in a number of cases to fix arbitrarily and by law any rigid percentages for allowable expenses.

That expenses must be reduced to minimum will be admitted by all insurance men. This will exercise a sort of qualitative control over the expenses. For the state to legislate in this matter will be only to enter too much into the business of private insurance. This quantitative control will be understandable in state legislation if the State had a larger share in the running of insurance or insurance were nationalized. In the latter event indeed such rigid control may even be necessary. If, however, private enterprise is to continue, any such legislation would constitute an undue interference with the internal management of offices and cannot be encouraged.

Again it will be found generally that the larger and the better managed offices have lower expense ratios. In their case to seek to limit expenses is probably carrying coal to New Castle. A strait-jacket of rigid expenses limits might, on the other hand, work to the real detriment of the newer and smaller offices, who will, in course of time, put their expense position on a sound footing.

(To be concluded)

MADRAS, Feb. 10, 1945.

Groundnuts

The groundnuts market has been firm with "office" limits round about Rs. 66. There has been no business with the British Ministry of Food and therefore purchases have been mainly for crushing. There were sellers for fair quantities but reports from the Andhra districts indicate that the ryots are holding out for better prices and are storing the commodity in shelled form, which would keep long. There was brisk buying for Calcutta during the early part of the period under review but became slack towards the close due to reports from Calcutta that the first consignments that have reached there were of poor quality. Whether this was due to the crop being damaged by the heavy rains at the time of harvest or that they were despatched without proper drying, it is not known. A supplementary quota is now being expected by the market for export to Calcutta. There was good demand for oil from Bengal towards the close, but internal demand was indifferent. Cake was steady with continued demand from agriculturists. There have been no inquiries from Government quarters and it is stated that they have not even taken delivery of the stock purchased a few weeks ago.

Hides and Skins

Since the last report, the Government of India announced that the enforcement of ceiling prices for raw hides has been postponed to March 1, 1945. It is stated that the machinery for the enforcement of the ceiling prices and the pool scheme has not been got ready yet. There has been no improvement either in the arrivals of tanned kips or in the sales to the Ministry of Supply. Representatives of the trade waited in deputation on Sir A. Ramaswamy Mudaliar, Supply Member, Government of India, who was in Madras this week and pleaded for an upward revision of the tanned kip prices in relation to the raw ceiling prices, but the Supply Member was against any such proposal. As regards skins, the Ministry of Supply have notified that their recent circular, stating that there will be no change in the prices of tanned goat and sheep skins, would also apply to purchases by the U.S.A., Canada and the U.K., agreement having been reached between these countries regarding the maximum price schedule. It has also been notified that South Africa will not buy tanned skins this year, as the U.K. would supplement the Union supplies with linings.

HAPUR, Feb. 14, 1945.

Grains and Pulses

THE prices of all grains and pulses remained easy owing to favourable crop conditions and the possibility of the release of some Government wheat stocks to the retails for sale to the general public. The weekly arrivals totalled 559 maunds. The quality of wheat arriving here from villages is not good. Forty khattis were exported to outside stations and the stock has come down to 490 khattis.

The U.P. Government have purchased 2,16,220 tons of Rabi foodgrains from May 1, 1944, to February 1, 1945. It is learnt that the Government of India allotted the U.P. Government further wheat supplies to the extent of 13,60,000 maunds. Despatches will begin shortly. It is further learnt that the Provincial Government have asked the Central Government for further wheat quotas totalling approximately 5,000 tons in addition to 38,400 tons of wheat already imported in order to give the Provincial Government a good carry-over for the new crop period.

According to a Punjab report, during the week ending February 4, 11,193 tons of foodgrains were exported from the Punjab to the other provinces. Of this 7,182 tons of wheat went mainly to Delhi and the U.P.,

3,420 tons of rice to Bombay, and 591 tons of millets to Western India States.

The crops in the Northern India are progressing under excellent weather conditions while in some districts of the C.P. 'rust' has affected wheat plants.

As has already been stated, the recent drought in Australia has almost precluded the possibility of shipments of any size outside the orbit of the Pacific area. The pressure upon shipping is already heavy and there does not seem any prospect of betterment just now. Besides this, a large amount of tonnage will be required for coastal transport for the supply of feeding stuffs to the States which have been particularly affected by the drought. The crop in Argentina has been officially confirmed as much smaller than last year and prospects are that for 1945 some 30,000,000 qrs. will be available for export or carry-over. This may have to be reduced to some extent as part of the old crop of wheat has been stored on the ground under canvas and may have deteriorated. Owing to the short crop in Brazil, this neighbouring country, together with Spain, will be likely to continue as Argentina's best customer for wheat in the coming year, unless the shipping position deteriorates further. The current quotations of grains against those ruling a week back in brackets are as follows:—

Wheat: Rs. 9-12 (Rs. 9-12); Stock 490 khattis. (530 khattis). Gram Rs. 7-11-6 (7-11-6); Stock 44 khattis (47 khattis). Barley: Rs. 6-12 (Rs. 7-0-6); Stock 155 khattis. (156 khattis). Peas: Rs. 6-0-3 (Rs. 6-4-6); Stock 132 khattis (136 khattis). Arhars Rs. 7-6 (Rs. 7-8); Stock 124 khattis (128 khattis). Moong: Rs. 10 (Rs. 10-10-9).

PRESS NOTE

The question of reallocating the margins in the sales of cloth and yarn among dealers in the various stages in the chain of distribution has been engaging the attention of the Textile Commissioner for some time now and he has in consultation with the Textile Control Board decided to change the existing margins. By a notification issued by the Textile Commissioner and published in the *Gazette of India Extraordinary* dated the 2nd February 1945 it is provided that quota holders should not sell cloth to anyone at a price exceeding 3% above the ex-mill price. Similarly dealers who want to dispose of cloth to dealers in another zone are prohibited from charging more than 3% above the ex-mill price. The notification also provides that the wholesale prices applicable to all other transactions in cloth should not be in excess of 10% over the ex-mill prices. Another notification published in the *Gazette of India Extraordinary* of the same date provides for profit margins for the sale of yarn manufactured in India. For the purpose of determining the margins for the sale of yarn, it has been decided to group different counts of yarn into different categories and the profit margins have been fixed in relation to the groups and the nature of the transactions, depending upon whether the sale is between a manufacturer and a dealer; between a dealer and a dealer in bulk and whether the sale is wholesale or retail. The notification provides for the inclusion of the freight actually paid to the selling price subject to a maximum fixed by the notification.

In view of the above provisions, another notification issued in the *Gazette of India Extraordinary* of the same date deletes sub-clauses 3 and 4 of clause 12 of the Cotton Cloth and Yarn Control Order, which provided for different margins for the sale of cloth and yarn within and without the 100-mile limit of the manufacturing centre.

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CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT (Rs. in lakhs)						BANKING DEPARTMENT (Rs. in lakhs)					
2-2-45	26-1-45	4-2-44	1-9-39	2-2-45 compared with 1-9-39		2-2-45	26-1-45	4-2-44	1-9-39	2-2-45 compared with 1-9-39	
Notes held in the Banking Dept. ..	8.58	10.20	6.98	35.04	- 26.96	Cash ..	8.38	10.47	7.21	35.15	- 26.85
In circulation ..	1042.95	1034.01	863.09	182.13	+859.82	Balances held abroad* ..	353.27	374.61	120.85	10.03	+348.19
Total Notes ..	1051.53	1044.21	870.07	217.17	+833.85	Investments ..	20.31	17.50	8.21	6.81	+ 13.50
A. Gold Coin and bullion ..	44.41	44.41	44.41	44.41	Nil	Bills discounted—					
Sterling Securities ..	936.33	923.33	751.84	59.50	+876.83	(a) Internal and External ..	6.60	2.31	4.73	1.16	+ 5.44
Total of A ..	936.74	923.74	797.25	103.92	+876.82	Loans and Advances to Government ..	3	..	1.31	31	- 28
B. Rupee Coin ..	12.44	12.62	14.19	75.87	- 63.43	Deposits—					
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45	Of which Govt. of I. ..	278.81	291.21	50.34	14.89	+233.92
Silver bullion under coinage ..	..	..	..	..	..	(a) All Govts. ..	253.89	272.35	39.72	14.83	+242.00
% of Reserve to Liabilities ..	93.313	93.252	91.631	63.149	+30.164	(b) Banks ..	71.54	67.27	63.55	26.91	+ 44.63
						(c) Others ..	19.49	21.69	8.75	1.24	+ 18.25

IMPERIAL BANK (Rs. in lakhs)					
2-2-45	26-1-45	4-2-44	1-9-39	2-2-45 compared with 1-9-39	

BANK OF ENGLAND (£ '000)					
7-2-45	31-1-45	9-2-44	30-8-39	7-2-45 compared with 30-8-39	
Total Bullion ..	1,705	1,799	1,020	263,730	-261,935
Public Deposits ..	22,500	11,600	11,200	31,100	- 8,200
Other Deposits ..	233,100	273,000	216,300	119,100	+104,000
Of which Bankers' Deposits ..	176,500	215,100	182,000	90,100	+ 86,100
Govt. Securities ..	218,100	240,700	202,800	113,100	+103,100
Other Securities ..	19,300	23,000	15,700	31,000	- 11,900
Of which Discounts and Advances ..	7,000	6,600	2,000	6,400	+ 600
Notes and Coins ..	30,400	32,100	25,600	34,200	- 3,800
Notes in circulation ..	1,221,400	1,219,600	1,076,000	529,500	+591,900
% of Reserve to Liabilities ..	11.87	11.29	10.93	21.38	- 9.51

TREASURY BILLS SALES (3 Months' Tenure) (Rs. in lakhs)					
Date of issue	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Dept.
Nov. 17, ..	17.74	6.00	0 7 11	..	1.00
" 24, ..	9.71	6.00	0 8 0	..	1.96
Dec. 1, ..	11.29	6.00	0 7 11	..	61
" 8, ..	13.50	6.00	0 7 11	..	1.86
" 15, ..	10.15	6.00	0 8 0	..	3.95
" 22, ..	10.30	6.00	0 8 3	..	2.88
" 29, ..	8.58	2.53	0 8 10	..	1.95
Jan., 3, 1945 ..	2.31	1.41	0 8 8	..	4.72
" 9, ..	1.39	1.24	0 9 0	..	2.94
" 16, ..	3.78	1.58	0 9 0	..	3.54
" 23, ..	5.55	4.71	0 9 0	..	2.86
" 30, ..	4.01	3.87	0 9 0	..	2.87
Feb. 6, ..	7.19	2.00	0 9 0	..	..

CLEARING HOUSE RETURNS (Rs. in lakhs)					
	Apl.-Sep. 1944	Oct. 1944	Nov. 1944	Feb. 2. 1945	Feb. 9. 1945
Bombay ..	20,42.31	10,45.50	1,71.64	1,89.34	51.03
Calcutta ..	17,40.12	11,29.03	1,93.08	1,94.96	..
Cawnpore ..	1,02.41	51.17	7.75	9.27	2.63
Delhi ..	1,21.08	58.67	11.05	9.71	3.72
Karschl ..	1,02.84	57.83	8.85	..	3.98
Lahore ..	73.82	45.83	7.42	10.82	2.25
Madras ..	2,00.02	1,07.85	17.74	8.26	5.56

NON-SCHEDULED BANKS (Rs. in lakhs)					
Date	Demand	Time	Liabilities	Total	per cent. of cash to total liabilities
31-12-43 (530)	17.52	17.27	34.79	4.83	14.0
29-1-44 (511)	17.16	18.51	35.67	3.86	10.8
23-2-44 (543)	18.08	19.50	37.58	4.08	10.9
31-3-44 (508)	18.88	20.49	39.37	4.08	10.4
28-4-44 (558)	19.30	20.13	41.84	4.19	10.0
26-5-44 (549)	19.65	21.08	40.74	4.19	10.3

Number of banks submitting their returns within brackets.

SCHEDULED BANKS (Rs. in lakhs)					
26-1-45	19-1-45	28-1-44	1-9-39	26-1-45 compared with 1-9-39	

U.S. FEDERAL RESERVE BOARD (Million dollars)					
8-2-45	1-2-45	10-2-44	31-3-39	8-2-45 compared with 31-3-39	
Resources—					
Total Reserves ..	18,657	18,665	20,031	14,681	+ 3,996
Total Bills Discounted ..	200	176	22	6	+ 194
Bills bought in open market ..	..	..	..	(550,000)	-(550,000)
Total U.S. Govt. Securities ..	19,032	19,036	11,109	2,426	+ 16,636
Liabilities—					
F.R. Notes in actual circulation ..	21,846	21,748	17,025	4,655	+ 17,241
Reserve Account ..	13,959	13,384	12,432	10,951	+ 2,999
Total Reserve to Deposit and F.R. Liabilities ..	49.1%	49.2%	64.0%	83.9%	- 37.8%

TREASURY BILLS MATURITIES (3 Months' Tenure) (Rupees in lakhs)					
Date of maturity	Amount	Date of maturity	Amount		
Feb. 19, 1945 ..	6.00	29, ..	2.53		
" 24, ..	6.00	April 3, ..	1.41		
March 1, ..	6.00	" 9, ..	1.24		
March 8, ..	6.00	" 16, ..	1.58		
" 15, ..	6.00	23, ..	4.71		
" 22, ..	6.00	30, ..	3.87		
		May 30, ..	2.00		

STERLING PURCHASES BY RESERVE BANK OF INDIA (£ in 000)					
	1943-44	1944	Nov. 1944	Oct. 1944	Nov. 1943
Amount ..	105,310	59,402	9,407	9,285	7,476
Average rate of purchases remained 10-1-6 all the time.					8,947

EXCHANGE RATES (T.T.) Feb. 16, 1945.					
	1-5 31/32	1-5 31/32	1-5 31/32	1-5 31/32	1-5 31/32
Bombay on London (s.)	1-5 31/32	332 3/4	1-6	4 02 1/2	4-03 1/2
Bombay on New York (Rs.)	1-6	4 02 1/2	4 02 1/2	4 02 1/2	4 02 1/2
London on Bombay (s.)	4 02 1/2	4 02 1/2	4 02 1/2	4 02 1/2	4 02 1/2
London on New York (s.)	4 02 1/2	4 02 1/2	4 02 1/2	4 02 1/2	4 02 1/2
New York on London (\$)	4.03	4.03	4.03	4.03	4.03

BANK RATES Date of last change					
	Previous Rate	Present Rate			
Bombay ..	28th Nov. 1939	3 1/2%	3%		
London ..	26th Oct. 1939	3%	2%		
U.S.A.—New York	29th Oct. 1942	1%	1 1/2%		
Fed. Res. ..	27th Oct. 1942	1 1/2%	1%		

CASH POSITION (Rs. in lakhs)					
26-1-45	19-1-45	28-1-44	1-9-39	26-1-45 compared with 1-9-39	
Reserve Bank of India ..	10.47	9.06	9.51	35.15	- 24.68
Scheduled Banks ..	93.46	97.52	98.21	31.87	+ 61.59

B—General

INDUSTRIAL DISPUTES IN BRITISH INDIA FOR THE YEAR ENDING 31ST DECEMBER, 1943.

Industries:—	Number of strikes.	Number of work- ers involved.	Man days lost.	Demands.					Results.				
				Wages.	Bonus.	Personnel.	Leave and bonus.	Others.	Successful.	Partially successful.	Unsuccessful.	Indefinite.	In progress.
Cotton, Silk and Woollen Mills	224	2,75,256	13,44,150	93	27	23	6	76	32	54	126	11	1
Jute Mills	38	56,930	3,32,501	8	1	4	1	24	7	11	16	3	1
Engineering Workshops	104	32,092	1,95,914	42	11	8	3	40	15	22	59	8	..
Railways including Railway Workshops	10	20,378	33,608	9	..	..	..	1	3	3	4	..	..
Mines	8	3,186	35,736	4	2	..	..	2	3	2	2	..	1
Others	332	97,186	4,00,576	166	14	19	4	109	78	118	107	27	2
Total	716	5,25,688	23,42,287	342	55	53	14	252	138	210	314	49	5
Provinces:—													
Ajmer-Merwara	1	5,317	1,12,851	..	..	1	..	..	..	..	1	..	..
Assam	2	2,164	2,761	..	..	..	..	2	..	..	1	1	..
Bangalore and Coorg	..	..	..	..	..	..	..	..	..	..	..	..	..
Baluchistan	..	..	..	..	..	..	..	..	..	..	..	..	..
Bengal	103	1,57,328	6,23,171	100	5	10	3	80	53	63	58	19	2
Bihar	11	8,638	35,931	7	..	..	..	4	8	..	2	1	..
Bombay	244	1,27,564	5,91,937	143	28	28	6	39	33	99	103	8	1
C.P. and Berar	110	1,63,729	5,15,919	31	12	..	2	65	16	15	64	13	2
Delhi	45	17,911	2,45,227	3	..	..	..	42	..	..	45	..	..
Madras	51	15,322	85,639	29	3	12	1	6	11	19	21	..	..
N.-W.F.P.	..	..	..	..	..	..	..	..	..	..	..	..	..
Orissa	2	1,035	3,233	2	..	..	..	..	1	..	..	..	..
Punjab	12	3,851	40,038	6	1	1	1	3	3	4	4	1	..
Sind	2	59	65	2	..	..	..	..	..	..	1	1	..
U.P.	33	25,160	75,395	19	6	..	..	..	..	..	1	1	..
Total	716	5,25,688	23,42,287	342	55	53	14	252	138	210	314	49	5

WORKING CLASS COST OF LIVING INDICES IN INDIA*
(Base August 1939=100)

	Bombay	Ahmedabad	Sholapur	Jalgaon	Nagpur	Jubbulpore	Lahore	Madras
April '43-'44	214	220	253	278	223	264	265	260
May ..	216	224	271	273	234	267	277	269
June ..	224	225	239	281	252	277	299	277
July ..	225	230	283	289	256	273	283	283
August ..	227	233	293	334	256	274	283	311
September ..	233	225	312	301	289	283	306	311
October ..	236	228	329	373	288	284	309	311
November ..	236	230	327	202	293	284	315	291
December ..	235	..	327	..	284	..	315	291
January ..	227	..	293	..	273	..	305	..
February ..	219	..	283	..	274	..	301	..
March ..	215	..	282	..	275	..	265	..

* Source: "Indian Labour Gazette," January 1945.

LEAGUE OF NATIONS STATISTICS—RANKING*

Country	Notes in Circulation† (In millions)	Commercial Bank Deposits* (In millions)
Union of South Africa	1939 (vii)	1939 (vi)
Egypt	(S.A.I.) 20.9	52.1 (1944—viii)
Canada	(E.E.) 25.4	111.0 (1944—viii)
U.S.A.	(C.E.) 233	933 (1944—ix)
Argentina	(S.) 4,812	19,577 (1944—viii)
Chile	(Peso) 1,191	2,089 (1944—vi)
Mexico	(P.O. Pap.) 9.0	2,362 (1944—vii)
China—Manchuria	(Peso) 373	1,212 (1944—vi)
India (excluding Burma)	(Yuan M.) 624	3,174 (1944—ix)
Japan	(Yuan) 2,245	9,413 (1944—ix)
Germany (Reich Bank)	(Reich M.) 3,818	12,500 (1944—vi)
Spain	(Peseta) 11,793	38,779 (1944—vi)
France	(Franc) 151,322	576,939 (1944—vi)
Ireland	(£) 18.0	33.1 (1944—vi)
Italy	(Lira) 21,433	42.7 (1944—vi)
Rumania	(Leu) 48,870	211,840 (1944—vi)
U.K.	(£) 554.6	1,154.6 (1944—ix)
Turkey	(T.L.) 281	901 (1944—vi)
Australia	(A.£) 57.3	196.5 (1944—vii)
New Zealand	(N.Z.L.) 19.3	38.0 (1944—viii)

† Central Bank Notes only.

* Including Govt. Savings, Time and others.

Monthly Bulletin of Statistics: League of Nations, October, 1944.

SUGAR POSITION—1944-45
(Figures in tons)

Producing Areas	Production up to 31-1-45.	Dispatches during the period 22-1-45 to 31-1-45.	Progressive total of dispatches up to 31-1-45.	Percentage of progressive despatches to production.	Physical stock at close of 31-1-45.
U.P.	2,51,804	7,489	31,145	12.4	2,20,659
Bihar	60,520	750	1,169	1.9	59,351
Bombay	35,392	2,368	8,935	25.2	26,457
Madras	14,881	1,853	8,253	55.1	6,628
Punjab	3,038	0	11	0.4	3,027
Bengal	6,666	214	272	4.1	6,394
N.-W.F.P.	1,479	32	345	23.4	1,133
Orissa	1,132	55	73	6.4	1,059
Indian States	53,937	1,444	18,887	31.1	37,070
Total	4,28,969	14,321	67,091	15.6	3,61,878

Note:—Balance stock of 1942-43 and 1943-44 sugar as at the close of 31-1-45 was 53,929.

(2) Production returns have not been received from three factories.

FOOD INDEX (WHOLESALE PRICES)*

(Base: Last week of August 1939=100)

Week ending	Index	Increase or decrease
Average for October 1944	233.9	-0.3
Average for November	235.4	+1.5
Average for December	231.4	+2.0
2nd December 1944	229.4	-6.1
9th ..	228.5	-0.9
16th ..	231.3	+2.8
23rd ..	233.0	+1.7
30th ..	234.7	+1.7
6th January 1945	235.6	+0.9
13th ..	234.4	-1.2
20th ..	232.6	-1.8

* Issued by the Office of the Economic Adviser to the G.I.

C—Prices

INDIAN STOCKS AND SHARES

	13-2-45	6-2-45		13-2-45	6-2-45		13-2-45	6-2-45
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
GOVT. SECURITIES:								
Bombay								
2½% (1948-52)	99 7 0	99 7 0	Kumarbhaty (100)	676 0 0	672 8 0	Imperial F.P. (500)	1,930 0 0	1,930 0 0
3% (1916)	..	102 6 0	Nuddia (50)	..	126 8 0	Imperial P.P. (125)	491 4 0	495 0 0
3% (1952-54)	100 10 0	100 10 0	Standard (100)	..	..	Reserve (100)	133 8 0	132 0 0
3% (1950-58)	..	..	Presidency (5)	11 11 0	11 8 0	New India (15)	80 0 0	80 0 0
3½% G.P. Notes	99 9 0	99 7 0	TATA SHARES: Bombay			Lahore		
4% (1960-70)	..	112 10 0	Chemical (10)	..	26 4 0	United Com. (50)	68 12 0	..
4½% (1955-60)	117 0 0	117 0 0	Oil (25)	..	70 4 0	Hind. Com. (50)	55 0 0	52 0 0
5% (1945-50)	102 12 0	102 12 0	Power (1,000)	1,867 8 0	1,867 8 0	Pun. Na. P.P. (100)	..	247 0 0
Calcutta								
3% Loan (1951-54)	100 11 0	..	Hydro (100)	..	205 8 0	Pun. Na. P.P. (40)	195 8 0	193 0 0
3½% Loan (1953-55)	..	100 0 0	Steel Def. (100)	2,100 0 0	..	MISC.: Bombay		
3½% G.P. Notes	99 9 0	..	Steel Ord. (75)	391 0 0	391 0 0	Ajmer (10)	..	15 0 0
3% Vlc. (1957)	99 11 0	99 7 0	Steel Pref. I (150)	232 8 0	232 8 0	Bom. Sub. (100)	..	215 0 0
4% Loan (1955-60)	..	..	Steel Pref. II (100)	160 4 0	160 8 0	Alcock (100)	438 12 0	440 0 0
5% Loan (1945-55)	..	..	STEEL ENG.: Calcutta			B.I.C.	6 7 0	6 6 0
TEXTILES: Bombay								
Ahmedabad (100)	445 0 0	446 4 0	Braithwaite (7)	12 4 0	..	Balapur Sugar (50)	220 8 0	220 0 0
Bom. Dyeing (250)	1,785 0 0	1,781 4 0	National Iron (10)	12 10 0	..	Bom.-Burmah (125)	550 0 0	553 12 0
Central India (100)	385 0 0	387 0 0	Indian Iron (10)	39 0 0	38 12 0	Bom.-Bur. Nek (50)	203 12 0	250 0 0
Century (100)	914 0 0	905 0 0	Steel Cor. Ord. (10)	32 7 0	31 12 0	Bom. Steam (250)	555 0 0	572 8 0
Colaba (100)	216 0 0	217 0 0	Steel Cor. Pref. (100)	..	..	Bombay Tram	148 8 0	151 8 0
Gokak (100)	293 0 0	295 0 0	Jessop Ord. (10)	23 12 0	24 0 0	Bombay Petrol	5 5 0	..
In. Bleaching (100)	173 0 0	173 0 0	Kumardhubi (10)	11 14 0	11 14 0	Scindia Steam	34 0 0	34 1 0
Kohinoor (100)	595 0 0	593 0 0	COALS: Calcutta			Shivrajpur (40)	55 0 0	54 12 0
Phoenix (100)	592 8 0	560 0 0	Amalgamated (10)	..	..	Andhra Val. (1,000)	1,797 8 0	1,810 0 0
Sholapur (1,000)	7,650 0 0	7,650 0 0	Bengal (100)	680 0 0	..	Frem. Const. (30)	219 0 0	..
Simplex (50)	260 0 0	253 0 0	S. Karampura (10)	..	..	Indian Iron (10)	39 0 0	38 8 0
Swadeshi (100)	533 0 0	530 0 0	Dhalgora (10)	..	..	Indian Copper (25)	3 0 0	3 0 0
Vishnu (500)	465 0 0	460 0 0	Eurrakur (10)	42 7 0	..	Burma Corp.	5 8 0	5 7 0
Finlay (100)	..	300 0 0	East India (1)	..	..	Assot. Cement	234 12 0	227 8 0
Morari (100)	..	712 8 0	Equitable (10)	..	66 14 0	Calcutta		
Sassoon Ord. (10)	..	14 11 0	N. Damuda (2½)	..	..	Bengal Paper (25)	..	..
Calcutta								
Banaras (10)	..	..	Standard (10)	..	..	Share Gopal (10)	19 2 0	..
Bengal Nagpur (10)	..	..	Talcher (2½)	12 8 0	12 10 0	Star (10)	15 15 0	16 4 0
Cawnpore Tex. (2½)	13 0 0	..	SUGAR: Calcutta			I.P.P. (100)	..	28 10 0
Durbar (100)	..	..	Buland (10)	..	..	Orlent (10)	..	28 1 0
Kesoram (2½)	..	..	Batrampur (10)	..	..	Titagarh (5)	..	3 2 0
Eglin Mills (10)	63 12 0	..	Samastipur (10)	..	..	Indian Copper (25)	..	3 13 0
Muir Mills (50)	427 8 0	..	Belsun (7½)	..	..	Cons. Tin	..	..
New Victoria (2½)	7 6 0	..	Carew (10)	26 8 0	27 4 0	Bur. Corp. (2½)	..	..
Madras								
B. & C. Ord. (100)	307 0 0	312 8 0	Murree Brewery (5)	..	..	Madras		
Bangalore Wool (100)	484 0 0	467 0 0	New Savan (10)	..	27 6 0	Dalmia Cement (10)	115 8 0	109 0 0
Cambedia (10)	..	..	Cawnpore (10)	..	38 4 0	And. Cement (100)	21 2 0	21 0 0
Colm. Spng. (50)	150 0 0	..	Champanan (10)	..	37 8 0	Euntions (10)	25 12 0	26 0 0
Pankaja (100)	..	..	Dyer Meakin (5)	..	..	My. Che. Fert. (10)	9 1 6	9 0 0
Sitaram Spng. (100)	180 0 0	182 0 0	Lahore			Ind. Steel Roll (10)	..	..
Vasanthi (100)	312 8 0	312 8 0	Punjab Sugar (100)	..	..	Mysore Paper (10)	..	..
Madura (15)	..	..	Gokulnagar (50)	..	..	Met. Che. Ord. (10)	16 2 0	16 6 0
Lakshmi (50)	..	152 8 0	Jagjit	..	..	Met. Che. Dsf. (1)	5 12 0	6 4 0
Sharda (100)	..	..	Murree Brewery (5)	..	..	Spencer Ord.	13 12 0	13 6 0
Lahore								
Ajuthia	..	7 10 0	Jaswunt	..	..	Hnd. Trust (25)	25 0 0	26 0 0
Cawnpore Tex. (2½)	13 4 0	..	Madras			Lahore		
New Vic. Ord. (2½)	..	..	Mysore (10)	61 8 0	61 8 0	Indian Iron (10)	..	33 13 0
Raza Textiles (10)	78 10 0	73 0 0	Deccan (25)	..	39 0 0	Dhrangadura (50)	..	477 0 0
JUTE: Calcutta								
Alliance (100)	..	616 0 0	Deccan (10)	..	93 0 0	Rampur Dist.	..	24 5 0
Anglo-India (100)	453 0 0	453 0 0	Travancore Sugar (7)	14 6 0	14 10 0	National Saltpetre	..	..
Birla (10)	..	..	South India (10)	..	16 8 0	North India O.I.	..	..
Barnagore (55)	211 0 0	215 0 0	PLANTINGS: Madras			Star (10)	..	19 1 0
Champdany (100)	257 0 0	..	Cochin Malabar (3)	16 6 0	16 2 0	Share Gopal (10)	..	..
Ganges (300)	..	..	Chembra Peaks (2)	9 13 0	9 12 0	Dulhi		
India (375)	..	683 0 0	Woodlands (10)	12 0 0	11 12 0	Rampur Malze	45 12 0	43 8 0
Howrah (10)	82 0 0	83 0 0	Thurmbadi (1)	4 8 6	4 7 0	Rampur Dst.	25 8 0	24 0 0
Lahore quotations 31-1-1945.								
Calcutta								
TEA: Calcutta								
Ban. Cash. (100)								
Tezpore (10)								
BANKS & INS.: Bombay								
Central (25)								
Madras quotations for 29-1-1945.								

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THE EASTERN ECONOMIST

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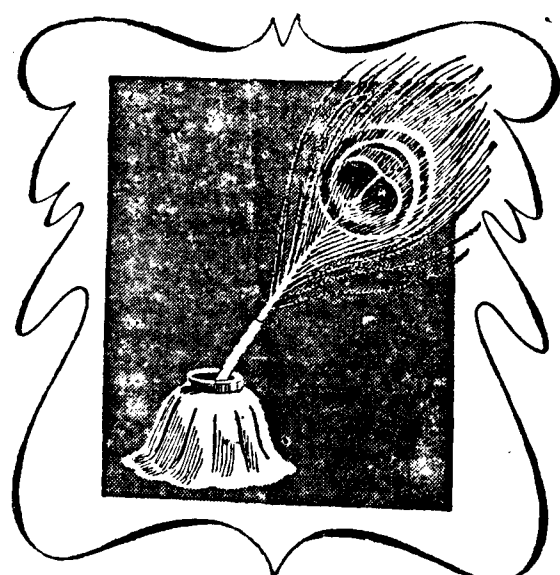


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BOOK REVIEW

CURRENT STATISTICS

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A Supplement on Currency will be issued to our subscribers along with the next number of the 'Eastern Economist', dated March 23, 1945.

Depreciation and Reconversion

A BUDGET is a financial statement of expenditure and revenue. If it receives so much attention by the public it is because both expenditure and revenue impinge upon economic and social policies and are an expression of such policies as framed and adopted by the Government. Every criticism of the budget is, of course, directly and in the first instance a criticism of the Finance Member who is the custodian of the country's finances but it is also a criticism, indirectly and a little remotely, of every other member of the Government who either has failed to press upon the Finance Department the right course of action or meekly submitted to its wrong decisions. All this is well-known. It is therefore unnecessary for the Supply Member to tell the Legislative Assembly solemnly as if it can be any diminution of the responsibility of the Finance Member, that for every kind of policy or action he and his other colleagues are prepared to take equal responsibility. But this assurance is welcome for another

reason; it would afford the public an opportunity to test the measure of the knowledge and responsibility of some members of the Government in respect of an important matter of policy in which at least three departments are involved, the Industries and Civil Supplies, the Supply and the Planning Departments.

Our main ground of criticism of the Finance Member's policy is that it has resulted in impoverishing the masses and undermining their vitality; it has not in the least improved the production capacity of the country; and that the country's resources and assets, human and natural, have been worn out and wasted. One would have expected him at the end of his stewardship to repair the damage that has been inflicted on the economy by taking financial measures to ensure its rehabilitation and recovery. The importation of capital goods so as to increase immediately the production of consumers' goods and to enable replacement of old and worn out plants should have been

facilitated by affording the necessary dollar exchange immediately, and not after the war. Secondly, a generous measure of assistance to industry is necessary to enable it to replace the plant (which can be done only at an enormous additional cost) and to modernize it so as to be able to produce cheaply within or to be able to compete effectively with foreign rivalry.

The measure of relief given by the Finance Member is woefully inadequate. Government have proposed that in respect of buildings newly erected or machinery or plant newly installed after 31st March, 1945, a special depreciation allowance equivalent to 20 per cent. in the case of machinery or plant and 10 per cent. in the case of buildings should be allowed in respect of the year of erection or installation. The extent of the concession may be illustrated from the following example. Suppose that after providing depreciation at normal rates a business earns a profit of Rs. 1,00,000. Assuming that the entire amount is assessed to only at the current level of taxation viz., 6 annas 9 pies Income and Corporation Taxes it would have to pay, in the rupee (maximum rate of Income-Tax 2 annas 6 pies, surcharge 2 annas 3 pies, Corporation Tax 2 annas), Rs. 42,185 (about 42 per cent. of the taxable amount) and will have Rs. 57,825 for building up reserves and distribution of dividends to shareholders. If that business invests Rs. 2½ lakhs on new machinery, its special depreciation allowance will amount to Rs. 50,000, the business would have to pay tax on the remaining 50,000 which would amount approximately to Rs. 21,000 (at 42 per cent. of Rs. 50,000). The business will retain Rs. 79,000. In other words, although Rs. 50,000 will be exempt from taxation the business will have available only an additional Rs. 21,000 to be applied for writing off the inflated value of the assets, that is to say, the business will get actually only 42 per cent. of the amount allowed on account of special depreciation.

The rates of 20 per cent. in the case of machinery and 10 per cent. in the case of buildings are equivalent to 8.4 per cent. of the value of machinery (42 per cent. of 20 per cent.) and 4.2 per cent. of the value of buildings. Expressed in another way, if a business spends Rs. 10,00,000 on renovation and replacement of machinery and Rs. 4,00,000 on buildings, Government will forgo taxation to an amount equivalent to Rs. 84,000 (8.4 per cent. of Rs. 10,00,000) on account of machinery and Rs. 16,800 on account of buildings of a total of Rs. 1,00,800.

It is not clear whether this special depreciation is in addition to the normal rates admissible from year to year or whether it will be taken into account, at some stage or other, in reckoning the written down value of assets either for purposes of calculating the depreciation admissible from time to time or the loss resulting from the retirement of assets. If it will be taken into account, the concession would be no more than a mere postponement of taxation. It would amount to the grant of an interest free advance for a period. In other words the concession would mean that a business which has no funds or which finds that the funds accumulated in the depreciation and reserve funds are insufficient to meet the cost of replacement would get a small interest free loan for a period.

The proposal to limit the concession to only the year of erection may deprive a great many business concerns of the full benefit of even this small concession. If profits are not equivalent to the extent of the special depreciation allowance, then the busi-

ness concern will get only a partial benefit. For example, if a business concern spends 10 lakhs of rupees on the installation of new machinery and 4 lakhs of rupees on new buildings, it will be entitled to get a special depreciation allowance equivalent to Rs. 2,40,000. If its profits in the year of erection or installation are only 2 lakhs, then it can set off only 2 lakhs, and the actual benefit will be reduced by a sixth. In other words, the full benefit of this concession will be earned only by concerns which proceed slow, and not by those which undertake large-scale replacements in a short period. Few new concerns can hope to get anything more than a part of the concession, unless of course the value of their fixed assets is small. Heavy and basic industries and industries involving large outlays in buildings, plant and machinery will get practically nothing, as no concern in these groups can hope to earn, in the first year, a profit equivalent to 20 per cent. of the value of machinery or plant plus 10 per cent. of the value of buildings. If the benefit is to be enjoyed by new concerns or old concerns going in for large-scale replacements or extensions, the special allowance should be allowed to be worked off over a period of years.

The extra allowance now announced is presumably modelled on the concessions announced by the Chancellor of the Exchequer in U.K. last year. But in Britain the special depreciation rate has now been raised to 25 per cent. in the case of machinery (*Capital* dated February 22, page 195). Conditions in India are totally different from those of the U.K. or for the matter of that any industrialized country of the West. There it is mostly a question of replacements or even re-equipment. What we need in this country is large-scale modernization of the existing equipment. We have been told so often by foreign experts who have visited this country that plant and machinery in commission in a great many units are out of date and badly laid out.

Most of the machinery required for re-equipment of industries in the U.K. will be locally manufactured, while India has to import. Freight, insurance, landing and clearing charges and importing agents' commission and expenses would work easily to an additional 35-40 per cent. In some cases, the percentage addition may be more, so that the Indian manufacturer's costs in regard to depreciation will be higher and he will have to earn a bigger profit to get the same return on the investment. Other things being equal, this would place the manufacturer in India in an unfair position. It is true that the manufacturer in India will get a freight advantage, but his other costs may be more. If he is to compete on equal terms, then the cost of machinery should be reduced by about 35-40 per cent. In addition to this disadvantage, post-war values of plant and machinery will cost anything between 75 to 100 per cent. more.

Costs in general have risen by about 75 per cent. in the U.K. and it would probably cost about 75 per cent. more to put up buildings than pre-war. In India, however, costs have risen much higher and we would require about Rs. 300 to put up a building against Rs. 110 pre-war. It may cost even more. Here again, the Indian manufacturer requires considerable assistance. If due assistance is not given it would be a handicap in competing with the foreign manufacturer. If he is to compete without the aid of a protective tariff, his competing capacity will be impaired. If he is to be sheltered behind a tariff wall, the community will have to carry a burden bigger than what

would be necessary if costs were lower. Further, high costs in one article lead to high costs in another and the vicious spiral goes on. In the U.K., Government have attempted to keep down costs largely by means of subsidies. For example, it was stated that Government expenditure on Food subsidies amounted to £214 million or Rs. 285 crores a year. This sort of assistance has not been attempted in India and may not even be possible, but some assistance can and should be given by an adjustment of the tax system. Tax relief will no doubt result in a diminution of revenue, but this sacrifice is well worth making, as both the community at large and Government themselves will gain by reduced costs.

There is a general feeling in the business community that present-day costs are unduly inflated and that it would not be worthwhile risking large sums in new ventures till prices of capital goods and the general price level come down. This feeling of hesitancy found expression the other day, when addressing the Second All-India Textile Conference, Sir Joseph Kay said: "Let there be no wild and theoretical planning, as is the fashion of the day, but well-thought-out schemes to replace worn-out machinery by that embodying up-to-date principles; and no indiscriminate extensions without taking into consideration the cost involved. Remember that spinning machinery will cost you, on today's prices, 100 to 110 per cent. on pre-war values; weaving machinery 70 to 75 per cent.; preparatory machinery 75 to 80 per cent.; bleaching and finishing machinery 75 to 85 per cent.; and so on. I suggest, therefore, that, when formulating your plans, you should take into consideration what you expect to earn in normal times on your capital outlay, otherwise trouble may be ahead of you. I do not profess to know what course the prices of new plant is likely to take, but I can, with such knowledge as I possess, calculate that it will be difficult for an entirely new mill, built in any of our present manufacturing centres, on today's value of land, buildings and machinery, to compete in the years to come with our well-managed existing mills, which are steadily spending money as it is made on the improvement and replacement of worn-out plant. And let this be done on modern lines with a definite end in view, and do not overlook the fact that much research is being done in textile machinery of all kinds, and methods of process might see great changes before many years are over. I am not suggesting for one moment that orders should not be placed now for such machinery as may be required, provided reasonable delivery can be obtained, but I do advocate a policy of reasonable precaution." If the large-scale industrial development visualized as part of post-war planning is to be given

a fair start, it is essential that a substantial measure of assistance should be given to business ventures to write down the present-day high costs of capital equipment, whether it be in replacement of existing machinery or plant or extensions or in connection with new enterprises. If this assistance is not forthcoming, the tendency would be to carry on with the existing industrial equipment for so long a period as possible, slow down replacements, extensions and the starting of new ventures.

We therefore reiterate our proposal that the special depreciation allowance should be raised to at least 50 per cent. in the case of both machinery and buildings, and the business concerns allowed to work this off over a period of say 10 years. As and when this allowance is granted, the block should be depreciated by the actual relief given that is to say, if in a year a firm claimed and was allowed a sum of Rs. 50,000 by way of special depreciation, the block should be depreciated by Rs. 21,000, assuming that tax remains at the current level. If these measures are taken business enterprise will be encouraged, costs lowered and the community benefited. It is worthwhile mentioning that even if a 50 per cent. allowance is given it would amount to the State foregoing taxation only to the extent of 21 per cent. of the value of the new plant or machinery or buildings on the basis of the current level of taxation as against 65 per cent. of the value of the new locomotives and rolling-stock which Government proposed to write off over a period of 3 years. Expressed in terms of pre-war costs, the assistance would amount to about 40 per cent. of pre-war values. As in all cases, the new equipment would cost at least 100 per cent. more, the assistance sought from the State can by no means be regarded as excessive.

As regards the concessions given for expenditure on scientific research, the law should be amended to make it clear that scientific research, would include experimental work also.

It is unnecessary to enlarge upon the need for the liberalization in the concessions proposed, for without such liberalization the prospects of Indian industry being able to retain competitive power or produce cheaply and efficiently are dismal. We would, therefore appeal to the Government, and particularly to the Supply Member who is prepared to share the responsibility with the Finance Member to see that India's economy is not permanently damaged by the Government's failure to supply the necessary incentives to economic recovery and rehabilitation.

The Politics of Planning

WE cannot but regard the combined attack on the Planning Department and the refusal to vote supplies thereto by the major political parties in the Legislative Assembly as ill-advised and unfortunate. There may be sufficient political reasons for collaboration and joint plan of action; we are not concerned with them. But political strategy, like military strategy, must aim at crippling the opponent at vulnerable points. Instead of doing so, the Opposition joined hands to refuse supplies to the one department on which the country has been building its hopes for the future, thereby undermining its utility and destroying its confidence. The fact that, despite rejection of the demand for the Planning Department, the supply will be restored by the certificate of the Viceroy can afford

no consolation to the public because the Opposition has failed to make a distinction between the political aspect of the fight and the economic urgency of the country's economy.

That sense of urgency has been expressed by the Planning Member in the following words: "The war is coming to an end. Millions of people will soon be unemployed. Two millions of soldiers will be demobilized; the purchasing power which has been created by the demands for war industries will come to an end. We have to plan the transition from war to peace. Every country in the world is far in advance of what we have done with regard to the preparation of post-war plans. In the meantime, until our un-

fortunate political disputes and difficulties are settled, are we to stand by and do nothing and see the economy of this country collapse, as it is bound to do if nothing is done?"

Had there been real substance in the ground of attack, one need not worry. Writing just a year ago under the same caption as that which heads this article, we wrote that the real issue of planning in the country was whether what was economically necessary might not prove to be politically impracticable, and suggested two kinds of difficulty. One was that the Muslim attitude, which is unfavourable to a strong Centre, may not be favourable to clothing the Centre with sufficient powers for executing the plans, and the other was that planning with its implication of a united India may not suffer a collapse, if the country is to be broken into fragments.

These issues are vital; and both impinge on Muslim League politics. We are, therefore, not surprised that the Muslim League chose the Planning Department for its target of shooting. Pakistan would imply at least a rearrangement and redrawing of the plans. If there is to be no Pakistan, then too the Muslims would like to be assured that the economic planning now undertaken does not make serious inroad upon provincial freedom and autonomy. The Congress Party, on the other hand, has reason to be thankful for a situation in which it is not called upon to decide these vital issues prematurely and letting the Planning Department to prepare the preliminaries without which no planning, present and post-war, is possible. Until it is able to form a National Government, its duty should be to strengthen the hands of the Planning Department, which will keep the fire burning in the meanwhile.

Sir Ardeshir Dalal was, therefore, quite justified in complaining that the unity of the two major parties in regard to this matter was merely confined to attacking his department and that the attack was directed from ideals, aims and points of view which were certainly not in consonance with each other, if indeed they were not absolutely conflicting. The Planning Member gave a most helpful and informative answer to the fears of the Muslim League. He reiterated his conviction that, whatever might be his own personal view, "the proposals now made for post-war planning and development do not in any way affect the constitutional issue, as, whatever form the future constitution takes and whatever autonomy the future provinces or States of India may enjoy, they will all benefit by the measure of economic progress and development contemplated by the plan. One of the fundamental principles of the plan is regionalization so that the different parts of the country may benefit in as equal a measure as is compatible with the physical features and natural resources of each part," and added that "if it is the destiny of India to be divided into several independent sovereign States, that is a matter not for my consideration; and so far as planning is concerned, it does not in any way interfere with it." This frank and friendly utterance of the Planning Member should have been sufficient to allay all legitimate fears. Pakistan is not prejudiced by the present Planning Department; neither is extreme provincialism.

While the Planning Member was rightly conciliatory, it would be fatal for clear thinking to deny that there are dangers to sound planning if either the country is divided into fragments or if provincialism without central direction and co-ordination is allowed free rein. Planning involves a degree of

central control, direction and co-ordination which only a strong and powerful centre will be able to enforce. But if that is not possible, what then? The words which we wrote on March 17, 1944, are still apposite. If there is not to be a strong centre, "at least genuine efforts should be made to reconcile the economic necessities with the political probabilities at a level at which the main programme may be put through under a decentralized system of production and distribution. The power to co-ordinate, advise and help must in any case be granted to the centre; but the machinery of effective control will be a strong body at which representatives of provinces will have equal rights with those of the centre in reaching decisions." Decisions on this and other allied matters can only be taken by a national and responsible government. But the Planning Department is fully conscious of its limitations in respect of policy, as evidenced by the speech of Sir Ardeshir, who, however, welcomed the association of a committee of the Legislature to help in the work of the planning. The difference between the Government and the Opposition in regard to the scope and functions of the committee to be associated with planning was certainly not unbridgeable. Even the Government and the Opposition appeared to be too academic and impractical. According to the Opposition, the legislative committee should plan and the Government should only execute. The Government, on the other hand, stated that they alone were competent to plan but would take the committee into confidence at every stage in planning. Surely if the Opposition had only wanted to influence planning, the offer of the Planning Member was adequate. But the Government need not have been frightened by words. No legislative committee can plan without the help of a very large and able secretariat. In practice, the committee would only express its judgment on the proposals laid before it by the Planning Department. We regret that an agreement on this should not have reached and that it should have been found difficult to come to an understanding.

Altogether the result was unhappy. Further the national parties only played into the hands of the European Group which, to quote an Indian proverb, used this as an occasion 'to break the mortar because the flakes could not be had.' The European Group is alarmed at the earnestness, the force and conviction with which the Planning Member has expressed himself against those commercial safeguards which would soon be crumbling before their eyes; so it also had a kick at the department, which it accused of originating and deciding upon high policies without reference to the Government as a whole. Sir Ardeshir's answer was a neat retort: "I very much wish I could do what my hon'ble friend suspects me of doing. Then the planning will proceed at much quicker pace than at present. My grievance is that I am not able to do that." Speaking for ourselves, we have no hesitation in saying that the Planning Department must not only be more speedy in its work but that its functions should be enlarged so as to include responsibility for ensuring that the plans agreed to are also put into immediate operation.

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Agricultural Prices

IN accordance with the recommendation made by the Policy Committee on Agriculture in June, 1944, the Government of India have now set up a sub-committee under Sir V. T. Krishnamachari to consider, (a) the principles on which producers' prices of the agricultural produce, whether crops grown for industrial purposes or for food, or the produce of animal husbandry of all descriptions, should be fixed, and (b) the means by which such prices can be made effective and an assured market be provided. The Committee is required to make recommendations in relation to conditions in the post-war period, (1) in which a substantial measure of Government control over procurement, distribution and prices of commodities exists, and (2) in which such control has been released or abolished, and normal trade and market conditions have been restored. There are a number of well-known economists on the Committee, and this is as it should be, for the issues raised are crucial and complicated, on which it is possible to reach wrong conclusions, productive of disastrous consequences for the entire economy.

It is now generally agreed that in the future the State should aim at (a) improving the level of agricultural prices so that the primary producers may be able to afford a reasonable standard of living, and (b) rendering those prices less vulnerable during a depression. The first consideration implies that at any given time the level of agricultural prices should be related to (1) the cost of articles entering into the cultivator's cost of production, and (2) the cost of articles entering into his standard of life, and the second that during a period of falling prices, agricultural prices should not fall to a greater extent than non-agricultural prices.

That the objectives of agricultural price stabilization are unexceptionable nobody would be disposed to dispute, but it is necessary to be very clear about the far-reaching implications of a stabilization programme for the national economy as a whole. It should not be forgotten that by interfering with the normal market mechanism in one sector, we may be setting in motion forces which, in the first instance, may affect other sectors of production adversely and ultimately the entire economy, including the favoured sector itself. The point need not be laboured, and although it is not as conclusive an argument against agricultural price stabilization as some would suppose, it does make out a case for a policy of "abundant caution."

Such a policy should ensure, in the first place, that the economic environment in general is favourable to a policy of stabilizing agricultural prices. The national economy, in particular, should be attuned to the note of an expansionist economy. The economic policy in general, and the fiscal and monetary policies in particular, should be geared to a high level of employment and industrial activity. It is clear that the economy as a whole would be better able to support a relatively high level of agricultural prices, when in a state of buoyancy. This would be so not only because the aggregate national income being higher, it would be easier to divert a greater share thereof to agriculture without depressing other sectors unduly, but also because under conditions of an expansionist economy, a higher level of prices for agricultural raw materials may have a considerably less depressing effect on industry than would otherwise be the case. It may be contended that in an expansionist economy, the non-agricultural prices would also tend to rise, thus taking away from the farmers with the left hand of higher costs of pro-

duction and of living what has been given to them with the right hand of a higher level of agricultural prices. This argument overlooks the fact that an expansionist economy is perfectly consistent with the absence of any rise in the level of non-agricultural prices to the extent that would be necessary to neutralize the benefits to the agriculturists of a higher level of agricultural prices. Theoretically there is no reason why an expansionist economy cannot be engineered with a mildly rising general price level, in which the level of agricultural prices rises faster than the level of non-agricultural prices.

The second governing principle of the policy of abundant caution which we advocate would be that as far as possible the national stabilization programme should be in keeping with world trends. This is necessary both in order to avoid insulating the national economy, and in the event of the need for doing so becoming unavoidable, to keep at a minimum the strain and sacrifices that may have to be imposed on the economy. It is fortunate that the world trends as a whole are likely to be in favour of national programmes of agricultural price stabilization. Important agricultural countries, such as the United States of America, Canada and Australia, are more or less committed to a policy of ensuring reasonable prices for primary commodities. The first country, indeed, has emerged as an insistent champion of inter-governmental commodity agreements, for the purposes firstly, of providing fairly stable markets at reasonable prices for the primary commodities entering into the world trade and secondly, of eliminating violent price fluctuations over a period. A Wheat Convention has already been worked out and an international conference on cotton is scheduled to begin shortly. It is possible that in the post-war world the major agricultural staples would be covered by inter-governmental agreements. Provided these agreements are framed in accordance with sound economic principles and are not weighted in favour of any particular country, India may do well to participate actively in them. This would go far to reduce her problem of agricultural price stabilization to national dimensions, and in particular, assist her in handling the problem of fixing prices for commodities, which are internationally produced and traded in.

There is a third direction in which also there is need for the exercise of abundant caution, and this is in taking care to see that the word "stabilization" does not mislead those who are planning the programme of agricultural price stabilization. "Stabilization" in this context does not mean that the prices should be sought to be fixed at particular levels for all time to come, or even for a long period of time. Nothing would be more vicious than such an assumption, which, moreover, is precluded by the very objectives of agricultural price stabilization. Prices should be stabilized only in the sense that they should not be subjected to violent fluctuations in short periods of time. "During the last twenty years," says a report of the League of Nations Delegation on Economic Depressions, "the price of wheat and jute has been halved three times within about twelve months, the price of cotton three times in periods of under eighteen months." The evil effects of such violent price swings are aggravated by the relative rigidity of agricultural costs and even more markedly by the tendency to overcompensation on the occasion of price-induced adjustments of supplies, which, as the above report puts it, is "one of the salient characteristics

of the functioning of the price-system in the raw material industries." It is a legitimate function of a programme of stabilization to aim at evening out such short-term price fluctuations, owing to a temporary excess of supply over demand, but at the same time there should be a permanent machinery to pass in constant review the prices of agricultural produce and carry out necessary adjustments as indicated by changes in the costs of production and in the level of non-agricultural prices.

Again, it may not be necessary to regulate the prices of all agricultural commodities. One category at least can be definitely excluded. The reference here is to dairy products, the prices of which should not be influenced in an upward direction. It should be the policy of the State to make these and other protective foods available as cheaply as possible to the greatest number of consumers. More economical methods of production and marketing, raising the purchasing power of the people as a whole, and measures subsidizing consumption or according bounties to encourage production are the methods indicated here, rather than a policy of price stabilization as such. As regards the other commodities, it should be enough if the prices of the main items, in which there are considerable marketable surpluses, are included in the programme. Once the prices of the chief foodgrains, fibres, oilseeds and sugar-cane are regulated, the effect cannot fail to be felt through the whole gamut of the agricultural price structure.

Lastly, and above all, the policy of abundant caution should not omit to take note of the fact that

a price stabilization programme is no substitute for measures, such as the reduction of the density of agricultural population, land reform, diversified farming and improved technique, which are required to reorganize Indian agriculture on an economic basis. In fact, the programme can be undertaken with greater chances of success, if attempts are also made simultaneously to improve the efficiency of the agricultural producers.

An attempt has been made here to indicate only the more important aspects of stabilization. The actual machinery to ensure that the scheme is worked satisfactorily and the methods to be adopted to secure stability will be the subject of another article.

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The Week's Notes

STERLING BALANCES

British opinion is gradually expressing itself firmly and unitedly on the question of repayment of sterling balances. There is no need to doubt the sense of realism and genuineness which characterizes the British method of approach. Except a few die-hards, the overwhelming section of opinion desires to honour the debt to the last penny. But the methods of repayment suggested are not such as could satisfy Indian opinion. In its broad-sheet No. 229, the P.E.P. has made a suggestion which deserves to be widely noted in India because it apparently represents the considered judgment of the thinking public in Britain. To quote the broad-sheet, "For at least five years after the war, while we are rebuilding our domestic industry and our overseas trade, we must ask them (India and other countries which have accumulated sterling credits) to be patient, not expecting substantial amortisation of their claims. Thereafter, our ability to repay our debts will depend largely on the creditor countries agreeing to take British exports of a given value in normal trade, i.e., not in liquidation of the debts. In practice, this would mean that in any year the amortisation of our debt to any country would depend on our exports to that country reaching an agreed level. Alternatively, a given percentage of the total value of our exports to the country in question might be earmarked for the purpose of amortisation." In other words, India cannot expect any return of sterling balances at least for five years after the war, and thereafter the possibility rests upon Britain's recovery of her overseas trade. Repayment will be tacked on to a bilateral agreement by which India agrees to take a definite percentage of British exports. While India would be willing to afford every facility for the repayment of the debt due to her (including an agreement to buy from Britain), she cannot be compelled to buy British goods without reference to cost and quality. But the really wide gap is in respect of India's necessity for immediate resumption of repayment by Britain and Britain's inability or unwillingness to do so before the end of five years. This gap has to be bridged somehow; and it is the real issue now.

QUALITATIVE PENETRATION

The need to check and control the "alarming influx" of foreign companies referred to by Mr. J. R. D. Tata in his speech at the Reconstruction Committee raises the question as to how far British capital would be able to penetrate into Indian economy in the post-war period. If all the fears expressed in Britain as to the difficulties of securing a favourable balance of trade are genuine and not designed as propaganda abroad, the possibility of large sums of British capital entering India after the war is remote. The mere maintenance of British pre-war volume of imports would require an increase in the volume of her visible exports by at least 50 per cent. over their pre-war level or to no less than five times their volume in 1943. The scope for increasing Britain's invisible exports from their present level is not also great. Besides the reduction in shipping income, the income from insurance, short interest, and commission has also declined. The reduction in the income from overseas investment cannot be restored until a favourable balance of substantial size is secured. Hence for many years after the war Britain cannot make any net investment abroad and particularly in India where local capital resources are available and will have to be reckoned with.

While no large net investment may be expected, it is possible that British capital may seek to enter at key or critical points. Large capital sums may not enter the country; but the entrance may be selective. If chemical, machine and other basic industries become the special spheres of penetration of British or foreign capital, the danger of foreign capital may not be any the less. Hence it is not the quantitative aspect of foreign capital that should concern the Government or industry but its qualitative aspect. Care should be taken to ensure that foreign companies are not allowed to set themselves up in positions where they are capable of throttling the competition of indigenous industries under Indian ownership and management.

FLOATING DEBT POLICY

Reviewing the Government's ways and means position, the Finance Member said in his budget speech that the decline in the volume of the floating debt had not proceeded farther than was actually the case because "we have continued till recently to offer fairly large amounts of treasury bills to the public in order to prevent the structure of money rates being disturbed by an excessive release of funds invested by banks in treasury bills." Actually, however, in the three weeks from February 10, there has been a reduction in the volume of treasury bill borrowings and an increase in the maturities over renewals which brought the rate toppling down from As. 9 to As. 5 per cent. It is unlikely that this policy will be persisted in, because it would, as the Finance Member himself admitted, disturb the structure of money rates. The volume of floating debt which stood at Rs. 93 crores at the end of January 1945 is expected to stand at Rs. 86.6 crores at the end of March 1945 and also 1946. In other words, no appreciable reduction in the volume of floating debt is contemplated in the next twelve months—a fact which contrasts with the rapid progress of funding seen in the decline of floating debt from Rs. 265 crores in March 1943 to Rs. 111 crores in March 1944. The case for stabilizing the treasury bill rate at a lower level than that of the last two or three years may or may not be valid, but that is hardly likely to be done by a smaller volume of treasury bills. Also as part of anti-inflation, funding of all loans now as far as possible may be desirable, but this also would not be helped by unduly reducing the floating debt. Relatively to the liquid funds and investing habits of the money market, a certain minimum volume of floating debt must be kept to maintain money market rates undisturbed at reasonable levels and the Reserve Bank must arrive at it from its experience of the market. As for the policy after the war, for reasons we have already explained in an article on *Future Borrowing Policy*, the case for maintaining a fairly larger volume of floating debt would be very strong indeed.

DOUBLE STANDARD OF ECONOMICS

Like other belligerent countries, the Union of South Africa had also to face a difficult task in enforcing effective economic controls. During the war, note circulation went up from S.A. £20.9 million to S.A. £54 million in June 1944 and commercial bank deposits increased from S.A. £101.0 million to S.A. £241.7 million. The wholesale price level stood about 60 per cent above the pre-war level about the middle of last year. However, South Africa labours under a special inhibition in the shape of a double standard of morality in tackling her economic situation. Thus although there has been a continuous demand in South Africa for the introduction of rationing since 1940, the South African

Government has been unable to get it through. It is claimed that the diversity in standards of living with eight million non-Europeans, is a tremendous obstacle to the scheme, while it is also feared that rationing would create a black market on a vast scale. This double standard of economics in South Africa would create as much intractable problems in her post-war reconstruction as it does during the war. Speaking last week, Dr. Malan, the South African Leader of the Opposition, described the colour question as South Africa's biggest, most serious and most unsolved problem and deplored Government's policy which, he said, was "resulting in a dangerous accumulation of explosive materials." Dr. Malan continued that the European population "did not want to oppress non-Europeans. They wanted to help non-Europeans to develop, but in their own spheres. They wanted the policy of 'separatism'; they did not wish to assimilate non-Europeans, neither did they want a policy of *laissez faire*." It is not explained, however, how two "separate" and autonomous economies—the high-standard economy of a white minority on the one hand and a low standard, semi-slave economy of a non-white majority on the other—could work, each in its own "sphere" and yet one within the other, like a sort of economic *imperium in imperio*, without inhibiting each other's development.

MINERAL POLICY

Replying to a cut motion moved by Mr. K. C. Neogy to discuss Government's mineral policy, the Labour Member announced that Government had 'now' accepted the responsibility of having a definite mineral policy. Government proposed to take action in two important directions. Firstly, they propose to reconstitute the Geological Survey of India to make it a more potent force in the industrial development of the country. Secondly, Government would introduce legislation designed to establish control over minerals. This is a welcome step; for so far, as Sir Cyril Fox himself has admitted, not more than 500,000 square miles of our vast country have been surveyed in any detail while over a million square miles yet remain to be scrutinized. With such an inadequate idea of what we possess in mineral resources, planning in India would be reduced to a farce. But Dr Ambedkar unfortunately chose to be silent on one aspect of the question on which the public mind is no less exercised. It concerns the ownership of our mineral wealth. It will be recalled that the Holland Commission had, unequivocally declared that India's mineral resources had better not be utilized at all if they could only be exploited for foreign interests. Government's silence on this issue of such vital importance to the country is bound to give rise to suspicions and fears in the public mind that the country's irreplaceable mineral resources are likely to be dissipated. Closely connected with this ownership by foreigners of the mineral wealth of the country is the question of exports of valuable minerals in a raw form. Thus, for instance, manganese ore has been exported from the country in large quantities—677,000, 1,001,000 and 456,000 tons in 1936-37, 1937-38 and 1938-39 respectively. Referring to this subject, the Labour Member announced that Government had in view the regulation of the export of those minerals which were essential for the country's industrial progress. He also declared that Government also intend to encourage the establishment of such industries as would enable the country to process the raw materials before export. Dr Ambedkar, however, felt that the question of export was linked up with the question as to how far the country would be able to obtain those minerals in which she was deficient if she refused to export what

she herself possessed. But much also can be done, through a rational policy of conservation and utilization of our mineral wealth to meet at least some part of this deficit. Thus, for instance, it has been calculated, that if the railways were to change over to the use of soft coke instead of the good quality caking coal that they use at present, this would lead to the recovery of 30 million gallons of petrol which represents 25 per cent. of our pre-war annual requirements. It is earnestly to be hoped that Government would be able to ensure that the country's mineral resources are not exploited by foreigners nor dissipated by faulty utilization. That is the essence of a national mineral policy.

ECONOMY AND EXPENDITURE

The motion moved in the Assembly by the European Group and supported by the other political parties demanding retrenchment and economy in the Central Government's expenditure calls for some comment. If it means that not a rupee should be spent wastefully and without proper examination of the utility of such expenditure, it is a perfectly legitimate demand. There has been enough evidence to support the main thesis of the Opposition that not only all kinds of expenditure have been mounting up regardless of need but that no control is exercised by any responsible authority. War is a great unloosener of morals. In the sphere of public finance, the war has brought about a serious laxity in standards of public expenditure. A matter of Rs. 100 crores of extra expenditure is regarded as a mere bagatelle. This is a deplorable attitude. The Finance Member's argument that even, if all the bigger salaries are reduced, not much savings can be effected is no answer at all. The public are entitled to ask that every rupee of the proceeds of taxation is spent only on useful and legitimate purposes, and here it is not a question of the amount at all.

While, however, economy in the sense of avoidance of waste is to be commended, the motion of the European Group in asking for retrenchment stands the risk of being wrongly understood and badly applied. The problem in India immediately after the war is not a problem of retrenchment. It will do infinite harm to public policy if it is regarded that way. The problem is rather one of ensuring that the scale of expenditure in the country, both public and private, does not fall very much, thereby creating slump and unemployment. As the Finance Member pointed out, the danger in India was that public expenditure of Rs. 900 to Rs. 1,000 crores might be halved overnight. But having revealed the danger, the Finance Member has no policy to lessen it. If he had, he would have taken steps to ensure that the reduction in public expenditure is compensated by a corresponding increase in the scale of private expenditure and investment. The urgency of taking every measure so as to ensure investment in industry immediately the war ends has yet to be grasped by the Finance Member, judging by his action.

DEVELOPING THE SONE VALLEY

Early this year a conference of representatives of the Central, Bengal and Bihar Governments discussed the possibilities of setting up a multi-purpose project, with a view to exploit the potentialities of the Damodar river for irrigation, electrification and navigation purposes. Some preliminary work in this connection had already been done when the conference took place, and the Labour Member held out the assurance that he was anxious to "give shape, form and life to the project" and realized that "no time should be lost

in doing so." It appears another scheme has also been formulated for utilizing the Sone river for the purposes of increasing irrigation facilities, development of power, navigation and flood-control. A conference of representatives of the Central Government and the Governments of Bengal, Bihar and the U.P., which met the other day in New Delhi to discuss the project generally agreed that such a scheme had immense possibilities and that the Central Government should appoint a Project Engineer to undertake detailed inquiries about these projects. The conference also felt the need for a liaison officer who should be charged with the task of assessing the power requirements of the entire area. If necessary, load surveys for the purpose would be undertaken with the assistance and co-operation of the Provincial and State Governments. The Government of India would meet half the cost of the inquiries, the other half being met by the Provincial and the State Governments on a formula to be devised by the Finance Department. In his opening speech to the conference, the Labour Member emphasized that the approach to the problem must be regional and not local and that, if the project is actually translated into a concrete scheme, it must necessarily involve the surrender by the provinces and the States concerned of some of their rights to a regional authority constituted for the purpose. Irrigation engineers and other experts have calculated that it is possible to instal a perennial hydel power plant capable of providing electrical energy to distances between 175 and 200 miles. Apart from the advantages that may be reaped from the utilization of this electrical energy for rural and urban requirements, it would enable the sinking of a network of tube-wells and thus increase greatly the irrigation facilities for the area. Dr. Ambedkar has assured the conference that the Centre was wholly prepared to play its part in the project, both in the preliminary inquiries as well as in its ultimate development.

EMPIRE OIL POLICY

Writing in the *Crown Colonist*, Sir Robert Waley Cohen, the Managing Director of the Shell Transport Trading Company, pleaded for the working out of an empire oil policy. The recent triangular conflict over Middle Eastern oil resources has again brought up oil in the arena of international politics. The possible supply of oil from all known world resources in relation to the rapidly mounting world demand for this strategic material, has been the topic alternately for scare and optimism. Certainly, the possibility of striking many more important sources of oil, which might alter all present calculations about the world supply of oil, cannot be ruled out and the potentiality of the British Empire and the Commonwealth as a source of petroleum is farthest from being exhausted. Since the outbreak of war, excellent oil has been struck in Britain, which is already producing 10,000 tons per annum—a small but valuable beginning. There are geophysical indications of rich oil-bearing zones in Assam and also in North-western India probably linked or continuous with the Middle Eastern fields. Alberta in Canada is already producing some oil, and further discoveries in the north-western territories are in prospect. Particularly as advance in technology is permitting drilling into strata formerly regarded as commercially inaccessible, new and wide commercial fields in many parts of the British Empire can be reasonably expected to be opened in near future. The empire oil policy for which Sir Robert presses, may have the laudable object of encouraging intensive geophysical survey, discovery and development. On the other hand, it may be no more than a plea for restrictionist or imperialist policy, with an eye partly on empire strategic considerations

but no less on monopolistic policy. It has to be remembered that India no less than Britain produces much less oil than it consumes. But Britain, with her stranglehold on Middle Eastern, Far Eastern and other oil resources, may not have interests identical with that of India. Today India's annual production and consumption are respectively 83 and 400 million gallons, but with the progress of industrialization and rapid motorization, consumption may go up by leaps and bounds. There may be serious clash of producing and consuming interests and the evolving of a common and integrated empire oil policy may present more than usual difficulties. India's own oil policy can be seen only in the setting of her general mineral policy.

PERSONAL EXPENDITURES IN U.K.

In our issue of March 3, we wrote about the personal incomes and their disposal in the United Kingdom. The figures revealed an increase of about £3,000 mn. in 1943 over 1938 in the case of personal incomes and only of £452 mn. in the expenditure on consumption after adjusting the indirect taxation or subsidy on the consumers' goods. This small increase in money expenditure was insufficient to set off the rise in price and the index number of expenditure on consumption at 1938 prices showed a fall of about 21 per cent. in 1943 as compared with that of 1938. Figures below show the extent to which expenditure on certain categories of consumers' goods other than food, drink and tobacco, viz., clothing and dress materials, boots and shoes, furniture and furnishings, hardware, private cars and bicycles, fuel and light, etc., has fallen during the five years of war ending December 1943.

Index Number of Personal Expenditure on certain classes of consumers' goods at 1938 prices

(1938=100)

Calendar year.	Clothing and dress materials.	Boots and shoes.	Furniture and furnishings, etc.	Hardware.	Private cars and bicycles, etc.	Fuel and light.	Other goods*
Actual Expenditure in 1938 (£ mn.)	374	73	147	82	62	203	306
Indices							
1938	100	100	100	100	100	100	100
1939	99	104	94	91	84	99	100
1940	82	93	69	74	24	93	81
1941	59	79	47	52	16	97	67
1942	58	77	32	35	10	98	52
1943	55	73	23	33	11	93	52

* Excluding food, drink and tobacco, etc.

It is interesting to note that the greatest reductions have taken place in the goods of the most durable types like vehicles and furniture and hardware. The index of fuel and light contrasts with those of the above categories showing a drop of only 7 per cent. The index of clothing and dressing materials has fallen by 45 points and this has been brought about by clothes rationing. Consumption of boots and shoes, on the other hand, has fallen by 27 per cent. Under the third category of furniture and furnishings, household textiles, floor coverings, and musical instruments, we notice a steep decline of 77 points which may be attributed to drastic restriction in production of many articles like carpets and wireless sets, etc., and production of simpler types of utility furniture and substitutes and the use of old stocks. Things like torches and batteries were much demanded due to the black-out. Fuel and lighting continued all

along a wholly essential thing and hence index has been practically constant. In the last category there were goods like drugs and medicines, the consumption of which changed little, unlike that of soaps. On the other hand, consumption of toys, sports requisites, photographic goods, leather ones, jewellery and fancy paper goods fell considerably.

THE TUNGABHADRA PROJECT

The Governor of Madras recently laid the foundation stone of the Tungabhadra Project, a combined power and irrigation scheme of proportions, considerable even for these days. The reservoir will be 138 square miles in extent, of which 75 square miles will be in Madras territory, 57 in Hyderabad State, and 6 in the Presidency of Bombay. The capacity of the dam for the present will be 130,000 million cubic feet, of which Madras and Hyderabad will each take 65,000 million cubic feet. The irrigation canal in the Madras area, on which work will be immediately commenced, will take a meandering course over a length of 220 miles. The subsidiary canals of this main canal are expected to serve 312 villages and irrigate 300,000 acres of land in Bellary and Kurnool districts. About 10 per cent. of this acreage will be under wet cultivation, and the rest under dry cultivation. On the Hyderabad side, it is planned to irrigate about 700,000 acres in the State territory. It is also proposed to generate substantial quantities of electric power, which, it is expected, would stimulate the development of industries processing the agricultural produce, and exploiting the mineral resources of the area. The possibilities for building up textile, sugar, vegetable oil and paints and varnishes industries in these parts are said to be very bright.

NATIONAL INCOME OF SOUTH AFRICA

Recent years have seen considerable and steady expansion of the national income of the Union of South Africa. According to Prof. S. Frankel, "it is the operation of international trade based on specialization which had led to the existing real income standards of the community" and "the Union attains a position of what was either one of full employment or approximately very nearly thereto." In this growth of real income, gold has played an important part. Export production as a whole increased; but increase in the case of gold has been most notable. The proportion of the Union's export of gold to all other exports rose to about 50 per cent. in the seven-year period ending in 1929 and to about 70 per cent. in the six-year period ending in 1938 as compared with 1911-12 and 1918-19. The "windfall profits" resulting from international currency changes leading to high gold prices cannot be ignored in this connection. The increased exports gave a great stimulus to new capital investments which were financed from both home savings and capital imports. There has been a fall also in the import prices which encouraged internal production indirectly. The magnitude of increases in the national income is revealed by the following figures:

Year	Total national income at current prices (£ '000,000)	% increase or decrease over 1928-29
1911-12	130.9	- 51.7
1917-18	170.7	- 36.9
1928-29	270.7	..
1932-33	234.7	- 13.3
1938-39	394.8	+ 45.8
1939-40	432.6	+ 59.8
1940-41	472.8	+ 74.5
1941-42	518.0	+ 91.1
1942-43	547.4	+100.4

The real national income per head of population increased from £56.2 in 1932-33 to £77.3 in 1938-39. The rate of annual increase during 1932-33 and 1938-39 was 5.2 per cent. as against 2.5 per cent. during 1922-23 and 1928-29. Some of the main constituents of the total national income in 1942-43 were as follows:

	Total National income (£ mn.)	Percentage
Total	547.4	100.0
Farming and Fishing	71.8	13.1
Total mining	92.9	17.0
Mining gold	81.4	14.9
Manufacturing	106.0	19.4
Wholesale & retail trade	67.1	12.3
Defence services	58.1	10.6
Others (banking, finance and insurance, catering trade, transport, Central Government, education, rural domestic services, etc)	151.5	27.6

NEW CROPS IN THE NEW WORLD

There is increasing evidence that the countries of Latin America are taking advantage of their tropical climate and favourable soil conditions to develop sources of supply of agricultural commodities (or substitutes thereof) for which the world has been hitherto dependent on South and Eastern Asia and on the islands of the Pacific. Brazil's emergence as a cotton power and her considerable success in the cultivation of jute are only the two most remarkable achievements in a long list. For instance, it is reported that abaca, a substitute for Manila hemp, has been raised in large plantations in Guatemala, Panama and Costa Rica. Again, coconut oil will have to compete after the war with African palm oil, the production of which has been developed in the Americas. Further, it has been found that citronella, vetiver and lemon grass, from which essential oils are manufactured, bamboos, teak and mahogany can also be profitably raised there. It is too early to say whether the new producers would constitute efficient rivals to the old, but to the extent they are able to do so, greater diversification of the economic patterns of the affected areas of the Far East would become necessary.

INLAND WATERWAYS

The war has brought into relief the serious deficiencies of our transport system, which has been worked almost to breaking point to move the increased flow of men and materials caused by the war. As our economic development proceeds, the movement of men and materials must increase *pari passu*, and the transport facilities must clearly be expanded to keep pace with our economic development. The question of post-war expansion of roads and railways have already received considerable attention, but that of inland waterways has unfortunately not received the same measure of attention. Water-borne traffic is very much cheaper, per ton-mile carried, than land or air traffic, and in a vast sub-continent like India with

a network of big and navigable rivers, the importance of inland waterways can hardly be overestimated. In Russia, under planned economy the advantages of cheap water carriage over vast distances were early realized and a rationalized inland waterways system was built up. Russian rivers were canalized to connect the Arctic Ocean and the Baltic with the Black Sea, and so with the Mediterranean. The regional development schemes in our country like the Damodar Valley and Sone Valley schemes, which are now under considerations of the various Governments, also have the question of development of navigation in mind. In such inter-provincial schemes, clearly the co-operation of all the riparian provinces are essential and a rationalized inland waterways system can be developed only on an all-India basis, particularly as the competition of coastal shipping as well as of the road and railways has to be reckoned with. Increasing use of inland waterways is now being made by sea-going vessels and when schemes, e.g., for canalizations of the St. Lawrence, the Russian rivers and the Indo-Gangetic system are finally put through, there is no technical reason why an ocean-going ship should not sail from Chicago or Moscow to Delhi. The international bearings of our inland waterways system, e.g., in relation to the Barcelona Convention and the Additional Protocol, may also be examined, as also such questions as those of purely local or intra-provincial traffic (*petit cabotage*) and inter-provincial traffic of the riparian provinces (*grand cabotage*). And finally the inland waterways system must be integrated into our rail-road-air system.

THE ROUTE SCHEME

However, during the war, the Government has necessarily been more pre-occupied with the problem of organization of inland waterways in the short-term aspect. In this, country crafts have necessarily played a considerable part. The panicky "denial policy" in Bengal led to the immobilization and destruction of a large fleet of country crafts which constituted one of the principal means of transport in the riverine districts in the east. There can be no doubt that this transport dislocation played some part in aggravating the later food crisis in the districts by impeding normal movements of surplus food. The Government of Bengal have now on hand a scheme to replace their loss and build a large fleet of country crafts. In other parts of India also, under Governmental inspiration, efforts have been made to mobilize and rationalize the country craft transport. At least one private company was formed early last year to run country-craft transport on a modern basis. The company at once proved very successful both from the financial point of view and from the point of view of contribution to our overstrained transport facilities. Meanwhile, in August, 1944, the Government of India inaugurated its "route scheme" for the rationalization of country-craft transport. Under this scheme, route agents were appointed for various routes and given a monopoly of cargo to be shipped in their respective zones. The Government also fixed total freight rates, agents' commission and brokerage. But with the powers and responsibilities of the route agents still incompletely specified, these monopolists of the waterways are prone to peculiar temptations and exact their tolls and distribute their patronages. These monopolists have been regarded in many cases as an imposition on old established business relationships between the owners of the boats and the shippers of goods. The new centralized system has also tended to lead to some reduction in turn rounds of the boats. In appointing these route agents, the Government no doubt followed the line of least resistance and might

have been justified by the requirements of administrative convenience. But now the Government would do well to rationalize the system further by strictly defining the powers and responsibilities of the route agents and giving somewhat wider berths to the old and established trade interests covering innumerable small men plying their boats up and down the country.

ASSAM'S PLAN

Assam's five-year plan of reconstruction has a target of Rs. 83.86 lakhs of total expenditure, distributed as follows: communications including 13,680 miles of national and provincial highways, Rs. 54.49 crores; education, Rs. 855 lakhs; health and medical schemes, Rs. 839 lakhs; agricultural and animal husbandry, Rs. 284 lakhs and Rs. 235 lakhs for industrialization. The highest priority will be given to communications. The pattern of provincial planning generally reveals an undue weightage to roads, but Assam's disproportion is astonishing. Agriculture gets only 3.4 per cent. of the expenditure.

BENGAL CLOTH FAMINE

Whatever system of distribution might be devised to eradicate the textile black markets in Bengal, some prompt measures need to be taken at once to end the awful conditions of queuing up which have become a common sight now. More retail shops should be immediately opened to relieve the acute distress. Government arrangements for the sale of cloth have been absolutely unsatisfactory and a few private agencies have opened up retail shops. But definite instances have come to light of the Government of Bengal obstructing relief by refusing licences to open more retail shops. We cannot understand this attitude on the part of the Government nor why the cotton mills in Bengal should not be given licences and facilities to open retail shops. Granted that the retailers are an essential element in the scheme of distribution, what objection could there be to more shops being opened?

ANGLO-SWEDISH PACT

While the Bretton Woods plan is awaiting ratification, Britain is busy taking advantage of its transition clauses and concluding commercial and monetary pacts with individual countries. There have been the Anglo-French, the Anglo-Belgian and the Anglo-Egyptian pacts; now comes news of the Anglo-Swedish pact. Under the agreement, which is to last for five years from January 1945, Britain and Sweden agree to hold each other's currency without limit, in contrast to the agreements with other allies which impose small limits. Since 1940 Britain has been financing her adverse balance with Sweden in gold. In the new pact, there is no gold clause and Sweden will accumulate sterling in London for her current surpluses. According to the Anglo-Swedish trade pact which preceded this monetary agreement, Sweden will export timber, paper and iron ore to Britain, which will in turn offer heavy machinery, chemicals and coal, but Sweden will be exporting more to Britain than she may import from her. In other words, Sweden will lend short-term loans to Britain. In her dealings with France, Britain insists on receiving payment in gold. In her pact with Egypt she has managed to secure a guaranteed volume of markets for her exports while at the same time Egypt cannot obtain dollar credits independently. Thus by a series of bilateral pacts Britain is attempting to re-establish her exports and also improve her hard currency position so that her dependence on dollar loans might become smaller and her place in the Monetary Fund stronger when pitted against the U.S.A.

SPECIAL ARTICLE

International Distribution

RECENT statistical studies of the national income and other economic data of the various countries have served to bring out that there exists as much a marked economic inequality as amongst the various countries of the world as amongst the various classes within a country. In fact, corresponding to and superimposed on the inegalitarian class structure within a national economy, there is the inegalitarian international structure within the world economy as a whole. Such well known generalizations that nine-tenths of national capital are owned by one-tenth of the people, it appears, can apply with equal force to the world economy as to the national economy. It has been pointed out that, in effect, before the war, the United States, Great Britain, France and Germany, representing 13 per cent. of the world's population, owned almost 50 per cent. of the world's goods, and more than two-thirds of the world's income were reserved for less than one-third of the world's population; i.e., 29 per cent. owned more than two-thirds of the total wealth of the world. During the war, in spite of some industrial strengthening in different parts of the world, the inequality in the international distribution of world income has, if anything, been enhanced. The United States, for example, will emerge from the war with almost half of the world's industrial capacity within its borders and with much more than half of the heavy industries of the world.

It is now being increasingly realized that this gross inequality in the international distribution of world income poses problems for the working of the world economy analogous to those posed by gross inequality in the distribution of national income for the working of the national economy. Thus an underconsumptionist theory of the faulty functioning of the world economy has been built up on lines parallel to those of the under-consumptionist theory of the functioning of a closed economy. Further, it is being realized that "there was no counterpart in the international system to the State mechanism within the advanced countries, which could exercise a distributive function in regard to wealth," and this fundamentally explains why so many of our economic problems appear intractable when posed on the international plane but are hardly recognized in their international setting. And finally, the war experience itself has served to emphasize the existing gross inequality in the international distribution of world income and productive capacity and the real limits which this puts on the operation of orthodox commercial and financial mechanisms.

Taking these issues in the reverse order, we find that the orthodox commercial and financial mechanisms have been quite unequal to the massive economic requirements of war and new and unorthodox technical arrangements had to be made. The first of these technical arrangements was the original Anglo-French Clearing Agreement for the pooling of the resources of the two empires whereby each Government was freed from the anxiety of having to find the other's currency for current payments. The mobilization of Anglo-French war effort involved unequal drafts on the unequal resources of the two empires and consequently trading on orthodox commercial principles could not conduce to the optimum development of Anglo-French economic war effort. The effect of overwhelming disparity in economic power is again illustrated by the war-time economic

relationships between the United States and Britain. The economic power of the United States being vastly greater than that of Britain and the strategic demands of the war being quite unproportional to their respective economic powers, the economic relationship between the two countries has been quite one-sided. The result has been the breakdown of "cash and carry" arrangements and the emergence of lease-lend. Even the transformation of lease-lend into mutual aid cannot conceal the absolute one-sidedness of the process and the impossibility of commercializing the relationship.

But if the war involves making economic demands on the various countries quite out of proportion with their respective resources, so would reconstruction for peace economy. The war-scarred countries would require very large economic help from outside to set their economies going again, but if this help comes in the form of commercial loans, they would start the competitive race with the scales initially weighted against themselves. Similarly the vast potentially rich but backward countries could very well absorb, to the decided advantage of themselves and the world as a whole, very large volumes of foreign capital, but the commercial conditions are not favourable enough to attract enough capital. Just as inside a country the urgent needs of the masses remain unsatisfied due to lack of effective demand, itself due to maldistribution of national income, so also, internationally, urgent needs of countries remain unsatisfied due to lack of effective international demand, itself due to maldistribution of world income. Once a country has built up its basic capital structure, it can build up additional productive capacity by making use of the excess capacity of its basic industries "at zero or very low capital costs," while in poor countries, desirous to break the vicious circle of poverty, "additional basic industries have to be established for that purpose; more capital is, therefore, required in a poor country to establish additional manufacturing industries than in a rich one." This perpetuates and reinforces the international maldistribution of income and sets up a vicious circle. Countries, however rich potentially, are poor because they are undeveloped and they are and tend to remain undeveloped because they are poor. These are the proletarian nations. In the words of Prof. Rosenstein-Rodan: "The equality of opportunity between different nations is quite as important as that between different classes within one nation; but it is not easy to establish. If large-scale resettlement and emigration are not feasible, international capital must be made available to the poorer countries to help them reach a level from which onwards they can grow richer 'on their own.'"

It is, in fact, the absence of this "equality of opportunity between different nations" due to the maldistribution of world income and productive capacities, which explains why so many of our economic problems appear paradoxical or insoluble when posed on an international plane and yet do not appear as such in the context of the domestic economy. Take two of the simplest issues, viz., free market and common money. Gold standard, involving a system of stable exchange rates, is nothing but the institution of common money in the international economy. Nobody thinks of opposing common money for the whole of any country and yet on the international plane,

common money or gold standard with stable exchange rates would be opposed. Money either in domestic or in world economy is *not* neutral. Free trade and common money or gold standard tend to stabilize the existing international localization of economic development and indeed tend to accentuate the differences between the advanced and the backward countries. Within the domestic economy also free market and common money tend to stabilize the localization pattern and, in fact, even accentuate the tendency of one-sided industrial agglomeration. But within the domestic economy, the State mechanism offers real mitigations through provision of real equality of opportunities, social services, etc. Thus if free market and common money cause any particular region to be a "depressed area," the State mechanism diverts money from the prosperous areas to the depressed areas through taxation and unemployment relief. But if the requirements of equilibrium under free trade and gold standard cause an entire country to be a "depressed area," there is no international fund for the relief of unemployment in the country which is forced to deflate to maintain monetary equilibrium. An international institution to achieve distributive justice is as necessary to maintain economic and political stability in the world economy as a whole as within the national economy. This trend of thought provides a significant point of departure and would lead us to some of the most daring ideas in the field of international economics, e.g., instituting a system of international progressive taxation and international social services—a system in which the richer countries would pay most of the taxes, the proceeds of which would be spent for the benefit mainly of the poorer countries,—just as within the national economy, the richer and more fortunate citizens pay largely for the benefit of the poorer and less fortunate. In fact, some economists

have felt the need to develop an under-consumptionist theory on the international plane and argued that the smooth functioning and rapid development of the world economy have been seriously inhibited by a fundamental deficit in effective international demand due to a gross maldistribution in world income; and only an effective apparatus of international distribution can put the world economy right. It is quite legitimate to point out that, politically, the world is not yet advanced enough for such radical propositions. But eminent authorities on international problems are already seeing that pure cash nexus is a serious burden on the world economy; they are developing such ideas as international grants-in-aid and programmed cancellation of unutilized international balances in place of the usual and spasmodic process of default and moral obloquy. The affiliations of such ideas are distinct from those of lease-lend and mutual aid.

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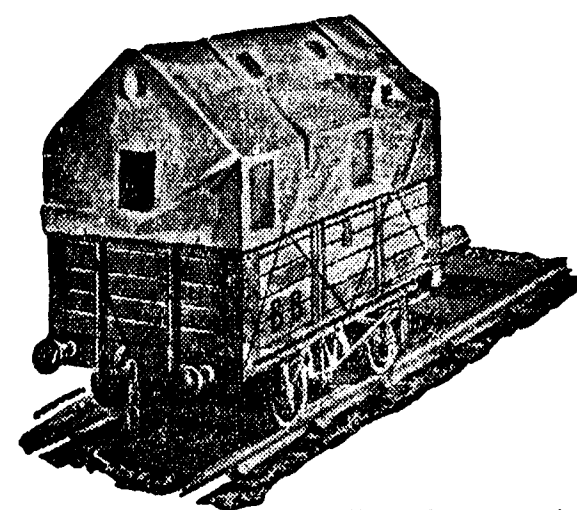
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THE WORLD ABROAD

Congress Considers Bretton Woods

FROM OUR WASHINGTON CORRESPONDENT

WASHINGTON, March 10, 1945 (By Cable).

IT would seem to be the Administration's strategy to picture the Bretton Woods programme as a great boon to the U.S. itself in the belief that Congress would thus be lured to give its favourable consideration to the legislation to ratify Bretton Woods. The Administration also expects that in this atmosphere Congress may not insist on the inclusion of any substantial changes in the original proposals. Thus, for instance, Mr. Morgenthau, Secretary of the Treasury, in his testimony before the House of Representatives Banking Committee said that Congressional approval of the Bretton Woods measures before the San Francisco Conference would advance American interests at that meeting and rejection of any part of them would require another international conference, while the Assistant Secretary of the Treasury, Mr. Harry D. White, the principal originator of the proposals, urged that the U.S.A. had more to gain than any other country by the endorsement of the Bretton Woods programme. Quite opposite is the strategy being followed by the Republicans who insist on the consideration of Bretton Woods *de novo*. To counteract the effects of the Administration's evidences which are all in one way, the Republican members of the Committee have announced to call in a large number of witnesses. They expect the extensive opposition that has been developing among bankers to be registered formally with Congress and object to the Administration's policy to set April 25 as the date by which the Bretton Woods programme must be ratified.

Another point was made by Representative Jessie Sumner who suggested to Mr. Morgenthau that the U.S.A. might be giving up her "diplomatic weapon" by enacting the legislation before the San Francisco Conference. Obviously she meant that formal announcement of the U.S.A.'s adherence to the Bretton Woods proposals should be held back as a bargaining point. Mr. Morgenthau commented that the San Francisco Conference would fail if it depended on any big stick policies and said that the "conference will succeed or fail entirely on the basis of the faith of the people who are there." But Mr. Morgenthau said that the Dumbarton Oaks scheme needs the ratification of the Bretton Woods programme because "we cannot say that we will join other nations in the organization to maintain world peace but will not help to remove one of the most dangerous causes of war, economic dislocations. We cannot say we believe in co-operation to beat Fascism but will not co-operate in the removal of one of Fascism's chief weapons, economic aggression." The Treasury Secretary said that Bretton Woods afforded Congress the "first practical test of our willingness to co-operate in the work of world reconstruction and stabilization." The Assistant Secretary of State, Mr. Acheson, in his testimony said that, despite the complicated detail of the measures, they have a simple basic idea for accomplishing a "kind of economic disarmament" through these commitments of members: Firstly, the undertaking to define currencies in terms of gold; secondly, to hold currencies to a fixed value within a margin of ten per cent; thirdly, to put no restrictions on payments for current trade transactions; and fourthly, to consult the Fund if there is a desire to alter the fixed currency value. It will be noticed that the two ques-

tions that have not arisen yet are blocked balances and the use of silver in the contributions to the Fund. The latter probably would come up when the Senate considers the legislation.

As expected, the House Foreign Affairs Committee has favourably reported on the Lend-Lease Extension Bill presented to the House last week, but for the first time it appears a minority report will also be submitted before the House by the Republican members of the Committee. The majority have declared that "post-war reconstruction and rehabilitation programmes abroad with which the Lend-Lease Act does not deal require separate consideration by Congress. When the war has been won, Lend-Lease should end and be liquidated promptly and efficiently as far as possible." But the minority have advocated that an amendment to that effect shall be incorporated in the Bill itself and may endeavour to obtain one when the House debates the measure, perhaps, this week.

The request for a legislation authorizing Government to deploy civilian man-power where it would do most good has resulted in the passage of the Antipodal Bills by the House and the Senate. The House passed the Work or Jail Bill which is to be signed by the President if the Senate passed the voluntary measure which would provide for fine or imprisonment for employers who fail to adhere to Government's requests to maintain prescribed man-power ceilings but not for labourers who shift jobs, while job jumpers, under the House's measure, would suffer penalties. The two Houses must now reconcile their measures in conference committees which will mean more delay and no certainty that the military will get the type of legislation it requested for. Compulsory measures are opposed by labour unions and employers. An amusing sidelight on these developments came when the Senate messenger, according to custom, arrived at the House portals to notify that the Senate had passed its Man-power Bill. Mr. Sam Rayburn, presiding officer in the House, who, like most of his colleagues, has no sympathy for the Senate Bill, failed to recognize the Senate messenger, who stood on the House aisle for a few moments and then returned to the Senate without delivering his message. This action by Mr. Rayburn, perhaps, was aimed at making it certain that the Senate Bill will get no hearing in the House and that the House Bill would, therefore, be assured consideration by the Conference Committee.

Congress, which has had periodically to raise the National Debt limit ever since President Roosevelt came into office last week, was on the way to boosting up the limit to 300 billion dollars. With virtually no opposition on the final vote, the House approved the legislation by 358 votes to 4 and sent it to the Senate. The existing debt limit is 260 billion.

Mr. Marriner S. Eccles, Governor of the Federal Reserve Board, told Congress last week that the U.S. may "get all the gold" in the post-war period. He was testifying before the Senate Banking Committee in favour of legislation to lower from 40 to 25 per cent. the amount of gold reserves against Federal Reserve notes. He said that the country was faced with the danger of "getting gold until it outruns our ears." He said that pending the passage of the Bill he would reassure foreign nations that the U.S. gold reserves are sound and discourage them exchanging their dollar balances into gold during the war.

London Letter

Treasury Control Irks the City

FROM OUR LONDON CORRESPONDENT

LONDON, March 13, 1945 (By Cable).

NOT many years, indeed, possibly never before has the gulf between the City of London and the Treasury been so wide and deep as now. The trouble arises from the Treasury's severe and what is alleged to be quite an unreasonable control over the redistribution of savings. Broadly speaking, the redistribution of savings is the city's main economic function, the way it earns its living. It professes to have accepted, patriotically, the fact that the Treasury has the first call upon all new savings and that if inflation and soaring prices are to be avoided, then the Government must energetically mop up, as rapidly as possible and as much as possible of, the new money which the country's greatly expanded industries have been distributing by way of wages and in the form of salaries and profits.

The Treasury has, however, gone further and banned much—though not all—of the redistribution of old savings already invested. It has made cruel distinctions between tweedledum and tweedledee and every one of these distinctions and discriminations seems to have wounded the feelings of important persons and institutions. For example, while the millionaire may freely buy an assortment of carefully chosen shares, thus creating in effect a "Unit Trust" of which he is the sole manager, a professional manager of a company which specializes in Unit Trusts which it creates on behalf of investors is forbidden to do what the private nabob is allowed to do—he must not create any new Unit Trusts for this might arouse the interest of investors and divert funds from savings from being utilized for purposes of the war effort.

Another restriction which caused much snorting disapproval is the ruling that a company whose ordinary shares are paying dividends at high rates—say, 10, 15 or 20 per cent.—which practice tends to convince its customers that it is making too high profits or arouses among its employees a demand for higher wages, will not be allowed to issue bonus shares which would discreetly lower dividend rates to more modest and more innocent levels, say, 5 per cent. But if the company has preference shares with a high nominal dividend rate of, say, 7 per cent. or 8 per cent., the Treasury freely sanctions any agreement that it can reach with shareholders for the issuance of bonus shares and the resulting reduction in the nominal dividend rate.

The Treasury, of course, never explains, but it is generally assumed that it makes this distinction because in one case the issuance of bonus shares might attract the attention of new investors whereas a complicated agreement with preference share-holders would attract little such attention. Where a company must raise new capital it must apply to the almost unknown body called the "Capital Issues Committee" which evacuated early in the war to Stratford-on-Avon. This committee is the Treasury's "chosen instrument" to give orders on such requests. According to the opinion in the city, however, it takes the Committee fully eight months to investigate an application and give a decision. One thing that it sometimes does and which harasses the city is to reduce the amount of the new capital that it sanctions—for example, when a company asks for £50,000, the Committee without explanation will sanction, say, £40,000.

These may sound petty, but they are significant because they give a glimpse into the shape of things to come. Some of these restrictions by the Capital Issues Committee, seemingly, have a political basis; they apparently arise from the Treasury's feeling that Government would suffer popular censure if they permitted the Stock Exchange to give an exhibition of "gambling" during war-time. Accordingly, some argue that similar political pressure in the post-war period will induce the Treasury to clamp down the overactive stock markets and also maintain a degree of public control on the investment market which would hamper the city enormously at the very time when industry will be clamouring for new capital.

Over the past five years new capital issues have averaged only £5.3 million per annum as compared with the annual average of £190 million during the three years 1935-37. In effect, the city argues that unless it is given the benefit of a free market to establish credit rates for the various borrowers and attract the attention of possible prospective investors, the task of finding new money for the re-equipment of the British industry will be insuperable. However, there is a growing popular belief that Britain cannot survive without the reconstruction and re-equipment of a large part of its industrial plant and, therefore, growing support for giving the highest priority to raising new capital. Week after week the *Economist* has been hammering this truth into the ears of the British public. The Conservative Party Group called the "Young Tories" have published a booklet in which they applaud all popular demands for the implementation of the Beveridge Plan, Housing and Full Employment but end up with a cautious warning that these things will not be possible unless industry is re-equipped. In short, the city is getting some support in resisting Treasury control.

This uncertainty about the supply of fresh capital and the all-round reorganization in the post-war period seems partially responsible for the continued brittleness of the current "boomlet" in the Stock Exchange. Ever since the decline started last August, the markets especially for the leading industrials have followed a monotonous pattern—for a few weeks rising prices under the pressure of abundant investment funds followed by a pause for one, two or three days, then a noiseless relapse wiping out in a few hours all the ground gained in the previous fortnight.

THE EASTERN ECONOMIST

Edited by Dr. P. S. LOKANATHAN

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MANAGER

THE EASTERN ECONOMIST LTD.,
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A DELHI DIARY

THE fate of the Income-tax Act Amendment Bill is still uncertain. It raises three main issues—firstly, the inadequacy of the proposed initial depreciation allowance (20 per cent. for new machinery and 10 per cent. for industrial buildings erected after April 1945), secondly, the amendment of Section 34 of the Indian Income-tax Act and the relevant section of the E.P.T. Act so as to permit income-tax authorities to reopen assessment even without definite information and, lastly, the amendment of Section 38 of the Indian Income-tax Act empowering the Income-tax Officer to enter business premises and inspect and stamp account books. According to lobby reports, several members of the Select Committee, now engaged in examining the Bill, are strongly opposed to the last two amendments. The reasons are obvious. Even in 1938, when the Indian Income-tax Act was amended, strong efforts were made to insert these very clauses. The then Finance Member, Sir James Grigg, gave certain assurances on the basis of which the House passed the present section. The clause regarding entry into business premises and inspection and stamping of account-books was thrown out by the Assembly by a large majority. No convincing reasons have now emerged to justify any attempt to reinsert these clauses. The existence of a "black market" and high taxation are the pleas put forward by the Government, who contend that there are a number of cases of evasion. But is there any justification for subjecting the entire body of assesseees to the possibility of constant harassment—just for the sake of controlling a few unsocial elements in business? It would appear that there is little chance of the Select Committee agreeing to these amendments, but even if the Committee agrees to incorporate them in the same form or in a modified form, it is hardly likely that the Assembly will be a party to them.

The position regarding the first clause—the clause relating to initial depreciation allowance—is not unknown to the Government. They know that commercial opinion regards it as inadequate. There was a proposal that the initial depreciation allowance should be raised to 25 per cent. or 30 per cent. for new equipment and to 12½ or 15 per cent. for new buildings in view of the present abnormally high prices. It is understood that the Government may be prepared to offer 25 per cent. instead of 20 per cent. subject to the proviso that when the prices of the plant and machinery go down, the allowance would be reduced. This would mean that there would be no statutory initial depreciation allowance which, in many respects, would be more definite. It is not clear what the attitude of the different Assembly groups are in regard to this question. It is quite possible that the Finance Member may be able to have his way so far as this clause is concerned. It may be mentioned in this connection that the depreciation allowance proposed is not comparable to the position in the United Kingdom where it has been raised from 20 to 25 per cent., for in the United Kingdom it is applicable not only to the installation of new equipment but also to second-hand equipment. Moreover, it has to be remembered that in the United Kingdom this relief has been applicable from March 1944 while in India it will be applicable only from this year. The Finance Member, according to lobby talks, may be tempted to take advantage of the fact that both the clauses dealing with initial depreciation allowances and the proposed amendments of the relevant sections of the Indian Income-tax Act are combined in the Bill. He may threaten that if the amendments to Sections 34 and 38 are not passed by

the Assembly, he will have to withdraw the offer of initial depreciation allowances. Such a procedure would be unworthy of the Government, but even if that happens, there is no doubt that the Assembly, if it stands firm, can deal with it.

Among industrialists there is a feeling that instead of installing new machinery at the present high cost it may be worth while to instal second-hand machinery which may be more cheaply available. A resolution was moved some time ago by Sir Shri Ram at a meeting of the Indian Central Cotton Committee to the effect that the textile industry should acquire second-hand textile machinery from England. It was expected that the Hydari Mission, now in England, would attend to this question. Some such arrangement may be made, for it is evident from a recent notification of the Commerce Department of the Government of India that various categories of goods can now be imported from the United Kingdom under open general licences. The goods so listed in the notification are actually those which are likely to be disposed of in the United Kingdom as war surplus. Lancashire is keen on rationalizing the British textile industry. For this reason the old Lancashire machinery may be available for export. If this is the policy likely to be pursued, there is also the possibility of getting Japanese textile machinery by way of reparations from Japan. If any country can claim such reparations in kind from Japan, India has a very good claim.

The activities of the Hydari Mission in England are still a sealed book to the Indian public. Only some odd bits of news have trickled through to the country. It is reported that about two lakhs of cycles and large quantities of steel, cement, textiles, clothing and leather goods are likely to be imported in the near future. If the Government notification referred to above has any indication at all, there is neither going to be any relief to Indian economy as a whole from the strenuous demands of the war nor is Indian industry likely to get any measurable relief from the Government's import policy.

It is a pity that the two adjournment motions to discuss the composition of the Indian delegation to the San Francisco Conference were ruled out, and the Government were thereby saved from an embarrassing situation. Should the delegates proceed to the Conference after an adverse vote of the Assembly, they would lose face with the Government not merely of America where the public are getting to know more and more about India but also with the other delegates of the Conference. But the ruling of the President saved them from such a contingency. Sir M. Zafrullah's outspoken comments on the British policy in India were not expected by the authorities. In any case, they have learnt a lesson now. Sir A. Ramaswami Mudaliar and Sir Feroz Khan Noon had their "training" in England where, for some period at least, they had worked together, the former as Adviser to the Secretary of State for India, and the latter as High Commissioner. The choice of Sir V. T. Krishnamachari is not merely to represent the Indian States in the Indian delegation. He has spent all his life in administration and is not likely to take up any inconvenient political stand. The delegation, which will first proceed to England, will confer with the members of the British delegation and get themselves properly "educated" on the agenda of the San Francisco Conference. We shall have to watch what happens at the Conference!

THE UNITED COMMERCIAL BANK LIMIT ED.

HEAD OFFICE:

2, ROYAL EXCHANGE PLACE, CALCUTTA

BRANCHES:

AGRA, AHMEDABAD (Main, Manek Chowk, Maskati Market), ALLAHABAD, AMBISTAR, BANGALORE, BARODA, BOMBAY (Main Kalvadevi), CALCUTTA (Main, Burra Bazar, Cornwallis Street, Bhowanipore), CAWNPORE, COIMBATORE, DELHI, DEOGHAR, GWALIOR, GIRIDIH, HYDERABAD (Sind), JAIPUR, KARACHI, LAHORE, MADURA, NEW DELHI, NAGPUR, OKARA (Punjab), FILANI, SHIKARPUR, SURAT.

PAY OFFICES:

BINDKI (Cawnpore), MIANCHANNU (Okara), MONTGOMERY (Okara), PALWAL (Delhi).

Branches in course of opening:

AJMER, ASANSOL, BENARES, COLOMBO, KARAIKUDI, LUCKNOW, LYALLPUR, MADRAS, PUDUKOTTAH and QUETTA.

BOARD OF DIRECTORS

G. D. BIERLA Esq., Chairman

M. A. Ispahani Esq.
Ananta Churn Law Esq.
Sir Adamjee Hajee Dawood Kt.
Bajinath Jalan Esq.
Iswari Prasad Goenka Esq.
Ramanlal Gokaldas Saraiya Esq.
Mahadeo Laxman Dahanukar Esq.
Navinchandra Mafatlal Esq.
Madan Mohan R. Ruia Esq.
Motilal Tapuria Esq.

GENERAL MANAGER

B. T. THAKUR Esq.

FOREIGN BANKERS

THE NATIONAL CITY BANK OF NEW YORK,
London and New York

SOLICITORS

Tricumdas Dwarkadas Esq.
Messrs. P. D. Himatsingka & Co.

AUDITORS

Messrs. G. P. Kapadia & Co.,
Registered Accountants
Messrs. K. N. Gutgutia & Co.,
Incorporated Accountants
Messrs. Ray & Ray
Chartered Accountants

(Incorporated on 6th January 1943)

SECOND REPORT OF THE BOARD OF DIRECTORS

The Directors beg to submit to the Shareholders the Balance Sheet and Profit and Loss Account of the Bank for the period ended 31st December, 1944.

The net profit during the 9 months, including Rs. 1,72,458-6-6 brought forward from the previous account, after providing for all known and anticipated charges and expenses of opening branches amounts to .. Rs. 14,58,011 10 6

The Directors propose to make the following appropriations out of the net profit:

1. To transfer to Reserve Fund	7,50,000 0 0
2. To provide for Taxation	5,75,000 0 0
3. To pay Bonus to Staff	85,000 0 0
4. To carry forward to the next year's account	48,011 10 6
	Rs. 14,58,011 10 6

During the period under review, the Bank opened a number of new branches. Preparations are also in hand for opening more branches at some suitable places. Expenses in connection with opening of new branches incurred upto the end of December last have also been provided for in the accounts under review.

The Shareholders will notice from the Auditors' Certificate that your Directors have prescribed that accounts of each branch should be audited by a qualified Auditor, as prescribed under the Indian Companies Act, and that they do not want our Statutory Auditors merely to depend in some cases on certified returns by Branch Managers.

The Bank continues to make steady progress.

In view of the continuous expansion in your Bank's activities, the Directors decided some time back to issue 2 lacs further shares of the face value of Rs. 2 crores and to call up Rs. 50 per share. Necessary sanction from the Government of India under Defence of India Rules No. 94-A was duly obtained. Invitations for subscriptions to the new issue have already been set to the shareholders.

The Directors are grateful to the shareholders and to the Bank's clients for their support and good-will in building up the Bank's business. They also express their gratitude to the members of the Bank's Local Boards and Local Advisory Committees for their able guidance and work.

Your General Manager, Mr. B. T. Thakur, has been working very hard and has spared no pains in developing the Bank's work and activities and the Directors on their behalf as well as on your behalf thank him most heartily for his enthusiastic, energetic and efficient work. At his suggestion, they have now provided him with the assistance of two Deputy General Managers, Messrs. S. T. Sadasivan and V. R. Sonalker. Both of them are tried and experienced bankers of long standing.

Under Article 95 of the Bank's Articles of Association, four of your Directors

Mr. M. A. Ispahani

Mr. I. P. Goenka

Sir Adamjee Hajee Dawood Kt. and

Mr. Motilal Tapuria.

retire from their office as Directors, but are eligible for re-election and after themselves accordingly.

The Shareholders are requested to appoint Auditors for the ensuing year and to fix their remuneration.

G. D. BIERLA,
Chairman

CALCUTTA,
7th February, 1945.

THE UNITED COMMERCIAL BALANCE SHEET AS AT

LIABILITIES	Rs.	a. p.	Rs.	a. p.	ASSETS	Rs.	a. p.	Rs.	a. p.
CAPITAL:					CASH IN HAND AND AT BANKERS:				
Authorised and Issued—4 lacs shares of Rs. 100 each	4,00,00,000	0 0			Cash in Hand ..	90,66,573	1 0		
Subscribed (for cash)—2 lacs shares of Rs. 100 each	2,00,00,000	0 0			Cash at Bankers in Current Account ..	2,55,97,325	1 5		
Paid-up—2 lacs shares at Rs. 50 per share paid up			1,00,00,000	0 0	Money at Call with Bankers ..	30,00,000	0 0	3,76,83,898	2 5
DEPOSITS:					INVESTMENTS (at or below Market Rate):				
Current, Call, Savings Bank, Contingency (unadjusted) and Other Accounts ..	13,65,23,215	0 7			Government of India, Provincial Governments and Indian States terminable securities and Treasury Bills ..	7,40,82,504	6 6		
Fixed and Time Deposits ..	3,57,02,065	14 8	17,22,25,280	15 3	Shares in Banks—				
DEBTS DUE TO BANKS, AGENTS AND CORRESPONDENTS SECURED BY PART OF INVESTMENTS					Fully paid up ..	8,99,620	6 0		
—as per contra ..			50,15,593	6 10	Partly paid up ..	1,15,614	8 0	10,15,234	14 0
REBATE ON BILLS DISCOUNTED & TREASURY BILLS ..				183 2 0	U.S.A. Government Treasury Notes \$500,000 ..	16,63,959	8 6	7,67,61,698	13 0
BRANCH ADJUSTMENTS ..			34,04,635	1 3	INTEREST ACCRUED ON INVESTMENTS ..			6,04,189	3 5
ACCEPTANCES FOR CUSTOMERS— as per contra ..			12,76,154	14 0	LOANS & OTHER ADVANCES:				
BILLS FOR COLLECTION—					Cash Credits, Demand Advances and Loans ..	6,44,56,998	7 10		
Bills Receivable as per contra ..			39,61,961	12 4	Inland Bills Discounted and Purchased ..	77,37,210	3 11		
PROFIT & LOSS ACCOUNT:					Sterling and Dollar Bills Discounted and Purchased ..	41,40,490	5 7	7,63,34,699	1 4
Balance as per last Balance Sheet ..	4,10,875	0 0			Particulars Required by Act VII of 1913:				
Less appropriations there-of:					(i) Debts considered good and in respect of which the Bank is fully secured ..	6,96,58,078	14 3		
Preliminary Expenses written off ..	34,041	9 6			(ii) Debts considered good secured by the personal liability of one or more parties as under:—				
Brokerage on Shares written off ..	1,73,375	0 0			(a) Debts due on Bills discounted ..	46,39,834	5 10		
Bonus to Staff ..	30,000	0 0	2,37,416	9 6	(b) Debts due on Joint and Several Promissory Notes ..	4,08,742	2 0		
Add Profit for the nine months ended 31-12-44	12,84,553	4 0	14,58,011	10 6	(c) Debts due on Temporary Overdrafts, Demand Cash Credits and Personal Security, etc. ..	16,19,443	11 3	66,68,020	3 1
					(iii) Debts considered doubtful ..			Nil	
					(iv) Debts considered bad ..			Nil	
					(v) Debts due by Directors (Total of maximum balances under this head during the period was Nil)			Nil	
					(vi) Debts due by Officers ..	8,600	0 0		
						7,63,34,699	1 4		
					ADDITIONS, ALTERATIONS & REPAIRS TO BANK PREMISES ..	43,521	11 6		
					Less amount written off ..	15,822	12 9	27,698	14 9
					CUSTOMERS FOR ACCEPTANCES— as per contra ..			12,76,154	14 0
					BILLS RECEIVABLE— as per contra ..			39,61,961	11 4
Carried over ..			19,73,41,820	13 2	Carried over ..			19,66,30,300	12 3

BANK LIMITED.

31ST DECEMBER 1944

LIABILITIES	Rs.	a. p.	Rs.	a. p.	ASSETS	Rs.	a. p.	Rs.	a. p.
Brought forward ..			19,73,41,820	13 2	Brought forward ..			19,66,30,300	12 3
Contingent Liabilities:					FURNITURE, FITTINGS & EQUIPMENT (cost to date)			5,90,163	12 5
On sterling bills discounted £99,339-13-1					Less depreciation written off to date ..	40,039	0 2	5,42,124	12 3
On partly paid Shares Rs. 88,125					STAMPS, STATIONERY & LIBRARY ..			1,69,395	4 8
Claims against the Bank not acknowledged as debts Nil					PRELIMINARY EXPENSES				
					Balance as per last Balance Sheet ..	34,041	9 6		
					Less written off ..	34,041	9 6		Nil
					BROKERAGE ON SHARES				
					Balance as per last Balance Sheet ..	1,73,375	0 0		
					Less written off ..	1,73,375	0 0		Nil
Total Rs. ..			19,73,41,820	13 2	Total Rs. ..			19,73,41,820	13 2

PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS ENDED 31ST DECEMBER 1944

	Rs.	a. p.		Rs.	a. p.
To Interest ..	6,21,424	6 9	By Interest and Discount (after allowing for rebate and after appropriation to contingency accounts as provision for bad or doubtful debts) ..	27,96,637	9 7
„ Salaries and Allowances ..	7,49,063	3 8	„ Exchange, Commission, Brokerage, etc. ..	4,14,654	4 7
„ Contributions to Provident Fund ..	35,012	10 8	„ Transfer and other Fees ..	6,260	0 0
„ Local Board and Committee Members' fees including Rs. 22,000 paid to Directors as such members ..	32,730	0 0			
„ Auditors' Fees for statutory and monthly audits ..	20,900	0 0			
„ Postage, Telegrams and Telephones ..	38,503	3 7			
„ Stationery, Printing and Advertising ..	1,40,517	9 0			
„ Rent, Taxes, Law, Insurance and other Charges ..	2,55,390	13 11			
„ Depreciation on Furniture, etc. ..	38,456	10 7			
„ Balance NET PROFIT (Subject to taxation) ..	12,84,553	4 0			
Total ..	32,16,551	14 2	Total ..	32,16,551	14 2

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the above Balance Sheet of The United Commercial Bank Ltd., as at 31st December 1944, and also the above Profit and Loss account of the Bank for the period ended on that date, in which are incorporated the Branch returns audited by the statutory or local auditors.

(a) We have obtained all the information and explanations we have required; (b) in our opinion the above Balance Sheet and Profit and Loss Account are drawn up in conformity with the Law; (c) such Balance Sheet exhibits a true and correct view of the state of the Bank's affairs according to the best of our information and explanations given to us and as shown by the books of the Bank, and (d) in our opinion, books of account have been kept by the Bank as required by Section 130 of the Indian Companies Act, 1913.

Auditors
G. P. KAPADIA & CO.,
Registered Accountants
K. N. GUTGUTHIA & CO.,
Incorporated Accountants
Registered Accountants
RAY & RAY,
Chartered Accountants
Registered Accountants

CALCUTTA.
Dated 23rd January, 1945.

THE UNITED COMMERCIAL BANK LIMITED 2, Royal Exchange Place, Calcutta

NOTICE

NOTICE IS HEREBY GIVEN that the SECOND ORDINARY GENERAL MEETING of the Shareholders of THE UNITED COMMERCIAL BANK LIMITED will be held at the Registered Office of the Bank at 2, Royal Exchange Place, Calcutta, on Wednesday, the 28th March 1945, at 4 p.m. to transact the following business:—

- To receive the Report of the Directors and the Audited Balance Sheet as on 31st December 1944 and Profit and Loss Account for the 9 months ended 31st December 1944.
- To elect four Directors in the place of

Mr. M. A. Isaphani
Mr. I. P. Goenka

Note: No credit has been taken to the above Profit and Loss Account for profit on sale of investments.

G. D. BIRLA
Chairman
B. T. THAKUR
General Manager
M. A. ISAPHANI
ADAMJEE HAJEE DAWOOD
ANANTA CHURN LAW
BALNATH JALAN
I. P. GOENKA
R. G. SARAIYA
M. L. DAHANUKAR
NAVINCHANDRA MAFATLAL
M. R. RUIA
M. L. TAPURIAH

R. B. SHAH
Chief Accountant

Sir Adamjee Hajee Dawood Kt. and
Mr. Motilal Tapuriah

who retire under Article 95 of the Articles of Association of the Bank, but are eligible for re-election and offer themselves accordingly.

- To appoint Auditors for the current year and to fix their remuneration.

CALCUTTA,
7th February, 1945.

By Order of the Board
B. T. THAKUR
General Manager.

N.B.—The Transfer Books of the Bank will be closed from 8th March to 28th March 1945, both days inclusive.

MONEY MARKET

Call Money Dull—Rupee Coin Expands—Gilt-Edged Active—Bullion Prices Drop

FROM OUR CORRESPONDENT

BOMBAY, March 11, 1945.

ABUNDANCE of idle funds with banks is fast increasing as witness the rise of no less than Rs. 15.92 crores in the Scheduled Banks' balances with the Reserve Bank of India in the week ended March 2, 1945. Half of this increase has been accounted for by the Imperial Bank of India whose investment portfolio is down by an almost equivalent amount—Rs. 7.25 crores to be precise. Such a sharp increase in the cash balances of the banks seems to be due chiefly to the large maturities of Central and Provincial Treasury Bills. Thanks to such a large surplus of funds with the banks, the call money market has been ruling dull, the rate for inter-bank day-to-day funds being nominal at $\frac{1}{4}$ per cent. The rates for short-term deposits also remain unchanged at levels mentioned last week.

The raising of the tender limit for Treasury Bills from Rs. 2 crores to Rs. 4 crores has resulted in a fractional increase of 3 pies in the average rate of these bills, that is, from the previous week's record low of As. 5 per cent. per annum to As. 5.3 per cent. per annum. The total amount offered was also higher at Rs. 10.89 crores as against Rs. 9.16 crores in the preceding week, but the fact that, despite this increase, the average rate was a bit higher suggests that bidding was not keen.

The Assam Government was able to place its Rs. 1 crore Treasury Bills at an average rate of As. 6 per cent. per annum. This fact that the authorities have not only raised the sales of Central Treasury Bills but have also allowed the provinces to issue their Treasury Bills by itself means that, as a result of the offtake of short credits from the market, no stringency is anticipated. It becomes, therefore, difficult to square the low rate of Treasury Bill discount with the growth in the banks' surplus funds. These disparate trends possibly indicate that the exchange banks and the Imperial are the chief parties who are now interested in Treasury Bills and that the Indian banks are continuing to experience good demand for money and are not at all eager to lock up their funds in Treasury Bills when they could get a much more remunerative rate elsewhere. After all, there was this peculiar feature in the busy season just drawing to a close that, while the exchange banks remained more or less unchanged, the Indian banks had put up their rates for advances as well as deposits. The fruits of the active demand for money are reaped mainly by the latter with the Imperial often playing the middle role of a lender to the banks as well as of itself meeting the demand for advances.

The Reserve Bank

The Reserve Bank statement of March 2 shows an expansion in currency (active) from Rs. 1,059.3 crores to Rs. 1,068.5 crores, but including the increase in the notes held in the Banking Department, the total notes issued are Rs. 11.7 crores higher. Sterling securities of the value of Rs. 7 crores have been transferred to the Issue Department. A significant increase has occurred under 'rupee coin' from Rs. 10.47 crores to Rs. 15.19 crores, which is the more surprising since this item had been steadily declining in previous weeks. This expansion of currency shows that the inflationary potential is by no means diminished as the Finance Member would have the country believe, and is the more alarming since it has occurred in spite of the fact that fairly large amounts of gold and

silver are being steadily sold in the market. With the war in the West reaching last phase, bullion prices will go down and unless the authorities propose to increase the amounts of bullion for sale in the open market which seems distinctly unlikely, the rupee expenditure of the Allied troops will have to be met entirely by resort to currency expansion against transfer of sterling securities. It is a dismal prospect for India that lies ahead. Another feature of the Reserve Bank statement is the decline of about Rs. 14 crores in the balances of the Central Government. This is unusual even though some of it could be accounted for by the payment of interest on the 3 per cent. 1957 Loan (Rs. 3.5 crores) and the usual payments on the first of the month. Equally strange is the decline from Rs. 22.4 crores to Rs. 15.97 crores under 'Other Government Accounts.' The decline no doubt explains why some of the Provincial Governments are issuing Treasury Bills. The Reserve Bank's investments are lower by Rs. 1 crore at Rs. 21 crores.

The Gilt-Edged

The gilt-edged market, during the week under review, was very active, especially in the latter half. This was due, in the main, to a number of rumours as also to the sporadic buying of the Victory Loan by the Reserve Bank of India said to be for the account of some of the Provincial Governments. It is stated that the Bank bought fairly substantial lots of this loan at hardening rates beginning from Rs. 99.11 on Tuesday to Rs. 99.15 on Thursday. On Friday the Bank ceased buying with the result that the market quotation for this loan, which had practically touched Rs. 100 on Thursday evening, declined to close at Rs. 99.13. Rumours referred to related first to the expected new loan of the Government of India and secondly to the 3 per cent. 1966-68 Funding Loan. It was reported that an announcement about the new loan would be made early next week and that the loan would be 3 per cent. 1959-61. Another rumour had it that the Bank would soon stop issuing 3 per cent. 1966-68 Funding Loan as the whole of this issue (Rs. 50 crores) had been practically sold out. Calcutta and Bombay operators "staged" heavily in this loan in the belief that, once the official supplies were exhausted, the rate for it would go up.

These developments naturally had a sympathetic effect on the other securities excepting the $3\frac{1}{2}$ per cent. G.P. Notes which recorded a fractional rise of only one anna to Rs. 99.11. Among the dated securities, the medium and long-dated ones received considerable attention. Three per cent. 1951-52, for instance, rose by almost As. 4 to Rs. 100.15. Four per cent. 1960-70 improved from Rs. 112.10 to Rs. 112.15 and 3 per cent. 1963-65 from Rs. 98.12 to Rs. 98.14. Owing to the proximity of its date of maturity, the 5 per cent. 1945-55 tax-free loan, however, declined from Rs. 102.10 to Rs. 102.08. At the latter rate, the Reserve Bank of India absorbed large blocks of this loan: The trend of the market at the time of writing is fully steady.

Bullion Market

As usual, the bulls manipulated the Bullion Market in such a way as to force the bears to pay heavy *buddas* on the settlement day. In this task they were assisted by the continued good offtake particularly by the Calcutta operators some of whom seem to have been badly caught, the limited offerings by the Reserve Bank of India and the low floating stocks.

All this happened mostly in the first half of the week. In the second half of the week, the tide turned against the bulls. The announcement that the Reserve Bank of India would offer for sale on tender basis 25,000 tolas of gold every day from Monday (12th instant) onwards, coming on top of encouraging war news, while unnerving the bulls gave fresh impetus to the bears. The rate for gold (ready delivery) which had gone up from Rs. 73.14 to Rs. 75.5 in the first half of the week rapidly dropped in the second half to close at Rs. 72.3. Similarly, the rate for gold to be delivered within a week also declined to Rs. 72.2 after seeing a high of Rs. 75.2. The price of sovereigns tapered off from Rs. 51.2 early in the week to Rs. 49.8. Sales of gold by the Reserve Bank of India were at the rate of 18,000 tolas a day except on Tuesday when it was limited to 6,000 tolas. The rate realized by the Bank steadily rose from Rs. 74.7 on

Monday to Rs. 75.1 on Wednesday but dropped to Rs. 74.7 on Thursday and still further to Rs. 73.3 on the following day. The floating stocks of gold are estimated at about 1,25,000 tolas and the daily average offtake is believed to be 15,000 tolas.

The Silver Section opened very strong, the rate advancing from Rs. 127.14 to Rs. 132.2 for spot and from Rs. 126.14 to Rs. 132 for forward. Towards the close, however, a downward trend set for reasons already indicated and the market closed weak, the rate for spot and forward standing at Rs. 125.14 and Rs. 125.10 respectively. The Reserve Bank of India continued to sell silver as in the previous week at 300 bars a day on all working days at rates varying between Rs. 129.5 (on the last day of the week) and Rs. 131.11 (on Wednesday). Floating stocks are estimated at 1,200 bars and the daily average offtake is put at 320 bars.

Select Coal counters show Good Strength—Private Trading In Hessian Resumed

CALCUTTA, March 11.

The drop in prices during the week cannot be regarded as anything appreciable as there were reports of heavy liquidation by a prominent operator and all the selling has been absorbed. With selling of a large block of shares, Indian Irons have not dropped by more than a point to Rs. 39.12. Small investors are not sellers at the present levels. In fact, some of the leading counters have been absorbed at the lower levels. Gilt-edged securities have remained very steady with $3\frac{1}{2}$ per cent. Paper at Rs. 99.11, though it was reported there was some selling of long-dated issues. Institutional investors are still showing greater interest in short-dated issues. In view of the large loan programme of the Central Government, the terms of the new loan are eagerly awaited. It is expected that total borrowings in the next financial year will be over Rs. 350 crores, much more than the amounts raised in the past two years.

Coal shares have always showed a tendency to recover, though with the successive declines quotations are one or two points lower on balance. Certain counters have shown good strength, Bengal being steady at Rs. 708, Amalgamated at Rs. 54.8, New Beerbhoom at Rs. 41.4 and Equitable at Rs. 70. It is reported that the Equitable Coal Company Limited is doing very well. The balance-sheet for the half year ended December, 1944, will reflect the results of improved working. The improvement in the coal situation and the expectations of an improvement in exports would have normally been reflected in higher prices for jute shares, but frequent reminders regarding the present difficult conditions in the industry and the general state of the market have prevented any rise in prices. Two balance-sheets of steam-driven units published during the week show that on account of the deficit in the industrial pool it has not been possible to take full credit for the payments due on account of *Koraki* to labourers during the period they were idle and the amount towards the purchases of loom hour rights.

The raw jute market has been quietly steady. Business is restricted at last prices. Mills have not shown any great anxiety to take up jute pending a definite improvement in the coal situation. But sellers in Calcutta and holders in up-country centres have not been anxious for business, as it is expected that there will be a large increase in exports of jute during the current year and that mill consumption will be on an average $4\frac{1}{2}$ lakh bales per month. The crop for the next season will be barely sufficient on the basis of mill consumption of 55 lakh bales so that if for any reason there was a large increase in demand for jute

there might be a squeeze.

In loose jute, Supervised Jat Middles and Bottoms were done at Rs. 16 and Rs. 13 per maund. In the *pucca* bales section business has been on a smaller scale, but there was enquiry for shipment of jute to the continent.

The resumption of trading in hessian through private trade channels is the feature of the week. In anticipation of the United States requirements for the latter half of 1945, mills have not been sellers for any positions this year. Business, however, has been reported for January-March 1946 at maximum rates for small quantities. Rather quiet conditions are noticeable in the heavy goods section. With the rush for covering, prices are again lower. Enquiry is still poor. Business is mostly on account of inter-bazar operators. B Twills quoted Rs. 65.12 for ready delivery against the maximum rate of Rs. 66.12 at which rate only mills are sellers.

UNIVERSITY OF BOMBAY

Applications are invited for the post of Lecturer in Agricultural Economics in the Bai Vijibai Jivanlal Panalal Section in Agricultural Economics in the Department of Economics, University School of Economics and Sociology. The Lecturer will be required to give instruction to Postgraduate students in Agricultural Economics and allied subjects and guide and conduct investigation and research in these fields under the supervision of the Head of the Department, such supervision to be without prejudice to the administrative control which is vested in the Director of the School.

The salary of the post is Rs. 250-25-400. The appointment will be on probation for a period of two years, after which the incumbent will be made permanent, if his work is satisfactory. He will be required to contribute to the University Provident Fund. The selected candidate will be required to join duty on the 20th of June, 1945.

Candidates should give full details about their academic career, research qualifications, age, teaching experience, publications, etc. Applicants must have specialised in Agricultural Economics. Preference will be given to one who knows at least one of the principal languages of the Province.

Candidates should send six copies of the application and of testimonials to the Registrar, University of Bombay, so as to reach him not later than Monday, the 9th April, 1945.

Canvassing, direct or indirect, will be a disqualification. S. R. DONGERKERY, University Registrar.

Bombay, 7th March, 1945.

THE BUSINESS WORLD

PUBLIC DEBT

THE war has brought about two important changes in the public debt position in India: (1) the extinction of the external debt and the building up of a sterling credit, and (2) a large addition to the internal debt. In March, 1939, India's sterling debt amounted to Rs. 465 crores, in March, 1946, it is expected to be Rs. 39 crores. At the end of March, 1945, the sterling credit will be reaching the Rs. 1,500 crores mark. On the domestic side the rupee debt which stood at Rs. 709 crores in March, 1939 will be aggregating Rs. 2,143 crores at the end of 1945-46. These three quantities, viz., the external debt wiped out, the sterling credit and the addition to the rupee debt, together with the heavy volume of domestic taxation, constitute the financial war-effort of India, which in real terms has entailed a much greater burden than need have been the case, had mobilization of real resources been done effectively.

Considering the effects of these changes for the future, it will be found that so far as the external credit is concerned, whatever the ultimate method and pace of its liquidation, it does not yield the reasonable return which as foreign investment it should. While the Government of India have been borrowing within India at 2½ per cent., they have lent a bigger amount to H.M.G. at less than one per cent. Seeing that the yield on the 5 to 10-year bonds is at least 2½ per cent., and seeing also, that the sterling credit has already been lent for five years and is likely to be funded for a longer number of years, a reasonable return on these loans is called for in all fairness.

The loss that India has already incurred on this score can be seen from the following figures. The average sterling holdings of India during the last six years are allowed a 2½ per cent. return, the present yield is 1 per cent. on British Treasury bills and therefore an allowance of 1½ per cent. on them will give a rough measure of India's loss:

TABLE I
(In crores of rupees)

	Sterling holdings	Interest at 1½ p.c.
1940-41	169.24	254.86
1941-42	211.08	317.62
1942-43	394.22	591.33
1943-44	755.24	1132.86
1944-45	1070.83	1606.24
(9 months)		

To the end of 1944 from 1939-40 the loss on interest amounts to about Rs. 40 crores. But the loss hereafter is going to be much greater. One and a half per cent. on Rs. 1,500 crores will come to Rs. 22½ crores per year and the loss will rise with further accumulations. The interest charges of the Government of India on all their debts are estimated at Rs. 30.95 crores for 1945-46. There is hardly any doubt that a reasonable return on the external investments should easily cover the entire interest burden of the Government of India in the next quinquennium.

So far as the internal debt is concerned, from the point of view merely of the future burden on the exchequer what counts is, (1) whether the added debt has been raised on economical terms, and (2) whether against it have been created any assets which would enable Government to pay interest. On the first, reasonable credit may be given to Government. The interest on their ordinary debt has gone up from

Rs. 35.1 crores in 1939-40 to the estimated figure of Rs. 47.1 crores in 1945-46, meanwhile the ordinary debt has increased by about Rs. 680 crores; the average rate works out to 1.75 per cent. The interest payments on funded debt, composed of Railways' Funds, P. and T. funds and savings, and other items have risen from Rs. 844 lakhs to Rs. 1,503 lakhs, but these carry a higher rate of interest. On the whole the burden of interest on Government bonds cannot be regarded as excessive.

The second question, whether the additional debt has created any productive assets, is easily answered by a glance at the figures given in the Explanatory Memorandum to the Budget. The total interest-bearing obligations in March, 1946, will be Rs. 2,159 crores, accounted for by Railway capital outlay Rs. 797 crores, P. and T. and other commercial departments Rs. 42 crores, and Loans and Advances Rs. 144 crores, totalling Rs. 983 crores. Of the balance, Rs. 1,176 crores, the sum of Rs. 547 crores is shown under Cash and Investments. (The Ways and Means Estimates reveal that the closing cash balance for 1945-46 will be Rs. 521 crores, and deducting this from Rs. 547 crores, the securities held on Treasury account will be Rs. 26 crores). There will thus remain a debt of Rs. 629 crores uncovered by productive assets, as compared with the pre-war figure of Rs. 208 crores. Of this Defence capital outlay of Rs. 167 crores is not wholly unremunerative. Roughly, the unproductive debt may be placed at Rs. 500 crores, i.e., Rs. 300 crores more than pre-war.

Stated in this way, the picture seems to be not very bad. A more reliable method, however, of studying the effects of the public debt, will be to look at it in its wider context of inflationary finance. The loan programme of the Government has been directed not to raise funds for productive purposes or even for covering India's budget deficits, but to bridge the wider 'inflationary gap' between rupee outgoings and incomings. Hence in the nature of the case it could not have been productive. Only on the amount which Government raised by loans do they offer interest and promise repayment, the rest is all confiscation.

As a result, the value of the national capital in terms of money, i.e., the sum of all the assets of all individuals and institutions within the nation (including the State) has gone up very much. But actually the real value of national capital, i.e., of all the assets has gone down very much due to the wearing down of assets. This is distributed between the public sector and the private sector in the following way. The Government's debt liabilities are not matched by a corresponding amount of assets even in inflated monetary terms, as shown above and actually the real value of their assets has gone down. The real value of the assets of the private sector has also gone down enormously, but inflation has created the impression that the value of private property has gone up very much, whereas it is merely exaggerated by the money value. The State has thus escaped its obligation to pay compensation, but even those who have come in possession of the increased volume of internal finance will be left without compensation, except in the sense that those funds represent so much claim on the future resources of the community. Those claims will not come up for exercise until economic mobilization really begins. There are two sources of compensation for

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these savings and sufferings which have been compulsory and real: (1) internal, and (2) external. Internal compensation must take the form of adequate tax allowances to the injured to make up the loss of real economic values. The elements of this compensation policy have been explained in another article in this issue. The external compensation must come from the sterling credits. In the first place, a reasonable return on these savings must be secured so as to enable the Government to meet the interest charges on their internal debt. In the second place, the ster-

ling credits should be treated not as belonging to the Government of India or the Reserve Bank, but to the national economy as a whole, more particularly to the private sector which has worn out. And their utilization should be directed to the increase in national productivity for which the compulsory savings would otherwise be used. The real and greater part of the debt of the Government to the public of this country consists not in paying interest on their borrowings, but in making these minimum compensations.

NOTES

WORLD TEXTILE CONFERENCE

The decision of the Government of India in nominating Mr. Kasturbhai Lalbhai to represent India at the World Textile Conference typifies the kind of non-official choice so necessary in the circumstances of the existing gulf between Government and public opinion in this country. Mr. Kasturbhai is a prominent textile man himself, knowing the problems inside out and enjoying the confidence of textile trade and industry, and Indian interests are safe in his hands. The conference is being attended only by three countries, the U.S.A. the U.K. and India. The agenda is not yet known, but export will be prominent among the items. Speaking at the Indian Exporters' Association, Mr. Kasturbhai gave the view that most of the European markets for our textiles will slip away after the war and India should try to retain those natural markets which she could try to keep for considerable period after the war. This is the basis on which he proposes to argue India's case before the conference, and he has invited the Exporters' Association to make proposals regarding the allocation of "natural" markets. While India may not set much store by European markets, her share in the Far Eastern and Middle Eastern markets is bound to be very important, having regard to the part she has played in war-time textile supply, the reduced capacity of Britain, the apprehended world clothing scarcity immediately after the war and last but not the least the share that is India's due in the markets from which Japan will be kept out. We have no doubt that the Indian delegate will bear all these strong points in mind.

TRADE COMMISSIONERS

The Government of India, who are now considering what measures are to be taken for giving greater publicity to India's products abroad, will do well to study the Australian plans of foreign trade organization. The Australian Government do not, as do the Government of India, begin merely with measures of publicity and similar pictorial efforts, but propose to set up a comprehensive system of trade commissionerships in all commercial zones. It is understood that attention will be concentrated first on India and Ceylon, and that the present Australian Trade Commissioner in India will become the Senior Trade Commissioner for the Indian Ocean zone and will have under him Resident Trade Commissioners at Calcutta, Bombay and Ceylon. Similar organization is expected to be expanded to cover China and Malaya also. The Government of India's apathy contrasts strongly with these ambitious Australian plans to cover the Far East. The least that could be expected of the Government of India is that trade commissioners, wholly Indian in personnel, recruited from and aided by the business community with knowledge of foreign trade, are appointed in all the important countries.

EXPORT CONTROL

One of the most objectionable features of the export control as it operates in this country is the ill-

conceived restriction of the export of commodities, which are not in a position to find a profitable and adequate market within the country itself. Agricultural commodities and certain minor plantation products have been the worst sufferers. The ceaseless agitation carried on by the affected interests seem to have at last borne fruit in one case at least. The Government of India are reported to have given an assurance to the South India Cardamom Planters' Association that the planters would be permitted to export this year the quantity in respect of which they have applied for license to export. There are a number of other commodities which will bear application of the Government's new-found wisdom; ginger is a case in point. Generally speaking, the export trade has suffered severe hardships because the basic period of 1941-42 has been chosen in an arbitrary manner, without account being taken of the combination of special circumstances, which depressed our export trade that year. The Government have no case at all for their obstinate refusal to accede to the reasonable request of the exporters that they should be permitted to choose any year during the period 38-39/43-44.

THE UNITED COMMERCIAL BANK

The United Commercial Bank is foremost among the new mighties which have come into existence within the last three years, and its balance-sheet and profit and loss account for the nine months ending December, 1944, published elsewhere, abundantly bear out the remarkable progress, strength and stability which it has achieved in the brief period of 19 months of its working so far. The Bank has been able to build up deposits of Rs. 17.22 crores, of which cash is Rs. 3.76 crores, and gilt-edged securities Rs. 7.67 crores, these two accounting for 66 per cent. of the total deposits. Advances stand at Rs. 7.63 crores, showing how the Bank has been able to build a fair amount fully covered by good tangible securities. The total of cash, free investments and bills is Rs. 12.13 crores, which is nearly 90 per cent. of Demand liabilities and 70 per cent. of total deposits, indicating the high liquidity of assets. The particular feature worthy of mention is the fact that the dollar and sterling bills discounted and purchased amount to Rs. 41.40 lakhs—the largest volume of business under this head done by any Indian joint-stock bank. The total working capital of the Bank is about Rs. 20 crores, only 6 or 7 banks in India have touched that figure. As to the earning side, the Bank has made a net profit of Rs. 12,84,553-4-0 during the nine months ending December 1944. Including the earlier balance of profit brought forward, the amount comes to Rs. 14.58 lakhs of which, after providing Rs. 5.75 lakhs for taxation the Directors propose to transfer Rs. 7.5 lakhs to the Reserve Fund, to pay Rs. 85,000 as bonus to staff, and to carry forward the balance to the next year's account. The Directors are in no hurry to declare dividends, but keep the interests of the depositors uppermost in their minds. The Bank has as its executive Mr. B. T. Thakur, whose expert knowledge of banking theory and practice, especially on

the foreign exchange side is only too well known to Indian bankers.

WAR RISKS PREMIUM

It will be recalled that in their recent annual session, the Federation of Indian Chambers of Commerce and Industry passed a resolution to the effect that, in view of the retreat of the Japanese forces from the eastern frontier of India and in view of the prospect of an early termination of the war, Government should reduce the present rate of 1 per cent. in respect of premium payable under the War Risks (Factories) Insurance Scheme and the rate of Rs. 0-1-3 per month under War Risks (Goods) Insurance Scheme to a nominal rate. The Government have since announced reductions in the rates of premium payable under both schemes, the reduced rates being ½ per cent. under the Factories Scheme, and Rs. 0-0-9 per month for the quarter ending June, 1945, under the Goods Scheme. Although the new rates are yet far from being nominal, and although, in fact, we are disposed to question the need for continuing the Schemes at all, we are nevertheless glad to note that the Government are in a mood at least to meet half-way the moderate demands of the business community. One has to be thankful even for small mercies from the present bureaucratic regime.

CARELESS PACKING

Speaking at the Railways Exhibition in New Delhi, Mr R. de K. Maynard, General Manager of the M. and S. M. Railway, drew attention to the loss and inconvenience caused by careless packing and labelling of goods and luggage. He said that in the year immediately before the war, the railways disposed of 58,000 claims and paid out in compensation Rs. 3 lakhs and that these figures had increased in 1943-44 to no less than 236,000 claims and Rs. 39 lakhs paid in compensation. A part at least of this increase is due to theft and pilferage and the Railways owe it to the public to make more adequate Watch and Ward arrangements. In so far as the loss is due to defective packing, the shortage as well as high cost of packing materials is largely to be blamed; but we agree with Mr Maynard that some improvement in packing standards is nevertheless possible. In the Railways Exhibition itself are displayed the right and wrong methods of packing articles for dispatch by rail. The exhibits should prove instructive to the public in general and to the business community in particular.

LABOUR OFFICERS FOR U.K.

In reply to a question from Mr T. S. A. Chettiar, in the Central Assembly, the Labour Member gave further details of the scheme to send labour officers to the United Kingdom for training. The object, he said, was to have experienced and suitably trained staff to tackle problems of labour administration, namely, industrial relations, including the settlement of labour disputes, factory inspection and labour welfare, wage regulation and inspection, employment exchanges, and demobilization and resettlement, which were of immediate importance to India. The course would cover all these subjects and would be conducted partly at the headquarters of the Ministry of Labour and partly in other centres in the U.K. It would last from six to eight months. It was proposed to send three batches of 20 officers each, each batch including 12 officers of the Central Government and eight of the Provincial Governments and States. Financial sanction has been given for the sending of 12 Central Government officers with the first batch of trainees. This would cost the Central Government about Rs. 1,00,000. The Provincial Governments and

States would bear the expenditure of their respective nominees.

EXCISE ON BETEL-NUTS

Representative associations of the areca growers of the South have submitted a joint memorandum to the members of the Central Legislature detailing their grievances resulting from the imposition of the excise duty on betel-nuts (first levied under the Finance Act, 1944) and pleading for its abolition. They point out that the administrative regulations are in many cases harsh, obstructive and calculated to give scope for harassment by minor officials, especially as the growers are, for the most part, poor, illiterate, and ill-organized. According to them, the incidence of the tax has been wholly on the growers and that, in fact, prices have taken a downward trend since the levy of the excise. Whether the position is really so or not—and the mere fact of prices failing to rise or even falling after the levy of the excise is no conclusive proof that the incidence is on the growers—the unfairness of a flat rate of two annas per pound on all grades of betel-nuts, said to be fetching anything from two annas to one rupee per pound, is too obvious to need comments. The betel-nut excise was not liked, when the Finance Member trotted it out in his last budget, and it has not become more lovable now; but with Sir Jeremy Raisman, in his present mood, it would be too much to hope that he would agree to let go any revenue-plucking device, however much the goose may squeal.

TEXTILE MACHINERY MAKERS MERGE

An important merger is reported in the British textile machinery industry, the parties being one of the biggest cotton cloth machinery makers and an important wool machine firm. The main reason for this fusion is claimed to be technical and it is said that the two organizations, working as one unit and pooling manufacturing process, patent rights and research work, can concentrate on the manufacture of standard types of machinery for wool and cotton manufacture, thus greatly reducing production costs. Benefits are also expected on the sales side and the view is expressed that as a result of this combination, the British textile machinery industry as a whole will be in a stronger position to meet foreign competition in overseas markets. It would, however, seem that competition between manufacturers is not going to be a major headache for textile machinery makers in the near future after the war. The replacement and expansion demands of the textile industries of the world will be so large that the market for textile machinery is likely to be a sellers' market for some years to come.

DEHYDRATION IN AUSTRALIA

A process which can transform bulky, easily perishable primary products into well-packed, concentrated food, capable of being transported easily over long distances without risk of deterioration and with much saving in shipping space, has obvious advantages in war-time. No wonder dehydration has come to be so much in the news these last five years. In Australia, especially, much progress has been made. Before the war, dehydration was a minor industry in that country, confined principally to the drying of milk. Today, the process has been extended to many other foodstuffs and the annual output of the industry now comprises dried milk from 22 million gallons of fresh milk, 5 million lb. of dried egg powder from 10 million dozen eggs, 8 million lb. of dried vegetables from 45 million lb. of fresh vegetables, and 5,000 tons of dried meat from 30,000 tons of fresh mutton. While the development of dehydration has greatly facilitated Australia's role as the food arsenal of the Allies, the

view has been expressed that the industry has a considerable survival value and may continue after the war as a chief food industry, with valuable export markets. Accordingly, the Government-sponsored Council of Scientific and Industrial Research has been devoting a good deal of attention to the technical problems of the industry and has already carried out much research work on the dehydration of potatoes and the storage of dried mutton and dried eggs.

AND IN INDIA

It is gratifying to find that, in this country also, war conditions have been taken advantage of to promote large-scale factory dehydration. There are now some 19 factories, engaged in the dehydration of potatoes and onions, two operated by the U.P. Government and the rest by contractors, and about 6 or 7

meat factories, located in various centres all over the country, with an aggregate capacity of some 5 tons per day. Recently, two officers of the Food Department were also deputed to the U.K. and the U.S.A. to study food preservation methods. These factories are now engaged in supplying the needs of the Defence Services; after the war, steps should be taken to place the industry on a more permanent basis. For an agricultural country, a well-developed dehydration industry is a great asset. It would enable production in glut and heavy output periods to be processed and held for use in out-of-season period, consequently levelling price fluctuations in a manner beneficial to producers and consumers alike. In a country of great distances, with production resources for vegetables, fruits and dairy products very unevenly distributed, factory dehydration would make available supplies of protective foods to the urban and deficit areas all the year round at greatly reduced transport and handling costs.

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PRESS NOTE

By a notification in the Gazette of India Extraordinary dated 6th March 1945, the Government of India have restricted the activities of those who are engaged in printing of cloth, procurement of cloth for printing and disposal of printed cloth.

The notification provides that no one can acquire a cloth printing machine after the 6th March 1945 and no owner of a printing machine may work it for more than 11 hours a day. Mills and powerloom factories owning a printing machine are prohibited from printing any of the cloth produced by them nor can they send out their production for machine or hand printing. No such mill or factory, not having a printing machine, can get more than 7 per cent. of its total cloth production printed outside, only 5 per cent. of its total production being allowed to be hand printed. No owner of a printing machine can purchase cloth for printing though he is permitted to print cloth on a contract basis. No dealer in cloth can get his cloth printed without the permission of the Provincial or State textile authorities concerned. The notification introduces various restrictions on the kinds of cloth which can be printed and the colours that can be used.

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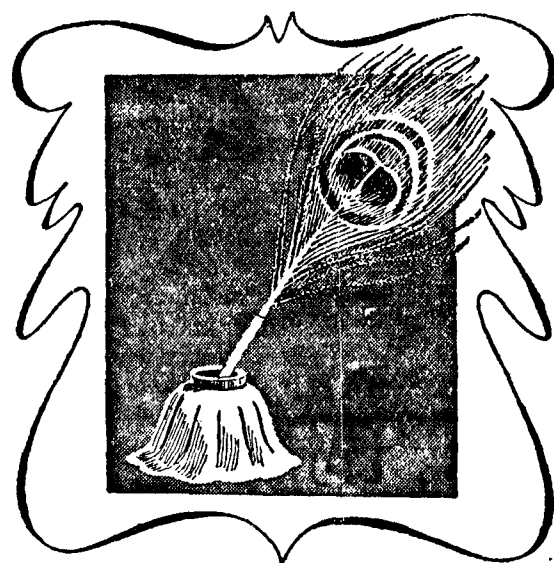


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FROM THE PROVINCIAL ANGLE

Madras Letter

(FROM OUR CORRESPONDENT)

MADRAS, March 10.

THE food situation in the province has improved just now with the arrival of new crops to the market. But anxiety continues to be felt as regards the future, due to low yield in the Northern and Southern Delta districts, either on account of heavy rains or late rains. The non-official view is that the yield has been affected by about 30 per cent. As regards procurement, some new difficulties have arisen. Under the existing regulations, a *ryot* can sell only to licensees, who are mostly mills, or the Grain Purchasing Officers. Supplies by mills and Grain Purchasing Officers for consumption to the various deficit areas have been spread over on a monthly quota basis and prices have also been fixed. Formerly, mills and other buyers used to buy whatever quantities were offered for sale since they could have a fair margin of profit in their sales which would cover storage, dryage and other charges. Now that their selling price is fixed, their buying has been limited to their monthly quota. In the circumstances, the *ryots* have been faced with the problem of stocks particularly, as they have been unable to command storing facilities. The majority of the *ryots* have been experiencing financial difficulties at a time when they have to make *kist* payments. Banks have been loath to give advances due to a lurking fear that they might unwittingly come within the mischief of the law prohibiting advances against food-grains and commodities. Therefore, unless the Government take the place of the middlemen they have eliminated, there seems to be no relief for the *ryot*. In spite of controls and price fixations, there has been no relief to the consumer in regard to the price he is paying for his rice. In this connection, it would be relevant to mention that the Government of Mysore, have decided to subsidize and sell rice cheaper in addition to the subsidizing of millets which they have already done.

Prices in the Skins market ruled extremely firm and were substantially higher than the London prices. Exporters were unable to operate in the market and local buyers too were not very active due to the absence of ready stocks. In spite of the officials in India taking the view that the new American prices allow charges for railments to Bombay exporters do not take the same view since no confirmation has been forthcoming from America. Therefore offers to the U.S.A. were practically nil. In these circumstances, the enquiry from the Supply Department of the Government of India for 15,000 pieces of sheep and goat skins of given specifications to be supplied monthly commencing from April, has created a stir in the market. Arrivals of raw sheep and goat skins in the next few weeks will be poor since a diversion in the movement of goods has been enforced. Under the new scheme, raw sheep and goat skins from stations in the N.-W. Railway (North of Delhi inclusive) will be transported to Karachi and thence shipped to Cochin for being railed to Madras.

Groundnut

Since the British Ministry of Food withdrew from the market, prices in the local market declined sharply to Rs. 59. There was no important business done by shippers, crushers, and Calcutta buyers. Only unfixed contracts were being fixed. The quota for export to Calcutta for March, has been given and the purchases are to be completed before the end of April from the North Arcot District. The oil market was dull with no notable demand.

Finances of Local Bodies

It is unfortunate that the war boom has not helped the local bodies as has been the case with the Governments whose finances have swollen. This has been due to the fact that taxation by local bodies had reached the maximum levels even prior to the war and no fresh resources have been available. Thus, for instance, the budget estimates of the Corporation of Madras for the year 1945-46 reveal that the revenue has risen from Rs. 70 lakhs in the pre-war period to Rs. 95 lakhs during the year. The expenditure is estimated at Rs. 106 lakhs leaving a large deficit. The items on which various sums are to be expended are not striking and will hardly do justice to the functions which the Corporation should discharge. The only important item is the allotment of Rs. 136 lakhs for repairs to roads. Apart from the usual expenditure on sanitation, public health, education, etc., there are no important new amenities. A token grant of Rs. 25,000 has been provided for a model dairy farm. A further increase in the slab rates of property tax, by which the maximum would be reached, has been proposed. But this gets in an additional sum of only Rs. 4.5 lakhs and the position is not going to be improved unless the Corporation could think of other remunerative enterprises or the Government comes to the rescue. The Government have already proposed to increase the Entertainment Tax by 50 per cent. yielding Rs. 40 lakhs which will be given over to the local bodies within whose jurisdiction the tax is collected. But this would hardly meet the requirements of the situation.

Labour Investigation Committee

The Labour Investigation Committee appointed by the Government of India to inquire into the question of labour conditions obtaining in the various provinces in India and submit proposals on the basis of which future labour legislation will be enacted was in Madras this week. The members of the Committee met representatives of employers, labour and Chambers of Commerce. It has been urged that public health and welfare are exclusively the concern of the Government who should provide labourers with all kinds of medical help and health insurance facilities. The view has also been expressed that in any scheme of health insurance, Government should contribute equally to the fund that would be created along with the employer and the employee.

In compiling the cost of living index for Madras city and certain *mofussil* centres, some of the items like education, *dhobi* and washing, travelling expenses to and from places of work, amusements, medicine and medical charges and *pansupari* in the miscellaneous group were kept constant till now. Recently, the Government carried out an investigation as to the actual increase in expenditure under these items and as a result it has been found necessary to vary the cost of living indices. This has been given effect to just now by raising the figure from 216 to 225 in the week ended February 24.

The Stock Exchange

Movements on the Stock Exchange were confined to narrow limits during the week. The volume of business was small and investors were adopting a wait and see policy pending the publication of the Provincial Budget. In the Government Securities market, 3½ per cent. Paper was quiet at Rs. 99-11. There was

institutional support for 3 per cent. Funding Loans 1966-68 up to Rs. 98-4. Three per cent. Loans 1953-55 rose to Rs. 100-5-6. Three per cent. Victory Loans 1957 were done at Rs. 99-9. Bank shares were unchanged. There was selective buying in Textiles due to the varying results of the mills. Buckinghams maintained their last year's dividend of 12½ per cent. and the shares after being dealt with at Rs. 340 closed lower by more than five points. Bangalore Woollens declared a dividend of 16¼ per cent. as against 13¾

Bombay Letter

BOMBAY, March 12.

ACCORDING to a *Reuter* message, the English textile interests feels that Lancashire cotton goods exports to India will never assume their former size or type. Even before the war, they had felt the necessity to replace old types of their manufactures by types which were required by the Indian and other Eastern markets. However, as this meant breaking new ground, the textile industry was hesitant in doing so. But with the enforced stoppage of trade with India during the last three years, it is felt that exporters will now be in a position to make a fresh start on more promising lines. The message referred to also states that according to the *Manchester Guardian*, it is quite probable that India for some years will be able to do considerable trade with Japan's former markets though she will have to meet in this the competition from the United States. The *Manchester Guardian* says that "We shall see in this an interesting contest between high wage and high efficiency of the U.S. industry competing with the low wage Indian industry whose efficiency is much lower compared with that of the United States industry. If the Indian mills make a big effort to capture Japan's former markets, it will handicap to a certain extent their ability to cater adequately for the domestic market." Much would, however, depend on how far the Indian textile industry will be able to carry on a replacement and re-equipment programme.

Countrycraft Trade

"Our aim is to organize this trade (countrycraft trade) fully and put it on a level of organization prevailing in all modern shipping companies and transport organizations," thus observed the Chairman of the Munjee Transport Ltd. at its first Annual General Meeting held in Bombay. For the immediate future the business community will welcome this development as owing to the war it has been forced to make increasing use of countrycraft for transport of merchandise and their experience so far has not been happy, owing to the unorganized state of the countrycraft business. But the Chairman is also hopeful that if this trade was well-organized on modern lines, it would survive and provide cheaper transport after the war. It is known that the steamship companies do not serve smaller ports and countrycraft can carry cheaply heavy raw materials which require cheap service and which cannot bear a higher cost of transport. Besides, it will be possible to modernize the fleet of boats after the war by the addition of

Bengal Letter

CALCUTTA, March 11.

PEOPLE in Bengal are considerably agitated over the cloth shortage. The 10th of March was celebrated as the Cloth Crisis Day in Bengal. Prominent leaders in Calcutta have issued a statement urging the people to organize a campaign throughout Bengal to end "the regime of bureaucratic inefficiency" and check the anti-social elements which have brought about the present crisis. The statement also says: "The per capita quota has been fixed too low in the case of Bengal. An average Bengalee is to get 10 yards of cloth, i.e., one

per cent. last year, but the share value showed no improvement. Coimbatore Cottons declined to Rs. 225 and Cambodias to Rs. 29-4. There was considerable selling in the Planting section and quotations declined sharply on the week's trading. Cochin Malabars shed five annas to Rs. 16-7. Tropical Plantations declined from Rs. 35-14 to Rs. 34-4 and Rajagiris from Rs. 13-14 to Rs. 13-5. O. Valleys were lower at Rs. 10-10. In the Miscellaneous section, Indian Steel Rollings improved to Rs. 9-10 on good buying by Bombay interests. The Mysore group was easy.

auxiliary engines so that they will not have to depend on the uncertain factors of wind and weather. These are the grounds for his optimism.

Commenting on the route scheme inaugurated by the Government of India in August last, he said:

"The route scheme has imposed a further tax on the shipper and the consumer of goods by introducing agents' commission. It has conferred on route agents a monopoly for cargo to be shipped in their respective zones and this monopoly may possibly result, in certain cases, in preferential and discriminatory treatment being given to some craft-owners at the expense of others.

This monopoly has also resulted in the severance of old and established relations between owners of craft and shippers and the introduction of the scheme has caused serious and heavy delays in unloading, loading and clearance of crafts. On account of delays caused to the craft and their turn rounds being reduced, there is a serious loss of carrying capacity and hindrance has, therefore, been caused to the transport of civil and military cargo during war-time when it is most essential that the maximum tonnage should be available for this purpose. It is, therefore, essential that the Government of India should devote their careful and immediate attention to this subject and remove the various defects which have accompanied the route scheme."

Manure From Waste

A scheme to convert town waste into manure was launched a year ago by the Hyderabad State in collaboration with the Imperial Council of Agricultural Research. During the first seven months of the operation of the scheme, about 1,337 tons of manure were produced by converting town waste into manure. By providing cheap manure to the farmer and thus increasing yield from the land, this scheme forms an important part of the Hyderabad State's 'Grow-more-food' campaign. The Bombay Government could investigate with advantage the possibilities of launching such a scheme in the various towns of this province as an aid to the 'Grow-more-food' campaign. It is true that the Bombay Government did distribute last year in certain areas groundnut cake manure at subsidized prices, but if this scheme is launched, it is quite possible that cheaper manure can be made available on a larger scale.

piece of *dhori*, one shirt, and one under-shirt for one entire year" while 80 per cent. of the handlooms also remain idle for shortage of yarn that that important source for the supply of cloth has been choked off. But an important question that needs consideration in this connection is whatever the inadequacy as regards the quota fixed for Bengal, why has a situation come about in which practically no cloth at all is available except at an exorbitant black-market price? From the Central Government assurances have been coming that during

the second half of last year Bengal obtained something more than her allotted quota of cloth. What has happened to this quantity of cloth? Has it disappeared in toto into hoards and black markets? Surely the Bengal Government owe an explanation to the public. The Chief Minister of Bengal has said in a perfunctory way that the report about the excess quota supplied to Bengal is being examined by the Minister concerned. But while this examination proceeds in the approved red-tape style, suffering of the people continues to increase. There is a strong demand for the introduction of cloth rationing in Calcutta.

Corporation Finances

The Bengal Government recently suggested to the Calcutta Corporation that the consolidated rate, which is a tax based on the annual valuation of land and buildings in the city and which constitutes the most important sources of revenue for the Corporation, should be increased by 2-1½ p.c. This has evoked considerable opposition both from the ratepayers and the Corporation. The Government's stand is that certain measures necessary in the interest of the health of the city should be carried out by the Corporation, and the necessary finances for this purpose should be secured by increasing the consolidated rate. Indeed, the Corporation has been threatened that it will be superseded by an order under Public Health Ordinance if it does not carry out these measures. Whatever the merits or otherwise of the health-measures suggested, the demand for an increase in the consolidated rate is utterly unjustifiable. It is true that the measures will involve an expenditure of Rs. 10.74 lakhs in 1945-46. It

Sind Letter

KARACHI, March 15.

KARACHI has had to bear the brunt of heavy military traffic. The Karachi Corporation has represented to the Government of India that exemption from terminal vehicle tax, cost of road repairs and dearness allowance to the civic staff have meant a heavy drain on the meagre resources of the civic revenue to the tune of nearly Rs. 25 lakhs and they have claimed that this must be made good either by the Allied Governments or by the Government of India. As regards the dearness allowance, the principle has already been accepted by the Government of India in the case of the Calcutta Corporation and the deputation of the Karachi Corporation which recently waited on the officials concerned of the Government at New Delhi hoped that their strong case would be given fair and sympathetic consideration by the authorities.

Indus Waters Dispute

A final settlement between the Punjab and Sind on all points of dispute in regard to the division of the waters of the Indus is stated to be in sight. The only hitch that held up construction of the dams and barrages by the respective Governments was the financial claim made by Sind towards the construction of her two barrages estimated to cost nearly Rs. 30 crores. The Sind Government claimed that the Punjab should contribute Rs. 14 crores, but the Punjab authorities maintained that even the Rao Committee had recommended only a payment of Rs. 2 crores. In view of this, the Sind engineers are now devising ways and means to bring down the cost of the construction of the two barrages. As the Punjab is stated to be inclined to consider any reasonable claim from Sind, the new proposal which the Sind Government would soon submit to them, will be found to be acceptable. It is interesting to note in this connection that the Government of Sind have provided a sum of Rs. 20 lakhs in the current budget for the purchase of excavating machinery.

is also true that the Budget of the Corporation as presented by its Chief Executive Officer reveals a deficit of Rs. 13.15 lakhs. But in spite of this, increase in taxation is not justified because considerable sums are owed by the Government to the Corporation (Rs. 32.97 lakhs) the payment of which will enable the Corporation to meet its deficit and additional expenditure necessary on account of the health-measures suggested by Government. The fact that under war-exigencies there has been a considerable reduction in amenities available to the citizens is an additional argument against any increase in the consolidated rate.

The Food Scandal

The trading losses incurred by the Bengal Government gave rise to a sharp demand for disclosure of information as to how far such losses were due to damaged stocks of food. While the Finance Minister condescended to give some figures about the losses under various heads, he did not state specifically how far such losses were due to deterioration of foodstuffs. Definite figures were given about losses due to subsidized sale of food and devaluation of stocks, but losses due to deterioration were mixed up with losses in transit, handling and storage. The total loss under this composite item comes to Rs. 10 crores in three years, 1943-46. What if a large part of this loss is attributable to damaged stocks? The public in Bengal wants to make sure that there will be no repetition of such wastage of foodstuffs involving huge expenditure at a time when the severest economy should be practiced all round by the Government.

Sind Assembly

The Sind University Bill, the Vagrancy Bill and the Bill to amend the Bombay Co-operative Societies Act are to be introduced apart from the measure which will enable members of the House and Ministers to enhance their salaries and allowances. A separate university for Sind is sought to be established by the first Bill and preparations to establish a medical college and an academic council have reached an advanced stage. The Vagrancy Bill gives statutory provision for the establishment of beggar homes where the beggars can be kept and those among them who are fit to do manual work taught some useful trade or occupation and children among them given proper education of a technical character. It is stated that the existing procedure for the settlement and recovery of co-operative dues is cumbrous under the Bombay legislation with the result that the rate of recoveries from defaulting members, particularly in agricultural co-operative societies, is very slow and large outstandings are accumulated. It is, therefore, found necessary to provide for summary procedure for settlement and recovery of these dues. The provisions in the Sind Bill are restricted to old loans of agricultural co-operative societies advanced before January 1, 1938, and they shall remain in force for three years in the first instance.

Trade in Foodgrains

That if the Government of Sind had not embarked on monopoly of trade in foodgrains, they would have realized more revenue than estimated, is the view expressed by Seth Sukhdev Udhavdas, President of the Karachi Indian Merchants' Association, in the course of a statement. He further observes that zamindars, in view of their experience of business, would procure and supply foodgrains at economic rates by which both the Government and deficit provinces would benefit. Government revenue would be increased to Rs. 33 lakhs instead of Rs. 27 lakhs, deficit areas would benefit by a rupee per maund and the zamindars could also prosper. He, therefore, urges the Government of Sind to restore normal channels of trade.

FINANCE

Punjab Finance

CONTRIBUTED

THE Punjab has seen a steady augmentation of provincial revenues from Rs. 10.4 crores in 1937-38 to Rs. 21.2 crores in 1945-46 side by side with augmentation in the expenditure on beneficent departments from less than one crore rupees in 1937-38 to Rs. 5.59 crores in 1945-46, in addition to the establishment and building up of two special funds. One of these is the Special Development Fund, the fundamental idea of which is to further beneficent activity and to ensure that in years of stringency, beneficent departments do not feel the pinch; and the other is the Peasants' Welfare Fund, the general object of which has been explained to be the amelioration of the countryside and to secure reasonable and just terms to the grower in the marketing of his products. With this year's appropriations, the first-mentioned fund totals Rs. 198 lakhs, and the second Rs. 216 lakhs.

Besides these two old funds, a new fund designated the Forest Reconstruction Fund was created last year, with an initial allocation of Rs. 15 lakhs, with the object of preserving the forest wealth of the Punjab, to which a further Rs. 15 lakhs have been added this year. With post-war reconstruction so much in the air, the Finance Minister has announced the creation of another fund for the purpose, with an initial appropriation of Rs. 2 crores from the current year's surplus. Plans in this connection, embracing irrigation, education, public health, roads, medical relief and development of industries, as at present envisaged, are expected to involve an expenditure of Rs. 100 crores spread over a period of five years. Financial assistance from the Government of India for the execution of the post-war plans in these directions is anticipated; and the money provided by the Finance Minister is probably a token of the provincial Government's own earnestness of purpose and intentions in this regard. Whether and how far the Centre can afford to vouchsafe effective assistance to the Punjab and other provincial Governments for the implementation of their post-war plans, when the background of the Central finances is itself so hazy, can only be speculated upon.

The Punjab, it may be mentioned in this connection, has a hydro-electric scheme, financed entirely out of capital raised within the province itself and which is now more than paying its way. The estimated income from the hydro-electric undertaking is in the neighbourhood of Rs. 30 lakhs while the interest payable on capital is a little over Rs. 29 lakhs. Luckily for the Finance Minister, though not luckily for the tax-payer, who does not seem to be deriving any direct benefit therefrom, a special source of income for the Punjab has been the Extraordinary Receipts, which stood in 1941-42 at Rs. 1.1 crores but which in the revised estimates for 1944-45 have mounted up to more than Rs. 6 crores. It is not clear from the Budget speech wherefrom this money has been derived year after year, but they constitute for the most part proceeds of the sale of lands by the Provincial Government but are partly the result of the gap between receipts and expenditure which Sir Manohar Lal is credited with leaving unaccounted for. Nevertheless, these receipts are regarded by him as lending "great strength" to the province's finances and as furnishing an "effective support" for the provincial balances.

These impressive surpluses, however, should not blind us to the paradoxical existence side by side of widespread illiteracy, unmitigated ill-health, low standard of living among the masses and comparatively insignificant arrangements for fighting dirt and disease and affording medical relief to the masses. The Lahore city, for example, is a standing monument of Governmental

indifference and apathy in regard to sanitation, roads, drainage and so on. During the last nine years the expenditure on the beneficent departments has undoubtedly doubled; but considering the enormous leeway that had to be made up during the same period the results obtained have not been very impressive. At the same time, the last four years alone witnessed a doubling of the expenditure on the Police Department—a significant fact which shows more than anything else can where the centre of gravity in the Punjab Government's financial and administrative policy lies. The gruesome fact is that out of an annual estimated revenue of nearly Rs. 22 crores for 1945-46, only a sum of Rs. 5½ crores goes to the share of the beneficent departments, while the Police Department alone absorbs nearly Rs. 3 crores. Education gets an additional appropriation of only Rs. 27 lakhs in the coming year, while medical relief and public health together secure but an extra allocation of Rs. 20 lakhs. Agriculture gets Rs. 14 lakhs, mainly for agricultural propaganda, though it is perfectly clear that mere propaganda cannot be fruitful of results unless accompanied by provision in an adequate measure of other facilities like manure, improved seeds, agricultural implements, etc., at a cheap price and so on, which are the chief aids to accentuated productivity of land. The war has indeed enabled the agriculturist to reap an advantage in the shape of good prices for agricultural produce; but even here the advantage goes principally to the big zamindar and not to the small peasant. A systematic policy of encouraging and enabling the cultivator to establish cottage industries and work them has not so far commended itself to the Punjab Government. The hydro-electric system of the province, which is one of its magnificent assets, could have been utilized by the Government to ameliorate the economic lot of the peasantry by supplying it with cheap power for the cottage industries.

The Punjab Government's fundamental point of weakness is, however, their failure so far to evolve a clear-cut industrial policy, and it is doubtful if they regard promotion of industrialization as an essential part of their obligations. Sir Manohar Lal himself expressed, both in his Budget speech and in other recent utterances of his, a predilection for a balanced economy. But the Punjab Government must formulate a vigorous, adequate and satisfactory programme of industrial expansion—of encouraging the existing industries and of starting new industries for which the province is peculiarly fitted. The entire outlook of the Punjab Government towards industrialization and the commercial interests requires in fact to be radically modified. At present, the business and commercial sections of the population, naturally confined to the urban areas, are obviously regarded as milch cows to be squeezed dry in order to produce impressive budget surpluses. That way of regarding the business, commercial and industrial sections must yield place to a genuine and unqualified appreciation of the role they play and can play as producers of national wealth and as an indispensable second wheel to the coach of balanced economy. This has been the long-standing but long neglected demand of the commercial and industrial sections of the Punjab, and in the absence of any definite indication of the nature of the post-war plans the Punjab Government are formulating for the purpose, it is difficult to say whether they will satisfy the demand of public opinion. All that is definitely known, however, is that the Government are continuing the scheme of an industrial survey of the province and that the Punjab Board of Economic Enquiry will receive a slightly enlarged grant to carry on its work.

BOOK REVIEW

BOOKS RECEIVED

GUIDE TO CURRENT OFFICIAL STATISTICS, VOL.

II: Prepared by S. Subramanian, Statistician, Office of the Economic Adviser to the Government of India. Printed by the Government Branch Press, Lucknow. 1945. Pp. 114. Price Re. 1-10 or 2s. 6d.

Mr Subramanian has more than fulfilled the promise made two years ago to bring out another volume to the first one, dealing with the field of official statistics left uncovered. The present volume covers the entire field of official statistics to the exclusion of those parts covered in Vol. I, and public finance and social welfare are reserved for treatment in another volume. This volume, as the previous one, is a review as well as a critical estimate of the published statistics. The author eloquently mentions at more than one place the fragmentary and incomplete nature of the available official statistics. For example, in the very first section on *Trade* he writes: "These statistics (Indian official trade statistics) cover only a small section of the total field of exchange of goods moving along certain specified channels of trade"; "no information is available concerning the large volume of road-borne traffic"; "this monthly publication (*Trade at Stations adjacent to Land Frontier Routes*) does not give a complete account of trade across land frontiers." Caution regarding the careful handling of the much less reliable statistics published has been entered at appropriate places. At one place, in connection with the index number of profits, he comments: "The combined index does not cover more than a quarter of the entire field of trade and industry.... it would, therefore, be inadvisable to attribute to it the conclusiveness of a general index number of business profits." Volume II should accomplish its purpose as well as the first one has done. The twofold index embodied in the book—"publication index" and "subject index"—would save much time while making references to the sets of statistics.

Supplement to Guide to Current Official Statistics—Vol. I: Working class cost of living index numbers in India (a critical study). By S. Subramanian, Statistician, Office of the Economic Adviser to the Government of India. Published by the Manager of Publications, Delhi. 1945. Pp. 20. Price As. 12 or 1s.

Planned Economic Development for India. By S. R. S. Raghavan. The Indian Institute of International

Affaires Series No. 15. Published by the Kitabistan, Allahabad. 1944. Pp. 89. Price Re. 1.

The Indian Deadlock. By K. M. Munishi. Published by Kitab Mahal, 56-A, Zero Road, Allahabad. 1945. Pp. 152. Price Rs. 2.

The Gospel of Saint Amery. By Jove. Published by Kitab Mahal, 56-A, Zero Road, Allahabad. 1944. Pp. 94. Price Rs. 2.

India Speaks. By H. N. Mota. Published by Kitab Mahal, 56-A, Zero Road, Allahabad. 1944. Pp. 105. Price Rs. 2-8.

An Essay on Gandhian Economics. By J. J. Anjaria. Published by Vora & Co. Publishers Ltd., 3, Round Building, Kalbadevi Road, Bombay 2, 1945. Pp. 40. Price Re. 1-4.

Local Self-Government in India. By M. P. Sharma. Published by Hind Kitab, 267, Hornby Road, Bombay, 1944. Pp. 111. Price Rs. 2-8.

Bankers' Advances Against Goods. By D. S. Sastri. Published by Thacker & Co., Ltd., Bombay. 1944. Pp. 310. Price Rs. 12-8.

Industrial Labour and Social Security. By N. G. Abhyankar. Printed by H. W. Smith at the Times of India Press, Bombay. 1944. Pp. 202. Price Rs. 6 or 9s. nett.

Reconstruction of Economic Science. By A. N. Agrawala. Published by Kitab-Mahal, 56-A, Zero Road, Allahabad. 1945. Pp. 142. Price Rs. 3-8.

Twenty Questions About Russia. By H. W. Henderson. A Hamara Hindustan Publications, Bombay. 1945. Pp. 51. Price As. 8.

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NATH BANK

LIMITED,

Head Office:—135, CANNING STREET, CALCUTTA.

AUTHORISED CAPITAL	Rs. 1,00,00,000/-
ISSUED & SUBSCRIBED CAPITAL	40,00,000/-
PAID-UP CAPITAL	34,00,000/-
RESERVE FUND	6,25,000/-
GOVT. SECURITIES	2,48,00,000/-
DEPOSITS	6,75,00,000/-

(AS ON 31ST. DECEMBER, 1944).

BOMBAY BRANCH OPENED ON 25TH JANUARY, 1945. ...

K. N. DALAL,
Managing Director.

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT
(Rs. in lakhs)

	2-3-45	23-2-45	3-3-44	1-9-39	2-3-45 compared with 1-9-39
Notes held in the Banking Dept. ..	10.26	7.71	10.38	35.04	- 24.78
In circulation ..	1068.52	1059.34	873.94	182.13	+926.39
Total Notes ..	1078.78	1067.05	884.33	217.18	+861.60
A. Gold Coin and bullion ..	44.41	44.41	44.41	44.41	Nil
Sterling Securities ..	961.33	954.33	768.84	59.50	+901.83
Total of A ..	1005.74	998.74	813.25	103.92	+901.82
B. Rupee Coin ..	15.20	10.47	12.74	75.87	- 60.67
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to Liabilities ..	93.230	93.598	91.963	63.149	+30.089

IMPERIAL BANK
(Rs. in lakhs)

	2-3-45	23-2-45	3-3-44	1-9-39	2-3-45 compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other Accounts ..	232.93	232.83	213.17	87.26	+145.67
Govt. Securities ..	128.15	135.40	143.80	51.03	+ 77.12
Other Investments ..	4.12	4.12	2.82	96	+ 3.16
Loans ..	22.38	21.66	14.36	7.66	+ 14.72
Cash Credit Overdrafts ..	44.87	44.95	32.87	19.76	+ 25.11
Bills discounted ..	4.32	4.49	4.81	2.95	+ 1.37
Cash in hand, with R.B.I. and other Banks ..	38.84	31.78	24.17	14.69	+ 24.15

BANK OF ENGLAND
(£ '000)

	7-3-45	28-2-45	8-3-44	30-8-39	7-3-45 compared with 30-8-39
Total Bullion ..	1,766	1,905	924	263,700	-261,934
Public Deposits ..	6,300	18,100	8,500	31,100	- 24,800
Other Deposits ..	261,500	268,300	221,100	129,100	+132,400
Of which Bankers' Deposits ..	204,100	207,800	162,200	90,100	+114,000
Govt. Securities ..	232,000	238,000	161,500	113,100	+118,900
Other Securities ..	14,800	23,100	16,500	31,000	+ 16,200
Of which Discounts and Advances ..	7,800	8,500	9,200	6,400	+ 1,400
Notes and Coins ..	31,200	34,800	60,300	34,200	- 3,000
Notes in circulation ..	1,220,600	1,217,100	1,090,600	529,500	+691,100
% of Reserve to Liabilities ..	11.68	12.13	26.27	21.38	- 9.70

TREASURY BILLS SALES
(3 Months' Tenure)
(Rs. in lakhs)

Date of issue	Amount ended	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
December 15, 1944 ..	10.15	6.00	0 8 0	..	3.95
" 22, " ..	10.30	6.00	0 8 3	..	2.88
" 29, " ..	8.58	2.53	0 8 10	..	1.95
January 3, 1945 ..	2.31	1.41	0 8 8	..	4.72
" 9, " ..	1.39	1.24	0 9 0	..	2.94
" 16, " ..	3.28	1.58	0 9 0	..	3.54
" 23, " ..	5.55	4.71	0 9 0	..	2.86
" 30, " ..	4.01	3.87	0 9 0	..	2.87
February 6, " ..	7.19	2.00	0 9 0	..	2.13
" 13, " ..	14.25	2.00	0 7 9	..	2.76
" 20, " ..	12.95	2.00	0 6 3	..	3.60
" 28, " ..	9.16	2.00	0 5 0	..	4.76
March 6, " ..	10.89	4.00	0 5 3	..	..

CLEARING HOUSE RETURNS
(Rs. in lakhs)

	1943-44	1944-45	Jan. 1945	Feb. 1945	March 2 1945	March 9 1945
Bombay ..	20,42.31	18,37.52	2,35.28	1,87.95	..	41.56
Calcutta ..	17,40.12	19,46.27	2,20.66	1,06.16	..	..
Cawnpore ..	1,02.41	92.95	11.10	8.04	1.53	2.19
Delhi ..	1,02.41	1,04.27	13.68	13.28	..	..
Karachi ..	1,02.84	1,01.75	12.36	..	2.49	..
Lahore ..	78.82	80.36	10.40	..	1.70	1.92
Madras ..	2,00.02	86.49	22.34	19.28	5.38	..

NON-SCHEDULED BANKS
(Rs. in lakhs)

Date	Liabilities	Cash	Per cent. of Cash
31-12-1943 (530) ..	17.52	17.27	34.79
29-1-1944 (526) ..	17.18	18.51	35.67
25-2-1944 (543) ..	18.08	19.50	37.58
31-3-1944 (508) ..	18.88	20.49	39.37
28-4-1944 (558) ..	19.30	22.53	41.84
26-5-1944 (549) ..	19.65	21.06	40.74

Number of banks submitting their returns are stated within brackets.

BANKING DEPARTMENT
(Rs. in lakhs)

	2-3-45	23-2-45	3-3-44	1-9-39	2-3-45 compared with 1-9-39
Cash ..	10.48	7.99	10.61	35.15	- 24.67
Balances held abroad ..	366.67	368.96	151.42	10.03	+356.64
Investments ..	21.02	22.10	8.50	6.81	+ 14.21
Bills discounted— (a) Internal and External ..	..	..	..	..	..
(b) Treasury Bills ..	3.03	4.67	1.55	1.16	+ 1.87
Loans and Advances to Government ..	..	..	23	31	- 31
Deposits— (a) All Govts. ..	262.61	283.02	78.55	14.89	+247.72
Of which G. of I. ..	245.80	259.70	45.60	14.89	+230.91
(b) Banks ..	91.21	75.28	62.80	26.91	+ 64.30
(c) Others ..	19.74	21.58	10.06	1.24	+ 18.50

* Including Cash and Short-term securities.

SCHEDULED BANKS
(Rs. in lakhs)

	2-3-45	23-2-45	3-3-44	1-9-39	2-3-45 compared with 1-9-39
Demand Liabilities in India ..	612.35	612.35	521.51	134.36	+477.98
Time Liabilities in India ..	218.28	218.39	167.97	102.24	+116.04
Cash in India ..	29.64	28.95	24.10	6.70	+ 22.94
Balances with Reserve Bank ..	89.57	74.07	61.12	25.17	+ 64.40
Advances in India ..	270.55	269.56	194.58	101.52	+169.03
Bills discounted in India ..	14.17	13.77	9.15	3.57	+ 10.60

U.S. FEDERAL RESERVE BOARD
(Million dollars)

	8-3-45	1-3-45	9-3-44	31-8-39	8-3-45 compared with 31-8-39
Resources— Total Reserves ..	18,542	18,610	19,883	14,661	+ 3,881
Total Bills Discounted ..	305	321	52	6	+ 299
Bills bought in open market ..	..	..	..	(550,000)	—(550,000)
Total U.S. Govt. Securities ..	19,350	19,439	12,029	2,426	+ 16,924
Liabilities: F.R. Notes in actual circulation ..	22,264	22,162	17,443	4,609	+ 17,655
Reserve Account ..	14,208	14,228	12,383	10,951	+ 3,257
Total Reserve to Deposit and F.R. Liabilities ..	48.4%	48.4%	62.0%	86.9%	- 38.5%

Figures in brackets are the actual ones.

TREASURY BILLS MATURITIES
(3 Months' Tenure)
(Rs. in lakhs)

Date of maturity	Amount	Date of maturity	Amount
March 15, " ..	6.00	30, " ..	3.87
" 22, " ..	6.00	May 6, " ..	2.00
" 29, " ..	2.53	13, " ..	2.00
April 3, " ..	1.41	20, " ..	2.00
" 9, " ..	1.24	28, " ..	2.00
April 23, 1945 ..	4.71	June 4, " ..	4.00
" 16, " ..	1.58	..	..

* Approximate date.

STERLING PURCHASES BY RESERVE BANK OF INDIA

	1943-44	Apr.-Jan. 1945	Jan. 1945	Dec. 1944	Jan. 1945	Dec. 1944
Amount (£ in '000) ..	105,310	82,987	4,447	9,731	11,130	9,578

Average rate of purchases remained 0-1-6 all the time.

EXCHANGE RATES (T.T.)

	March 16, 1945	March 9, 1945
Bombay on London (s.) ..	1-5 31/32	1-5 31/32
Bombay on New York (Rs.) ..	332 3/4	332 3/4
London on Bombay (s.) ..	1-6	1-6
London on New York (\$) ..	4.02 1/4—4.03 1/2	4.02 1/4—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. 1939	3 1/4%	3%
London ..	26th Oct. 1939	3%	2%
U.S.A.—New York ..	29th Oct. 1942	1%	1 1/2%
Fed. Res. ..	27th Oct. 1942	1 1/2%	1%

CASH POSITION
(Rs. in lakhs)

	2-3-45	23-2-45	3-3-44	1-9-39	2-3-45 compared with 1-9-39
Reserve Bank of India ..	10.48	7.99	10.61	35.15	- 24.67
Scheduled Banks ..	119.21	103.04	85.22	31.87	+ 87.34

B—General

LEAGUE OF NATIONS STATISTICS—BANKING*

Country	Units	Notes in Circulation† (In millions)	Commercial Bank Deposits† (In millions)
Union of South Africa ..	(S.A.f.)	1939 (xii) 20.9 1943 (xii) 51.0 Latest figures 52.1 (1944—viii)	1939 (xii) 101.0 1943 (xii) 235.9 Latest figures 241.7 (1944—v)
Egypt ..	(E.f.)	28.4 95.6 111.0 (1944—viii)	..
Canada ..	(C.f.)	233 874 983 (1944—ix)	2,774 4,395 4,667 (1944—viii)
U.S.A. ..	(\$)	4,912 16,737 19,527 (1944—viii)	23,842 40,050 42,171 (1944—viii)
Argentina ..	(Peso)	1,191 1,886 2,039 (1944—vii)	3,913 5,957 6,586 (1944—vii)
Chile ..	(Peso Pap.)	950 2,268 2,302 (1944—vii)	2,049 3,349 3,977 (1944—viii)
Mexico ..	(Peso)	373 1,171 1,212 (1944—vii)	251 1,414 1,603 (1944—v)
China—Manchuria ..	(Yuan M.)	624 3,011 3,154 (1944—iv)	..
India (excluding Burma) ..	(Rupee)	2,245 8,408 9,413 (1944—ix)	S.B. 2,401 6,581 7,474 (1944—vi)
Japan ..	(Yen)	3,818 9,667 12,600 (1944—vii)	19,794 43,132 47,871 (1944—iv)
Germany (Reich Bank) ..	(Reich M.)	11,798 33,683 38,579 (1944—vii)	8,501 19,613 19,613 (1943—xii)
Spain ..	(Piseta)	..	18,618
France ..	(Franc)	151,322 500,385 576,909 (1944—vi)	42,433 107,043 109,11 (1944—iii)
Ireland ..	(£)	18.0 34.1 33.1 (1944—vi)	42.7 68.3 70.5 (1944—vi)
Italy ..	(Lire)	24,432	..
Roumania ..	(Leu)	48,800 160,016 211,840 (1944—vi)	15,340 42,567 44,283 (1944—ii)
U.K. ..	(£)	554.6 1,038.7 1,154.6 (1944—ix)	2,441 4,031 4,161 (1944—viii)
Turkey ..	(T. f.)	281 802 901 (1944—vii)	261.9 491.1 432.7 (1944—i)
Australia ..	(A. f.)	57.3 163.8 196.5 (1944—viii)	335.0 497.1 535.1 (1944—viii)
New Zealand ..	(N. Z. £)	19.3 37.7 38.0 (1944—viii)	72.6 113.3 122.2 (1944—viii)

* Monthly Bulletin of Statistics, League of Nations, October, 1944.

† Bank Notes only.

‡ Including Sight, Savings, Time and others.

RURAL RETAIL PRICE INDEX NUMBERS—OCTOBER TO DECEMBER 1944.*
(Base: January 1943=100)

Name of Centre	Cereals			Pulses			Other articles of food			All articles of food			Fuel and Lighting			Clothing			Miscellaneous		
	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
1. Bamra ..	121	112	117	216	199	173	155	164	164	154	161	158	154	146	154	128	122	111	201	205	203
2. Malbanga ..	157	132	130	151	147	143	171	177	193	167	169	180	97	97	97	132	133	133	289	296	284
3. Rajapur ..	123	92	134	182	151	151	273	286	297	244	245	258	146	128	128	120	120	120	368	395	400
4. Shankargarh ..	148	147	122	157	155	151	125	131	131	139	142	132	87	87	87	89	90	84	182	182	165
5. Sonali ..	177	170	153	131	133	134	182	187	183	173	175	170	73	76	76	134	134	134	159	171	200
Northern Zone																					
6. Multapi ..	114	112	113	124	114	113	128	129	129	125	122	123	112	111	111	112	113	114	280	280	281
7. Nana ..	123	116	108	113	99	96	95	101	104	104	104	104	131	131	108	109	108	108	214	214	214
8. Salamatpur ..	148	143	143	99	98	97	118	129	139	119	124	130	80	80	80	..	..	..	156	163	163
9. Shujabad ..	118	105	108	160	142	131	114	128	123	123	124	120	109	110	115	..	..	..	235	233	243
10. Gujrat Khan ..	118	122	115	156	153	145	127	129	134	132	134	134	164	166	174	100	99	99	171	171	171
Southern Zone																					
11. Krishna ..	130	130	130	91	90	88	104	109	110	107	110	110	92	92	94	80	76	74	124	124	124
12. Lakh ..	112	112	112	90	91	85	107	106	106	104	104	102	121	121	121	115	..	..	141	138	136
13. Malur ..	140	140	140	130	125	123	145	143	142	141	139	137	88	88	88	113	113	113	229	248	261
14. Maniguda ..	183	183	183	148	148	148	128	130	136	144	145	148	85	85	85	92	92	92	153	131	131
15. Kudchi ..	..	..	..	100	100	100	127	134	131	120	125	123	108	108	108	..	..	..	394	394	399

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

This week's figures from Weekly
 * Market Report issued by Agricultural Marketing Adviser, G. of I., dated March 11, 1945.
 † "Indian Trade Journal," dated March 8, 1945.
 ‡ The "Times of India," dated March 13, 1945.

FOOD INDEX (WHOLESALE PRICES)†
(Base: Last week of August 1939=100)

Note:—(1) Balance stock of 1942-43 and 1943-44 season's sugar as at close of 28-2-45 was 25,830 tons.
(2) Production returns have not been received from 6 factories.

* An excess despatch of 89 tons which was shown in the previous statements has been adjusted in the present one.

INDIAN STOCKS AND SHARES

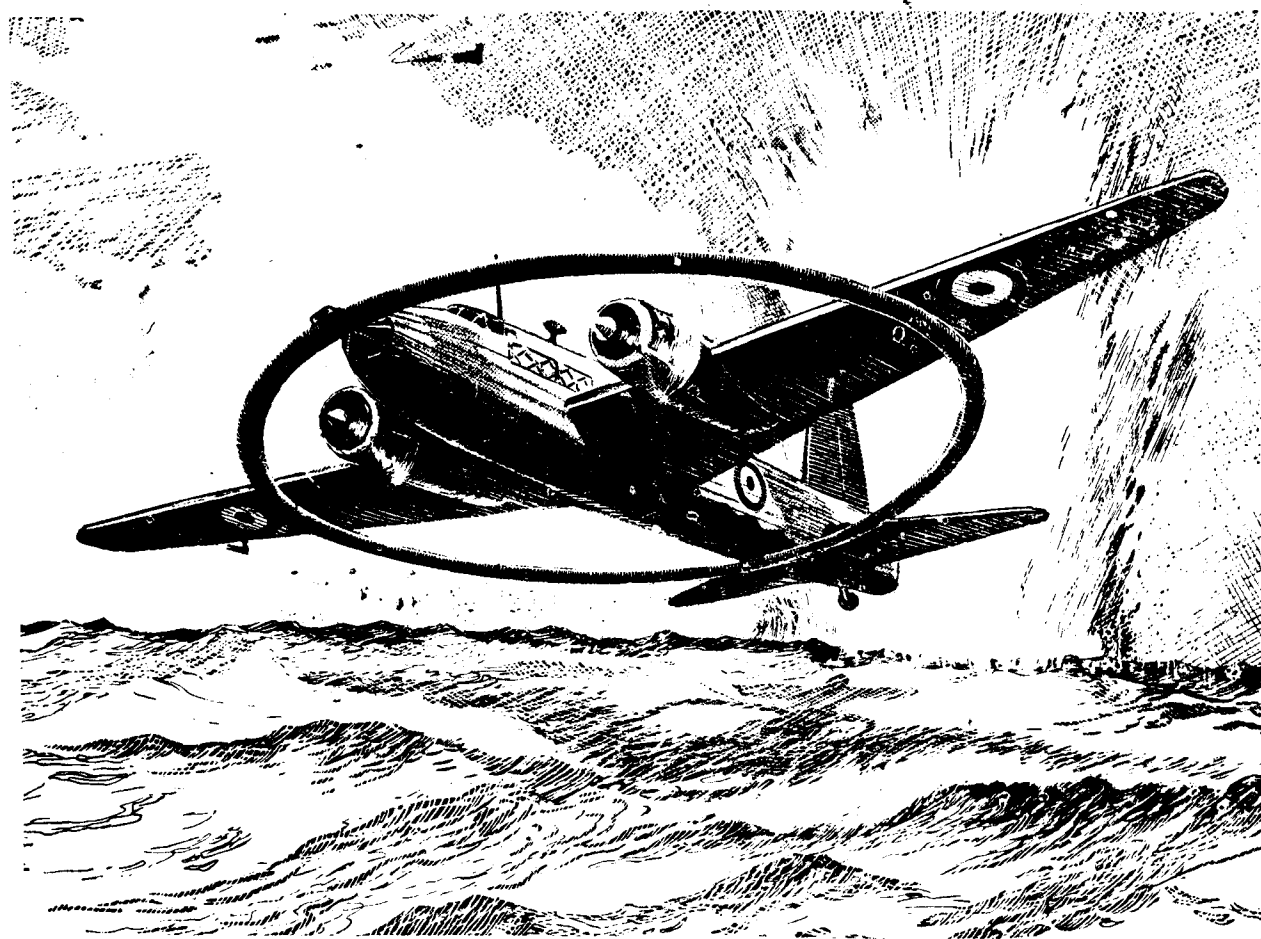
	13-3-45	6-3-45		13-3-45	6-3-45		13-3-45	6-3-45
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
GOVT. SECURITIES:			TATA SHARES: Bombay			Hind. Com. (50)	54 0 0	54 8 0
Bombay			Chemical (10) ..	20 4 0	21 4 0	Pun. Na. P.P. (100)	243 0 0	..
23½% (1948-52) ..	99 9 0	99 9 0	Oil (25) ..	63 0 0	70 0 0	Pun. Na. P.P. (43)	..	..
3½ (1945) ..	102 5 0	102 6 0	Power (1,000) ..	1,877 8 0	1,830 0 0	Bharat Bank P.P.	103 4 0	..
3½ (1952-54) ..	100 10 0	100 10 0	Hydro (100) ..	203 0 0	205 0 0	New Bank A ..	22 14 0	..
3½ (1960-68) ..	98 2 0	93 2 0	Steel Def. (100) ..	2,050 0 0	2,145 0 0	New Bank B ..	19 8 0	..
3½% G.P. Notes ..	99 11 0	99 9 0	Steel O dy. (75) ..	384 0 0	392 0 0	Na. Bank of La. A	12 1 0	..
4½ (1930-70) ..	112 10 0	112 10 0	Steel Prof. I (150) ..	224 4 0	225 13 0	Na. Bank of La. B	7 0 0	..
4½% (1935-35) ..	117 0 0	117 0 0	Steel Prof. II (100) ..	160 4 0	163 4 0	Oriental ..	4 6 6	..
5½ (1945-50) ..	102 12 0	102 12 0	STEEL ENG.: Calcutta			MISC.: Bombay		
Calcutta			Erathwhite (70) ..	..	12 15 0	Ajmer (10) ..	14 15 0	15 0 0
3½ Loan (1949-52) ..	101 6 0	..	National Iron (10) ..	..	12 15 0	Bom. Sub. (100) ..	212 8 0	212 8 0
3½ Loan (1953-55) ..	100 6 0	..	Steel Cor. Ord. (10) ..	32 14 0	34 4 0	Bcock (100) ..	430 0 0	450 0 0
3½% G.P. Notes ..	99 14 0	99 10 0	Steel Cor. Prof. (100) ..	..	..	B.I.C. ..	6 10 0	7 0 0
3½ Vic. (1957) ..	100 0 0	99 11 0	Jasop O dy. (10) ..	22 9 0	22 10 0	Belapur Sugar (50) ..	220 0 0	209 0 0
4½% (1935-60) ..	..	..	Kuma dhubi (10) ..	11 13 0	11 15 0	Bom. Eurmah (125) ..	535 0 0	535 0 0
5½ Loan (1945-55) ..	..	..	Enthra Ples. ..	22 4 0	..	Bom. Bur. New (50) ..	198 12 0	205 0 0
TEXTILES: Bombay			Br. I. Eec. Cons. ..	10 1 0	..	Bom. Steam (250) ..	557 8 0	572 8 0
Ahmedabad (100) ..	425 0 0	425 0 0	Indian Iron ..	39 10 0	..	Bombay Tram ..	147 0 0	149 8 0
Bom. Dying (250) ..	1,862 8 0	1,847 8 0	COAL: Calcutta			Bombay Petrol ..	5 3 0	5 6 3
Central India (100) ..	375 0 0	384 8 0	Amalgamated (10) ..	53 12 0	54 12 0	Scindia Steam ..	33 14 0	34 1 0
Century (100) ..	920 0 0	905 0 0	Bengal (100) ..	698 0 0	717 0 0	Shivrajpur (40) ..	53 4 0	56 8 0
Colaba (100) ..	218 0 0	220 0 0	S. Karanpura (10) ..	30 8 0	31 2 0	Andhra Val (1,000) ..	1,750 0 0	1,792 8 0
Cokak (100) ..	304 0 0	298 0 0	Bhalgora (10) ..	21 2 0	20 10 0	Prem. Const. (30) ..	217 0 0	219 0 0
In. Bleaching (100) ..	172 0 0	173 0 0	Burrakur (10) ..	42 14 0	..	Indian Iron (10) ..	39 4 0	40 2 0
Koh noo: (100) ..	618 0 0	615 0 0	First India (10) ..	39 12 0	..	Indian Copper (25) ..	3 0 0	3 16 0
Phoenix (100) ..	552 8 0	562 8 0	N. Damuda (2½) ..	..	19 4 0	Burma Corpn. ..	5 8 0	5 12 0
Shalapur (1,000) ..	7,655 0 0	7,665 0 0	Standard (10) ..	..	..	Asst. Cement ..	231 8 0	231 0 0
Simplex (50) ..	262 8 0	267 8 0	Telcon (2½) ..	12 8 0	12 7 0	Calcutta		
Swadeshi (100) ..	534 0 0	537 8 0	Equitable ..	79 4 0	..	Bengal Paper (25) ..	..	..
Vishnu (50) ..	475 0 0	472 8 0	Ghusek & Muslia ..	17 1 0	..	Shree Gopal (10) ..	19 12 0	20 2 0
Finlay (100) ..	305 0 0	303 0 0	Kusdi ..	19 12 0	..	Star (10) ..	..	237 0 0
Moraji (100) ..	692 8 0	690 0 0	New Eserbhoom ..	49 12 0	..	I.P.P. (100) ..	..	..
Osan ..	331 0 0	328 0 0	Paneegunge ..	51 0 0	..	Orient (10) ..	31 8 0	..
New Great ..	393 0 0	395 0 0	Dampo Main ..	28 13 0	..	Titagbur (5) ..	28 4 0	28 10 0
Apolls ..	4 4 0	4 5 6	Indira ..	22 9 0	..	Ind. Cop. (2d.) ..	3 2 0	3 2 0
Sassoon Ord. ..	14 11 0	15 0 0	New Churulia ..	13 15 0	..	Cons. Tin ..	3 14 0	3 14 0
Sassoon Defd. ..	3 1 6	3 2 0	Parasia ..	11 4 0	..	Bur. Corpn. (2½) ..	5 11 0	5 12 0
Model ..	260 0 0	257 8 0	Satpurkulia ..	..	..	Assam-Ben. Cement	17 6 0	..
Ecddar ..	330 0 0	325 0 0	Aansol ..	11 8 0	..	Dalmia Cement	17 4 0	..
Calcutta			SUGAR: Calcutta			Aluminium Corp.	15 6 0	..
Benares (10) ..	12 6 0	12 10 0	Malind (10) ..	..	41 8 0	Rohas Industries	16 10 0	..
Dungai Nagpur (10) ..	42 4 0	43 10 0	Pararnpur (10) ..	..	..	Et. Bur. Petroleum	5 6 0	..
Cawnpore Tex. (2½) ..	13 6 0	13 15 0	Samastipur (10) ..	..	18 10 0	Medna. Zamindari	172 0 0	..
Dunbar (100) ..	..	316 0 0	Eelsund (7½) ..	15 14 0	16 5 0	Gen. Navigation	168 0 0	..
Kesoram (2½) ..	..	18 8 0	Carew (10) ..	27 14 0	27 9 0	Madras		
Elgin Mills (10) ..	65 4 0	..	Murree Brewery (5) ..	28 4 0	27 12 0	Dalmia Cement (10) ..	..	..
Muir Mills (50) ..	430 0 0	..	New Savan (10) ..	..	27 5 0	And. Cement (100) ..	106 8 0	..
New Vic. (2½) ..	7 12 0	8 2 0	Cawnpore (10) ..	..	..	Bruntons (10) ..	12 4 0	..
Basanti ..	13 4 0	..	Champaran (10) ..	..	39 6 0	My. Che. Fert. (10) ..	24 12 0	26 8 0
Madras			Dyer, Meekin (5) ..	..	..	Ind. Steel Roll (10) ..	95 12 0	..
D. & C. Ord. (100) ..	330 0 0	..	Ramnuggar Cane ..	15 7 0	..	Mysoe Paper (10) ..	23 14 0	24 6 0
Bang. Wool (100) ..	475 0 0	..	Lahore			Met. Che. Ord. (10) ..	..	..
Pankaja (100) ..	275 0 0	..	Pun. Sugar (100) ..	..	..	Hind. Trust (25) ..	23 8 0	..
Cambodia (100) ..	28 14 0	30 8 0	Gokulnagar Ord. ..	45 0 0	..	Spencey Ord. ..	13 12 0	13 14 0
Colim. Spng. (50) ..	151 0 0	..	Jagjit ..	275 0 0	269 0 0	Met. Che. Def. (13) ..	..	..
Sataram Spng. (100) ..	194 0 0	..	Mur ee Brew. (5) ..	..	..	Lahore		
Vasantha (100) ..	307 8 0	305 0 0	Jaawant ..	10 13 0	10 15 0	Indian Iron (10) ..	39 7 0	40 9 0
Madura (15) ..	74 0 0	..	Madras			Dharangadura ..	480 0 0	485 0 0
Lakshmi (50) ..	151 8 0	..	Mysore (10) ..	61 8 0	..	Rampur Dist. ..	23 0 0	24 12 0
Charda (100) ..	..	..	Deccan 1 ..	39 0 0	..	National Saltpetre	..	..
Lahore			Deccan 2 ..	..	..	North India Oil ..	..	..
Ajudhia ..	..	8 6 0	Travan. Sugar (7) ..	..	9 15 0	Star (10) ..	..	..
Cawnpore Tex. (2½) ..	..	..	South India (10) ..	16 8 0	..	Shree Gopal (10) ..	..	..
New Vic. Ord. (2½) ..	7 8 0	7 1 6	PLANTINGS: Madras			Kaycee Glass ..	110 0 0	..
New Vic. Prof. ..	9 3 0	..	Cochin Malabar (3) ..	16 12 0	16 12 0	Kaycee Industries	91 8 0	..
Raza Textiles (10) ..	..	79 4 0	Chembra Peaks (2) ..	9 15 0	10 5 0	Jagjit Distillery	3 8 0	..
JUTE: Calcutta			Woodlands (13) ..	2 0 0	..	Delhi		
Allanco (100) ..	616 0 0	..	Thurmbsdi (1) ..	4 3 0	4 5 8	Rampur Malze ..	45 8 0	47 0 0
Anglo-India (100) ..	..	476 0 0	Travan. Rubbers ..	..	22 8 0	Empur. Dlt. ..	22 14 0	24 6 0
Bira (10) ..	..	..	TFA: Calcutta			Un. Com. Bank (50) ..	69 8 0	70 0 0
Barnagore (£5) ..	226 0 0	231 0 0	Eishnauth 10) ..	..	45 4 0	Dharangadur x.d. ..	483 0 0	485 0 0
Champdany (100) ..	258 0 0	269 0 0	Gen. Cachar (100) ..	..	124 0 0	Bharat Bank O.d. ..	102 0 0	101 0 0
Ganges (300) ..	..	559 0 0	Tezpore (10) ..	21 12 0	21 10 0	Gwallior Ewery ..	25 0 0	23 12 0
India (375) ..	708 0 0	715 0 0	Eastern Cachar ..	11 15 0	..	Raza Textiles (10) ..	80 6 0	80 4 0
Bally ..	385 0 0	..	Loobah ..	18 5 0	..	Cawnpore Tex. (2½) ..	13 8 0	13 8 0
Budro-Budge ..	485 0 0	..	Pathemara ..	15 6 0	..	H.N. Com. Bank (50) ..	53 12 0	55 0 0
Cherist ..	314 0 0	..	Teoljan ..	14 5 0	..	Delhi Flour ..	17 12 0	..
Chitavalsah ..	33 4 0	..	BANKS & INS.: Bombay			Am. It. Banispati ..	..	..
Howah (10) ..	86 6 0	87 10 0	Central (25) ..	82 0 0	82 0 0	Am. It. Ord. ..	17 0 0	..
Kamarhatty (100) ..	686 8 0	693 8 0	Imperial P.P. (500) ..	1,995 0 0	1,993 12 0	Amrit. Defd. ..	7 6 0	..
Kankanarah ..	577 0 0	..	Imperial P.P. (125) ..	495 0 0	495 10 0	Amrit. Fref. ..	13 4 0	..
National ..	33 10 0	..	Esseve (100) ..	134 8 0	133 8 0	Dehi Cloth Mills	126 0 0	..
Olent ..	271 0 0	..	India ..	190 8 0	..	Euland Sugar ..	41 4 0	..
Presdency (50) ..	12 12 0	12 4 0	New Ind. Ins. (15) ..	80 0 0	80 12 0	Raza Sugar ..	41 8 0	..
Muddia (50) ..	128 8 0	131 0 0	Lahore			Central Dist. ..	14 0 0	..
Standard (100) ..	..	..	United Com. (50) ..	89 8 0	69 12 0			
Madras quotations are for 14-3-45.								

GOLD AND SILVER PRICES†

STOCKS OF GOLD AND SILVER AT BOMBAY*				GOLD AND SILVER			
		Tolas	SILVER	GOLD			SILVER
			Bars (100 tolas)	(Rs. per Spot)	(Rs. per fine tolas)	Sovereign	(Rs. per 100 fine tolas)
		GOLD		March 6.	Spot	Forward	Spot
							Forward
1941-42	1,90,144	5,481	March 7.	74 15 0	74 10 0	51 0 0	131 4 0
1940-41	1,71,635	6,471	" 8.	74 8 0	74 3 0	51 0 0	129 4 0
1942-43	83,558	4,313	" 9.	74 1 0	73 13 0	50 8 0	128 10 0
1943-44	1,38,413	1,100	" 10.	72 7 0	72 5 0	..	126 11 0
December 1944	2,10,000	960	" 11.	72 5 0	72 4 0	..	125 8 0
January 1945	2,87,500	2,050	" 12.	..	..	..	..
			" 13.	72 10 0	72 9 0	49 12 0	123 2 0
			" 13.	72 1 0	72 1 0	49 12 0	125 8 0

LONDON—		
March 13, 1945 (per st. oz.)	£2-8-0	23½d. (Ready)
NEW YORK		
March 13, 1945 (per oz.)	44¾cents	44¾ cents

* Average of week-end stocks.



Built to Vickers-Armstrongs geodetic methods, the Wellington long-range general-purpose bomber has done yeoman service with Bomber and Coastal Commands. It has appeared in different Marks, equipped respectively with Bristol Pegasus and Hercules engines and with Rolls-Royce Merlins. A transport development of the Wellington is the Warwick

BOMBERS SAVED THE SHIPS

Late in 1939 the German magnetic mine threatened the existence of the Allied shipping fleets.

Desperate necessity evoked a scientific and engineering *tour-de-force* unparalleled in the history of war. A magnetic mine was recovered intact from the sea. To quote the official Air Ministry account: "Its secrets were laid bare by the courage and skill of a naval officer, and experiments were at once made to determine whether this type of mine, which blew up when it came into contact with the magnetic field of a passing ship, could be exploded from the air by an aircraft capable of setting up a similar field."

In seven days British technicians found

the answer. Many twin-engined bombers were speedily equipped with a hoop-shaped casing some fifty feet in diameter attached at points in the wings, nose, and tail. Within the casing was a magnetic coil, to which current was supplied by an auxiliary engine mounted in the aeroplane. These aerial mine-sweepers saved Allied shipping from destruction. For vital months while the ships were being fitted with degaussing gear they assured safe passage along the seaways.

Such unrivalled adaptability and engineering genius may indeed be trusted to meet the most exigent technical demands of air transport and private flying in the Air Age of Tomorrow.

THE BRITISH AIRCRAFT INDUSTRY

ANNOUNCEMENT BY THE SOCIETY OF BRITISH AIRCRAFT CONSTRUCTORS - LONDON - ENGLAND

THE EASTERN ECONOMIST

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ONE RUPEE.

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The Rupee Ratio

CONTRADICTING the rumours which arose out of Sir C. Deshmukh's speech in October last, the Finance Member categorically denied at the time that there was under contemplation any proposal to alter the exchange ratio. Speaking in the Assembly last week, he again stated that the Government have not, at any time since the war, considered any proposal of the kind. Significantly he added: "The functions of the Reserve Bank, however, as far as the ratio was concerned, were purely advisory. The ratio was fixed by the Central Legislature in the Reserve Bank of India Act and it was that body alone which could alter it. The initiative must, of course, be taken by the Government itself."

While these assurances are welcome in so far as they definitely rule out an appreciation of the rupee, against which all arguments are conclusive, they are, however, unsatisfactory in suggesting that all is well with the present ratio and that further consideration of the question is not urgent. From the point of view of strict law, the Reserve Bank's functions as regards the ratio are, no doubt, advisory, as indeed are all its suggestions as to monetary policy, and the responsibility for the over-all policy in the final analysis is that of the Government,

But it does not certainly justify the Government's stand that the initiative in the matter of the ratio must come from the Government only.

The relationship between the Government and the Reserve Bank is delicate, elastic and difficult to define, but there can be no diminution of the responsibility of the Reserve Bank as the custodian of the country's economic stability to examine the question on the technical level on its own initiative and make recommendations. It need not, in fact should not, wait for a directive from Government to study any particular aspect of policy or always play second fiddle to Government. The Government can have no basis for action without the expert advice of the Reserve Bank, least of all on such a question as the ratio which is pre-eminently within the scope of the Reserve Bank's functions. We would call attention to Section 55 (2) of the Reserve Bank Act which imposes a statutory obligation on the Reserve Bank to make recommendations regarding the basis of the monetary system and standard. No quibbling can exclude from its scope an examination of the ratio. The Reserve Bank must clearly do its job. The initiative in such a vital issue cannot be left with a supine Government which, with the aid of a legislature which had been boycotted by

the popular parties, laid down the 18d. rate on the statute of the Reserve Bank in 1934 and never felt called upon to reopen the question at any time subsequently, despite glaring economic facts which proved the rate to be untenable.

The urgency of the Reserve Bank immediately embarking on an inquiry on the technical level cannot be overstated. The end of the war might come upon the economy at any time and all of a sudden, and with it might set in a phase of depression which must be combated in a number of ways, as set out in another article. Whatever be those measures, and whatever considerations might govern the determination of the *de jure* rate of stabilization, all indications point to the desirability of some dose of devaluation of the rupee after the war. Those in Washington who have given thought to the question of exchange rates after the war in relation to the initial parities under the Bretton Woods scheme are convinced that India will have every justification for some measure of devaluation if her competitive strength in primary and finished commodities is to be maintained. We refer to American opinion because India's devaluation will not be against international opinion or interest and also because the argument of "competitive currency depreciation" has been pressed into service by Government in this country whenever devaluation was most urgently called for.

While the general case for devaluation is thus obvious, the exact measure of devaluation and the precise timing of it will inevitably have to depend on circumstances, domestic and international, as they develop after the war. Taking relative prices and costs only, we find that prices in India have risen much more than in the U.K., the U.S.A., Canada and the other more advanced countries, and much less than in the backward Middle Eastern countries or inflation-ridden China. But whereas in the leader countries the prospect after the war is a rise in prices because of the pressure of the vast amount of pent-up purchasing

power created during the war, the danger in India is a decline. The right balance can be reached not by seeking to maintain the present high levels or allowing them to collapse, but partly by letting our prices fall, partly by expecting external prices to rise, partly by operating import and export controls appropriately and partly by bridging the gap by devaluing the rupee. This conclusion is reinforced by the needs of the expansionist economy we visualize after the war. A high level of domestic incomes and prices might need to be protected against an adverse balance by an adjustment of the rate of exchange. The precise measure will inevitably also depend upon the prevailing dollar-sterling relationships which cannot be visualized now.

What is immediately important is that the Reserve Bank and the Government should give thought to this problem and be ready to act when the time comes. They must be watching the price and income trends of India relatively to the rest of the world, visualize at what rate public expenditure and prices in India might decline and be compensated by external stimulus, increased domestic expenditure from the private sector and by Government's own public works, know at what stage in the transition devaluation will be most efficacious both for our prices and exports without injuring capital imports and adopt the measure. For instance, when immediately after the war some delay takes place in the import of capital goods, and domestic prices also tend to fall, devaluation may then prove timely by helping up home prices without rendering capital imports costlier. The efficacy of the measure will depend not only on proper watching and timing, but also on the suddenness with which it is effected. No advance announcement should be made, but execution action should give instantaneous effect. Action of this kind in the monetary sphere is not the least among the needs of our economy in the transitional phase, and the Government and the Reserve Bank must get ready for it.

Planning and Industrial Location

ONE of the fundamental principles of post-war planning, on which emphasis has been rightly laid by the public and reinforced by Sir Ardeshir Dalal, is that of decentralization and regionalism in industrial development. The dangers of excessive concentration are now widely recognized; considerations of strategy, social costs as opposed to private costs which do not take account of the full costs of production, the policy of full employment of resources and labour have all forcefully brought out the need for a wider distribution of industry than had been the case before the war. The lack of diversification of industry in a centre has accentuated the evil effects of a depression, while it has been found that attempts to draw off labour to other centres are just useless because the capacity of the latter to absorb additional labour in times of universal depression is *nil*. Apart from the above, the wisdom of seeking to improve the mobility of labour and constantly to get it moved from one region to another is questioned and it has been asked whether it is not more desirable for some conscious attempts to be made with a view to bringing industry to certain regions and restricting the growth of too large aggregations of the people. All these considerations have invested the problem of industrial location with more than ordinary interest everywhere.

To these vital factors the case of India has added another. India is a vast continent, comprising many regions, and it is useless to think of economic develop-

ment in terms of generalities. Unless economic development is widespread and embraces within its scope the entire country and not confined to a few special centres or regions, prosperity will not merely not be shared by the entire community but the inequalities of income and opportunities would be aggravated. Hence, regional distribution of industry is a necessary condition of successful planning. Yet, while lip-service is paid to the principle, it has been violated in observance. The war has only deepened and accentuated the forces of concentration instead of reducing them. The old big industrial cities have grown into sprawling, unhealthy and congested cities, and regional concentration of industry in the provinces of Bengal, Bombay, Punjab and United Provinces has been going on unchecked. Urbanization of the worst type has been going on with the result that cities like Calcutta, Bombay, Ahmedabad, Cawnpore, Lahore and others, already overcrowded, have grown into enormous sizes. The figures collected by the rationing authorities show that within a period of three years the people living in cities with more than a million inhabitants have increased by over 88 per cent. In other countries, too, a similar tendency has exhibited itself. But there is one essential difference. While in other countries new industries have grown up and increased the urban population both in new and old centres, in India all the urban development has been due to the growth and expansion of old industries. The cotton, leather, boot and shoe industry, cement and

ther larger industries as well as the smaller industries like those making paints and varnishes, clothing, body-building of vehicles, etc., have increased their output by working double and treble shifts in the same centres where the work was going on. If one surveyed the position regionally the same deplorable tendency is noticeable. Nearly 80 per cent. of the increase in employment since the war broke out is distributed in the provinces of Bombay, Bengal, U.P., the Punjab and Delhi where already large industrial development had taken place. The provinces with a more rural character have lost places relatively.

Thus the war, far from redressing inequality, has only increased it. The answer given to it that during the war everything should be subordinated to increased production and, therefore, consideration of location has had to be ignored is the severest condemnation of the Government's war effort. The analysis clearly shows that there has been no attempt to establish new industries; had they been established, they would have contributed towards strengthening the war potential and at the same time brought about a more even distribution of the industry.

What next? Public control of location is now well-nigh recognized to be a legitimate function of the Government, even in countries where there is no strong bias in favour of extension of the functions of the State. The argument that industrial location should necessarily be a responsibility of the private *entrepreneur* is not valid even on its own economic and technical level, for in several cases location has been fortuitous and largely accidental. Where the locational forces are dominant and compelling in the sense that the industry should be necessarily located in a particular region or regions, it will not make any essential difference if the public or private authority determines the location. But, fortunately, over a wide range of industries, particularly of what may be termed light industries, location is a matter of choice where social considerations may be effectively brought to bear. The case for regulating location in such circumstances is indeed very strong.

Negative control whereby the location of particular industrial units is debarred in a region on account of the fact that the locality is already overgrown and congested will be readily granted to the State. More positively, it will also be open to the Government for social reasons to spend money in developing certain regions with a view to increasing their attractive and magnetic power of drawing industry to themselves. These regions, which previously had been ill-developed and poor ones, might deserve to be expanded and developed. But the crux of location control by the State lies in the wide area

between the above two forms. Should the Government have the power not only to say that no permit will be granted for an industry in an already overgrown city but also to say that permission will be granted only if it is located in such and such a centre? The difficulty of public control in such cases would arise on account of several causes. The determination of the proper criteria of location (except where the State is itself initiating an industry and, therefore, behaves like a private *entrepreneur*) is no simple task. Location is not a static problem. A plant suitably located today may find itself shortly in a very different situation if the conditions change rapidly, as they often do. In the event of loss, who is to bear it, where the location has been forced on the private industrialist? Again, where the State owns and controls an enterprise, it may be unwilling to grant a permit to a private enterprise for fear of its own business being supplanted or again it would itself be unwilling to think of new locations for fear of losing on the existing plants in a certain region. These considerations point not to an abandonment of public control of industrial location but to caution and the enunciation of some sound principles that should guide the planning authority in granting or withholding a licence. In his report on the *Location of Industry in India* (by the way, has not the time come to give up this practice of adding "in India," "for India," etc., as if the people of India are foreigners in their own country?), the Economic Adviser has expressed himself rather emphatically against the State's right to determine location. Says he: "In a country like India it will be extremely dangerous for the State to arrogate to itself the right to determine the location of individual undertakings. The successful conduct of industry from the business point of view is of primary importance if India is to achieve the desired industrial progress." This is frankly to abandon all right to control; for there are various methods of "determining" the location. Yet the manner in which, apparently on the advice of the Economic Adviser, the present irresponsible Government is hindering even legitimate development by refusing to grant licences and arrogating to itself the right to control location, in the name of anti-inflation, is too tragic for words. You can determine location by refusing licence except when it is sought to be located where you determine its location. Location of industry is a public responsibility. The present Government certainly is not qualified—neither is it technically competent—to control it. But with a popular and responsible Government there can be no dispute as to the right of the Government to regulate control. But the machinery of control, the principles of control, the methods of ensuring successful control are important matters to be worked out, and we reserve them for subsequent treatment.

Employment and Expenditure

THANKS to the initiative of the European Group, parties in the Legislative Assembly joined hands in passing a cut-motion stressing "the need for economy generally and for more stringent control of expenditure on civil departments in particular." Yet, beneath this apparent agreement among them lies a fundamental difference of approach, brought into sharp focus by the European member, clarification of which is essential to understand what is true economy and what is not. In the atmosphere and the context in which retrenchment and economy were advocated, the Congress and the Muslim League members were mainly indicting the wasteful expenditure, both on the civil and the military departments, incurred by the Government in the name of war. For doing this there

exist abundant grounds. The recent report of the Public Accounts Committee revealed grave irregularities in expenditure of public money. The increased economic activities of Government have encouraged corruption and waste in the handling of large sums. The war-time expansion of the administrative services also conceals a high degree of "disguised unemployment" which requires to be corrected. All this will present no serious difference of opinion. The Finance Member himself has asked the Standing Finance Committee to take a broader view of its functions and help him in the prevention of waste.

But what the member of the European Group had in mind seems to be not only retrenchment in the

above sense of avoiding waste, but a general decline in the scale of expenditure. Mr. Geoffrey Tyson warned the Government against the feeling that money did not matter and against "the state of mind" revealed by the Planning Member who said that the real bottleneck was not money, but manpower. In thus emphasizing that his group wanted a real acceptance of the idea that the "spending phase" was coming to an end, Mr. Tyson has missed the difference between retrenchment economy, which is not only harmless but necessary, and deflationist economy, which is the greatest enemy of planning and progress.

Fortunately, the Finance Member revealed his awareness of this vital difference, though he hardly stated how he was going to solve the problem. The problem, as has been stated in these columns many times before, is simply this: How to avert the slump which is certain to overtake our economy if the present scale of monetary expansion and public expenditure comes to a sudden stop with the cessation of hostilities? The magnitude of the task cannot be exaggerated. Before the war the note issue was under Rs. 200 crores; today it stands at Rs. 1,087 crores. The dominant factor in India's war economy has been the enormous scale of expenditure by the Government of India and other Allied Governments. The end of the war would mean the end of all these war demands and the withdrawal of the armies would remove yet another source of purchasing power. The Government of India's own expenditure on the war-scale will inevitably have to go down. Already the volume of contracts placed by the Supply Department has taken a downward trend. The demobilization of at least 1¼ million out of the 2 million now composing the army and the disbandment of the vastly expanded administrative services will constitute further deflationary factors. If the war expenditure declines, its cumulative effects on industrial workers and others engaged in war production and depending on Government orders, will be to bring about further unemployment. The sudden drying up of these sources of money can only have calamitous consequences for the entire economy. The price structure will simply collapse to utterly uneconomic levels. In fact, the mere approach of peace might affect business psychology and cause an anticipatory fall of prices.

These strong contractionist factors in the economy can hardly be counteracted sufficiently by domestic expansionist factors such as pent-up demand, replacement demand, etc. Quantitatively these will be too small, relatively to war-time magnitudes. From the external front, India is likely to gain expansionist stimulus, having regard to the general fear of inflation abroad and huge pent-up purchasing power. But compared, again, to the inexorable demands of war, the stimulus will be small, whereas, if account is taken of possible export offensives, foreign competition might accentuate unemployment among our industries.

The danger that threatens us is the sudden collapse of public expenditure on which are based the levels of prices, economic activity and employment. As the Finance Member pointed out, in other countries there are ways and means of readjusting the expenditure by stages, but in India public expenditure might be halved overnight. Advocates of a smaller level of expenditure are oblivious of precisely this grave danger.

The essence of the policy to overcome this danger is to devise measures in time for the maintenance of total expenditure or outlay in the economy as a whole. This can be done most effectively by increasing the volume of private (expenditure) outlay at the same rate as public outlay declines. There can be no doubt that after the war and in normal years the volume

of private outlay will be greater than public outlay, whatever the degree of economic activity which the State might contemplate to undertake on its own account. Moreover, the defence expenditure, which accounts for the bulk of the budgeted figure, is inherently incapable of being sustained in peace, whereas to finance expenditure on social services such as education, health, etc., Government will inevitably have to depend on an initial increase in the taxable capacity of the country which can come about only by the stimulation of private outlay to the highest possible levels. Thus the vital element of a policy to maintain total outlay and employment would be to administer fiscal, tax and capital issues policy in such a manner as to expand and not contract productive activity, immediately hostilities cease.

Timing is of the essence. If there were to be any serious time-lag between the decline in public outlay and its replacement by private outlay, deflation will have set in with cumulative bad effects on future private outlay. Hence the necessity of giving all the assurances and facilities, fiscal and other, even now so that private enterprise might step into the breach without delay and diffidence.

Externally, impediments might come in the way of imports of capital equipment and hold back private outlay at a dangerously critical phase of the transition. If this threat were likely to assume serious form, then it would become necessary, from an anti-slump point of view, for the State to undertake public works absorbing large quantities of labour, even though such works might not add directly to the taxable capacity and might have to wait on other grounds. These and also measures for absorbing the demobilized soldiers and workers would have to be got ready even now. While the pace of demobilization may have to be slowed down to the rate of the reabsorption of the men in other occupations, the reconversion of the industrial economy to peace production should be facilitated as rapidly as possible so that it would also help in demobilization. Thus the imperative need of the immediate post-war transition, as of any other period, is the maintenance of total outlay if employment and economic activity are not to crumble. The distribution of the outlay between the public sector and the private sector is a matter of social policy. But those who think that economy consists in ending the "spending" phase, wittingly or unwittingly, pit themselves against full employment and planning.

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The Week's Notes

EGYPT AND STERLING BALANCES

India has been having a raw deal in the matter of essential information from her own Government, and from her various news agencies. *Reuters* were wasting enormous number of words in cabling to India the passage at arms and mutual recriminations between Paul Einzig and L. Bey. But she was denied the substance of the terms of the agreement concluded between Egypt and Britain, which were of real interest to the public of India. Thanks, however, to the London *Economist* dated January 20, 1945, the main features of the agreement, which are most interesting, are now available.

"The target figure for difficult currencies to be made available to Egypt has been fixed, by mutual agreement, at a maximum of approximately £E.15 million (the Egyptian pound is approximately at par with sterling), which includes a special provision of £1.3 million for non-recurrent wheat imports owing to harvest failure; £E.2 million for North American fertilizers; if their delivery can be arranged; and a special contingency reserve of £E.1,000,000. The Egyptian Government will have the right to demand an upward revision of the target figure in a number of special cases, particularly (a) if prices in the United States should rise by more than 10 per cent. (smaller increases are to be met out of the contingency reserve of £E.1,000,000); or (b) if the prices of major items at present scheduled to come from easy currency areas should prove to be over 10 per cent. in excess of the prices ruling in difficult currency areas. A standing joint Anglo-Egyptian Committee is to be set up to examine any problems that might arise in connection with these arrangements. British experts will be made available to the Egyptian Government and the British Embassy would on request place freely at the disposal of the (Egyptian Import) Licensing Department all available information regarding supplies and such other assistance as it might have available or could procure from sources such as the British staff of the Middle East Supply Centre. Egypt's imports from countries outside the sterling area amounted to £1.25 million in 1938."

IRON AND STEEL INDUSTRY

Despite the laboured attempts by the Supply Department to prove to the world through subsidized and sponsored investigations that the war has accelerated Indian industrial development rapidly, the truth is slowly reaching the public that there has been very little progress. First, came the utterance of Dr John Matthai who pointed out that expansion took place only in a few existing industries which were working double and treble shifts and had exploited and used up their assets. Now comes the affirmation of Sir Jehangir Ghandy in respect of an important industry. Denying that the war had given a fillip to the iron and steel industry, Sir Jehangir said that, if the coal and transportation problems were normal and the various dilatory Government controls were not in operation, both their production and profits would have been substantially higher than they were now. This statement from one entitled to speak with full authority should dispel all illusions of our vast industrial expansion. No one argues that a few industries have not expanded during the war. But the contention has been that the expansion was largely confined to existing industries, that the expansion was pitifully inadequate, that the Government woefully neglected and failed in their task of

furthering war effort and, finally, that no steps were taken to establish new industries of a type which would have served the country both at war and later at peace.

POLITICAL CONTROL OVER LOANS

Walter Lippmann, American commentator, has, in an article published in the New York *Herald Tribune*, pointed out that "the differences in opinion regarding the Bretton Woods proposals result from a basic issue which should be decided by laymen rather than technical experts. The disagreement between the two bankers' associations and the supporters of Bretton Woods is confined to the manner in which stabilization loans are to be made, for it is agreed that private long-term loans to be invested in development projects shall be made according to orthodox banking principles—that is, by compelling the borrower in each case to prove his credit worthiness to bankers.

The question at issue is whether Government stabilization loans can and should also be made in this fashion, whether Governments will come one by one to a bank, will let it pass upon the soundness of their taxes, their expenditures, and the national and social policies which their budgets reflect. The two bankers' associations think that such a system, which in fact existed for generations and during the 1920's after the other war, is preferable, and that the other nations can, if Congress so decrees, be compelled to return to it. The delegates at Bretton Woods represented existing Governments. They took a different view—that, whether or not the old relation between Governments and international bankers was better, the nations today shall not return to it, and that they cannot be compelled to return to it because they do not have to. Bretton Woods recognized that stabilization loans touch the sensitive nerve of modern nations—their social policy, their wage and price levels which, second only to political independence, are regarded in all popular Governments as the very essence of their sovereign control of their own affairs. So for stabilization loans they proposed not a bank but a fund, to which Governments could come—not as a borrower to a banker who may judge their affairs but as members of an association who have the right to draw a fixed amount provided they could show they were observing conditions to which all had agreed in advance. In such an association they were prepared to open their books to one another. The bankers declare that this is contrary to the usual lending practice. And so it is. The question is whether the post-war Governments will subject their employment and other policies to the kind of scrutiny and judgment which a banker exercises over a borrower in "the usual lending practice." The answer is clear that they will not.

P.M.H. IN U.S.A.

PMH or productivity per man-hour is now the accepted index of technical efficiency of industry and it is well known that in technical efficiency the United States has been far ahead of other countries. During the war, the United States has shown prodigious achievement by stepping up her PMH in war production in a spectacular way. How much of this increased technical efficiency can be assimilated and retained after reconversion to peace economy? This question is important as it will determine her competitive position in world markets and so impinge on inter-

national monetary equilibrium. Evidences so far gathered show that there is no comparable increase in PMH in civilian production as in the case of war production. The Bureau of Labour Statistics, in fact, shows that in 23 lines of civilian industry—shoes, textiles, food, paper, publishing, etc.—average output for man-hour rose 7.5 per cent. between 1939 and 1941 and then fell 3 per cent. in the following two years—a declining trend which has probably continued. In industries like shipbuilding, of course, there has been an enormous increase in productivity, but this is due to the introduction of assembly line and mass production techniques which already prevailed in peace lines. There has been great expansion in, as for example, steel making and engineering capacity. But in the hurry of the first spasm of reconversion effort, not much of the new machine-tools and techniques may be pressed into immediate service. The process of demobilization and re-training would also take some considerable time. The backlog of domestic demand and postponed purchases would cover up for a period any fall in technical efficiency, but after a period the war-time advances in wages rates would encourage large-scale introduction of labour-saving machinery, leading to a steep rise in PMH. The pattern which is envisaged is thus essentially the same as after the last war. It would be recalled that in the U.S.A., at the end of the last war, technical efficiency was no higher than before the war, but after a brief period of reconversion and adjustment, there was a spectacular spurt in technical efficiency which, under the deceptive cover of price stability, produced an unprecedented “profit inflation” breaking into the world depression. The enormous and one-sided expansion of the U.S. capital goods industries, betokened a possible repetition of the process with its disastrous effect on world economy, except in so far as the U.S.A. resumes international lending on a large scale to create external demands for her over-expanded and modernized capital goods industries.

FUTURE OF DEPOSITS

Will bank deposits continue at the present level or go down on the termination of the war? Mr G. D. Birla, presenting his statement to the shareholders of the United Commercial Bank (published elsewhere), utilized the occasion to raise the question and answer to it. One significant fact about Indian banking which contrasts with foreign banking experience is that in India the growth of deposits is very much behind the increase in currency. This gives the answer to the question of the future of deposits. On the basis of the existing volume of currency a much bigger volume of bank deposits is capable of being built up if banking progress is rapid and taps savings from all places. Contrariwise, when deflation of currency takes place, its effects on bank deposits will be offset by the lag in the growth of bank deposits in relation to currency. On the other hand, there are definite reasons to expect an increase in the volume of bank deposits for three reasons: (1) scope for creating deposits by borrowings from the banks; (2) the large cash reserves now maintained by banks which allow ample room for expansion of bank credit; and (3) the disinclination to accept any deflationary contraction of currency after the war. This upward trend of bank deposits is confirmed by the experience of almost all countries, including India, in the inter-war years.

SAN FRANCISCO CONFERENCE

The Indian Delegation to the San Francisco Conference has been announced. Were the Conference only concerned with ordinary issues, it would not matter very much how the personnel has been con-

stituted and whether it should be official or unofficial or a mixed body. But the matters that will come up before the Conference are of such vital consequence to the future of India that the personnel is of great importance to the country. The system of world security that will be built up will have a regional basis as well. The Dumbarton Oaks plan provides for the establishment of regional organizations and for linking them with the international organization. In any regional organization devised for South-east Asia, India should occupy a dominant position. But a subordinate and dependent India can do very little. The problem of securing India's independence is thus organically connected with the security system. This inter-relation can be brought up forcefully at the Conference only by a delegation which can speak freely and fearlessly. Constitutionally the officials of the Government of India cannot do so; but the Conference is composed of delegates representing the Governments of the countries. This is the dilemma which faces us. In a situation as unusual and unique as India finds herself today, a solution on severely practical lines is the only way. As in Bretton Woods so in San Francisco the Indian Delegation should be composed of a majority of Indian non-officials and should represent in fact (though not in theory) the point of view of Indian public opinion—not that of the Government of India which constitutionally can reflect only British Government's opinion. So two things must be done, and there is yet time. Add two or three non-officials to the delegation and tell them to act together and reflect the country's opinion in the Conference.

LAND SETTLEMENT POLITICS

The question of immigrants and land settlement in Assam had for some time assumed very intriguing political aspect, but with the Barpata incident last month which recorded the first case of police firing in matters of land settlement, the question has become a matter of serious concern. Assam, so far as really good and cultivable land is concerned, is far from being an “open space,” but it has attracted immigrants from East Bengal, which is faced with serious population pressure and agrarian problems. The census report of 1931 administered the warning that the invasion since the beginning of the twentieth century of “a vast horde of land-hungry Bengali immigrants, mostly Muslims, from the districts of East Bengal” threatened to upset the cultural and social structure of Assam as not even the Burmese invasion did. Unlike the wave of emigrants from Europe during the 18th and 19th century, these inter-provincial immigrants came mostly from the worst strata of society—destitutes and criminals—and by their depredations and land-hunger drove out many of the old settlers. The “colonization scheme” of the Assam Government before 1937 did nothing to tackle fundamentally the problem of orderly settlement and land development, but, on the other hand, exacerbated communal feelings. In Assam, Muslims form barely a third of the population, but with the onset of Pakistan politics which bracketed Bengal and Assam into a Muslim zone, somebody, stretching his imagination a little, saw in the Muslim immigrants a method of converting Assam into a Muslim majority province and championed their cause. Then came politics with cross-currents. But the economics of it is pretty clear. There can be no total bar against immigrants as such, but with a well-thought-out development scheme, inducement should be given to both old settler and the best types of immigrants on a non-discriminatory basis to develop the land resources of the province. The general principles of land settlement enunciated and accepted in June, 1940, could not be put in effect because of the antago-

nism of the then Government and the result was the farcical see-saw of “regularization of settlement” and “de-reserving.” The recent conference of December 16, 1944, came to definite conclusions in this matter. The Government compromise plan now accepts the position of all immigrants prior to January 1, 1938. But although the Muslim League supports the Saadulla Ministry, in the field, the League is doing all to frustrate the Government in implementing the decision and is actively preaching civil disobedience.

WHOLESALE PRICES IN U.K.

An interesting study of the changes in the wholesale prices in the United Kingdom has been made in one of the recent issues of the *Board of Trade Journal*. The wholesale price index numbers compiled and maintained by the Board of Trade have been employed in that connection. It is shown that there have been aggregate increases of 73.2 per cent. and 68.9 per cent. in the two groups of food and tobacco; and industrial materials and manufactures respectively since August, 1939, till December, 1944, and greater part of the increases under them had taken place in the first sixteen months of the war. The ‘all articles’ index rose by 75.5 points by the end of 1944 and about 46.2 of it had taken place by December, 1940. The later years viz., 1941, 1942, 1943 and 1944 marked however small rises and even recorded a fall in the case of food and tobacco. The following set of figures will reveal all these changes.

Period	The changes since the outbreak of war.		
	% increases (+) and decreases (–) between dates shown below.		
	Food & Tobacco	Indus. matls and manufactures	Total—all articles
Aug. '30 to Dec. '39 ..	30.6	21.6	24.7
Dec. '39 to Dec. '40 ..	22.4	21.0	21.5
Dec. '40 to Dec. '41 ..	4.2	5.3	4.9
Dec. '41 to Dec. '42 ..	5.7	2.3	3.4
Dec. '42 to Dec. '43 ..	–0.5	2.3	1.3
Dec. '43 to Dec. '44 ..	–1.1	4.1	2.3
Aggregate Aug. '39 to Dec. '44 ..	73.2	68.9	70.5

Under the first group Food and tobacco, cereals have risen by 98.47 per cent. since the beginning of the war whereas meat, fish and eggs, and other food and tobacco did by 44.4 per cent. and 79.1 per cent. respectively. And then again, in these three sub-groups about 68.2 per cent., 39.4 per cent. and 54.8 per cent. i.e. the bulk of the rise had occurred as early as by December, 1940. During 1941-43 prices moved up very slowly and later on even declined, at least in the case of cereals and other food and tobacco sub-groups during the year 1944. The wholesale prices of coal, cotton, other textiles, wool, chemicals, oils, and miscellaneous, under the group of industrial materials and manufactures, increased in aggregate by 90.8 per cent., 97.3 per cent., 83.7 per cent., 79.7 per cent., 62.8 per cent. and 93.4 per cent., respectively, as compared with a moderate rise in Iron and Steel to the tune of 44.4 per cent. and in non-ferrous metals by 27.2 per cent. till the end of 1944.

INTERNATIONAL TRAINING ADMINISTRATION

While the Government of India is making arrangements to send 500 students to Great Britain and the United States for higher technical training, it is interesting to review the work of the International Training Administration, with its head office at Washington. Under the auspices of the Nelson Rockefeller's Office of Inter-American Affairs, the I.T.A. was formed in 1941 to organize the training of foreign students in American industry. In 1941 the I.T.A. gave scholarships to two young men from each of 20 Latin-American countries. In the following year, it offered 80 scholarships. In June 1944, the I.T.A. was incorporated as a private, non-profit-making institution the cost of which is met by industry and Government respectively in the ratio of 2:1. Hundreds of large and small U.S.A. companies are today co-operating with the I.T.A. in its “in training” scheme. Last year

more than 300 young men from Latin America were working in U.S. industries, learning industrial and management technique and receiving a stipend of \$150 a month in lieu of wages. In the first three years, the I.T.A. has sponsored the study and practical training of over 1,000 young foreigners in the U.S.A. Last year over 500 students were learning the American know-how, U.S. industry and Government together spending about a million dollars on them. The interest taken by American industry and Government in training foreign students flows from the realization of enlightened self-interest that when these young men will go back to their own countries, they will constitute the best salesmen of American products, equipments and technical knowledge and the ambassadors of goodwill. Missions of students from Russia and other parts of the world are also studying in the United States, under direct invitation from the American Government and industry.

PAN-AMERICAN CONFERENCE

A new economic charter based on the principles of economic liberalism is being drawn up at the Inter-American Conference in Mexico city which was in session in February-March. The United States has pledged herself to support the twin principles of Latin American development: (a) rising levels of living, and (b) full production and employment. America is slowly understanding the fact that with rising standards of living in Latin America, her own trade with those republics will increase. Industrialization everywhere brings in more trade. America sells more to Canada than to the whole of Latin America, though Canada has become industrialized. The more industrialized country would perhaps concentrate on the more highly skilled manufacturing industries while the less industrialized countries would be occupied with primary manufacturing industries.

Some of the decisions reached at the Conference are of more than regional interest. “The American republics here represented should facilitate through appropriate financial co-operation the acquisition and installation of capital equipment for productive undertakings suited to each country, bearing in mind “that private enterprise should be encouraged to undertake and carry forward economic development and that it is agreed as a basic principle that governments should not enter into competition with private enterprises unless such action is clearly necessary in the public interest. The American republics here represented should by amendment or repeal of burdensome laws and regulations, encourage full utilization of the enterprises, technical knowledge and capital of other countries, in their economic development and should seek to remove discriminations which are imposed on the grounds of nationality against foreign persons or their skills, or against foreign capital.”

SOIL CONSERVATION

A recent write-up of soil conservation work in the U.S. gives interesting details of the practices which have been so successful there. These include the following:

1. Construction of terraces, or bunds, around steep acres to control the down hill flow of rain water, helping it soak into the soil, and leading the surplus into safe channels.
2. Drainage of good land to improve production on the acres now in cultivation and to bring into cultivation land too wet for tillage.
3. Construction of dams and small reservoirs to conserve the rainfall, to aid in the control of floods and make possible better crop and livestock production.
4. Establishment of water-spreading systems to divert concentrated water and spread the water

over lands needing moisture.

5. Construction of water wells to make possible the distribution of livestock grazing, and to prevent over-grazing.

6. Repair of existing irrigation canals.

7. Processing of thousands of tons of lime—crushed from limestone—to be spread over the land to maintain its fertility.

It will be readily seen that there is no item in this list which is new to us in this country, or which cannot be practised under conditions prevailing in this country. In fact, some of them at least should have been familiar, in practice as well as in theory, to officers of the central and provincial agricultural departments, particularly to such as have been in charge of dry farming schemes in the Bombay Presidency and elsewhere. The colossal success of these methods in the United States has to be attributed, therefore, to the comprehensive scale on which they were planned and put through in that country. Soil conservation is not the job of the individual farmer, but of the nation as a whole; a big problem that has got to be tackled in a big way.

NEW FOOD GOALS IN U.S.A.

The War Food Administration in U.S.A. has been fixing the acreage and production goals in respect of much needed food crops, and vegetables, and livestock and its products respectively for the last several years. The efforts of the WFA have been to rationalise the production of food and other requirements in close relationship with the war needs and it re-counts to its credit that goals fixed by it unlike the targets announced by the Government of this country but never reached, have been successfully attained. Both domestic and foreign demand for food and other products continued at a high level and the WFA planned to effect an increase in many products in 1944 over 1943. It was intended to plant 67,050 m. acres, 100,253 m. acres, 17, 372 m. acres, 13,654 m. acres, .951 m. acres in respect of wheat, corn, barley, boy beans and sugar beets respectively in 1944 and actually 66,705 m. acres 99,606 m. acres, 14,483 m. acres, 10,688 m. acres and .646 m acres were done in that year under the above heads against 55,109 m. acres, 97,136 m. acres, 17,329 m. acres, 10,820 m. acres and .617 m. acres actually planted in the previous year. The 1945 planting programme calls for 363,718 m. acres which exceeds the 1944 acreage by about 4 m. acres of which half is to go to hay. The increases are mainly in wheat, hay, sugar beets and flax while corn, oats and barley acreages would be constant. The experts anticipate a fall of 5 per cent. to 10 per cent. in output over 1944 level even though is an overall increase of 1 per cent. in acreage. This decline, however, need not disturb in view of an expected drop between 25 per cent. and 40 per cent. of the military and Lease-Lend needs. The experts say that if the law of averages catches up with the farmer next year (1945) and weather is only normal the largest reductions would be in wheat, cotton and corn, to the extent of 225,281,000 bushels, 2,300,000 bales and 158,278,000 bushels, respectively over the previous year.

COST OF LIVING IN THE MIDDLE EAST

The following cost of living index number for the various Middle Eastern territories—although not wholly comparable *inter se*—would serve to reveal firstly that the cost of living, with the exception of two countries, Sudan and Cyprus, has gone up much higher as compared with other European and American countries and even the occupied countries in Europe; and, secondly, that among the Middle East territories themselves, Iran and Lebanon have experienced the greatest rises. In Iran the cost of living index number rose to 774 points in December, 1943, and later advanced to 798 in December, 1944, as compared with 390 and 191 in the corresponding month in 1942 and 1941 respectively. In Lebanon the index number stood at 588 in December, 1944, as against 233 in January, 1942.

COST OF LIVING INDEX NUMBERS

Palestine (Pre-war =100, presumably Aug. 1939)	111	131	166	211	230	248
Lebanon (Jan.-June 1939=100)	110	..	233	362	461	588
Cyprus (Aug. 1939=100)	..	..	..	..	..	..
Egypt (July-Aug. 1939=100)	..	..	192	252	235	230
Sudan* (1939=100)	108	122	156	215	257	286
Iraq (1939=100)	100	110	130	151	177	177
Iran (Apr.-Aug.=100)	..	..	..	305	405	377
India — Bombay (Aug. 1939=100)	..	117	191	390	774	798

The explanation for the high figures of cost of living could be found in the higher degree of inflation and scarcity of food existing in these countries. In point of fact, the economies of these comparatively backward countries, had to face the inexorable demands of Allied war effort in the same way as India and, through the same process of accumulating sterling balances, they underwent the same process of acute inflation and scarcity. The notes in circulatory figures in the above countries would, however, reveal the degree of inflation.

RATES OF RECONVERSION

It is reported that according to an agreement reached between the three countries, Canada will convert 35 per cent., Britain 30 per cent., and the U.S.A. 20 per cent. from war to peace production after the war in Europe is over. It will be recalled that the Finance Member promised that in India too reconversion would be planned at the same pace as in Britain. Quite apart from that aspect of reconversion which would enable Indian producers to cater to domestic consumption rather than to war needs, there is another impotrant on which Government have not yet announced any policy, *i.e.*, regarding the reconversion of Government's and Lend-Lease war factories and plants. Reconversion should not mean the closure of these factories and the import of the war material from abroad, but re-adaptation to peace needs. On the question of the best methods of utilizing the factories not needed for defence services and of disposing of reprocessed military materials, *i.e.*, whether they should be handed over to private agencies or run by the Centre or the Provinces, decisions are due now, if reconversion is really meant.

LONDON'S UNDERGROUND

The underground railway system of London consists of a network of railways built at various times in the past 80 years, most of them since 1900. Some of them emerge into the open air in places along their length; but, generally speaking, they are below ground level and out of sight, at depths varying from less than 20 feet to nearly 250 feet. Their total length is some 220 miles and they are mostly used for short journeys from one part of London to another, or between the central area and the surrounding suburbs. They carry, on the average, about one million passengers a day. Everything possible is done to make travel on London's underground railways speedy and convenient. Slot machines issue tickets—or "change" if you want it. The opening and closing of the sliding doors of the trains is done mechanically by the mere pressing of a button. Electric signs on the platforms show, automatically, the destination of each train as it approaches. Elaborate ventilating plant keeps the air in the tunnels fresh and clean. The trains are, of course, electrically driven; so are the escalators—moving staircases, which convey passengers without waiting down to, or up from, their trains. Although most of the underground lines were built independently of each other, they are now all controlled by the London Passenger Transport Board and form one great system with inter-connection between one railway and another at many points. The organization is a very elaborate one, but it is most efficient and smooth-working.

SPECIAL ARTICLE

The Future of Japan

MR. MORGENTHAU, Head of the U.S. Treasury, is reported to have prepared, on the same pattern as his plan for Germany, a plan for making Japan militarily and politically impotent by stripping her of her key industrial areas and reducing her permanently to a predominantly agricultural nation after the war. His proposals for Germany, which were criticized by a large section of opinion on both sides of the Atlantic as too severe, have since been more or less endorsed at the Crimean Conference. Indeed, in some respects the decisions of the Yalta Conference are more Vansittartian than Vansittart's. By dividing Germany into zonal areas for occupation and administration by the Great Powers and by rousing the ambition of France to carve out an independent bulwark state out of its zonal sovereignty, the worst psychological environment for future abiding peace is thereby created. If these proposals were practicable and enduring, it would not matter that they are hard and severe. For, after all, no terms can be said to be too severe against a country that has been disturbing the world's peace so frequently during the last fifty years. But the root of the trouble lies in two sets of conditions. It is not right to think that nations are permanently divided and linked in any single way for all time. Secondly, that imponderable thing called public conscience is so variable that what today may be regarded as just and fair peace terms soon might come to be felt as oppressive and shocking.

The future of Japan was the subject of a very detailed debate at the recent conference at Hot Springs of the Institute of Pacific Relations where it was discussed at four separate round table groups. It would not be incorrect to say that there was hardly an aspect of the matter which did not receive some attention at one or other of the groups. The differences in detail were at least as striking as the agreement in broad outline. There was substantial agreement that peace should follow only after a complete military defeat, that there should be military occupation for a certain period that the occupation army should be composed of the forces of all the United Nations and in particular of China and that the terms imposed on Japan should be no more and no less severe than those on Germany. The suspicion that because Japan and its people were Asiatic, the Western Powers would be inclined to impose more severe terms than upon Germany was dispelled, and in any case, if harder terms were imposed, it would be more the result of Chinese influence and pressure than that of the Western Powers.

But, however equal in severity or lenience the terms may be, the essential question is what the nature of those terms should be from the point of view of the world economy as a whole. Nothing but disappointment and harm would accrue if the question were treated as one of revenge and punishment. In the long run—indeed it is not so long as some think—any terms based on revenge tend to defeat themselves. It would be enough to consider three issues: Disarmament, Reparations, and Economic Problems. Every one will agree that Japan should be completely and totally disarmed. But how long can she be held in that condition? The answer is that she should be kept in that state and prevented from rearming herself until (a) she becomes democratic and sheds her aggressive tendencies and (b) she qualifies herself for entry into the world organization for collective security.

Theoretically, the above principles are acceptable. But in giving effect to them, great difficulties may be experienced, although solution is not impossible. Disarmament in modern times is not practicable without at the same time cutting at the root of industrial potential and destroying the heavy key industries. The implication of disarmament may be understood if one reviews the measures suggested to bring it about. Limitation of the machine tool industry, chemical industry, hydro-electric and coal and other power resources, of shipping, aircraft, and other forms of transport is a necessary condition of successful disarmament. The view is pressed in some quarters that Japan should be prevented for a long time from not merely building aircraft or operating air lines but from preventing any Japanese from piloting any airplanes. How long can the world prevent the Japanese from going to other countries and establishing plants abroad and returning to Japan with full experience never enters into the calculation of such people. If all the industries required for the maintenance of even a subsistence standard of living were to be destroyed, the world would find itself affected by the festering sore and the economic infection of such a dangerous disease. All that may be attempted successfully is to adopt certain forms of control for a brief period to ensure that no industry is directed to aggressive purposes, that all steps are taken to create the conditions for and stimulate the fundamental changes in Japan most likely to produce the growth of a peaceful and democratic nation and that in the meanwhile the development of a trustworthy and inspiring world collective security system is speeded up into which a reformed Japan may be admitted on terms of equality.

The above considerations gain great weight when we turn to the question of reparations. It has been stated by the highest authorities that the world has learnt a new lesson, that cash reparations are bad and harmful to the countries that impose them and that therefore reparations in kind are all right and may be exacted. The truth is that the distinction between cash reparations and reparations in kind is not nearly so important as the distinction based upon (a) the quantum and volume of reparations and (b) the time over which they are levied. If reparations are large, no matter that they are taken in goods, they will inflict great injury not only on the country which has to pay the reparations but on those which have to receive them. This lesson was burnt into the minds of the people in the inter-war years but unfortunately is again forgotten. When Britain took over the greater part of Germany's mercantile marine, there was severe unemployment on the Tyne and Clyde. German coal created unemployment in British coal mines. Similarly, as long as reparations are spread just over a period when countries have not yet been able to readjust their economies, or, in other words, when reparations are used for the purpose of mere relief and rehabilitation, their effect will not be damaging. But as soon as this period which cannot be more than three to five years is over, reparation will do greater harm to world economy than to the economy of Japan.

Further the contradiction of a policy which seeks to destroy all the important industries of Japan and at the same time procure large reparations in kind is too glaring to be ignored. It is true that the industries may be kept going under the control, supervision and management of the United Nations. But assuming

that reparations are spread over ten years and that as a result these key and vital industries are kept going, it would shock the conscience of the public (who in the intervening years would have got over the war-punishment complex) if those industries are sought to be destroyed at the end. Hence what is practicable is the imposition of a small volume of reparations fixed in money terms and spread over a period not longer than the period which the world would need for its economy to be brought into normalcy.

The question of India's right to a share of the reparations has received scant attention in this country which in this as well as in other matters suffers from an entire lack of realism. India has a strong and legitimate claim, for her share in the fight against Japan is of no insignificant order. Her assets in the shape of machinery, plant, etc., have been depleted as a result of the war. The capital goods which may be secured from Japan will in no way affect injuriously home production; for replacement they will be a valuable means. It is, therefore, of the utmost importance that the Government of India should give careful examination of the nature of the goods she may need and put in a claim at the right time.

The most fundamental issue facing the world after the war is the long-term future of Japan. Despite the extreme view taken by a section of the Chinese people, there is no gainsaying the fact that the world can ill afford to have an economic vacuum which would be caused if Japan were totally annihilated and reduced to a mere agricultural country. The part that Japan may still play as a democratic and peaceful nation cannot be brushed aside as visionary. She is qualified by her technical skill and general capacity to supply large areas of the world with goods which they need for their living standards. Apart from this consideration which may or may not be agreed to by all, there are other strong cases why the long-period policy

should be based upon complete equality of treatment and non-discrimination. A policy which seeks to prevent Japan from exporting goods to other countries would automatically prevent her from getting the necessary imports essential to minimum standards of living. It may, as some Chinese people believe, that no consideration should be given to Japanese standards of living, as Japan has stolen, ravaged, tyrannized and terrorized China. But on punishment no abiding principle of world economy can be built. After all, Japan must be allowed a minimum standard of living which is not possible without giving her opportunities for import of food and raw materials. Nor can Japan already subjected to the heavy pressure of population, maintain herself without a sound balanced economy.

But it is not in the interests of Japan as in the interests of the world that we have to be decent. Extensive long-term measures for the economic deprivation or repression of Japan would not in the first place be practicable, would not, secondly, be in the interests of the Allied nations themselves and, thirdly, would be consistent with the declared war aims of the United Nations. Depression and degradation in any one centre in the world are sure to spread themselves rapidly elsewhere. The loss to poorer and undeveloped countries arising from the denial of cheap goods from Japan may perhaps be ignored by the stronger powers. But the loss to the latter on account of the denial of opportunities to trade which an impoverished Japan renders inevitable may not be so easily ignored. The world in prosperity and in distress is one world. Temporary considerations may compel certain policies and actions seemingly favourable to some countries. But deeper and more permanent forces are too strong to be resisted. How to create the conditions for the restoration of a pacific, freedom-loving and democratic Japan is the world's problem after the war.

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CHAIRMAN AND GENERAL MANAGER

THE WORLD ABROAD

Food in the Fore Front

FROM OUR WASHINGTON CORRESPONDENT

WASHINGTON, Mar. 19, 1945. (By Cable).

CONCERN over the condition of the nation's food supply took precedence over practically all other domestic developments last week. Statistics obtained from the Office of War Mobilization showed that during the first three years of war, despite huge military and foreign commitments, the United States consumed more annually than in the last peace year. But it became apparent almost suddenly that the reservoir was no longer bottomless as it once seemed to be. Symptomatic of this feeling was the official announcement that meat supplies available to civilians for the second quarter of this year will be 12 per cent. less than the allocations made in the first quarter. There will also be reductions in Lend-Lease meat allocations but the U.S. armed forces will obtain increased amounts. The result is that civilians will find less meat available than at any time in the last ten years. In a survey conducted by the Office of Price Administration through the American Meat Institute it was found that 'for the first time since meat rationing began many meat items are now reported to be 100 per cent. in short supply for the country as a whole in relation to the needs of trade. Most kinds of beef and pork in which cuts have been reported are over 97 per cent. in short supply.' It would be easy, however, for these developments to give a mistaken impression about the country's food larder. Adverse criticisms levelled at the Administration for its controls and allegations of its responsibility for undue shortages would seem to a foreign visitor somewhat unjustified if the visitor had come lately from most of the other countries engaged in war. Such criticisms are good politics often calculated to embarrass the Administration. By the same token President Roosevelt himself may have indulged in some politics aimed not only for home but also for foreign consumption when he endeavoured to set the matter in perspective at a Press Conference last week. A committee has been organized on the highest level to exercise the highest controls on the exports of food and other items and it has seemed within the limits of political feasibility that there also was room for further tightening in the civilian belt. So Mr Roosevelt told correspondents that he could not bring himself to think that the American people have suffered very greatly as compared with other countries. He expressed the hope that the conference and the country would support him in the idea of keeping some people from starving by continuing certain restrictions or even adding a few others. He refused to believe that food restrictions, current or expected, would work immense hardships.

In actual figures as compiled by Government agencies, civilians will have 3 billion 793 million pounds of meat in the next quarter—an annual rate of 115 pounds per person, which is about 30 pounds per year less than the consumption in 1944. Military allocation for that period would be one billion 381 million pounds. The Lend-Lease allocations for the same period will amount to 325 million pounds of which 300 million have been earmarked for Russia. This means that the United Kingdom's share has been cut down from 207 million pounds in the first quarter to 25 million pounds in the second quarter—a fact which has provoked considerable concern in Britain, judging from dispatches from London.

With the necessity for closest control over supplies becoming evident, Mr James Byrnes, Head of the Office of War Mobilization, has appointed a small committee to screen all exports. To get an insight into that development we must stress the following facts: Taking 1939 as the base period with the index at 100 agricultural production in the last year stood at 133 of which 20 per cent. went to military and lend-lease purposes and a few other destinations. But production this year is expected to drop to 126. Thus the U.S. will have to make slight cuts in overall shipments and radical adjustments on some selected items of which meat affords the foremost example. The difficulty has been complicated by the simultaneously increasing demands from the U.N.R.R.A., the military and on Lend-Lease account. Hence the need for thorough screening which the Byrnes Committee will have to do.

Mr Leon Henderson, the well-known economist, who headed the Office of Price Administration in the early days of the war, leaves this week for China to advise the Government on the methods for controlling inflation. Mr Donald Nelson had suggested that Mr Henderson's advice would be valuable for the Chinese. The Chinese Embassy said that Mr Henderson has been urgently invited by Dr. T. V. Soong, with Marshal Chiang's full concurrence in the choice. Meanwhile the Foreign Economic Administration has prepared a billion dollar five-year industrialization programme for China as a result of requests from China for assistance. The programme envisages construction of nearly 1000 plants and includes recommendations for the setting of an internal transportation system which would involve another billion dollars. The plan is entirely in the nature of a post-war project and it has been estimated that it would provide employment to 700,000 Chinese. The plan covers such industrial pursuits as mining, metallurgy, chemicals production, food, river control and irrigation methods. Provisions have not been made for financing.

The House passed the Lend-Lease Extension Bill quickly last week after the Democrats had accepted the amendment insisted on by the Republicans specifically outlawing the use of Lend-Lease supplies for post-war reconstruction and rehabilitation.

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A DELHI DIARY

THE dramatic suddenness of Lord Wavell's departure for England and the swearing-in of Sir John Colville to act for him have caused the biggest stir in Delhi since the days of the Cripps Mission. The bureaucratic tradition has, of course, been observed. A lamely-worded Press Note states that the idea of such a mission to London was first conceived by the Viceroy last September and that it was only now that it had been given effect to according to a pre-arranged plan. It is not necessary to challenge this statement since this is not the occasion to write the history of big events. But the facts known in Delhi tell their own tale.

The whole development came as a surprise. Until a week ago no one knew of it, not even the Viceroy's House. The Executive Council was called and told on Tuesday that the Viceroy would be shortly leaving for London to discuss political and military affairs. Sir John Colville came rushing from Bombay and was in Delhi on Tuesday evening. The Madras Governor was not a favourite for certain reasons. So the formula was devised that the seniormost Privy Councillor and not the seniormost Governor among the Presidency satraps should wear the 'triple' crown in Delhi. And the blue-blooded Bombay Governor was summoned and sworn in as the Viceroy, acting Governor-General and Crown Representative.

The departure of the Viceroy, accompanied by his wife, daughter and her baby, made it look that he had left India to take up a big military administrative job in occupied Germany. But this rumour died down as it became known that the Viceregal plane also included his Private Secretary, Sir Evan Jenkins, and the Reforms Commissioner, Rao Bahdur V. P. Menon. Since the last meeting between the Viceroy and Mr. Bhulabhai Desai the trio—Lord Wavell, Sir Evan Jenkins and Mr. Menon—had been examining the provisions of the Government of India Act in the light of the proposals for an interim Government made by the Congress leader. The Viceroy had also had a long talk with Sir Tej Bahadur Sapru and Mr. Menon was co-operating with the Conciliation Committee by providing it with any material it asked for.

Thus, even though the origin of the London mission is being officially traced to the period when the Sapru Committee had not been set up and the Desai-Wavell meeting had not taken place, the fact is that at least the issue has been forced by these developments. Political circles in Delhi have noted Mr. Amery's attempt to curb any enthusiasm about the outcome of the London discussion. This, too, is on traditional lines. The British never wish to give the impression that they are yielding to the force of events. But that they are conscious of the potentialities of the situation in India and realize the need to end the deadlock has been made clear by two significant speeches in the Central Legislature.

Sir Francis Mudie, Home Member, and Sir Olaf Caroe, External Affairs Secretary, belong to the 'inner cabinet.' Combined with the trio they constitute the Government wing which deals with constitutional problems. Speaking in the Central Assembly on Thursday, the Home Member made a conciliatory speech. He welcomed Mr. A. Ayyangar's plea that Britain and India should work on the basis of equal partnership. In thus wholeheartedly endorsing a Congress member's declaration he promised that the hand of co-operation would be grasped. This coming from

a 'strong man' is not without significance. Similarly, Sir Olaf Caroe expressed a desire that Indians should work for independence at the San Francisco Conference and hoped that those in India who had suffered from frustration would come into the Government. Another significant observation was made by the Home Member during question-hour in the Assembly when he declared that working for early attainment of India's independence was a legitimate political activity.

What is going to happen in London and what are the prospects of a political settlement? There is no doubt that the development in the North-Western Frontier, which has the tacit support of Gandhiji is a slap on the face of those who alleged that the Congress attitude was still based on the events of 1942. It is clear that the release of Congress prisoners should precede any political settlement. The Congress Party would be prepared to take responsibility and share it with other parties, not only at the Centre but also in the provinces. Such Governments alone can take upon themselves the task of piloting India through the difficult times ahead.

The reasons for this view are two-fold. The economy of this country has undergone a strain which cannot be increased without the danger of a total breakdown. Administrative measures, control regulations and mobilizing of national savings must work efficiently if India is to be the base for the forces which are to invade Japan and if India's economy is to be translated gradually from war to peace basis. Today, there is economic chaos beneath the surface of administrative controls. Presumably, the British rulers of India know this and realize that the time has come for Indian affairs to be entrusted to Indians on terms which will lead to fraternization rather than opposition between British and Indian interests.

It has perhaps dawned on the authorities that the dispatch of the Hydari Mission to London has amounted to putting the cart before the horse and that the mounting tide of opposition to the official personnel of the delegation to San Francisco Conference is damaging to British credit in the international sphere. If a National Government were set up, the work of the Hydari Mission and the credentials of the Indian Delegation to San Francisco would be capable of yielding a lasting result.

It is not that every one here is optimistic about the outcome of the Wavell mission. There are sceptics who fear that the move has been made as a result of the challenge to the Conservative Party by the Labour wing of the Coalition Government and that the Tories wish to review the Indian problem from their own party angle. These people also suspect that the proposed move will create false hopes and thus help in getting over the period of the World Security Conference.

But if I were to sum up the reaction in the Capital, I would end on a note of optimism. There is a feeling here in all quarters that the gordian knot may after all be cut and that sometime in April or May India may find all-Party Governments installed at the Centre and in the Provinces.

It is stated that if a National Government is formed, Sir Archibald Rowlands will either return to England or retain his post as War Financial Adviser to the Viceroy and that Sir Francis Mudie will become the Governor of Bihar.

ARGUS.

MONEY MARKET

Reaction to Second Victory Loan—Increased Gold Sales by the Reserve Bank—End of Bullish Favour in Bullion

BOMBAY, March 18.

Plethoric conditions continue to prevail in the money market. There has been a further large addition to the surplus cash balances of the banks, with the result that activity in call money market is next to nothing. Inter-bank day to day funds are nominally quoted at 1¼ per cent., with borrowers scarce. Trade demand for funds seems to have considerably slackened and substantial sums of money are finding their way back to the banks. Nevertheless, banks are eagerly taking up deposits inasmuch as the volume of deposits which a bank possesses is taken as an indication of its progress and of the confidence it enjoys with the public. In fact, one finds that there is keen canvassing for deposits by some of the banks started in recent years. The general market rates for short-term deposits, however, remain unchanged at 3¼ per cent., for three months and one per cent. for six months. One year deposits easily earn about 1-1¼ to 1-1½ per cent.

Treasury Bills

The Treasury Bill results continue to reflect the easy money conditions. This week the Central Government invited tenders for Rs. 4 crores, which stands at the same amount as last week. The total offering aggregated as much as Rs. 14.77 crores, as against Rs. 10.89 crores in the previous week, that is, an increase of about Rs. 4 crores. The average rate of accepted tenders is a shade higher at Re. 0.5-6 per cent. per annum, as compared with Rs. 0.5-3 per cent. in the preceding week and Rs. 0.5-0 per cent. a fortnight back. That in spite of an increase of about Rs. 4 crores in the offerings the rate should have tended to go up may seem strange to some. But this only indicates that competition for the Bills must not have been so keen as is suggested by the rise in the total amount tendered, the increase in the latter being probably due to the desire of one or two of the tenderers to get a larger allotment of the Bills.

Last week, the Assam Government borrowed Rs. 1 crore by the issue of three months Treasury Bills. This it was able to do at Re. 0.6-0 per cent., that is, at nine pils more than the rate at which the Central Government was able to borrow. This week, the Orissa Government invited tenders for Rs. 50 lakhs of its Bills of three months duration. The response from the market was overwhelming, the total amount offered being as much as Rs. 2.2 crores. The average rate of accepted tenders was the same as in the case of Assam, that is, Rs. 0.6-0 per cent.

Gilt-edged

The gilt-edged market ruled strong, due partly to the new loan announcement and partly to the increase in the Reserve Bank's selling rate for 3 per cent. 1966-68 Funding loan from Rs. 98.4 to Rs. 98.6 3-1½ per cent. G.P. Notes ruled quite steady at Rs. 99-11, with buyers over. There were very good enquiries for short and medium dated loans and a fairly substantial volume of business was completed. Consequent upon the cessation of sales of 2-3¼ per cent. 1948-52 loan by the Reserve Bank of India, the rate for such rose by As. 2 to Rs. 99-12. There were buyers in 3 per cent. 1949-52 loan at Rs. 101.9 and 3 per cent. 1951-54 at Rs. 101. 3 per cent. 1953-55 was bid up As. 2 higher at Rs. 100-7. 3 per cent. 1963-65, which stood at Rs. 98-13 last week, was quoted higher at Rs. 99 this week. 4 per cent. 1960-70 ruled steadier at Rs. 113 but 5 per cent. 1945-55 tax free loan moved down further to Rs. 102-7. owing to the proximity of its maturing date.

The highlight of the week is the announcement of the issue of the Second Victory Loan bearing interest at 3 per cent. and issued at par. The redemption date is to be between 15th August, 1959, and 15th August, 1961. The lists open tomorrow and as interest accrues from 15th February, 1945, recovery on account of net interest will be made at the rate of Re. 0.2-8 per cent. from 19th March to 24th March, 1945, thereafter increasing by 8 pils per week. It is perhaps premature to judge the precise market reaction to the new loan, but there is an unmistakable coldness and lack of enthusiasm in the way the announcement has been received by the gilt-edged market. But it may here be remembered that the 3 per cent. 1957 loan last year provoked a similar reaction in the beginning, but later there was no dearth of support for it, as it turned out. The Second Victory Loan might, therefore, be similarly blessed with support.

The New Loan

Many in the market, however, feel that the new loan has not been happily timed. Some really expected the loan to be issued a little later, when the gilt-edged market is in a finer fettle than it is in now. Time was, weeks back, when there was such a rush for gilt-edged that the Reserve Bank thought fit, for reasons best known to itself, to sell Paper at par. The abnormal avidity for scrip which was then in evidence was not utilized in the best way it could have been; and the authorities chose to persist with the Victory Loan, which was later to quote at a heavy discount. Contrast the above picture with the situation now prevailing. During this week, one of the most narrow markets ever seen in gilt-edged has prevailed; and there has actually been a decline in some securities. 3-1½ per cent. Paper which was quoted at Rs. 99-11 has received to Rs. 99-9, 3 per cent. 1957 has sagged to Rs. 99-12 from Rs. 99-15. The scarcity of buyers was pronounced towards the end of this week. Needless to say, these are not the most favourable auspices under which any new issue should make its debut. What is more, the Treasury Bill sales of the Government of India were raised from Rs. 2 to 4 crores just a fortnight before the new loan. But the new loan will be indefinitely on tap and it may be that the authorities think that this fact offsets the need for taking into account the passing moods and caprices of the market.

Another point that may be stressed in this connection is the complete absence of any semblance of open market policy on the part of the Reserve Bank on the eve of the new loan. Except for stepping up the price of the Funding Loan, from Rs. 98.4 to Rs. 98.6 nothing has been done to put new life into the gilt-edged market even though it was inclined to be quiet on Saturday. Unless and until 3 per cent. 1966-68 witnesses an impressive rise in price, the investor is likely to prefer it to the new loan.

In certain sections of the market, opinion is strongly held that, along with the second Victory Loan, the Central Government ought to have issued a short dated loan also at a slightly lower rate of interest in order to satisfy the needs of some of the institutional investors like the banks. In this connection, the firmness of the short-term market and the fact that the week witnessed a large turnover in the 2-3¼ per cent. 1948-52 loan as also the 3 per cent. 1951-54 and 3 per cent. 1946 have been urged as important arguments in favour of the view that the market would accord a hearty reception to a short-dated loan even if the redemption yield were low. In

fact, until a week back and perhaps even now, the spread in the redemption yields on the short and long-dated loans was as much as 1 per cent. It seems, therefore, correct to assume that a short-dated loan on the analogy of the recent U.K. issue is a necessity in the present temper of the market. In this context one cannot help feeling that the investor's preference for a short term loan is not fully exploited and that the saving in interest which might have accrued thereby is unnecessarily forgone. Looking to the maturity dates of the various loans, it is true that from 1945 onwards, the maturities in respect of the various loans amount to an average of 60 crores per year until 1954. Likewise, the years after 1956 are crowded with maturing loans. It is only the interval between 1954 and 1956 that there is some breathing space. The authorities could have perhaps made use of this gap to issue a loan which matures in 1954 to 1956 carrying interest at slightly under 3 per cent. and if necessary issued at a small discount to make the loan attractive. It is even now not too late to plan and execute such an issue. After all, the 2-3/4 per cent. 1948-52 is now quoted at Rs. 99-12. Enquiries made in usually well-informed circles, however, reveal that the Government has purposely withheld the issue of a short-dated loan which, it is said, has been reserved to a subsequent date when arrangements will have to be made for the repayment of 5 per cent. 1945-55 tax free loan.

Bullion

The outstanding feature of the week in the bullion market was the sudden disappearance of the bullish fervour followed by a rapid fall in prices. A number of factors combined together to bring it about. The chief among these were: (a) the marked deterioration of the enemy's position on the Continent, in Burma and in the Far East, (b) an increase in the Reserve Bank's offerings of gold, coupled with its readiness to accept

whatever rate was forthcoming; (c) rumours of a fresh supplies of silver from the U.S.A. under special lend-lease system as before, and (d) considerable slackening in the upcountry offtake of both gold and silver. In consequence, there was heavy liquidation by the well recognized ranks of bulls and prices of gold dropped from Rs. 72-8 early in the week to Rs. 68-3 towards the fag end of the week. The closing, however, was strong on renewed speculative buying, with the rate for spot gold rising up to Rs. 70.6. The discount on gold to be delivered within a week widened from As. 2 to As. 10, but narrowed down to As. 3 at the end. The amount of gold sold by the Reserve Bank, which averaged some 18,000 tolas a day last week, was stepped up to 22,000 tolas earlier in the week and still further to 35,000 tolas a day, subsequently. The rate realized by the Bank varied between Rs. 72 and over in the early part of the week and Rs. 68.6 towards the close. Floating stocks of gold are estimated at 2,00,000 tolas and the daily average offtake at 20,000 tolas.

In the silver section, the fall in prices, though substantial, was not so sharp as in gold, such being due chiefly to the technical position of the market. Spot silver of .999 fineness, which was quoted in the neighbourhood of Rs. 127 in the beginning of the week, dropped to Rs. 124.14 during mid-week. At this level, there was plenty of bear covering and the rate shot up to Rs. 127.2 only to decline again to Rs. 124.7 on account of heavy sales by the bulls. Towards the close, however, a steadier tone manifested on professional support and the market finally closed at Rs. 126. The discount on silver to be delivered within a week, after declining to As. 2, widened to As. 4 to As. 5 at the close. The daily offtake is estimated at 200 bars and floating stocks at 1,800 bars. The Reserve Bank continued to sell on tender basis 300 bars a day at varying rates.

Market Reaction to the Second Victory Loan

CALCUTTA, March 18.

ALTHOUGH stock markets, especially Calcutta, were not very much affected by the rumours regarding the possibility of an increase in the borrowing rate as it was agreed that such a course of action would result in a heavy drop in gilt-edged prices and have an upsetting influence on the investment portfolio of banks and insurance companies, there yet was an expectation that the new loan programme might be more attractive and might offer the choice between short and medium-dated loans. Long-dated issues have been very unpopular. But the issue of the new loan has given the lie to all the rumours of a reversion to a dear money policy. It seems that the Central Government feel confident that it can get its requirements on the former terms and the new loan has, therefore, been fashioned on old lines. The new loan, styled the Second Victory Loan, is similar to the First Victory Loan in all respects except that the maturity date is two years later. The subscription list will open on March 19, 1945, and subscriptions will be accepted for unlimited amounts until further notice.

That there is need for large-scale investment in Government securities is clearly borne out by the changes in conditions in the money market in the past two weeks. While the Reserve Bank and Imperial Bank have been able to dispose of large parcels of securities in the absence of any loan on tap, Cash balances have yet accumulated. It was surprising, therefore, that the reaction to the new loan proposals was favourable but it is significant to note that the rise in prices in the gilt-edged securities section during the week has been only confined to medium-dated loans, 3 per cent. 1957 loan being quoted at nearly par, 3 per cent. 1953-55 at Rs. 100-6, and 3 per cent. 1951-54

at Rs. 100-14. There is no change in either short-dated or long-dated loans.

The Calcutta market has recorded a general improvement in prices since the announcement of the terms of the new loan, it being argued that higher gilt-edged prices would be reflected in higher prices for equities. Not much importance was attached to the excellent war news. The Bombay market, on the other hand, has been very irregular. With bear selling and the weakness of the bullion market, there has been a fall in prices. Only the strength of the local market prevented a further decline in Bombay prices. Towards the week-end a slightly easier feeling was noticeable locally but there has been no appreciable change and closing prices are around the best levels for the week.

It should perhaps be said that these considerations do not have any relevance to the market just at the present moment. With the struggle of the bears to bring about a fall in prices in the bullion market it is pointed out that the pressure of money seeking investment would keep up prices. There is another important factor to be taken into consideration. There is the struggle to get control of the affairs of the companies by acquiring 51 per cent. of the voting rights. As managing agents and newly-rich people are in the market scrambling for shares there is a technical rise in prices in one counter or other. Thus, for some time Howrah has been subject to special buying and even a small improvement in the general outlook results in a sharp rise in prices. In the past few days there has been a jump in the quotation for these shares to Rs. 88-12 from Rs. 85-12. No appreciable decline in prices is, therefore, expected.

COMPANY MEETING

THE UNITED COMMERCIAL BANK LTD.

CHAIRMAN'S REVIEW

Statement of Mr G. D. Birla, Chairman, to be presented to the shareholders of the Bank at the Second Ordinary General Meeting to be held on Wednesday, the 28th March, 1945.

THE Bank's accounts which are being submitted to you cover a period of nine months, from 1st April to 31st December 1944. The proposed Banking Legislation requires that the balance-sheets of banks should be prepared as at the end of every December and your directors decided to adopt that date as the date for presentation of accounts to shareholders. Our future balance-sheets will be prepared at the end of December every year.

Coming to the balance-sheet, I am sure the shareholders will feel happy that within a short period of 19 months from the commencement of our banking business, the Bank has been able to build up deposits of Rs. 17.22 crores. Cash in hand and at bankers amounts to Rs. 3.76 crores and the Bank's investment in gilt-edged securities stands at Rs. 7.67 crores which is less than their market value. Cash and investments form 66 per cent. of the total deposits. Advances stand at Rs. 7.63 crores, out of which Rs. 1.18 crores is in bills. You will notice that since the first published accounts for 31st March last, we have been able to build up a fair amount of advances, which now form 44 per cent. of total deposits. Most of the advances are fully covered by good tangible securities.

By comparing the present balance-sheet with the one issued on the 31st March last, shareholders can see that the Bank has made an all-round satisfactory progress during the last nine months, but in achieving this progress, we have not ignored sound principles of banking nor gone out of our way to tempt business at unfair rates. We continue to pay special attention to the liquidity of our assets. The total of cash, free investments and bills is Rs. 12.13 crores, which is nearly 90 per cent. of demand liabilities and 70 per cent. of total deposits. Actually our liquidity is much greater because almost all our advances are covered by first-class and readily realizable securities like Government bonds, stock exchange securities and goods.

I wish particularly to draw the attention of the shareholders to the figures of our dollar and sterling bills, Rs. 41.40 lakhs, and sterling bills rediscounted £99,339 (Rs. 13,24,000 at 1/6), as indicative of the good progress we are making in foreign exchange business. As far as we can ascertain, we are handling the largest volume of business under this head, among the Indian joint stock banks. Your Bank has a proper set-up to handle every kind of foreign exchange business with all parts of the world at competitive rates; and it is hoped that our countrymen will find this branch of our business of special interest and service to them when dealing with the outside world.

The total working capital of the Bank is in the neighbourhood of Rs. 20 crores. The shareholders will be glad to learn that we are today among the first six or seven joint stock banks of the country out of nearly 500 such banks, and we should be particularly proud of this when we remember that this position has been achieved within less than two years of the incorporation of the Bank.

Turning to the earning side of the Bank, it is indeed gratifying that the Bank has made a net profit of Rs. 12,84,553-4-0 during the nine months under review. Including the balance of profit brought forward from the last accounting period, we have an available profit of Rs. 14,58,011-10-6. The directors

have already stated in their report to you that, after providing for Rs. 5.75 lakhs for taxes, they propose to transfer Rs. 7,50,000 to the reserve fund, to pay Rs. 85,000 as bonus to staff and to carry forward the balance to the next year's account.

In deciding to take available profit to reserve, your directors are actuated by the single desire to put the Bank on a strong and solid foundation, so that those dealing with the Bank may be fully convinced that their interest is of paramount importance to the directors and shareholders alike; and that there is no intention whatsoever to hurriedly distribute the Bank's profits in the shape of dividends. The shareholders do not suffer at all by such a long-sighted and wise view because transfer to reserve fund not only strengthens the value of their investment but also buttresses the Bank's future progress and profits.

Chief credit for the splendid development of the Bank in such a short time must go to your General Manager, Mr. B. T. Thakur, who has continuously worked hard with single-mindedness and devotion. He has gathered under him a band of experienced, enthusiastic and loyal workers, who delight to work in the same spirit as their chief. To all of them I express my warm appreciation and thanks.

On account of the rapid expansion of your Bank's business, it was felt necessary to increase the capital of the Bank. An offer of new shares at par was made to the shareholders, and applications in excess of the amount of capital offered have been received. Looking at the large premium, nearly 80 per cent., at which the shares are quoted on the stock exchange, there was no doubt that the shareholders would readily take up the offered shares. With the addition of the new capital, your Bank's subscribed and paid-up capitals will be doubled to Rs. 4 crores and Rs. 2 crores respectively.

Having explained our accounts and the progress made by the Bank, I may briefly refer to some of the important economic and financial events affecting India.

During 1944, the total deposits of scheduled banks increased from Rs. 660 crores to Rs. 820 crores or by 24 per cent. During the same period currency in circulation expanded from Rs. 840 crores to Rs. 1,010 crores, i.e., by 20 per cent. Monetary conditions were easy throughout the year, though the new methods of advance payment of income-tax and excess profit tax and the energetic drives by the Government for investment in war loans, created at times great demand for money. Bank rate throughout the year was 3 per cent.

Questions are frequently asked in banking and financial circles:—

- (1) Will bank deposits continue at the present level or go down on the termination of war?
- (2) Will the bank rate be maintained at the present figure or be put up during the post-war period? and
- (3) Are the banks likely to lose on their investments after the war?

During the period, August 1939 to December 1944, currency in circulation has expanded from Rs. 179 crores to Rs. 1,010 crores or by 564 per cent. Deposits of scheduled banks in India in this period have increased from Rs. 249 crores to Rs. 820 crores, i.e., by 330 per cent. The growth in bank deposits is far behind the increase in currency. Before the war bank deposits were about 139 per cent. of notes, but today this percentage has come down to 81 per cent. Pre-war ratios of bank deposits to currency in England and America were 420 per cent. and 790 per cent. respec-

tively, so that our pre-war percentage (139 per cent.) is actually far below what could have been achieved under an efficient and fully expanded banking system.

In my address to you last year, I had referred to the slow growth of bank deposits in relation to the expansion of the currency; and I attributed the phenomenon to the fact that a good part of the money disbursed by the Government found its way in the form of currency notes into the pockets of soldiers, workers, technicians and agriculturists. The situation is substantially unchanged even after a year of material expansion of branch banking; and this vast volume of currency notes will, perhaps, not find its way into the vaults of the banks until production is geared up and more goods are available to this body of consumers. On the other hand, large credits pumped by the Government find their way to the banks in the form of deposits, but a greater part of this is drained off again in the form of taxes and subscriptions to loans; and if this process continues long enough, some signs of scarcity of money in business circles might, in due course, become visible.

We need not, however, be pessimistic about the effect of this on bank deposits, as the enlargement of banking activities and expansion of branch banking will slowly but surely develop banking habit in remote districts and gather, in the form of small deposits the currency which is lying idle; and if economic activity is keyed up and production is expanded, the growth of bank deposits might well be more rapid than we can permit ourselves now to think.

On the basis of the existing volume of currency, bank deposits must reach new heights. And if and when deflation takes place in currency, its contractionist effect on deposits will be largely offset by the taking up of the lag in the growth of deposits in relation to currency.

Deposits are partly created by borrowings, but during the present war there is very little of growth in bank deposits due to private or individual borrowings. This also removes one cause of contraction in deposits through decrease in advances in the post-war times. As India has been greatly starved in the production of consumers' goods, it is probable that on the termination of the war, production and distribution of such goods may actually enlarge borrowings from banks which in turn will stimulate bank deposits. Banks today maintain much larger cash reserves than are normally necessary, which provide ample room for growth of bank credit when times become normal. Finally, India has now a Central Bank of her own which must also deprecate any undue or hasty decrease in currency. Interplay of all these forces must result in the stabilization of bank deposits, if not in their further growth.

Taking the second question of the bank rate, if the situation is properly handled, there should be no possibility of a rise in the bank rate in the post-war period. The Government is interested in keeping the service cost on public debt at a minimum and must do everything in their power to continue the present low rate of interest. Business and industry will find in large deposits enough provision for their immediate post-war needs. The Reserve Bank has a sufficient grip on money and security markets to maintain the present low rate, if necessary through large purchases of Government bonds. India today is a creditor nation in the world; and a creditor country need have no fear of dear money.

The last question of loss on investments to banks in the post-war period can now be answered in the negative, particularly in the case of banks like yours,

which, though confident of the continuance of easy money conditions, are, nevertheless, prudent to keep a very large percentage of their securities in very early maturities.

To fully understand my remarks in regard to correlation between deposits and currency, and how it has been largely altered by the war, to provide considerable reserve for continuance of bank deposits at least at the present level, the shareholders can refer with advantage to the graphical representation given at the end of this statement. This has been prepared by your Bank's Economic and Statistical Department, which studies economic and financial questions affecting India. Your General Manager proposes to widen the benefits of this study by publishing a monthly bulletin of the Bank as soon as conditions permit and the paper situation becomes easier.

I must refer to the Banking Bill pending before the Indian Legislature. It is a measure in the right direction and its effect must be to help safe and sound banking. In order that there may be the utmost economy in the circulation of money and that banking habit may grow nation-wide, it is necessary that depositors' interest must be fully protected. Advancement of Indian banking is very necessary for giving effect to our economic plans. It will be necessary to have some changes in the Bill to make it fully effective for the purpose it is meant to serve. I have every hope that before the measure is put on the statute book, our legislators will so improve its usefulness.

There has been a certain amount of criticism of the policy of the Reserve Bank in selling gold and silver. But I think the fault must be attributed to the Government who have allowed foreign countries to take fullest advantage of the present artificial demand for bullion in this country. It would have been easy for India to buy gold and silver in the world market at the world price and retain the difference for the Indian revenues. It is a paradox to many how, at the outbreak of the war, the Government controlled export of bullion which meant India's realizing lower prices and later allowed those very foreign countries to sell bullion to India at a much higher price. The conclusion is irresistible that our Government's bullion policy is not entirely in keeping with our national interests.

In comparison to our man-power and natural resources, ours is one of the most backward industrial countries. It is a pity that the people of the country were not allowed to take fullest advantage of the war to start industries in the country as has been done by every other country in the Allied camp. It is hoped that the appointment of Sir Ardeshr Dalal, as the Member in charge of Planning, is a sincere and honest effort on the part of the Government to advance our economic and industrial growth. The present is the most opportune time for laying the true foundation for post-war industrialization. There are demands for Defence purposes which at present are met by the Indian industries. These demands must continue until the war against Japan terminates. Until these demands continue, the Indian consumers too must continue to starve. One, therefore, fails to understand why we are making no efforts to expand the existing capacity of the industry. More production will serve two purposes. It will relieve the strain on the consumer who is going about without goods and also will curb the present inflationary tendency. What is inflation after all? It is in fact the scarcity of goods in relation to the purchasing power. And this simple phenomenon of scarcity caused by war purchases has been given a high sounding name of inflation. People's attention thus has successfully been diverted from a simple and better remedy to one more complex and extremely

harmful to the society at large. The better way to kill inflation is to create larger supply of goods. The harmful method is to deflate, that is to immobilize the purchasing power of the people. It is like killing the hunger of the starved by creating dyspepsia and not by growing more food to appease the hungry stomach. Unfortunately in our country the Government is adopting the latter policy which is the most injurious method. Any Government careful of the welfare of its people would have adopted the other method. If the Planning Member is really anxious to plan post-war industrialization, then he cannot ignore the war-time expansion of production. The capacity to produce must be expanded here and now. Unfortunately, no attention is paid to this fundamental question. On the contrary, the Government has sent a mission to import consumers' goods from abroad. One fails, therefore, to understand how post-war industrialization will succeed if the very sources are to be weakened now. It would be a strange planning indeed which plans creation for tomorrow but destruction for today.

There is another point needing serious attention. Before we can really plan successfully, the Government must energetically tackle questions like the liquidation of sterling balances and make an irrevocable declaration, granting protection to Indian industries until such time as they are fully grown to resist any outside interference or competition.

India is the largest overseas creditor of England with a claim, which at the end of the war may amount to over a thousand million pounds out of England's estimated total overseas indebtedness of three thousand million pounds. The future destiny of India, to a large extent, depends upon the satisfactory arrangements for the liquidation of our sterling balances and any tinkering with it will further increase the misery and want of millions of our countrymen, the forcible starvation of whose needs went up to accumulate these balances. It is hoped that England will be just and fair in settling India's claim.

India must take increasing advantage of the vast technical and scientific improvements which have taken place during the last few years. Recent visits of Indian scientists and business men to foreign countries must prove helpful to us and we must take the fullest benefit of the newer knowledge and information gained by them.

All countries are planning enlargements in their credit structure so as to provide necessary means to cope with special problems arising at the end of the war. In America a method is being involved in the shape of group finance by large banks to pump credit into the country through smaller local banks. In England financial institutions are being started to provide capital and resources for industries. These devices abundantly prove that every country must pay special attention to its own needs and establish methods and means calculated to serve its economic purposes. I hope instances like this will stop for ever the bogey of precedents and examples, which has too long stifled our economic growth; and we should be able to have recourse to newer methods and newer ideas adopted to suit our case. I also hope that our Government too will no longer show their continued fondness for dumping foreign experts in India, whose value, as past experience shows, is indeed doubtful. Wedded to their own established conventions and conditions they have never shown a courageous and independent outlook so necessary for a country like ours.

Before the war, any attempt on the part of India for vigorous all round industrialization was scoffed at on the ground that ours was a poor country and we had no money to launch such a programme. The war has proved beyond doubt how fallacious this argument is, and that what matters is not money, but national will, man's labour, confidence and credit. Want of money has proved to be no bar to the endless production of goods and providing of services for war, to feed the ever hungry and insatiable flames of mutual destruction; and much less should be its interference when the purpose is not destruction but uplifting of human standards through planned economic growth.

I have always stressed it to be one of our great needs that the Indian banks, particularly the larger ones, should have a closer association among themselves to satisfactorily solve questions concerning credit and finance. It is only in this collective manner that we can meet the needs of the country in post-war times. By remaining aloof and merrily looking to our own individual positions, we are depriving our country of her rightful claim on Indian credit institutions for fullest collaboration in future schemes. It is also the duty of the big banks to extend a helping hand to the smaller banks so that they too may grow in usefulness and in the service of the country.

There remains perhaps only one thing for me to refer to, namely, termination of hostilities, which I hope will be very soon, and the question of peace. It is needless for me to remark that peace will have a profound effect upon the fate of many nations. India needs no favour but only justice politically and justice economically. Most people in India have apprehensions, based on past historical experience and recent decisions arrived at various international conferences, that again Indian claim for fullest freedom in developing her economic destiny may not receive full recognition. The Bretton Woods Conference brushed aside India's need of bringing liquidation of her sterling claims in the orbit of international monetary decisions and denied her just claim for a permanent independent seat on a footing of equality with major countries, based on grounds of population, economic rank and even tremendous sacrifices made for the war. Conclusions of the Dumbarton Oaks Conference were equally disappointing. The Conference of Chambers of Commerce which met at Rye in the United States, was somewhat more sympathetic, but the British delegates were always conscious of being members of a race which ruled over India and insisted on continuance of existing conditions and rights of their country acquired through political domination; and never was any disposition to consider justice to India. At the Pacific Conference at Hot Springs we had an able unofficial ambassador in Mrs Vijayalakshmi Pandit, who so logically represented demands of Eastern countries for just and fair treatment; but the complex that the East is East and the West is West seemed to dominate conclusions. The authors of the peace if they really want to end war for ever must always keep a few fundamental truths before themselves, violation of which has always resulted in recurrence of a series of wars, each more tragic and more deadly than its predecessor. These fundamentals are:

- (a) Equality of nations regardless of colour or of race or of geographical location.
- (b) Birthright of every nation to have complete freedom—political, economic and social.
- (c) No right of domination of one country over another, however advanced the former may

be and backward the latter; and abolition of mandates and abandonment of the theory of Trusteeship, which, though perhaps based on high sentiments and clothed in high-sounding words, have in practice meant exploitation of the weak by the strong.

- (d) Honest and sincere disposition on the part of advanced countries to help the backward countries to come up to their own level.

Let us hope and pray that the peace which will have cost so much life, blood and wealth, will not be hastily lost by man's greed or lust for power.

G. D. BIRLA.

New Delhi,
20th February, 1945.

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Edited by Dr. P. S. LOKANATHAN

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NOTICE

CONTROL OF CAPITAL ISSUES

The following additions are made to the list already published of questions to be answered in applications for consent or recognition to the issue of capital by companies.

Q. 4 (a): "Note: Mere reference to the objects stated in the Memorandum of Association is usually unacceptable."

Q. (b). "Note: This does not refer to the company's head office (see Q. 2) but to the place of actual operations (e.g., in the cases of industries, location of factory).

New Q. 5A. "Managing Agents. Give name and address of Managing Agents, if any, appointed or to be appointed."

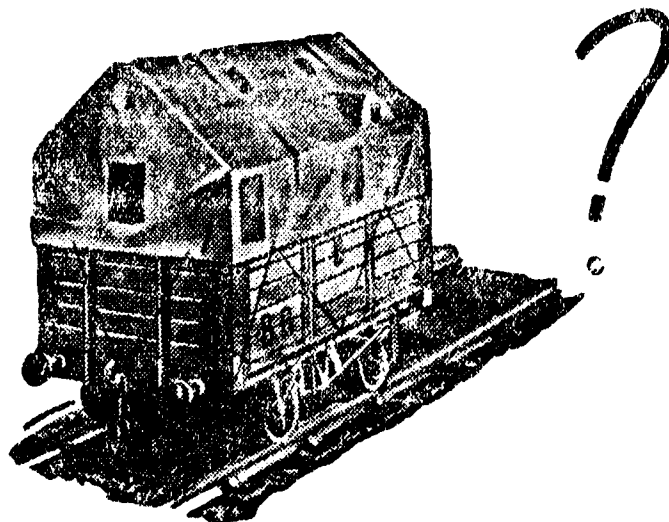
Q. 6. "and describing the voting rights of each class of share."

Q. 8 (d). "In respect of capital goods, state whether an application for registration has been made to the Chief Controller of Imports and, if so, whether registration has been accorded (quote number and date of registration certificate)."

Sd.- A. H. LLOYD,
Examiner of Capital Issues.

13th March, 1945.

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THE BUSINESS WORLD

TRADE PROSPECTS WITH THE MIDDLE EAST

WHAT are the prospects of our post-war trade with the countries of the Middle East—Egypt, Turkey, Iraq, Palestine, Syria and Lebanon, Iran and Saudi Arabia? The increased tempo of war-time commerce between these countries and ours has set many of us thinking hopefully of the future, but it is necessary to estimate the extent to which optimism would be justified. The question is whether it is likely, on a balance of all relevant factors, that the war-time trade gains will be kept up and that the Middle Eastern countries will be more prominent in our foreign trade after the war than they were before it.

The Middle Eastern countries are predominantly agricultural; in Egypt the agricultural population is about 62 per cent. of the whole and in Turkey, about 68 per cent. The economies of these and other countries in the group are, in the main, raw-material exporting and thus complementary to the economies of the industrialized countries of the west. Like all raw-material-exporting economies, they are poor and industrially backward. Hence, their share in world trade has been small; in 1938, they accounted for a little over 1 per cent. of the world's imports, and a little over 2 per cent. of the world's exports. Much of this trade is canalized towards Western Europe (Germany and France particularly), U.K. and the U.S.A. The share of this group in the foreign trade of some of the Middle Eastern countries in recent times is shown below:

	Egypt	Turkey	Iraq	Palestine	Syria	Iran
Imports %	65	85	67	50	44	73
Exports %	69	87	73	67	47	47

Our country has been doing only a small volume of business with the Middle East, because while our demand for the staple exports of this region is limited, until recently our industrial efficiency could not compete with that of the west in the cheap supply of the manufactures, which form the bulk of the imports of the Middle Eastern countries. Our principal imports from Egypt have been building materials, cigarettes, raw cotton of 1-1/4" staple and over, and salt, while our exports have been cotton twist and yarn, wheat flour, and gunny bags. From Iraq we have been importing dried fruits and nuts, while our cotton and jute manufactures, coffee and tea have a market in that country. Petroleum products form the main item of our imports from Iran, and our off-take of dried fruits and nuts is also considerable. In return, Iran has been importing from us tea and cotton manufactures. But, as has been said already, the trade between India and the Middle East is, on the whole, not considerable, as the following figures, which are for 1939-40, will show:

	(In lakhs of rupees)	Egypt	Iraq	Iran
Imports into India	..	2.84	68	3.12
Exports from India	..	1.78	89	94

The war has brought about a certain expansion in this trade. The Indian textile industry has increased its consumption of Egyptian cotton to an appreciable extent, while the import of petroleum products from Iran has risen greatly. Our exports to the Middle East have also increased, cotton and jute manufactures being the most buoyant items. The trade figures for 1941-42 give some indication of the expansion:

	(In lakhs of rupees)	Egypt	Iraq	Iran
Imports into India	..	4.69	1.03	6.04
Exports from India	..	6.52	3.86	1.52

Besides, Turkey and Arabia are two other Middle Eastern countries, which have recently increased their off-take of Indian goods, chiefly cotton piecegoods, jute manufactures and tea; consequently, the value of our export trade rose in the case of Turkey from Rs. 27 lakhs in 1939-40 to Rs. 49 lakhs in 1941-42, and in the case of Arabia from Rs. 135 lakhs to Rs. 301 lakhs over the same period.

What of the future? The main determinant would be the trend of economic development of these countries. Since the thirties, Egypt, Turkey and Iran have undertaken in varying degrees a programme of industrialization and agricultural expansion and we may expect this tendency to become more prominent all over the Middle East after the war. In the long run, this economic development may lead to an expansion of foreign trade consequent to an increase in the purchasing power of the people in this area and India, in common with other countries, may reasonably expect to benefit from this prosperity. But in the near future, the effects are likely to be different. Once the immediate post-war period of general shortage of goods and pent-up consumer demand is over, it is likely that India may find a number of difficulties in the way of her improving or even maintaining the volume of foreign trade, especially export trade, with the Middle East. In the first place, the immediate effects of an industrialization programme in the Middle East may well be a severe curtailment of the imports into this region of the class of consumer goods, which India is best qualified to supply. This curtailment may result not only from the desire of these countries to conserve foreign exchange for the import of capital goods and machinery, but also because the very attempt at industrialization would involve the development in those countries of industries, such as textiles, cement, sugar, glassware, etc. Secondly, these countries are already within the political orbit of powers such as Great Britain and France, while the development of the petroleum resources of these regions would mean that the U.S.A. and the U.S.S.R. may have greater stakes in these areas in the future. It is evident that these powers will make use of their positions of vantage to further their own commercial interests in the Middle East. Further, the fact that many of these countries have sterling accumulations at London will be another reason why they will have to buy as much as possible from the U.K.

For these reasons, it is possible that the prospects of increased post-war trade with the Middle East are not really as bright as many would suppose. On the other hand, there is no need for undue pessimism. Indian tea will always have a market in these countries. Our textiles should prove a good selling line. Lancashire's competition may be keen and American rivalry formidable, but India may still be able to hold her own, provided her textile industry is better equipped after the war and the export trade is well organized. Further, India's industrial development should fit her to supply at competitive prices a wide range of manufactures such as leather goods, glassware, cement, sugar, etc. But, here, also it is not only the efficiency of the manufacturers that would count; equally important will be a more efficient organization of the export trade. The fact that the bulk of our war-time trade with the Middle East is being handled by the U.K.C.C., while our merchants have been wholly kept out by an iniquitous export control is not calculated to make this task less difficult after the war.

NOTES

WHAT IS THE GAME?

We hesitate to believe the London *Daily Express* story that the Hydari Mission have concluded negotiations for the import of £60 million worth of goods yearly from the U.K. It will be recalled that, at a Press conference held on the eve of his departure to London, Sir Akbar Hydari gave the categorical assurance that, beyond attempting to relieve the civil supplies position by persuading H.M.G. to divert to other quarters part of the heavy incidence of the total war demands on this country's limited resources, he would do nothing to commit the country to any long-term commercial pact with the U.K. We are not prepared, therefore, to believe, without further evidence, that Sir Akbar has indeed behaved thus, and are at the moment inclined to ascribe the newspaper version to imaginative journalism or to wishful thinking. The issue, be it clearly understood, is not whether there should be a commercial pact with the U.K. or not, or whether India should import so much goods from that country or not. In fact, so far as the question of a commercial pact is concerned, there is really no choice, for the process of liquidation of the sterling balances, for which we are agitating, involves *ipso facto* such a pact, and provided British industry can supply our genuine needs at competitive prices, it would be to our interest to import from her as much as possible, in which case the annual value of such imports may conceivably be much higher than £60 million. The point, however, is quite different, and, put bluntly, it is that the negotiation of a commercial pact is quite beyond the competence of the Hydari Mission. The delegation is composed wholly of departmental officials of a subordinate Government, and the purpose for which it has been sent over has been repeatedly and authoritatively stated to be the conclusion of an arrangement with H.M.G., whereby a partial discharge may be obtained for our strained economy from the obligation of meeting the war demand for goods and services. It would be, therefore, clearly exceeding its limits if it seeks to enter into any commercial agreement, which will have the effect of tying our hands with regard to the question of sterling balances or future import policy. A commercial pact with Britain will be acceptable to and honoured by this country only if the following conditions are satisfied: firstly, it should be part of an agreed formula for the repayment of our sterling credits; secondly, it should be geared to the needs of post-war economic development; and, thirdly, it should be negotiated by a delegation, preferably led by a non-official Indian and at any rate predominantly non-official and Indian in its personnel in which the business community and the public at large have confidence. It is imperative that the Government should lift the veil of secrecy that surrounds the Hydari Mission's activities and let the public know what the position really is.

BOLDER BANKING

While in piloting the fortunes of his own bank Mr G. D. Birla rightly sticks to the orthodox criteria of caution, stability and strength, taking the larger needs of the national economy he puts in a plea for bolder banking and having recourse to newer ideas and methods suited to our conditions on the part of all banks. It is not necessary for Indian banking religiously to follow the pattern of British banks. Even orthodox British bankers are now convinced of devising methods of financing the heretofore neglected small business after the war. In the U.S.A., for example, a method is being evolved in the shape of group finance by large banks to pump credit into the country through smaller

local banks. This experiment, in particular, needs careful consideration in India. Banking expansion that has so far taken place has mainly meant the collection of deposits from the interior to the principal towns and centres, rather than catering to its needs. The opposite development by which large banks could enter into working arrangements with small banks and enable the latter, with their local knowledge, to meet local needs, is one which would seem to hold out great promise. Some kind of specialization which would lead to co-ordination by the bigger banks being confined to the principal towns and the smaller banks being confined to the smaller places is worth attempting.

MACHINERY PANEL

A panel to examine and make suitable recommendations for the manufacture of machinery for industries such as textiles, cement, chemicals, paper and mining has been constituted by the Planning Department. The chairman of the panel, it is understood, is Mr G. L. Mehta, and among the members are: Mr P. F. S. Warren, Mr Kirloskar, Mr Mu'gaokar and Mr K. K. Birla. It is too early to say whether, in the initial stages of industrialization, the technical possibilities for the manufacture of complex machinery on an efficient scale would be adequate. The question is important, because the cost of industrialization would be determined to an appreciable extent by our ability to secure capital goods of the most modern type at reasonable prices. The panel's report will, therefore, be eagerly awaited.

WOOLLENS FOR CIVILIANS

Some days back, the Supply Member made a statement on the woollen goods position in reply to a question put by Mr Manu Subedar in the Central Assembly. According to that statement, the Government have placed orders on the organized woollen industry to the extent of 7,310,000 lbs. corresponding roughly to the pre-war production. This quantity will be released to the civil population during 1945 at controlled prices through recognized dealers. What is even more important, the Supply Department have issued instructions to the mills that the civil and defence services goods should be given the same priority, and that in case of hold-ups of manufacture due to unforeseen circumstances, the production of both types of goods should be affected proportionately. This is new-found wisdom, nevertheless the public have reason to be profoundly thankful to the powers that be. It will be recalled that the failure to issue these instructions last year made a flop of the Government's then much-advertised intentions to release 25 per cent. of the 1944 output to civilians, with the result that all over North India, people had to face a very severe winter without the minimum of woollen clothing.

SATISFACTORY BUT NOT SUFFICIENT

As an earnest of the Government's desire to make essential supplies available to the civilians, their woollens programme is satisfactory, but not sufficient. We would urge them to apply their new-found wisdom over a wider field. In other words, in the case of every item of consumers' goods, the domestic production of which is not sufficient to meet the over-all demand of both Defence Services and the public, the right policy would be not to flood the civilian market with imported supplies, but rather divert those supplies to Defence Services, while releasing domestic producers for service to their civilian customers. Such a policy is necessary for reasons, which were pointed out by Mr B. M. Birla in a speech at the recent annual session of the Federation of Indian Chambers of Commerce and Industry.

This policy, in the first place, would help the domestic producers to keep in contact with and maintain good will of their normal customers, and, secondly, it would facilitate reconversion of our industries to peace production, while the present import policy of the Government enables foreign producers to secure these vital advantages.

POWER ALCOHOL

It is often a characteristic of the Government of India's policy, in matters of industrial development, that it permits a very wide gap between the recognition of a need and the taking of concrete steps to meet that need. The indigenous manufacture of power alcohol is a case in point. It was in 1918 that the Holland Commission emphasized the undesirability of dependence on a foreign source of supply for its fuel needs and pointed out that provision of a substitute for petrol 'is generally recognized as desirable if not imperative.' India has an annual surplus of molasses amounting to 265,000 tons which, if utilized for the manufacture of power alcohol, would give the country 15 million gallons of motor fuel. The two provinces of Bihar and the U.P., the home towns of the sugar industry in India, in 1937 appointed a joint commission to investigate the possibilities of alcohol manufacture. Their report, which clearly pointed out that it was within the realms of practical possibilities to manufacture power alcohol at a cost at which it would even be able to bear an excise duty equal in amount to the duty on indigenous petrol. The report was shelved. In 1940 the U.P. took an inadequate step in making it compulsory that power alcohol should be mixed with petrol for use as a motor fuel. This, however, was to apply to a few districts. The Bihar Government took two years more to take a similar step. Even now, despite the enhanced need and value of an alternative motor fuel, so sharply underlined by the transport situation in the country, according to Sir Ramaswami Mudaliar, the distilleries for the production of power alcohol and high rectified spirit are being erected at six places in the U.P. at Simbhaoli, Shamli, Hargaoon, Gila, Captainganj and Deoria. The Supply Member vouchsafed this information in reply to a question as to what efforts were being made by the Government to increase the production of power alcohol. He was careful, however, not to say when these are likely to be completed, nor did he inform the House what was

the capacity of these plants. What is the Government of Bihar doing? We are glad that the subject is to be studied by one of the industrial panels constituted under the Planning Department and let us hope that in the post-war period at least the industry will be given the importance and priority that is its due.

BANASPATI INDUSTRY

One of the younger industries, the Banaspati industry was marked out for expansion before the war. The prevalent high prices and shortage of butter and ghee have gone far to accustom the people to this vegetable product, which has now a secure and extensive domestic market. The industry is important for two reasons: firstly, it would provide a relatively cheap source of fats to the poorer sections, who cannot afford the more expensive dairy products; and, secondly, it would assist in developing an internal industrial demand for oilseeds, of which this country is a main producer. We are, therefore, glad that the Food Department are paying attention to the possibilities of this industry. A large number of applications for starting factories are reported to be under examination and it is given out that the Government propose to encourage development on a regional basis so that the different areas may be properly served. In this, they would undoubtedly need the assistance of an expert committee; prejudices and predilections of individual officers cannot obviously be a satisfactory substitute for a scientific appreciation of relevant location factors.

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Managing Director MR. M. K. GUHA

LETTER TO THE EDITOR

Sir,—Please permit me to make a few observations on the excellent article on "Agricultural Prices" that appeared in your issue of March 16. From the point of view of principle, I have no criticism to make. But in dealing with immediate economic issues during difficult times of transition, emphasis may play a vital part in the shaping of policy. In a country like India with millions of scattered holdings, any plan of stabilization of agricultural prices is so difficult that even a full National Government will hesitate to embark on it. So far as the present Governments in India are concerned, they will only be too ready to abandon even the minor attempts at stabilization that have been made for the purpose of rationing.

The first principle of "abundant caution" which you have laid down is that "the national economy, in particular, should be attuned to the note of expansionist economy." I agree. But I also suggest that the one single factor which will attune national economy to the note of an expansionist economy is a reasonable stabilization of agricultural prices. Without this stabilization, the internal market, which is the sole market that will be available for our expanding industries, will become so erratic that any expansion will be short-lived.

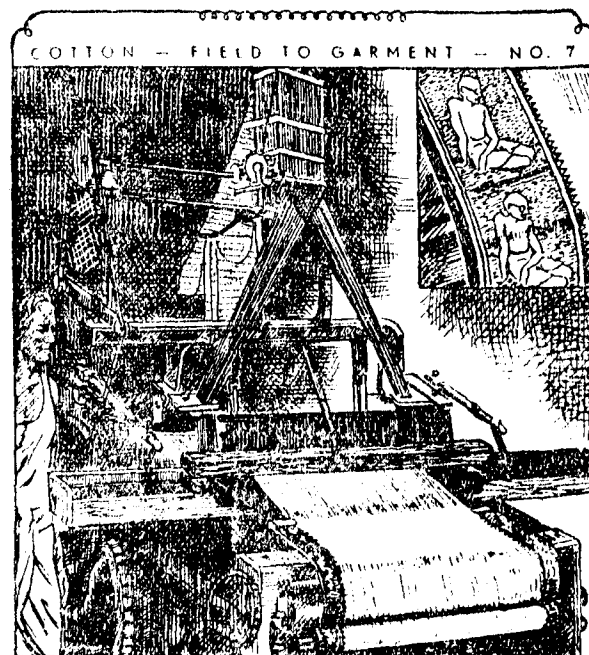
As the second governing principle, you have suggested that "as far as possible the national stabilization programme should be in keeping with world trends." As a principle for long-term application, I entirely agree. But it has been ably argued in the columns of the *Eastern Economist* that the transition problems of India will be very different from that of other countries and that here a collapse of prices is more likely than elsewhere. If this collapse is to be avoided, our stabilization programme for the first years after the war must be towards insulating national economy to world trends and slowly attuning the former to the latter. This will be all the more necessary in the case of rice and wheat in which the devastated countries of Europe and Asia may speculate widely in order to find foreign exchange for essential reconstruction needs. I may point out that in order to obtain essential machinery in the earlier stages of the revolution, Russia dumped her wheat on the neighbouring countries. Burma, Siam and China may choose to dump rice on India even when they have not enough for their own people. Instead of putting the world trend first and insulation second, I suggest that our need is immediate insulation and slow attunement.

I entirely agree that stabilization should not mean any long-term insistence on an artificial fixed and rigid level. But we want stabilization not only for the avoidance of violent fluctuations in short periods but also as an aid for the raising of the standard of living of the cultivator and agricultural labourer. In the long run, this will produce greater efficiency in production enabling this higher level to be kept up in spite of falling prices. But the latter is a slow process and stabilization should be sufficiently long to permit it. The present prices are likely to be the maximum. I suggest that the minimum also should be determined in conformity with the considerations stated in the second paragraph of your article and steps taken to see that the prices do not go below the minimum on any account and that fluctuations between the two limits in any one year should be limited, say, to 10 per cent. As I have already stated, these are differences not in principle but in emphasis.—Yours etc.,

K. SANTHANAM.

New Delhi,
March 19, 1945.

[The differences in emphasis to which Mr. Santhanam has referred are themselves the result of our common appreciation of the imperative need for stabilization of agricultural prices. In our article last week we were concerned with pointing out certain necessary implications of such a policy, as failure to understand them will involve the country in avoidable financial sacrifice and perhaps ultimately in a hasty abjuring of a right policy. Our emphasis on world trends was more to reinforce the case for stabilization than the contrary. Some of the other points raised in the letter require detailed answer and will be dealt with separately.—Ed.]



HOW PATTERNS ARE MADE

Stripes or borders of plain colours are made by groups of dyed warps. Checks or stripes across the widths are made by changing the shuttle from plain to coloured weft—sometimes automatically.

But patterns of floral or other complicated designs are formed in the cloth by keeping selected warp thread raised while two or more wefts pass underneath them. For instance a coloured circle will be formed by lifting enough coloured warps to show its diameter—those in the middle of the circle will have to stay up for the same number of weft threads to pass underneath and those at the circumference of the circle nearest the edges of the cloth will only stay up while two or three wefts pass underneath.

Every warp thread can be controlled independently and automatically on a modern Jacquard-loom—to make tapestries and bedspreads. A simpler mechanism is used for sari borders in which only a few threads have to be separately lifted.

Kesoram
CLASSIC COTTONS

KESORAM COTTON MILLS LTD.
Managing Agents: BIRLA BROS. LTD.,
CALCUTTA.
JWT (E) LTD.

FROM THE PROVINCIAL ANGLE

Madras Letter

(FROM OUR CORRESPONDENTS)

MADRAS, March 17.

GREAT interest centres round the new system of heat treatment for the reclamation of damaged grain and flour that has been evolved in the Indian Institute of Science, Bangalore. It has been found at the Institute that all kinds of food grains and flour have a certain amount of infestation and on storage even for a few months, the insects multiply rapidly and eat up anything like five to ten per cent. of the solid material. They go preferentially for the vitamins and other essential food factors. The insects also leave their residue which cause bad smell. The new method of treatment consists in introducing the grain or flour into a narrow hot chamber electrically heated to 120 degrees. After exposure to heat for three to five minutes, the grain or flour is discharged and sieved prior to storage. The cost of energy required for the treatment is stated to be very small. The reclaimed grain or flour, it is claimed, is fit for prolonged storage and will preserve all the food values. It is stated that hundreds of bags can be treated in a day and that the plants can be put up at a moderate cost.

The Madras Government have extended the time for the ginning and pressing of old Westerns cotton in the Ceded Districts from March 8 to June 8, 1945 due to the inadequate capacity of the mills. In order to ensure that the old cotton is not mixed with the new cotton in the ginning and pressing factories, the Government have also sanctioned the employment of eleven Agricultural Demonstrators to supervise the ginning and pressing operations. In view of the appointment of these officers, the Government have now permitted the ginning of the new crop also. These modifications in the recent Government orders have been received with some satisfaction as giving relief to the cotton grower in the Ceded Districts who has been hard hit by the fall in the price of cotton by about 25 per cent.

Certain details of the 200-crore plan of economic development of Mysore State are now available. The scheme aims at the economic prosperity and self-sufficiency of the State and provides for the development of land, irrigation, roads, agriculture and dairies. The formation of a joint-stock company for bringing large extents of land under the plough to effect increased production; establishment of dairy farms through the agency of co-operative societies; joint-stock companies and large land-owners; raising of fuel plantations on an extensive scale within an economic distance and a housing scheme are some of the important features of the plan. The formation of a Board of Agricultural Research has been recommended as also the State control of production and distribution of manures. The manufacture of fertilizers and plastics and starting of a crockery industry have also been included. The manufacture of rayon with the bamboo pulp as the raw materials has also been visualized.

A statement issued on the working of the Madras Agriculturists' Relief Act, 1938 reveals that in the quarter ending December 31, 1944, the amount involved in applications presented under the several sections of the Act totalled Rs. 7.77 lakhs and that the amount scaled down was Rs. 4.06 lakhs as against Rs. 938.98 lakhs and

Bombay Letter

BOMBAY, March 17.

IT is now definitely known that a scheme for a province-wide network of motor transport services under the joint control of the Railway Board, the Provincial Government and the existing operators is shortly to be launched by the Government of Bombay. It is planned to divide the Province into 12 zones, each

Rs. 448.06 lakhs respectively in the past 82 months of the working of the Act. Over two lakhs of cases have been disposed of during the period and 965 cases are still pending. There is no doubt that the small indebted agriculturists have been benefited to a large extent by the Act which was put on the Statute Book by the Congress Ministry.

For once, the Madras Government have respected public opinion. It has now been announced that they have decided not to proceed with the bill to amend the Madras General Sales Tax Act which gained prominence by being mentioned in the Central Assembly too. The bill sought to empower certain officers of the Commercial Tax Department to search dealers' premises, other than those used for the conduct of their business, "where there is reason to believe that account books, etc., relating to their business are secreted." A number of objections to the bill were received from various mercantile bodies in the Province urging that the bill should be dropped on the ground that the new powers sought to be given are unnecessary and are also likely to be abused.

The early end of the war in Europe, increased imports of cotton textiles, paper, machinery, dyes, etc., from abroad this year and the possibility of agricultural income-tax being levied by the Provincial Government were some of the factors obsessing the minds of the investing public. There was a tendency to await further developments and hence the volume of business in the Stock Exchange showed a shrinkage. The Government Securities market was steady. The announcement of the closing of the 3% Funding Loan 1966-68 had a tonic effect on the market and the quotation for this loan improved by over a point to Rs. 99.5-6. There was good support for 3% Victory Loans 1957 and the quotation rose to Rs. 99-14-6. There were good enquiries for Madras Loans and 3% Travancore Loans 1952-54. Bank shares were featureless. Reserves were done at Rs. 130.8. Rejections to the bill were received from various mercantile Textile shares were substantially marked down on reports that war orders are being slowed down and that there is the prospect of imports of cotton textiles from abroad. The report that Janardhanas are paying a dividend of 6 per cent. as against 36 per cent. last year added to the general pessimistic tendency. There was selling in practically every counter. Janardhanas declined sharply to Rs. 100 sellers. Coimbatore Cottons, Rajalakshmis and Sitarams were all lower at Rs. 222 c.d. Rs. 198 and Rs. 174 respectively. Business was restricted in the Planting Section. In spite of reports to the effect that rubber deliveries have improved that the estates would get the maximum bonus, there was only selective buying. Cochin Malabars improved to Rs. 16-15 and Travancore Rubbers to Rs. 22-4. In the Miscellaneous section, there was steady buying of Indian Steel Rollings by Bombay interests and in the past fortnight, the quotation of this rather sticky share has improved from Rs. 9-4 to Rs. 9-12. Andhra Cements declined from Rs. 117 to Rs. 104-3 on information reaching on the ordinary shares. There was an improvement in the quotation to Rs. 109 at the close due to bear covering.

zone forming a separate transport company, and the Provincial transport authority will co-ordinate all the different units and frame the general policy. The shares of these companies will be divided equally between the Railway Board, the Provincial Government and the existing operators, all of whom will have a joint control in the enterprise. This is exactly

what Sir Edward Benthall wanted when he asked for a 'substantial' interest in the road transport services for the Railways. As the Railways are state-owned, this will mean that two-thirds of the ownership of the road transport services will pass into the hands of the Government and it will follow inevitably that the Railways will have a big voice in the rail-road "co-ordination" process. It is feared that this will mean the monopoly of the road services for the Railways and the end of all competition. While no one is desirous of returning to the days of cut-throat competition between the Railways and road services, if the road services were partly owned by the Provincial Governments and partly by the public, it would be quite possible to bring about that healthy competition between the two transport services which is necessary for economic and efficient service. Looking to the haste with which this scheme is being launched, it is quite possible that the Bombay Government is playing the tune called by Delhi, for it seems that they are preparing the ground for dumping into India at probably fancy prices the thousands of military motor vehicles which will become redundant after the war.

Textile Research Institute

What Indian industrialists could achieve if they are not financially stifled by the heavy toll of taxation is amply demonstrated by the news that the Ahmedabad Millowners' Association have decided to start at a cost of Rs. 65 lakhs a Research Institute for textile technology. Originally the Millowners had planned to raise a fund of Rs. 50 lakhs provided the Government of India were prepared to contribute an equal amount and undertake to maintain the Institute in pursuance of their scheme of industrial research. However, now that the cost incurred on research will be allowed as expenditure for the purpose of assessing the excess profits tax, the Millowners have decided to start the Research Institute at their own cost.

Insurance

City business circles are full of discussion regard-

U.P. Letter

CAWNPORE, March 19.

THE U.P. Government hope to set apart Rs. 125 crores for post-war schemes to be spent in the first five years after the war. Of this Rs. 47 crores will be contributed by the Central Government and the rest will be met from loans and the balances accumulating every year from the provincial revenues. Rs. 60 crores is earmarked for roads programme, Rs. 22.5 crores on schemes connected with agriculture, irrigation and hydro-electric projects, and Rs. 12.5 crores for education. Three sub-committees have been formed to go into the proposals concerning (1) University and Technological Education, (2) Secondary and Technical Education and (3) Basic and Adult Education.

Municipal Finances

War has adversely affected Municipal finances. While the expenditure has been rising, there has not been a proportionate rise in income, and Cawnpore's Municipal Board budget estimates for the year 1945-46 show a deficit of Rs. 11¼ lakhs, despite Rs. 8 lakhs loan and Rs. 4,56,000 grant applied for, being included on the income side. In the event of the loan or grant not materializing there will be bigger deficit.

New taxation has been proposed. These are a projection tax, a tax on bicycles, a bigger house-tax, a passenger tax, and an upward revision of terminal taxes and tolls. A tax on callings and trades is also proposed. The new measures are expected to yield over Rs. 15 lakhs, but they require the sanction of the Local and the Central Governments. In case of the bicycle tax, permission of the Local Government has already been received.

ing the proposed amendment of the Insurance Act, especially in view of the fact that Mr L. S. Vaidyanathan, Superintendent of Life Insurance, who is in Bombay, gave an interview to a deputation of Life Insurance Agents who also held a meeting this week to discuss the amendment. At this interview the Insurance Agents deputation was assured that it was not the Government's intention to reduce the first year's commission unless the request came from the business community itself. Further, he stated that the Government are not at all in favour of reducing the maximum renewal commission below the existing rate of 5 per cent., except if it were to set apart a portion of it to be carried to a Provident Fund for the eventual benefit of the Agent. He also assured them that he would advise the Government not to touch the renewal commission of the Agents.

At the meeting of the Life Insurance Agents, the President emphatically stated that the Government had no data on which they could justify any reduction in the Agents' commission. He challenged the Government to touch the pockets of the Chief Agents, for in that case he was sure that the Insurance Bill would have been just thrown out. The meeting also passed a resolution expressing the opinion that the "proposed amendment of Section 40 of the Insurance Act was unjust, unworkable and impracticable in view of the present economic conditions and the high cost of living." The meeting also drew the attention of the Government to the fact that Life Insurance Agents had already suffered a substantial cut in their remuneration by the legislation enacted in 1939. In view of the general backwardness and lack of education in our country, even though the retention of the Life Insurance Agents' commission at present levels will keep the cost of life insurance high, it seems that these levels will have to be maintained if life insurance is to be effectively canvassed and the habit of life insurance is to be widely spread so that ultimately the costs would go down.

A New Local Body

The U.P. Government have issued the draft of the Cawnpore Urban Area Development Bill, which seeks to set up a body to be called the Cawnpore Development Board which will absorb in it the present Improvement Trust and take over a few of the functions and duties at present exercised by the Municipal Board, and some others. It will have a Government appointed President. Its *ex-officio* members will be the Collector of Cawnpore, the Labour Commissioner to the U.P. Government, the Chairman of the Municipal Board and the President of the Cantonment Board. The Municipal Board will appoint three members on the Board, and the Government will appoint eight others from among non-officials living in Cawnpore.

The Development Board will float loans, receive Government grants and subsidies, have its own sources of income and would also receive grants from the Municipal Board. The statement of objects and reasons in the Bill reads: "Owing to the large increase in population of the Cawnpore urban area during recent years and the steady deterioration in the sanitary, housing and other conditions in the city the question of effecting an immediate and large-scale improvement has become most necessary and it is of utmost importance that early action should be taken to cope with the problems involved. In particular, the problems relating to water supply, drainage sewage disposal, town planning including slum clearance and town expansion have all become intensified....."

TRANSPORT

Road Planning

CONTRIBUTED

TWO years ago, the Viceroy had announced that his Government would give first preference to the development of communications in post-war planning. Plans and estimates for road development are expected to be ready by the middle of this year. Rs. 400 crores are to be spent for making roads. Four categories of roads are to be constructed. First come the national highways. These will be planned by the Centre in consultation with the Provinces and States. Their maintenance and development will be a charge on Central revenues. They would consist of main highways running through the length and breadth of the country, connecting ports, capitals of Provinces and States and foreign highways, if any. A Central Road Board is proposed. It would direct the control over traffic on national highways. Secondly, there would be the provincial roads comprising other main trunk and arterial roads of the Provinces and the States, linking the national highways with the highways of adjacent Provinces or the States, district headquarters and important cities. Thirdly, provision is made for district roads which would include roads traversing each district, serving areas of production and of markets and linking the districts with one another and with railways and highways. Last in the list are the village roads connecting villages or groups of villages with one another and with the nearest district roads, main highways, railways or water-ways. While the Central Government will have power to co-ordinate and control all developments, the last three categories would be a charge on Provincial and State revenues.

These plans look perfect on paper. The purpose seems to be to link villages and provincial towns, railways and water-ways, provincial capitals and ports, so as to serve the country industrially, commercially and culturally. Indian railways were built with a declaration of this very purpose, although to the British bond-holders dividends were more important than anything else. The railways failed miserably in sub-serving the real purpose. Railway rating policy, influenced by the British vested interests was based on the principle of facilitating export of India's raw products and helping import of foreign manufactures. Roads cannot give rise to rating policy as such. But it looks as if British vested interests are also behind the road programme. There are the automobile interests, the petroleum interests and the asphalt interests. Road vehicles and road building materials and machinery, which would be in plentiful supply, as residues of war, can, with impunity, be dumped on a dependent country like India by Great Britain. The railways in the past played this game. As a result of this, locomotive manufacture and expansion of wagon construction in the country itself still remain a post-war job. They were post-war jobs even during the last war. It looks as if the game is going to be repeated, this time in the name of road development.

The Conference of the Chief Engineers of the Provinces and States, held some time back, recommended placing of orders for diesel engine and steam engine rollers for road construction, with foreign concerns. No consideration is given to the possibility, which such huge orders are likely to encourage, of establishing manufacture of steam engine rollers in India. Government have, at long last, agreed to establish a plant for the manufacture of locomotives as a result of the persistent demand from the public. Manufacture of steam rollers is decidedly less compli-

cated than that of locomotives. Boilers and engines up to 50 h.p. are being manufactured even at present in the country. Steam engine boilers required for steam rollers are generally of small horse power and work on low pressure steam. The manufacture of steam rollers in the country, therefore, would not present a great difficulty. It is gratifying to note that, in the second report on Reconstruction Planning, it is suggested that the road-making machinery and plant required for road construction and maintenance should be manufactured in India. But would the Government implement this policy?

Another important question regarding road construction is that of the material, which would be used in the construction of roads. The engineers of Provincial Governments and States estimated that about half a million tons of cement per annum would be required for road building and maintenance in the post-war period. The present output of cement in the country would not be adequate to meet this requirement. It is, therefore, essential that the Government should encourage the prospecting of cement stone quarries, invite Indian industrialists to establish cement factories at suitable places and allow the necessary plant and machinery to be imported under high priority. Government, however, are lukewarm to make efforts in this direction.

The reasons are obvious. Government are of the view that national and provincial highways and district roads should be made of asphalt. This would necessitate purchase of bitumen, asphalt, etc., from foreign countries outside India. As against this, cement roads are unquestionably found to be the best and most durable roads. Even the Conference of the Engineers recorded that examples of long life of cement concrete type surfacing were quoted and none of the delegates was able to give an example of failure of cement concrete surfacing due to wear. The reasons advanced by Government in favour of asphalt roads are not convincing. They argue that capital cost of a cement concrete road surface is high while that of asphalt roads is very much less. According to them, the real cost of a road surface over a period of years is the sum total of interest and immortization of the capital cost *plus* the cost of annual maintenance and periodical repairs. However, according to the estimates, it is found that the over-all average of maintaining cement roads per mile is about one-third of that of asphalt road. The maintenance rate per mile of the national highways with cement concrete surface is estimated to be half of that of the asphalted district roads. Hence, even if initial capital cost may be higher in regard to cement roads, in the end it would be not only economical to have cement concrete roads but there are other accompanying advantages such as of encouraging India's own industry.

Surely, it must be the object of Government to see that their road plans as also their other public works programmes—because the sector of reconstruction programme in the hands of Government is just that—should be dovetailed in the zigzag of over-all post-war reconstruction. Unfortunately, at present the one hand of Government does not know what the other hand is doing. It would not be a genuine reconstruction work if imported road rollers and machinery and imported bitumen and coal tar are used in building roads for imported motor vehicles using imported petroleum to run on.

COMMODITY MARKETS

MADRAS, March 17.

THE Madras groundnuts market remained unchanged during the major part of the week under report. There was small buying for crushing which failed to impart a steadier tendency to the market. Towards the close, a fair buying for Calcutta resulted in better conditions and the quotation also improved by Rs. 3 to Rs. 60. It is stated that the Government of India do not desire the export of seeds just now and, therefore there may not be any business with the British Food Ministry for some time to come. The oil market was dull and there was only a small demand from the internal consuming markets. The quotation was steady at Rs. 165.

Yarns

There is still no improvement in the supply position in the Madras yarn market. Reports from up-country consuming centres tell the same tale. Arrivals in Madras in the past month were very poor and were substantially lower against the normal demands of the market. Scarcity was felt not only in finer counts but also in medium and lower counts. It is stated that weavers are not engaging themselves in their work fully for want of sufficient supplies. It is reported that fairly large quantities of yarn are to be exported to Assam from this province and arrangements are well under way.

HAPUR, March 20.

Juwar

THERE has been in evidence a two-sided sentiment in the *guwar* market during the week under report; the former part of the period being easy while the latter firm and advancing. In the initial stages, the prices showed a declining trend in sympathy with the easiness of other commodities and up-country speculators' sales. The week-end firmness was attributable

to higher Punjab advices and covering purchases. Turnover was active.

Gur

Prices held steadily at rates on good trade demand and stockists' support. Arrivals averaged 2,000 maunds. The Regional Food Controller, Meerut, has fixed the quota of *gur* exports from Meerut region at 6,15,000 maunds.

Grains and Pulses

The general tendency of all grain markets was easy and the prices showed a fall of As. 2 to As. 10 per maund. Demand was slightly small. In view of the existing conditions, it is likely that the new wheat crops would commence to move to the markets in three weeks, whilst peas have already made their advent here. As is usual, with the increasing momentum of the secondary commodities, the wheat prices would slightly further fall down. As regards the arrival of new wheat, it is expected that there would be no heavy pressure in the markets and the local traders are opining that they would be 50 per cent. smaller than last year's. Arrivals of wheat and new peas averaged 70 maunds and 40 maunds respectively. Prices of pulses were quiet and the traders are expecting further easiness.

Weather and Crops

The conditions of the standing *rabi* crops are rather fair.

The following are the latest quotations and stock figures of various local commodities against those of last week's in brackets:—

Wheat: Rs. 9-12 (Rs. 9-12); Stock 200 *khattis* (290 *khattis*). Gram: Rs. 8 (Rs. 8-3-3); Stock 1 *khattis* (16 *khattis*). Barley: Rs. 6-2-6 (Rs. 6-12); Stock 117 *khattis* (138 *khattis*). Peas: Rs. 5-15-6 (unquoted); Stock 124 *khattis* (127 *khattis*). Arhar: Rs. 6-10-9 (Rs. 6-10-9). Maize: Rs. 6-4-3 (Rs. 6-8-6). Bajra: Rs. 7-9-9. Gur: Rs. 9-2.

A Note on Rice

RICE is a cereal that thrives best in tropical and sub-tropical swamps and may be profitably grown only where abundant water can be provided. About 95 per cent. of the world's rice crop is raised in the Southern and Eastern Asiatic countries, viz., Japan, Korea, China, Siam, Indo-China, Burma and India. The world production of rice just before the present war averaged about 93,620,000 tons including an entirely empirical estimate, of 30,000,000 tons grown in China which, in the past, has been producing about 34 per cent. of the world crop. India *minus* Burma is next to China producing about 24 million tons to 29 million tons on an average of 73 million acres to 80 million acres. Rice is thus by far the largest crop in India being principally grown on the flood plains and deltas of the Ganges and Irrawaddy, on the deltas of the Mahanadi, Godavari, Krishna and Cauvery, the irrigated fields of Sind (lower Indus) and coastal plains of Bombay. As per Marketing Report on rice in 1938 about 79.19 million acres were under rice crop producing 29.53 million tons of cleaned rice as against an average of 59.82 million acres producing 25 million tons in 1910-11 and 1913-14. According to the above report, Burma had approximately 12.94 million acres under rice with an output of 4.59 million tons of cleaned rice in 1938 as compared with 8.71 million acres with an output of 3.70

million tons in 1910-11 and 1913-14. The figures reveal increases under both acreage and production. In 1937 when Burma was separated from India, India remained the largest exporter of rice in the world. But India without Burma which latter alone exported 86 per cent. and 49 per cent. of the quantities of paddy and rice entering into the world's export trade in 1938-39, imported about 1,366,000 tons of rice of which 1,084,245 tons were from Burma. Imports from Burma increased to 1,946,382 tons in the year 1939 but began to dwindle in 1940 being only 767,000 tons because of shipping shortage and diversion of the Burma crop to other war theatres; later on with the occupation of Burma by the Japanese in the middle of 1942 these supplies were completely cut off. Stoppage of imports of rice has been one of the contributing causes of food shortage which was later on followed by a devastating famine. In the pre-war year 1938-39 Burma produced 5,360,000 tons of cleaned rice on an average of 12,841,000 acres, and had an exportable surplus of 3,550,000 tons. Burma's rice acreage increased to 12,854,000 acres but production and exportable surplus declined to 4,663,000 tons and 3,200,000 tons respectively in 1939-40. In the year 1938-39 Formosa raised 48,711,000 bushels of rice (or 1,377,000 tons) on 1,561,000 acres; Siam had paddy of 82,290,000 piculs equivalent to 4,898,000 tons of which

the exportable surplus was about 28,400,000 piculs or 1,690,000 tons; Japan produced 65,869,000 koku (or 92,38,000 tons) and Korea, a Japanese dependency reaped a harvest of 23,505,000 koku or 3,297,000 tons. The later years' figures for these countries are rather incomplete and unavailable too while those for India are given below:

Year	Acreage ('000 acres)	Production ('000 tons)	Imports from Burma ('000 tons)
1937-38	72,554	26,763	1,084
1938-39	73,375	23,915	1,94
1939-40	74,255	25,800	1,767
1940-41	73,059	22,150	1,173
1941-42	73,599	25,351	9.82
1942-43	75,193	24,896	..
1943-44	79,960	30,603	..
1944-45	..	..	..

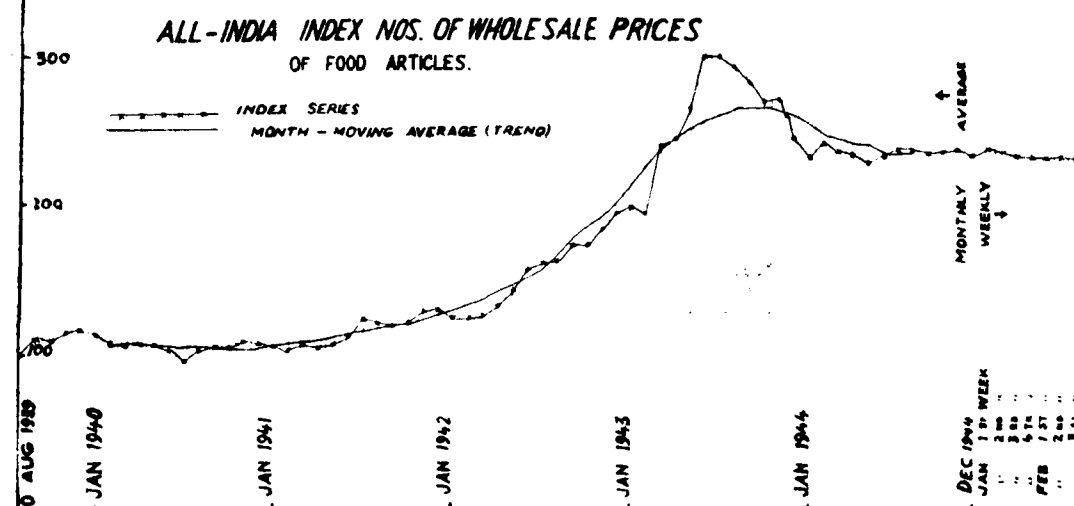
The figures for the last several years since 1941-42 suggest that the 'grow more food' campaign has been moderately successful in augmenting the acreage under rice at the expense of commercial crops like jute

in Bengal and groundnuts in Madras in the various provinces of the country, which figures for two years viz., 1943-44 and 1942-43 are given below:

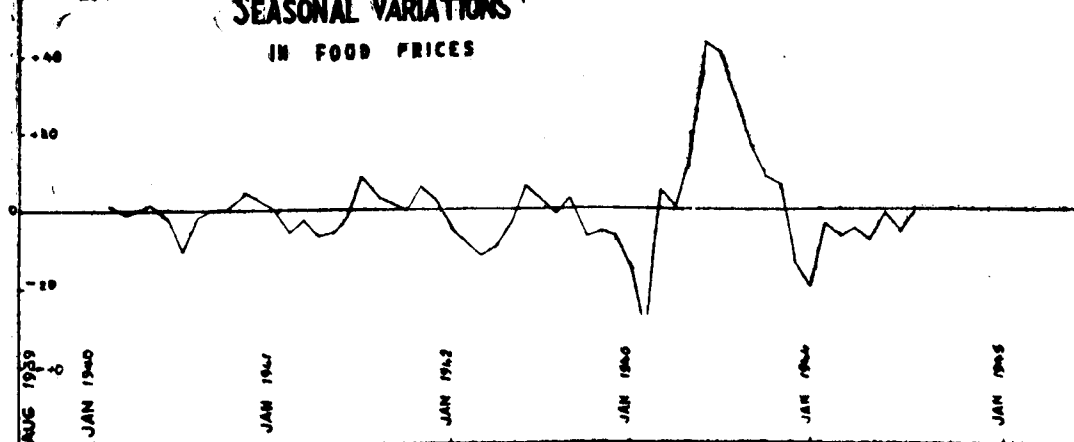
Provinces	Acreage ('000 acres)		% increase in (1) over (2)	Production ('000 tons)		% increase in (4) over (5)
	1943-44 (1)	1942-43 (2)		1943-44 (3)	1942-43 (4)	
Bengal	26,550	23,142	+14.7	11,782	6,916	+70.3
Madras	10,731	10,394	+3.3	4,965	4,875	+1.8
Bihar	9,970	9,275	+7.5	3,372	3,252	+3.7
C.P. & Berar	7,657	7,617	+0.05	2,371	2,378	..
U.P.	7,112	7,094	+0.03	1,872	1,858	+0.8
Assam	5,226	5,083	+2.8	2,104	1,622	+29.7
Orissa	5,112	5,055	+1.1	1,349	1,247	+8.2
All India	79,960	75,193	+6.4	30,603	24,896	+22.9

The production of rice has got to be further expanded in view of the continuing scarcity of cereals in this country and with the real possibilities of importing foodstuffs still unknown. Burma's figure of total production of the order of 34 million tons could be attained if Government made real efforts to do so.

GRAPH 1



GRAPH 2



NATH BANK

LIMITED,

Head Office:—135, CANNING STREET, CALCUTTA.

AUTHORISED CAPITAL	Rs. 1,00,00,000/-
ISSUED & SUBSCRIBED CAPITAL	40,00,000/-
PAID-UP CAPITAL	OVER 34,00,000/-
RESERVE FUND	OVER 6,25,000/-
GOVT. SECURITIES	OVER 2,48,00,000/-
DEPOSITS	OVER 6,75,00,000/-

(AS ON 31ST. DECEMBER, 1944).

BOMBAY BRANCH OPENED ON 25TH JANUARY, 1945. ...

K. N. DALAL,
Managing Director.

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT (Rs. in lakhs)					9-3-45
9-3-45	2-3-45	10-3-44	1-9-39	compared with 1-9-39	
Notes held in the Banking Dept. ..	9.50	10.26	7.75	35.04	- 25.54
In circulation ..	1078.07	1068.52	883.42	182.13	+895.94
Total Notes ..	1087.57	1078.78	891.17	217.18	+870.39
A. Gold Coin and bullion ..	44.41	44.41	44.41	44.41	Nil
Sterling Securities ..	971.33	961.33	776.84	59.50	+911.83
Total of A ..	1015.74	1005.74	821.25	103.82	+911.82
B. Rupee Coin ..	13.98	15.20	11.59	75.87	- 61.89
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to Liabilities ..	93.396	93.230	92.154	63.149	+30.247

IMPERIAL BANK
(Rs. in lakhs)

9-3-45	2-3-45	10-3-44	1-9-39	compared with 1-9-39	
Fixed Deposits, Savings Bank, Current and other Accounts ..	231.58	232.93	213.17	87.26	-144.32
Govt. Securities ..	125.17	128.15	143.80	51.03	+ 74.14
Other Investments ..	4.05	4.12	2.82	96	+ 3.09
Loans ..	22.17	22.38	14.36	7.66	+ 14.51
Cash Credit Overdrafts ..	42.62	44.87	32.86	19.76	+ 22.86
Bills discounted ..	5.21	4.32	4.81	2.95	+ 2.32
Cash in hand, with R.B.I. and other Banks ..	42.10	38.84	24.17	14.69	+ 27.41

BANK OF ENGLAND
(£ '000)

14-3-45	7-8-45	15-3-44	30-8-39	14-3-45 compared with 30-8-39	
Total Bullion ..	1,764	1,766	842	263,700	-261,936
Public Deposits ..	12,500	6,300	8,400	31,100	- 18,600
Other Deposits ..	246,800	261,500	238,100	129,100	+117,700
Of which Bankers' Deposits ..	190,800	204,100	178,900	90,100	+100,700
Govt. Securities ..	222,700	232,000	175,100	113,100	+109,600
Other Securities ..	14,800	14,800	16,100	31,000	- 16,200
Of which Discounts and Advances ..	9,700	7,800	14,000	6,400	+ 3,300
Notes and Coins ..	30,000	31,200	59,400	34,200	- 4,200
Notes in circulation ..	1,221,800	1,220,600	1,091,500	529,500	+692,300
% of Reserve to Liabilities ..	11.57	11.68	24.07	21.38	- 9.81

TREASURY BILLS SALES
(3 Months' Tenure)
(Rs. in lakhs)

Date of Issue	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
December 15, 1944 ..	10.30	6.00	0 8 3	..	2.88
" 29, " ..	8.58	2.53	0 8 10	..	1.95
January 3, 1945 ..	2.31	1.41	0 8 8	..	4.72
" 9, " ..	1.39	1.24	0 9 0	..	2.94
" 16, " ..	3.28	1.58	0 9 0	..	3.54
" 23, " ..	5.55	4.71	0 9 0	..	2.86
" 30, " ..	4.01	3.87	0 9 0	..	2.87
February 6, " ..	7.19	2.00	0 9 0	..	2.13
" 13, " ..	14.25	2.00	0 7 9	..	2.76
" 20, " ..	12.95	2.00	0 6 3	..	3.60
" 28, " ..	9.16	2.00	0 5 0	..	4.78
March 6, " ..	10.89	4.00	0 5 3	..	9.32
" 13, " ..	14.77	4.00	0 5 6	..	..

CLEARING HOUSE RETURNS
(Rs. in lakhs)

1943-44	1944-45	Jan. 1945	Feb. 1945	March 9, 1945	March 16, 1945
Bombay ..	20,42.31	18,37.52	2,35.28	41.56	..
Calcutta ..	17,40.12	19,46.27	2,20.66	49.33	..
Cawnpore ..	1,02.41	92.95	11.10	2.19	2.53
Delhi ..	1,02.41	1,04.27	13.68	..	3.29
Karachi ..	1,02.84	1,01.75	12.36	..	2.93
Lahore ..	78.82	80.36	10.40	1.92	2.32
Madras ..	2,00.02	86.49	22.34	4.78	..

NON-SCHEDULED BANKS
(Rs. in lakhs)

Date	Demand	Time	Total	Cash Balances	Per cent. of Liabilities
31-12-1943 (530) ..	17.52	17.27	34.79	4.88	14.0
29-1-1944 (526) ..	17.16	18.51	35.67	3.86	10.8
25-2-1944 (543) ..	18.08	19.50	37.58	4.08	10.9
31-3-1944 (508) ..	18.88	20.49	39.37	4.08	10.4
28-4-1944 (558) ..	19.30	22.53	41.84	4.19	10.0
26-5-1944 (549) ..	19.65	21.08	40.74	4.19	10.3

Number of banks submitting their returns are stated within brackets.

BANKING DEPARTMENT
(Rs. in lakhs)

9-3-45	2-3-45	10-3-44	1-9-39	compared with 1-9-39	
Cash ..	9.76	10.48	8.01	35.15	- 25.39
Balances held abroad* ..	364.11	368.67	150.04	10.03	+354.08
Investments ..	17.34	21.02	8.55	6.81	+ 10.53
Bills discounted—					
(a) Internal and External ..	..	..	..	..	..
(b) Treasury Bills ..	3.03	3.03	..	5	+ 1.87
Loans and Advances to Government ..	..	..	28	31	- 31
Deposits—					
(a) All Govts. ..	251.63	262.61	82.67	14.89	+236.74
Of which G. of I. ..	224.27	245.80	56.70	14.89	+209.38
(b) Banks ..	98.05	91.21	55.15	26.91	+ 71.14
(c) Others ..	20.82	19.74	7.19	1.24	+ 19.58

* Including Cash and Short-term securities.

SCHEDULED BANKS
(Rs. in lakhs)

9-3-45	2-3-45	10-3-44	1-9-39	compared with 1-9-39	
Demand Liabilities in India ..	608.31	612.35	515.60	134.36	+473.95
Time Liabilities in India ..	220.10	218.28	167.06	102.24	+117.86
Cash in India ..	29.25	29.64	23.47	6.70	+ 22.55
Balances with Reserve Bank ..	95.25	89.57	54.26	25.17	+ 70.12
Advances in India ..	268.19	270.55	197.37	101.52	+166.87
Bills discounted in India ..	14.75	15.17	9.13	3.57	+ 11.18

U.S. FEDERAL RESERVE BOARD
(Million dollars)

15-3-45	8-3-45	16-3-44	31-8-39	15-3-45 compared with 31-8-39	
Resources:—					
Total Reserves ..	18,546	18,542	19,821	14,681	+ 3,865
Total Bills Discounted ..	255	305	65	6	+ 249
Bills bought in open market ..	..	..	..	(550,000)	—(550,000)
Total Treasury Securities ..	19,350	19,350	12,110	2,426	+ 17,150
Liabilities:—					
F.R. Notes in actual circulation ..	22,289	22,264	17,491	4,609	+ 17,680
Reserve Account ..	14,459	14,208	12,705	10,951	+ 3,508
Total Reserve to Deposit and F.R. Liabilities ..	48.2%	48.4%	61.6%	86.9%	- 38.7%

Figures in brackets are the actual ones.

TREASURY BILLS MATURITIES
(3 Months' Tenure)
(Rs. in lakhs)

Date of maturity	Amount	Date of maturity*	Amount
March 22, " ..	6.00	May 6, " ..	2.00
" 29, " ..	2.53	" 13, " ..	2.00
April 3, " ..	1.41	" 20, " ..	2.00
" 9, " ..	1.24	" 28, " ..	2.00
April 23, 1945 ..	4.71	June 4, " ..	4.00
" 30, " ..	1.58	" 11, " ..	1.00

* Approximate date.

STERLING PURCHASES BY RESERVE BANK OF INDIA

1943-44	Apr.-Jan. 1944-45	Jan. 1944	Dec. 1944	Jan. 1945	Dec. 1945
Amount (Rs. in lakhs) ..	105.310	82.987	4.447	9.731	11.130
Average rate of purchases remained 0-1-6 all the time.					9.573

EXCHANGE RATES (T.T.)

March 23, 1945	March 16, 1945
Bombay on London (s.) ..	1-5 31/32
Bombay on New York (Rs.) ..	332 3/4
London on Bombay (s.) ..	1-6
London on New York (\$) ..	4.02 1/2—4.03 1/2
New York on London (\$) ..	4.03

BANK RATES

Date of last change	Previous Rate	Present Rate
Bombay .. 28th Nov. 1939	3 1/4%	3%
London .. 26th Oct. 1939	3%	2%
U.S.A.—New York 29th Oct. 1942	1%	1 1/2%
Fed. Res. .. 27th Oct. 1942	1 1/2%	1%

CASH POSITION
(Rs. in lakhs)

9-3-45	2-3-45	10-3-44	1-9-39	9-3-45 compared with 1-9-39	
Reserve Bank of India ..	9.76	10.48	8.01	35.15	- 25.39
Scheduled Banks ..	124.54	119.21	97.73	31.87	+ 92.67

B—General

LEAGUE OF NATIONS STATISTICS: Wholesale Prices and Cost of Living

		Index Numbers of Wholesale Prices		Index Numbers of Cost of Living	
		1941	1942	1941	1942
		Average		Average	
		(month)		(month)	
Union of South Africa ..	..	123	139	151	155 (vii)
Egypt ..	..	148	206	260	294 (v)
Canada ..	..	123	130	136	140 (ix)
U.S.A. (Bureau of Labour) ..	..	114	129	135	136 (x)
Argentina ..	..	141	183	197	207 (vii)
Chile ..	..	133	180	199	212 (viii)
Mexico ..	..	109	121	145	199 (ix)
China-Manchuria ..	..	145	156	174	184 (i)
India (Calcutta) ..	..	141	186	311	302 (viii)
Japan (Tokio) ..	..	124	134	142	150 (iii)
Germany ..	..	105	108	109	111 (vii)
Spain ..	..	147	162	181	191 (vi)
Ireland ..	..	..	..	..	..
U.K. ..	..	157	164	167	172 (viii)
Board of Trade ..	..	159	169	172	178 (vi)
Statist ..	..	152	160	164	170 (ix)
Economist ..	..	170	330	576	459 (iii)
Turkey ..	..	117	131	137	140 (viii)
Australia ..	..	125	135	144	148 (viii)
New Zealand ..	..	..	..	..	..

† Source: Monthly Bulletin of Statistics, League of the Nations, October 1944.
‡ Months are indicated in roman figures.

INDIA'S FOREIGN SEA-BORNE TRADE
IMPORTS AND EXPORTS OF CERTAIN COMMODITIES

Commodities	IMPORTS ('000)				EXPORTS ('000)			
	Nov. '44	Nov. '43	Apr.-Mar. 1944-45	Apr.-Mar. 1943-44	Nov. '44	Nov. '43	Apr.-Mar. 1944-45	Apr.-Mar. 1943-44
	Rs.	Rs.	Rs	Rs.	Rs.	Rs.	Rs	Rs.
Grain, pulses and flour	54.00	16	5,30.43	1,47.84	13.87	' 9	39.09	2,30.82
Provisions and oilman's stores	9.97	5.17	54.17	55.45	1.63	1.26	21.47	54.48
Sugar	..	1	2	13	600	1.29	22.52	42.27
Tea	27	..	77	2.17	4,34.50	4,16.80	28,98.36	37,54.01
Hides and skins (raw or undressed)	17	1.01	2.10	9.90	12.57	31.17	2,59.40	4,12.27
Oils—vegetable, mineral and animal	6,88.32	3,10.36	49,80.42	36,32.58	10.13	4.82	71.58	82.84
Seeds (including nuts)	26.85	19.98	1,15.59	1,23.11	81.82	1,44.27	6,10.32	11,15.80
Cotton, raw and waste	2,11.17	1,21.26	18,02.55	17,52.78	45.37	44.05	6,37.78	7,48.71
Jute, raw	..	..	..	38	55.88	1,02.20	4,70.62	8,32.12
Chemicals, drugs and medicines	97.66	76.55	6,99.02	7,25.94	2.99	1.84	28.78	66.83
Cutlery, hardwares and implements, etc.	31.41	28.46	2,33.74	2,77.06	2.07	75	18.92	22.53
Dyes and colours	1,00.65	75.00	5,10.97	8,37.56	3.41	2.40	29.03	33.75
Machinery of all kinds including beltings	1,69.02	1,01.73	10,18.99	11,39.09	15	79	2.82	7.52
Metals—iron and steel	46.59	14.49	2,44.55	2,03.28	7.01	5.73	61.18	1,05.40
Metals—other than iron and steel	20.89	1.81	1,57.88	2,09.38	28	8	17.66	20.47
Paper and stationery	25.91	21.72	1,82.43	1,96.70	12	1.10	26.66	5.30
Vehicles (excluding locomotives, etc., for Railways)	14.39	12.77	96.04	1,26.73	..	..	62	1.17
Cotton yarns and goods	18.15	9.16	1,09.79	1,33.63	1,87.67	5,30.14	26,22.78	42,43.00
Jute yarn and goods	15	5	1.53	5.34	4,31.00	4,15.45	42,41.47	49,46.25
Gand Totals*	18,45.06	9,77.24	1,28,92.28	1,18,85.35	17,09.82	19,97.18	1,44,58.52	1,99,20.37

C—General and Prices

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade and Quality	Market	Unit	This week Rs. a. p.	Last week Rs. a. p.	Pre-war Rs. a. p.
*Wheat	Average	Amritsar	per md.	9 8 0	9 8 0	9 8 0
	Superior			9 12 0	9 12 0	9 12 0
	Ready	Lyallpur		9 10 0	9 8 0	9 8 0
	Red	Hapur		9 12 0	9 12 0	9 12 0
	Dara	Cawnpore		13 14 7	13 14 7	13 14 7
		Calcutta		10 7 0	10 7 0	10 7 0
*Rice	Punjab Basmati New	Amritsar		22 0 0	22 0 0	22 0 0
	Punjab Basmati Old			24 0 0	24 0 0	24 0 0
	Punjab Basmati Sela			21 8 0	21 8 0	21 8 0
	Parnal			17 12 0	17 12 0	17 12 0
	Sone			16 0 0	16 0 0	16 0 0
	Begami			14 0 0	14 0 0	14 0 0
	Jhone			13 8 0	13 8 0	13 8 0
	Common rice (Sambhalu)	Cawnpore		17 12 5	17 12 5	17 12 5
	Medium Grade	Calcutta		11 12 0	11 12 0	11 12 0
*Linseed	Ready Bold	Bombay		11 6 2	11 4 8	7 2 6
	Ready Small			11 1 9	11 1 0	11 1 0
	Ready Bold	Cawnpore		9 12 0	10 0 0	9 8 0
	Ready Small			9 6 0	9 8 0	9 8 0
*Groundnuts	Kernels	Calcutta		11 0 0	11 0 0	11 0 0
		Bombay		10 7 5	10 9 0	10 9 0
		Madras		14 8 9	13 14 7	13 14 7
*Mustard	Kernels	Cawnpore		12 12 9	12 4 11	12 4 11
	Yellow			4 12 0	4 8 0	4 8 0
*Potatoes	Black			12 0 0	16 0 0	16 0 0
	Desi			434 0 0	450 0 0	450 0 0
†Cotton (Raw)	Pahari (Haldwani)	Bombay	per candy of 784 lbs.	0 12 10	0 12 6	0 4 5
	I.C.C. March 1945			1 1 0	1 1 0	0 6 1
†Cotton Yarn	No. 10½s.			1 5 2	1 5 2	1 5 2
	No. 20s.			79 0 0	79 0 0	41 8 0
†Cotton Piecegoods	Long Cloth (std. quality)	Calcutta	per bale (400 lbs.)	74 0 0	74 0 0	74 0 0
	37"x37½ yds. of 9 lbs.			65 8 0	66 4 0	28 12 0
	First			22 0 0	22 0 0	22 0 0
	Bags			29 0 0	29 0 0	29 0 0
	Lightnings			68 12 0	68 12 0	68 12 0
	B. Twills 2½ lbs.			140 0 0	140 0 0	140 0 0
	44x26½", 6x8			143 0 0	143 0 0	143 0 0
	Hessian Cloth 8 oz.			0 15 5	0 12 0	0 4 4
	40" 9x100			16 4 6	16 4 6	16 4 6
†Wool (Raw)	10½ oz. 40" 11x12			16 12 6	16 12 6	16 12 6
	Kandhar (cleaned)	Karachi	per md. (82 lbs.)	82 0 0	82 0 0	32 0 0
				9 8 0	9 8 0	7 8 0
†Hides & Skins	Cow Hides (Agris)	Calcutta	per 20 lbs.	10 8 0	10 8 0	8 8 0
				170 0 0	170 0 0	170 0 0
	Goat Skins (good quality)		per 100 pieces	196 0 0	190 0 0	115 0 0
				1 7 6	1 7 6	0 9 8
	Cow Hides	Madras	per lb.	1 9 6	1 9 6	0 12 10
				2 12 0	2 12 0	1 7 6
	Goat Skins			3 4 0	3 4 0	1 12 0
				71 0 0	71 0 0	14 0 0
†Sheep	T.N.	Calcutta	per B. md.	5 1 9	5 1 9	2 13 3
†Kerosene Oil	Superior		per tin of 4 gallons	13 5 0	13 5 0	4 0 0
†Coal	Selected Jheria (1)		per ton f.o.r.	13 5 0	13 5 0	4 0 0
†Cement	Indian		full wagon load of 16½ to 23 tons	68 12 0	68 12 0	4 12 0
†Coffee	Plantation A	Mangalore	per cwt.	140 0 0	140 0 0	140 0 0
†Tea	First Crystals	Calcutta	per lb.	0 15 5	0 12 0	0 4 4
†Sugar		Cawnpore	per md. (ex- factory)	16 4 6	16 4 6	16 4 6
†Oils—	Ready	Bombay	per qr.	11 14 0	11 12 0	11 12 0
	Linseed			11 2 0	11 0 0	11 0 0
	Castor			10 6 0	10 6 0	10 6 0
	Copra			10 4 0	9 15 0	9 15 0
	Groundnut					

This week's figures from Weekly

Market Report issued by Agricultural Marketing Adviser G. of I., dated March 18, 1945.

† "Indian Trade Journal," dated March 15, 1945.

† The "Times of India," dated March 20, 1945.

COTTON PRICES

	BOMBAY (Rupees per candy of 784 lbs.)	NEW YORK (Cents per lb.)
	Mar. 15, 1945	Mar. 15, 1945
Futures—		
Jarilla	445	440
March 1945	452	440
May	464	454½
July		
Spot—		
Jarilla F. G.	438	442
Broach F. G.	398	452
Punjab - American	593	615
Sind - American	515	565
N.T.F.G.		
† Approximate rates.		

PROVINCIAL TREASURY BILLS

	(Rs. '000 omitted)	Amount issued	Average rate
Government of	Approximate due date		Rs. a. p.
Assam	April 8, 1945	2,50,000	0 9 0
Orissa	" 15, "	50,000	0 9 0
Assam	" 25, "	2,50,000	0 10 0
"	June 4, "	1,00,000	0 8 0
Orissa	" 12, "	50,000	0 8 0

INDEX NUMBERS OF PRICES OF INDIAN SECURITIES

	Government Securities (Fixed yield)	Industrial Securities (Fixed yield)	Variable yield
Months			
November	117.6	118.2	118.2
December	117.6	118.1	118.1
January	118.3	118.3	118.3
February	118.2	118.3	118.3
March	117.7	117.6	117.6

FOOD INDEX (WHOLESALE PRICES)†

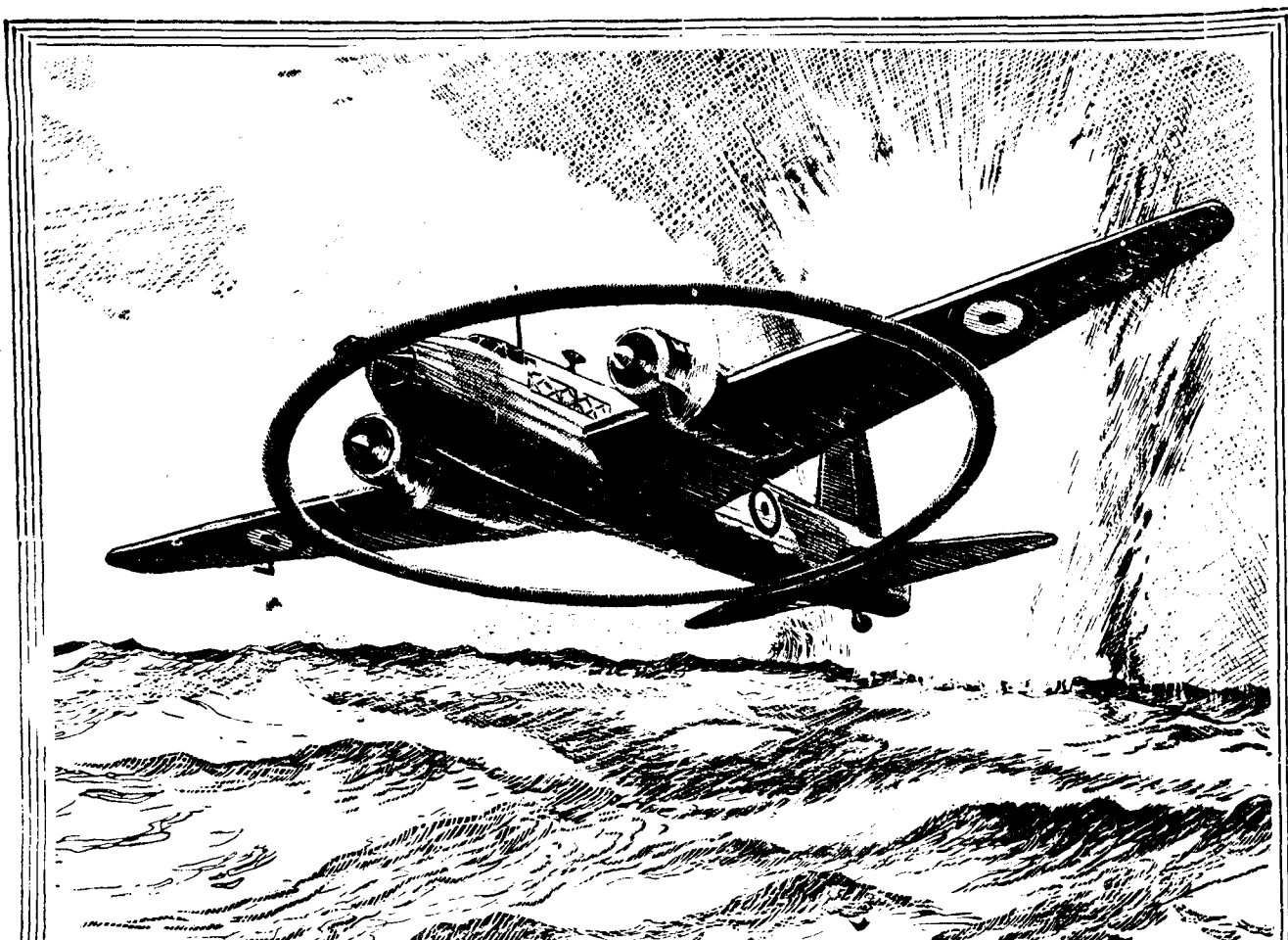
INDEX (WHOLESALE PRICES)				
(Base: Last week of August 1939=100)				
ending				Increase or decrease
January 1945	..	..	233.6	+2.2
February 1945	..	..	231.35	+1.25
y 1945	..	..	230.9	-0.9
"	..	..	231.8	+0.9
"	..	..	230.6	-1.2
"	..	..	232.1	+1.5
"	..	..	232.1	Nil

† Issued by the Office of the Economic Adviser to the G.I.

D—Prices

INDIAN STOCKS AND SHARES

	20-3-45 Rs. a. p.	13-3-45 Rs. a. p.	20-3-45 Rs. a. p.	13-3-45 Rs. a. p.
GOVT. SECURITIES:				
Bombay				
2½% (1948-52) (98)	99 9 0	99 9 0		
3% (1946) (101)	102 6 0	102 5 0		
3% (1952-54) (98½)	100 14 0	100 10 0		
3% (1960-63)	98 6 0	98 2 0		
3½% G.P. Notes	99 9 6	99 11 0		
4% 1963-70	112 14 0	112 10 0		
4½% (1955-60)	117 4 0	117 0 0		
5% (1945-60)	102 8 0	102 12 0		
Calcutta				
3% Loan (1949-52)	101 9 0	100 6 0		
3% Loan (1953-55)	100 6 0	99 14 0		
3½% G.P. Notes	99 10 6	99 14 0		
3% Vic. (1957)	99 14 0	100 0 0		
4½% (1955-60)	117 4 0	117 0 0		
5% Loan (1945-55)	102 8 0	102 12 0		
Calcutta				
Ahmedabad (100)	425 0 0	425 0 0		
Bom. Dyeing (250)	1,857 3 0	1,862 8 0		
Central India (100)	378 8 0	375 0 0		
Century (100)	925 0 0	920 0 0		
Colaba (100)	215 0 0	218 0 0		
Colaba (100)	304 0 0	304 0 0		
In. Bleaching (100)	174 0 0	172 0 0		
Kohinoor (100)	624 0 0	618 0 0		
Phoenix (100)	562 8 0	562 8 0		
Sholapur (1,000)	7,125 0 0	7,665 0 0		
Simplex (50)	264 8 0	262 8 0		
Swadeshi (100)	544 0 0	534 0 0		
Vishnu (50)	476 4 0	475 0 0		
Wing (100)	305 0 0	305 0 0		
Morari (100)	682 8 0	682 8 0		
Swan	331 0 0	331 0 0		
New Great	4 4 0	4 4 0		
Apolls	14 11 0	14 11 0		
Sassoon Ord.	3 1 6	3 1 6		
Sassoon Defd.	260 0 0	260 0 0		
Model	330 0 0	330 0 0		
Poddar				
Calcutta				
Benares (10)	12 6 0	12 6 0		
Bengal Nagpur (10)	42 4 0	42 4 0		
Cawnpore Tex. (2½)	13 6 0	13 6 0		
Durbar (100)	17 11 0	17 11 0		
Kecoram (2½)	65 4 0	65 4 0		
Elgin Mills (10)	430 0 0	430 0 0		
Muir Mills (50)	7 12 0	7 12 0		
New Vic. (2½)	13 4 0	13 4 0		
Basanti				
Madras				
B. & C. Ord. (100)	475 0 0	475 0 0		
Bang. Wool (100)	244 0 0	244 0 0		
Pankaja (100)	28 8 0	28 8 0		
Cambodia (100)	148 8 0	151 0 0		
Colm. Spng. (50)	148 8 0	151 0 0		
Elitnam Spng. (100)	307 8 0	307 8 0		
Vasanthi (100)	307 8 0	307 8 0		
Madura (15)	74 0 0	74 0 0		
Likshmi (53)	151 0 0	151 8 0		
Sharda (100)				
Lahore				
Ajudhia				
Cawnpore Tex. (2½)	7 8 0	7 8 0		
New Vic. Ord. (2½)	9 3 0	9 3 0		
New Vic. Pref.				
Raza Textiles (-0)	79 12 0	79 12 0		
JUTE: Calcutta				
Advance (100)	616 0 0	616 0 0		
Anglo-India (100)	469 0 0	469 0 0		
Elia (10)	226 0 0	226 0 0		
Barnagore (55)	258 0 0	258 0 0		
Chandpary (100)	561 0 0	561 0 0		
Ganges (300)	705 0 0	708 0 0		
India (375)	363 0 0	366 0 0		
Bally	500 0 0	485 0 0		
Budge-Budge	322 0 0	314 0 0		
Chervot	34 4 0	33 4 0		
Chitavalsah	89 7 0	88 6 0		
Howrah (10)	693 0 0	688 8 0		
Kamarhatti (100)	578 0 0	577 0 0		
Kankararah	33 10 0	33 10 0		
National	278 0 0	271 0 0		
Orient	12 9 0	12 12 0		
Presidency (5)	128 8 0	128 8 0		
Nuddia (50)				
Standard (100)				
Madras quotations are for 14-3-45.				
STOCKS OF GOLD AND SILVER AT BOMBAY*				
	GOLD	SILVER		
	Tolas	Bars (100 tolas)		
1941-42	1,90,141	5,481		
1940-41	1,71,635	6,471		
1942-43	83,558	4,313		
1943-44	1,36,413	1,100		
December 1944	2,10,000	350		
January 1945	2,87,500	2,050		
February 1945	1,43,750	3,250		
* Average of week-end stocks.				
TATA SHARES: Bombay				
Chemical (10)	20 4 0	20 4 0		
Oil (25)	63 0 0	63 0 0		
Power (1,000)	1,877 8 0	1,877 8 0		
Hydro (100)	204 0 0	203 0 0		
Steel Def. (100)	2,101 4 0	2,090 0 0		
Steel Ord. (75)	388 0 0	384 0 0		
Steel Pref. I (150)	224 4 0	224 4 0		
Steel Pref. II (100)	160 8 0	160 4 0		
STEEL ENG.: Calcutta				
B.althwaite (70)				
National Iron (10)	33 4 0	32 14 0		
Steel Cor. Ord. (10)	24 4 0	22 9 0		
Steel Cor. Pref. (100)	24 4 0	22 9 0		
Jessop Ord. (10)	11 13 0	11 13 0		
Kumardhubi (10)	22 10 0	22 4 0		
Bhactia Elec.	10 1 0	10 1 0		
Br. I. Elec. Cons.	40 1 0	39 10 0		
Indian Iron				
COAL: Calcutta				
Amalgamated (10)	702 0 0	693 0 0		
Bengal (100)	30 2 0	30 8 0		
S. Karampura (10)	20 9 0	21 2 0		
Bhalgoa (10)	42 9 0	42 14 0		
Burrakur (10)	39 3 0	39 12 0		
East India (10)				
N. Damuda (2½)				
Standard (10)	12 6 0	12 8 0		
Talcher (2½)	70 4 0	70 4 0		
Equitable	16 4 0	17 1 0		
Ghusak & Muslia	19 12 0	19 12 0		
Kuadi	40 8 0	40 12 0		
New Beerbhoom	50 12 0	51 0 0		
Ranetunge	28 7 0	28 13 0		
Dhemo Main	22 4 0	22 9 0		



Built to Vickers-Armstrongs geodetic methods, the Wellington long-range general-purpose bomber has done yeoman service with Bomber and Coastal Commands. It has appeared in different Marks, equipped respectively with Bristol Pegasus and Hercules engines and with Rolls-Royce Merlins. A transport development of the Wellington is the Warwick.

BOMBERS SAVED THE SHIPS

Late in 1939 the German magnetic mine threatened the existence of the Allied shipping fleets.

Desperate necessity evoked a scientific and engineering *tour-de-force* unparalleled in the history of war. A magnetic mine was recovered intact from the sea. To quote the official Air Ministry account: "Its secrets were laid bare by the courage and skill of a naval officer, and experiments were at once made to determine whether this type of mine, which blew up when it came into contact with the magnetic field of a passing ship, could be exploded from the air by an aircraft capable of setting up a similar field."

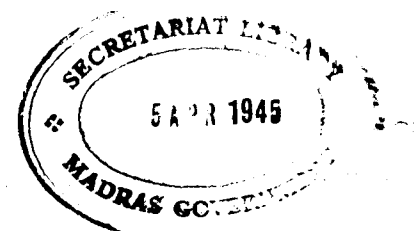
In seven days British technicians found

the answer. Many twin-engined bombers were speedily equipped with a hoop-shaped casing some fifty feet in diameter attached at points in the wings, nose, and tail. Within the casing was a magnetic coil, to which current was supplied by an auxiliary engine mounted in the aeroplane. These aerial mine-sweepers saved Allied shipping from destruction. For vital months while the ships were being fitted with degaussing gear they assured safe passage along the seaways.

Such unrivalled adaptability and engineering genius may indeed be trusted to meet the most exigent technical demands of air transport and private flying in the Air Age of Tomorrow.

THE BRITISH AIRCRAFT INDUSTRY

ANNOUNCEMENT BY THE SOCIETY OF BRITISH AIRCRAFT CONSTRUCTORS - LONDON - ENGLAND



THE EASTERN ECONOMIST

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ONE RUPEE.

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The Future of Colonies

THE San Francisco Conference is one of the cross roads of history. Whether the world will take the right road leading to security and peace or merely drift into another war will be decided at that Conference. Its significance and far-reaching consequences are appreciated all over the world, and the public in this country with an unerring instinct has rightly laid the greatest possible stress upon the composition of the delegation that should represent it.

Security and freedom are intimately related to each other. No lasting foundations of peace can be laid on the basis of the continuing slavery of a large part of the world dominated by a few imperialist powers. It is not only the interests and needs of the millions of people who are now held in subjection that inevitably call for freedom. It is at least equally true that so long as part of the world is only half free, it will, as in the past, excite the cupidity of the bigger powers whose conflicting purposes directly lead to wars. Few can question the fundamental truth that colonies and dependencies owned by some powers and not available to other powers which also believe in their prowess and superiority have been the ultimate cause of some of the worst wars in history.

The structure of collective security that is sought

to be built up at San Francisco will collapse like a house of cards if the colonial problem is either neglected or is regarded, as indeed it already has been in some quarters, only as one affecting the peoples of the colonies and mandates of the enemy nations. That was precisely the method of approach at the end of the last war which proved so barren of results. When would the Imperialist powers realize that to the people of the subject countries, it does not matter two hoots whether they are held under subjection by the so-called beneficent powers or by malevolent nations. The differences to the peoples that are really affected by the rule do not appear to be sufficiently deep. Nor can we afford to forget the fact that the distinction between Allied and enemy powers is not drawn upon any moral basis but only on the transient consideration as to which side of the line a country is at any moment of world crisis. Japan and Italy were "allied" powers in the last war and Russia until a few years ago was looked upon with distrust bordering on hatred by the two great United Nations, Britain and America.

Hence all talk of a trusteeship plan confined to the colonies and mandates of the enemy nations is not merely futile but dangerous. The world, if it is to

avoid the horrors of another war, must take a big step forward at San Francisco. No one is so foolish as to imagine that by one stroke all the dependent races of the world differing as they do in every respect, in numbers, culture, stages of development, education, government, etc., can be declared "free." But what is essential is firstly, the declaration of the rights of all peoples to freedom, secondly, to make colonial government an international responsibility in every case, and to take it out of individual imperialist powers in as many cases as possible, thirdly to take effective measures to prepare them for independency, and finally, to fix something like a time-table and schedule therefor.

Much was claimed for the theory of the mandates system which broke the old idea that a power may treat its colonies as it chooses and which developed the new doctrine of trusteeship. But the "trustee" was not accountable. Economic and political development rested entirely upon the will and discretion of the sovereign powers. It is true that under the mandates system some progress was achieved. Iraq secured independence; the Philippines was promised freedom; America withdrew from intervention in a number of Caribbean states; some British colonies were vested with greater local autonomy. But these add up to a very inappreciable sum of achievement. The colonies are dragged into wars and peace without any relation to, or consideration of, the colonial people's welfare. In the sphere of economics, they are left in a deliberately undeveloped condition, liable to be tossed hither and thither by the smallest gust of wind. Exploitation of the worst kind has been the feature of even the best colonial administration. Colonies were to produce raw materials for the imperialist powers, without any guarantee of reasonable prices and were in return compelled to purchase manufactured goods whether they were desired or not.

Thanks to the war and the enunciation of the principles of the Atlantic Charter, new trends in colonial policy are noticeable, of which the following are most significant. An expansion of the general principles of responsibility; increased regional collaboration; the promise of a more rapid progress towards self-government and the increased importance of the factor of social welfare in public policy. As evidence of the first, the statement of policy by the British Government in 1940 may be recalled. "His Majesty's Government are trustees for the well-being of the peoples of the colonial empire" and that "the primary aim of colonial policy is to protect the interests of the inhabitants of the colonies." In itself the enunciation of policy means very little; but combined with the economic and social policy associated with it, as evidenced by the provision of an annual grant of £5 million for a period of ten years from 1940, to be used both for capital expenditure and for expenditure on social services, it does mark a distinct advance in social responsibility. Increased regional collaboration is evidenced by two notable examples in quite recent years. The Anglo-American Caribbean Commission of 6 members under American and British co-chairmen established in 1942 have, as at least a side objective, the duty of "concerning themselves primarily with matters pertaining to labour, agriculture, housing, health, education, social welfare, finance and related subjects in territories under British and U.S. flags within this territory" and to advise their respective governments on these matters. The second instance is the Canberra Agreement of 1944, between the governments of Australia and New Zealand, which provides for the constitution of a South Seas Regional Commission, with objects similar to those of the Car-

ibbean Commission, of which in addition to Australian and New Zealand representatives, those of the U.K. and U.S. are to be members. Their main functions would be two fold: first to recommend arrangements for the participation of indigenous peoples in the administration with a view to the attainment ultimately of self-government; and second, to recommend arrangements for improving standards of welfare of native peoples, particularly through the development of co-ordinated medical, health and research services.

While these developments are welcome as far as they go, they do not go far enough. Indeed, the re-orientation of colonial policy given by the British Government by emphasising the economic aspect is likely to do damage to the principle of speedy development of self-government. Colonial peoples are sceptical of the prospect of freedom emerging from good government. Japan's co-prosperity doctrine also assured good government to the colonies. What we need therefore is the affirmation and universal acceptance of the principle that freedom is the first requisite and that all desirable conditions of administration and government should be adjusted to this basic requirement of freedom.

The present time is favourable for a new affirmation of faith and for creating a machinery to implement action. American opinion and equally Canadian and Australian opinion are unfavourable to the continuance of colonial domination. At the recent Hot Springs Conference of the I.P.R. the Canadian group is reported to have stated that "no one people was morally good enough to rule another and that such rule led to the corruption of both rulers and the ruled." Similarly many of the American group emphasized that the American public would repudiate the idea that the sacrifices of the war should have as a purpose the continuance and re-establishment of the old imperial systems. Labour in America is equally hostile to the old colonial order. These unofficial views reflect the official attitude as well. Mr. Stettinius, U.S. Secretary of State, is understood to favour the formation of an International Commission to govern colonial territories under the general supervision of the United Nations' organizations to which it would be accountable. The emphasis is to be on the attainment of independence. The underlying principles of the proposals are, (1) that individual nation's sovereignty over dependencies should be replaced by collective sovereignty, and (2) that the body actually administering or governing a colony should be held accountable to and by an International Authority.

Naturally the present imperialist powers would stoutly oppose any such developments. Already the British seem to be opposed to them; the French and Dutch governments, it need hardly be said, are more reactionary in their colonial policies. According to them, internationalization of colonial government would involve a divorce of authority from responsibility. But the objection is not tenable. On the analogy of the joint Allied Mission over Germany and Japan, a joint machinery for collective government of the colonies can be devised. But by itself it will not suffice. It may be worse than before. Hence a world body composed of members of the present colonial powers and representatives of other countries including the colonies and charged with the duty of reviewing colonial government should be constituted. This world body should be in a position to recommend all steps for the speedy attainment of freedom.

This is the foundation on which the future security and peace system of the world can be built. For

success in this task, certain conditions are essential. The first pre-requisite is the emergence of a free and independent India. Geographically, strategically, and politically, India occupies a central position in South Asia and no regional security system can be developed which ignores India. But a dependent India unable to develop her industrial potential and without power to shape military and political policies would constitute a menace to peace. Further, the independence of India would not merely provide the acid test of the *bona-fides* of the great powers, but more than anything else sound the death knell of imperialism and encourage and strengthen all the forces of liberation in the countries now under subjection. The importance

of Indian independence from the point of view of liberating dependent races and of solving colonial problems as a whole is now clearly recognized by the great powers themselves. On the other side countries of the Middle East some of which nominally free and most of them under subjection and countries to the east of India, are also deeply aware of the significance to them of a free India. Indeed, it would not be an exaggeration to say that the most powerful single factor operating towards colonial liberation is the attainment of freedom by India. No wonder therefore that India is keen upon sending true representatives of the country, and not "prize-boys" of the British Government to the San Francisco Conference.

India's War Economy

ACCOUNTS in the daily press have hardly done justice to the able and penetrating survey which Sir Jeremy Ralsman made in the Assembly in replying to the debate on the Finance Bill. There were some important gaps in the otherwise admirable presentation to which we shall refer later; but the general picture of the economic problems likely to confront us immediately after the war and the general lines on which they should be handled show the retiring Finance Member at his best. Sir Jeremy has had an exceptionally difficult and trying period of office, and even his most severe critics, of which we count ourselves as one, will not deny that he faced up to his tasks with integrity and earnestness to do the best he could in the face of great political and economic handicaps. That he did not achieve striking success is largely to be explained by the inherently unsound and anachronistic condition of a non-Indian and non-responsible Finance Member taking orders from Whitehall on matters affecting the daily life of the millions of the people whose welfare, to put it frankly, takes a very remote place in determining the order of priorities governing allocation of resources and man-power in a total war. Sir Jeremy blames certain sections of the country for having made his task more difficult by their attitude towards taxation and borrowing. But as he himself admits, economic issues cannot be separated from the political issues. In a total war it is idle to pretend that a Finance Member and a Government not responsible to this country nor animated by the sole desire to win the war by imposing only the minimum sacrifices necessary for the purpose, can ever succeed. The essential common ground that the welfare of the people of India will be accorded an equal place with that of the people of Britain, and where sacrifices are called for, the decision will rest upon the people of India is lacking. This is not a mere theoretical issue. Day after day in war the questions of the most vital character come up for decision. Indians have had no say in them, although each decision affects their daily lives.

When dollar assets were taken out of India's hands, were the people of India consulted? When dollar exchange was taken to the Empire Pool was the country consulted? Did this country have any voice in deciding how much should be allowed for the needs of civilian sector of the economy? Again, who determined the amount of rails to be dismantled, the wagons and engines to be sent abroad? Who determined what and how much should be produced in this country? Motor cars, ships and aircraft which Australia found it possible to produce were prevented from being manufactured here by the decision of the British Government or their nominees. Take again the question of basic minimum needs of the people. India was burning with a desire to produce as much

as possible in the industrial sphere so that her contribution to war and peace may be large. But Britain's fear of a powerful India stood in the way. Far from arranging to produce enough food and cloths and other essential consumers' goods for internal consumption, exports were freely permitted without the least regard to the basic minimum. Even from the point of war effort this was wrong. As the Gregory Committee report stated. "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 part of the war-effort. Its settlement is as urgent as any that confronts the country in military terms." Britain's food policy of keeping large reserves of food stocks enough to last two years was a policy decided upon by her own Government. India was not called upon to advise her. But when millions of Indians were starving for want of food and died, the decision to supply food or not was taken by the British Government. When India had very little for herself, foodgrains and cloth were exported freely. When imports were possible, they were not permitted.

Take again the question of taxation and borrowing. They are intimately connected with the war expenditure in India by the British Government and their subordinate branch i.e., the Government of India. By using the machinery of the Reserve Bank, a method was found by which any amount of expenditure could be incurred in India without regard to the capacity of India to bear it in real terms. It is no secret that some at least of the Reserve Bank Board objected to this method and desired that a more direct agreement between Britain and India should be arranged. Had this been done, Britain would at least have had some regard for Indian opinion. Sir Jeremy Ralsman has repeated several times in recent months that inflation was inevitable in war. But it is all a matter of degree. The terrific inflation in this country could easily have been averted by a policy designed to produce more of certain essential goods in this country. The problem of production was simply ignored, except of course, production of war supplies.

Taxation was put up and up and there was practically no limit to it. The defence expenditure has been mounting up and up, and no ceiling has been found possible in practice. The Government connived at higher and higher prices because with an E.P.T. as a ready instrument, it enabled them to use industry as their tax gatherer.

Controls were adopted too late and too haltingly. But how can controls succeed if the Indian public has the feeling that the Controllers being most of them British will not mind in the least if incidentally and as a result of the controls, trade and industry get weakened. It is unnecessary to go on piling up evidences

to prove the absurdity of the claim of any Britisher that he could safeguard India's interests. In the spacious days of the 19th century when to India law, order and good government were luxuries, the British were able to supply them. But in a total war in which millions of lives and tons of resources have to be sacrificed, the present political set-up is inherently unsound. It is not a question of honesty of purpose and good intentions. Good intentions and purpose, unless backed by the power of a people, cannot get one inch of shipping space, or one little plant or save one life in India, unless the Great Powers choose to be "humane and generous." We are now again confronted with the same set of problems as faced us during the worst phase of the war. The conversion of a certain portion of the war economy into a civilian economy is going on both in Britain and U.S.A. How much and at what rate are, of course, subject to the varying needs of the war, but the decision always rests with the Governments of those countries. Here in India conversion rests ultimately upon H.M.G. and India

Britain's Altruism

BRTAIN'S altruism is without parallel in history. That, at any rate, is the belief firmly held in the 'English-speaking' countries, with the exception, perhaps, of some sections in the U.S.A. Has not Britain fought this war of unlimited liability with 'fanatical single-mindedness,' and staked her all in the cause of human freedom? If she is found in possession of a big Empire, it is, of course, largely by accident and in spite of herself. If she continues to hold it, it will also be not because she is anxious to retain, but because in fairness to herself she cannot hand over the large backward masses of colonial populations to the local 'plutocracies' which will exploit them. Not that she claims perfection for her colonial rule. But her mistakes were due mainly to the inherent difficulty of her 'civilizing' mission rather than to her own cussedness. The peoples of her dependencies who form the greater part of the world's population might complain they are experiencing not British benefits, but only bonds; that, of course, is ignorance or sheer ingratitude.

On a par with this Imperial record of unselfishness is Britain's war-time generosity to India. Has she not saved her from the Japanese menace and yet conferred on her a huge sterling credit? The Indian people might complain that three millions of them have died and four hundred millions of them stunted, yet Britain had millions of tons of food stocks in reserve sufficient to last two to three years. They might even violently protest against any suggested whittling down of the sterling credit. That again is just interested and unreasonable clamour.

The latest phase of British altruism in practice and its ratiocination in theory is in catering to the consumption requirements of the masses of India. The welter of British press comment, in particular

cannot decide the time or speed or proportion of conversion; because apart from the exigencies of the war, dollar exchange is controlled by an authority external to India.

Sir Jeremy has, perhaps, served this country better than most Englishmen and we may add, perhaps better also than some of his Indian colleagues. But we are not, have never been, concerned with the narrower and personal aspects. The issue goes much deeper. No subordinate agency of the British Government in India can claim with any justification at one and the same time that they served the best interests of India and Britain equally well. Even in peacetime when the economic problems were simpler and of less consequence, that claim would be untenable. In war with a shrinking cake of consumption and a limitless call on resources of every description, it is entirely a problem of distributing sacrifices and tears. As long as this country has no say in regard to the method of distribution, it is useless to expect it to indulge in irrelevant praise or encomium.

the recent report by *Reuter's* special correspondent from London, on the 'unscrambling' of the Indian consumers goods control, is true to type. The poor Indian consumer had been starved of all civilian goods until 1943, in fact the Bengal famine was caused only by that scarcity of inducement goods, and the improvement in Britain in certain lines of supply, such as medicines, drugs, glassware, cycles, whisky and cloth should be utilized to rush help to the starving Indian. In fact Britain has to emphasize the fact that the poor Indian is getting a 'preferential' treatment compared to many other countries which are as badly in need of those goods and also to Britain's own population which has been on strict rations. If this 'preference' is given to India, it is because "India will be almost the only overseas country which still remains the operational base and civilian supplies for operational bases are essential for the prosecution of war."

Britain no doubt gets certain commercial advantages out of this. Her exporters are enabled to "re-establish themselves in the Indian market" by this open import licensing procedure, whereas delay might have entailed the 'danger' of losing the opportunity. Again, the Indian market is not quite unattractive, because, as the *Manchester Guardian* says, "In the case of our exports to India there is no control over export prices here and the internal price control which India imposes merely limits the addition which may be made to the handed price of imports." These advantages are, however, absolutely secondary. Desire to help India is the prime motive. Have not the British exporters resisted the temptation to exploit the Indian market during the war? Have not Lancashire cotton shuttles been made available to India at 3s. 6d. while the American counterpart could be had only at 21s. each? But if America is able to send out some plants at prices lower than British, why, it surely can-

not be fair. It must be due to the unfair practice of dumping goods below costs of production.

We on the Indian side would, no doubt, take a different view of all these matters. It would seem odd to us to be told that shipping space is available now and no shipping difficulty is anticipated because "the huge movement of military cargo from the British to the India base entails abundant deck cargo which requires bottoming." We would perhaps argue that this shipping was not made available when millions were dying in Bengal and Britain did not even permit Australian food supplies to be diverted to us. We would feel that these indiscriminate imports of consumer goods could only injure domestic industries which could easily step up production to the necessary levels, if the minimum facilities are given. We would see in the greater relaxation of Indian import control than that of British export control the Government of India's anxiety to help British commerce. We might even suggest all this to be export dumping inconsistent with the professed policy of Britain to see India rapidly industrialized. The Britisher has, of course, ready answers. "If India really wants imported goods which her masses desperately need, she had better start differentiating between vague aspirations and real intentions." If there is

going to be any difficulty about the repayment of sterling credit, it will be India's protectionist industrial policy. "Actually it is going to be a very long time indeed before India indigenously produces not merely Rolls Royces, but dozens of things much more simple than Rolls Royces. And the unrealistic propaganda to the contrary is not merely childish, but positively harmful to India." This kind of debate can never be satisfactorily terminated by the most rigorous logic. Cynics might say they have got sick of this British hypocrisy. The large majority of the Indian people, however, do not object to the British people deceiving themselves into these attitudes of altruism and self-righteousness, but they surely ask leave to be free to order their political and economic affairs in the way they choose and to take a different view of what is good for them from what Britain thinks fit to impose.

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YODH RAJ,

CHAIRMAN AND GENERAL MANAGER

The Week's Notes

CLOTH CONTROL

It is most unfortunate that cloth control which began well has been allowed to slip back into chaos. Appeals, admonitions, warnings and punitive action so far taken have failed of their purpose. Complaints are heard all over the country of acute scarcity of cloth and open black marketing, the worst experience being in Bengal. Mr Kishnaraj Thackersey, Chairman of the Textile Control Board, says that a substantial reduction in exports can appreciably improve the situation. That might be true, but not convincing. The control scheme has been in force for 21 months now during which period the export quota was never raised. A plea for reducing it now, however, valid on its own merits, cannot divert attention from the failure of distribution. The advisability of cutting down exports when they can easily be maintained by increased production and just at a moment when Britain is resuming her exports is open to question. But loss of exports need not be minded if domestic needs are to get their first place. This, as well as increased production, are all quite welcome. But the primary job before the Textile Control Board and the Government is to end the malpractices which are frustrating the people's faith in the business community. It is understood that resolutions have been tabled for the meeting of the Board to be held in April, that drastic overhaul of distribution is imperative. We are convinced that it has become imperative. The machinery and methods of control need a thorough overhaul. We trust that the Textile Controllers will take full notice of public feeling in the matter.

IMPORT OF CAPITAL GOODS

We understand that the Government of India have circularized information which has been recently available as a result of the discussions with the British Board of Trade, regarding United Kingdom's capacity to produce machinery and plant for export. The U.K. manufacturers, it is learnt, are, now in a position to accept and fulfil any orders which they may receive, in regard to a limited number of machinery and capital goods. Reconversion in England can only be speeded up after the defeat of Germany. But the optimum of war-effort having been reached, release of essential materials and man-power to certain civil industries is gradually taking place. Among capital goods immediately available from the U.K., are paint machinery, chemical plant, brewery and dairy plant, mineral waters machinery, gas-works plants such as boilers, stoves, etc., and oil-processing machinery. Some of these capital goods might be of immediate use to India; for example, the import of chemical plant will enable increased production of chemicals in the country. Of course, the price factor has to be taken into account, particularly because at the present time they are permitted to sell goods at prices higher than the domestic prices. We should also like to add that the list of plant and machinery made available covers only a limited field, whereas India's needs are of wider range and of greater fundamental importance. We hope, however, that efforts will be made to persuade the British Board of Trade to arrange for the inclusion of a much wider range of plants and machinery so as to meet our demands.

PRICES OF CAPITAL GOODS

The Government of India have been advising the business people to register and book their orders for the post-war delivery of plants, but the response has

not been adequate. One main reason is the uncertainty of the time of delivery. A second equally important factor has been the uncertainty of the prices of the capital goods after the war. Between the time when orders are booked and the time when the plants are delivered a considerable fall in prices may occur which will put the industry under a serious disadvantage. Apparently the Government view seems to be that for some years after the war import prices will not fall. But the businessmen do not share that opinion. Evidence confirming the fear of the businessmen comes in an unexpected manner. Sir George Nelson, Chairman of the English Electric Company complains that U.S. manufacturers have already started selling plants and machinery below their Home prices and in several cases below their costs of production. What data Sir George has to prove his point that these American prices are below costs we are not informed. It is possible however that American prices are lower in some lines of capital goods than the British. Productive and operative efficiency in mass production and in continuous chains of processes has attained such a high level during the war that no one need be surprised that American prices are lower than British. However, that may be, the possibility of a considerable price fall in capital goods is not to be overlooked. The best thing for the Government to do is to afford businessmen in India ample facilities of travel and exchange to find out things for themselves.

INDIAN SEAMEN

Speaking on the Finance Bill Sir Azizul Haque, the Commerce Member, announced the formation of a Welfare Directorate for Seamen in the Commerce Department which would be charged with the duty of the planning and provision of amenities throughout India. The Government of India, the Commerce Member told the Assembly, has already taken steps to provide better amenities and comforts for seamen in this country. A sum of Rs. 6 lakhs has been allotted so far for the purpose and two Amenities Officers have also been appointed one at Calcutta and another at Bombay. The jurisdiction of these officers extends to cover all ports on the East and the West coasts respectively. It has also been decided to appoint special Welfare Officers at Cochin, Karachi and Madras. Better arrangements for clubs, institutions, canteens, etc., have also been provided and what is much more important at long last the Government of India has succeeded in effecting a decent increase in the wages of Indian seamen. Indeed the Commerce Member has been careful to furnish in detail an account of what these increases have meant in terms of money value in the case of different categories of seamen. Thus he told the House that a man who was getting Rs. 33 before the war, will now receive Rs. 165. Before the present increase, he announced, everyone was drawing three times the pre-war wages; a seaman who was drawing Rs. 50 before the war was drawing Rs. 150. With the new increase he will be drawing Rs. 216, i.e., a ceiling of this increase being fixed at Rs. 66. The shipping companies have agreed to give retrospective effect for one year to this increase. This is satisfactory although when we consider that low wages have been a chronic complaint of Indian seamen to which attention was drawn as early as 1930 and it has taken a decade for Government to redress a just grievance and that 6 years of war had also to pass away before this measure could be thought of, there does not seem much ground for the note of self-gratulation that breathes through the Commerce Member's speech. But yet there are a few questions on which we would like to

receive some information. It has been a long-standing complaint that Indian seamen have been subjected to racial discrimination in matters of pay receiving comparatively lower wages for exactly the same kind of work as their foreign confreres. This has justly been condemned as an "economically and ethically unjustified disparity." Do the present increases also mean that this obnoxious practice has been given the go by? Then, the Government of India has spent about Rs. 6 lakhs on the provision of amenities to British and Allied seamen, and even in the proposed Welfare Directorate a Deputy Director is to be created who will look after the welfare of British and Allied Seamen. Is this part of a reciprocal arrangement or an act of generosity on the part of the Hon'ble Member at the expense of the Indian tax-payer?

ROAD BOARD

The Government of India have decided to establish a Departmental Committee to be called the Road Board. This announcement was made by Sir Edward Benthall, War Transport Member, the other day while addressing the Standing Committee for Roads which met at New Delhi to discuss questions relating to post-war planning of road development in India. The Board is likely to be entrusted with the task of preparing a five-year plan for road development for the approval of the Government and to make provision in the plan for the absorption of returned soldiers and the disposal of surplus vehicles. It may also be called upon to decide upon the disposal of such technical questions as those concerning ribbon development, betterment values, systematization of motor vehicle taxation etc. It may also be called upon to initiate and direct programmes of road research, to discuss with the Railway Board matters relating to road and rail bridge questions and the road and rail development plans. The Government has not yet made a final decision in regard to the allocation of functions but are engaged on a consideration of the proposed Boards' competence to deal satisfactorily with the subjects referred. An early decision on the subject would be welcome.

POST-WAR PLAN FOR C.P.

The Provincial Industries Committee of the Central Provinces has drawn up a blue-print of post-war industrialization plans for the province. Power development, the Committee has rightly felt, would form the bed-rock of industrialization of the Province and therefore it has urged the immediate establishment of four thermal stations for power and emphasized the need to develop all possible hydro-electric sources available in the Province. The Committee has stressed the need for an extensive geological survey of the Provinces in order to be able to assess the possibilities of the development of heavy industries in the area and, in view of the faulty utilization and excavation of coal, it is satisfactory to note the stress laid on the rationalization of the coal-mining industry. The Committee has also recommended the conservation of the manganese resources and has suggested that the existing manganese concern should be taken over by the State. It has recommended the establishment of an aluminium industry near Katni as soon as power is available. Besides, its recommendations include the modernization of the existing textile industry and the construction of 16 new mills. Cottage industries have also received their due share of attention at the hands of the Committee and it has recommended the absorption of war technicians in workshops to assist cottage industries. The establishment of an ammonium sulphide factory at Katni and the development of other chemical industries in the Province has also

been provided for. As in the case of Madras, industries have been classified into four broad groups and the Committee's recommendations in regard to the role of the State are based on this classification. Some industries will be directly financed and controlled by the State, while in others even when the State owns a majority of the shares management may be left in the hands of private enterprise. In certain other industries Government will own a minority of the shares but shall have its representatives on the directorate while to some the State will provide aid only in technical matters. The Committee has recommended the appointment of a Director-General of Industries and three directors to assist him and urged the establishment of a permanent census bureau for industrial production and vital statistics. It has also suggested a thorough over-haul of the Labour code to ensure a contented labour force. Educational development has also been planned for and the Committee has suggested rather too boldly the conscription of matriculates and graduates for one or two years to help eradicate illiteracy. It is perhaps a tribute to the comprehensive sweep and bold imagination that has gone into the drawing up of the plan that the Committee's report has been wholly unanimous—except, and rightly perhaps, for a note by a member stressing the need for a national government to execute the plan.

RAILWAY GAUGE

The construction of metre-gauge lines in India, was, it will be recalled, decided upon as a measure of economy; but even so these were expected to be provisional. It was understood that as soon as traffic justified it these would be converted into broad gauge lines. But traffic expanded too rapidly for this transformation to take place. It was considered more advisable to improve the carrying power of the metre-gauge lines rather than to convert them. It was thus that the metre-gauge became a permanent feature of the Indian railway system. Of the open mileage on the 31st March, 1943, no less than 15,982.64 miles was composed of metre-gauge lines while broad-gauge lines covered 20,682.28 miles and 3,860.12 miles were under a narrow gauge. This break-up of gauge which involves extra expenditure on loading and unloading and involves considerable delays in the transport of goods in the country has no justification since it is wasteful. The time is now opportune for a thorough enquiry into the question on an expert level to see whether uniformity of gauge would not be to the country's advantage. As the *Hindu* has pointed out we are likely to change much of the equipment now with the railways to put our railway system on a more efficient footing and it is therefore essential that before they are replaced with fresh ones, the possibility of unifying the gauges should be examined and the new equipment purchased so as to suit the new track decided upon. In this connection the Australian plans for the conversion of her 18,600 miles of track to secure a uniform gauge of 4' 8½" decided upon after the question has been gone into by a Special Commission is a *prima facie* arguments for a similar policy being pursued in this country. The cost of the conversion has been calculated to aggregate to Rs. 57 crores and the work is to begin with the construction of new locomotives and rolling-stock to suit the new track and conversion is to be effected gradually. Thus in Victoria the work is expected to take 7 years for the complete conversion which will be so carried out as not to necessitate any serious withholding of transport. India, herself has some experience of the work involved; for in Madras two sections of the railways, namely, the Erode-Tiruchinopoly section and the Shoranur-Cochin Railway, originally under metre-gauge were converted into broad-gauge lines without any serious dislocation of

traffic and have, by eliminating delay and the duplication of loading and unloading expenditure, added immensely to the advantage of the general public. It is unfortunate that in the post-war developments plan for railways, this important question has received no place.

MINERS' WELFARE

Industrial labour welfare has been a woefully forgotten subject in India. That attitude of smug satisfaction with a policy of drift in regard to our industrial labour population can no longer be permitted if the country is to launch out on a massive industrialization drive; for an industrial edifice built on the rickety foundation that our labour population today is will neither be stable nor just. It is interesting in this connection to note the activities of the Miners' Welfare Commission in Great Britain, which has been planning to put into operation, as soon as possible, the programme of welfare work which had been interrupted due to the present war. The Commission has given the provision of pit-head baths a high priority; for it feels that 'the provision of adequate welfare facilities at the pit-head must influence not only the miner's opinion of his working environment, but his general social status and outlook.' It plans to complete its programme within ten years and includes such items as the extension of canteen facilities. Apart from the general plan which aims at the improvement of amenities and seeks to make both living and working conditions more attractive, the Commission has also sought to emphasize on its district committees the need to establish clubs, centres and playing-fields. Provision of educational facilities has been one of the foremost items on the Commission's programme and up to December 31, 1943, the Commission had spent £1-1 million in grants for educational purposes such as the construction of school buildings and equipment and the provision of scholarships. In respect of all these items India has to make up an immense leeway. Provision of pit-head baths, which is so important in a hot country like ours has not yet been generally adopted. Even such essentials indeed as the provision of latrine accommodation have not been often provided. This despite the fact that as early as the appointment of the Commission on Labour attention had been drawn to the paucity of welfare work when the Indian Mining Federation admitted that 'welfare work among mining labour is almost absent.' Even today except what is being done by the Health Board of Mines in Jherria and Raniganj coal-fields, there is no welfare work undertaken either by the employers or the employees. Latterly, perhaps as a result of the belated recognition of the seriousness of the coal crisis a Mines Welfare Board has been constituted. It would be indeed welcome if the Board devised a long-term programme of welfare work in the mines and thus filled this ugly gap.

WHOLESALE PRICES AND COST OF LIVING

The efforts to curb the war-time rise in prices seem to have been steadily successful in effect throughout the world to judge by the index numbers of wholesale prices and cost of living. It may be said that while the national price levels were still generally higher by the middle of 1944, than a year earlier, the rate of increase had not been so rapid as previously. In about 2/3 of the countries of the world for which indices are available, the rise in both wholesale prices and cost of living was brought to a standstill in the course of 1943 or early in 1944, and has for some countries given way to a fall even. The summary tables below, prepared by the League of Nations, show the percentage increase or decrease in wholesale prices

and cost of living by 12 month periods ending in the month indicated against different countries:

TABLE I
Wholesale Prices

Country	Month	1940	1941	1942	1943	1944
Turkey	March	..	..	32	69	158
India	July	..	14	32	21	83
Palestine	June	..	27	39	38	37
Sweden	June	..	31	21	8	1
Peru	Aug.	..	16	18	25	15
Chile	June	..	12	11	41	12
Australia	July	..	13	5	16	3
Norway	July	..	35	26	4	2
U. S. A.	Aug.	..	3	16	10	4
Germany	July	..	3	1	3	2
Canada	Aug.	..	11	12	3	5
Denmark	July	..	49	24	4	1
United Kingdom	July (4)	..	42	9	4	3
Kingdom	July (5)	..	38	12	3	4
New Zealand	..	..	13	11	10	5
Switzerland	..	..	32	33	13	3
Union of S. Africa	May	..	12	7	13	3
Japan	Mar.	..	8	3	10	4

TABLE II
Cost of Living

Country	Month	1940	1941	1942	1943	1944
Turkey	May	..	..	16	59	72
India	Mar.	..	7	8	16	52
Palestine	May (2)	..	19	35	64	1) 38
Palestine	May (3)	..	11	27	70	1) 24
Sweden	July	..	16	16	10	2
Peru	Aug.	..	9	6	14	12
Chile	June	..	14	12	26	21
Australia	June	..	4	5	8	6
Norway	June	..	15	21	6	2
U. S. A.	Aug.	..	..	5	11	5
Germany	July	..	4	3	2	2
Canada	July	..	5	8	4	1
Denmark	June	..	27	19	3	—1
U. K.	July	..	20	7	2	—2
New Zealand	June	..	4	5	2	..
Switzerland	July	..	11	17	10	4
Union of South Africa	May	..	4	4	8	7
Japan	May	..	20	..	2	6

1) Palestine: cost of living since 1943, new index; prior to 1943: excluding clothing and rent. 2) Arab markets. 3) Jewish markets. 4) Board of Trade. 5) Economist.

GRAIN ELEVATORS IN THE U.S.

In its elaborate network of grain elevators and warehouses, numbering over 22,000, the United States possesses one of the chief agencies, which have facilitated the quick, orderly and economic handling of one of the largest grain crops in the world. The total storage capacity of these elevators is estimated at 1,667 million bushels and has been found to be sufficient to accommodate that portion, which moves through commercial channels, of harvests totalling in a normal year to 6,000 million bushels. There are three main types of elevators: country elevators, sub-terminal and terminal—including port—elevators. The first category receives the grain direct from the farmers, while the latter two come into the picture at the more advanced stages of the marketing process. The ownership of the country elevators is varied. Within a given area, one may be operated by a farmer's co-operative, another by a railroad or some unit of State or Federal Government, while a third one may be a receiving elevator for a terminal elevator company, or a unit of a "line company" which owns from 2 to 500 similar elevators. Since the handling of grain affects the public interests, elevators have been subjected to numerous State, Federal and local regulations, as well

as those imposed by trade organizations. For instance, however greatly they may vary in appearance, construction, size and type of equipment, they all must be built to satisfy certain minimum requirements for receiving, handling, storing and discharging grain.

WAGONS AND WAREHOUSES

At the country elevator, probably operated by two or three men at the most, samples are extracted with a special instrument from grain, say, wheat, brought in by a farmer in his wagon or truck. They are weighed next and it can then be established how many pounds of the grain are required to make a dry measure bushel. An electrical device is used to test the grain for moisture and a third test establishes percentages of weed seed or other impurities. Yet another test is made, this time to determine the percentage of damaged kernels. On the basis of these tests and an estimate of the percentage of protein the wheat contains, the grain is graded and a price offered. If the farmer accepts, the load is weighed, automatically dumped by tilting the scales platform, and the farmer is given a cash payment if he desires. As rapidly as the owner of the country elevator collects grain, he may send it in carload lots to the flour mills or sub-terminals at trade centres.

Many country elevators have been licensed as warehouses under State or Federal law. In these farmers can store grain for a fee and hold it in the hope of higher prices. When grain is stored in an approved elevator under Federal law, the owner is given warehouse receipt upon which he may receive a loan from a Government agency. Some of these elevators are fitted with elaborate equipment, including automatic machinery for cleaning, drying or aeration, so that deterioration during storage may be prevented.

BRITAIN'S AVIATION PLANS

A British White Paper on civil aviation, published recently, gives details of the plans for post-war aviation. Three air transport corporations are to be set up to run, (1) Commonwealth and routes with Trans-Atlantic service to the U.S.A. and to China and the Far East, (2) European air routes and internal services of the U.K., and (3) South American route. The first will be assigned to the B.O.A.C. for the second, a new company will be set up in which the participants will be railway companies, short sea shipping lines, travel agencies and pre-war operators. To ensure efficiency and economy the three corporations will combine in the creation and management of organizations for technical staff, etc. The proposals are designed as a compromise between a single corporation monopoly and the competition of numerous agencies. The necessary elasticity is said to be provided by the opening left for entry of new operators and subsidiary companies. It is stated as general policy that both internal and external air services shall operate as far as possible without subsidy. Government also promise that every assistance will be given to the aircraft industry to switch back to civilian production. These details as to the machinery cannot by themselves indicate to what extent British planes can stand competition in the air from the U.S.A.

BRAZIL HAS A BOMBAY PLAN

The industrialization and diversification of the Brazilian economy have proceeded during the last five years to a point, where it has become true to say that the country's economic development has been advanced at least 20 years by the war. Mining and

manufacturing industries, in particular, have been expanding at a feverish pace. The Brazilian industrialist has always had the advantage of cheap labour and raw materials. He only needed the absence of foreign competition in the Latin American markets; the war has given him this opportunity. In the five-year period, 1938-43, the number of industrial workers rose by about 50 p.c. to almost 1½ mn. and the number of industrial enterprises by almost 100 per cent. to 80,000. By 1943, Brazilian industrial exports had risen to about 23 per cent. of the total exports, as compared with only about 2 per cent. in 1940. The present national income of about \$5 billion is about 2½ times as much as in 1939. The output of coal has expanded from about 650,000 tons before the war, to over 2 million tons in 1943. Again, when the new national steel plant is in operation, about one-half of the country's requirements of semi-manufactured iron and steel products will be supplied from domestic sources. In the matter of consumer goods, the country is practically self-sufficient in most respects. The textile industry, which has seen the greatest expansion, now contributes about one-half of the value of total manufacturing output. Nor has the agricultural sector, which is the main-stay still, been marking time. New crops have been introduced and the importance in the export trade of the older staples (the world prices of which have determined in the past whether Brazil was prosperous or poor), has declined to about one-half of the pre-war figure.

But, and this is important, Brazil is not going to rest on her oars. Recently, the National Council of Industrial and Commercial Policy, the official planning body, has come out with a ten-year development plan, calling for an investment of about \$5 billion. About one-half of this amount is to be spent for the development of industries and agriculture and the other half on the development of the hydro-electric power potential of 10 million h.p. of which only 7 per cent. has been tapped so far and on the building of railways and highways. Industrial production is to be raised to the annual level of about \$7 billions as compared with \$1½ billions in 1943. The ultimate aim of the plan is to raise the national income to the equivalent of about \$200 to \$250 *per capita*; the present level is at about \$120 *per capita*. The Brazilian Government—and this is also important, is mighty serious about this Brazilian Bombay Plan. Already a part of the gold and foreign exchange reserves has been ear-marked for post-war machinery purchases. It is estimated that the requirement will be about \$360 million worth of new machinery and equipment over the next ten years. The recent order of the Brazilian textile industry for 2½ million spindles from abroad has, therefore, only set the ball rolling.

WORK DAY UNIT

The "workday unit" is the device adopted in the Soviet collective farm system to remunerate the farmers on the basis of the quantity and quality of the work done by them. Let us assume that in a given locality a collective farmer working with grain drill can plant normally three hectares of land a day. This figure is taken as the 'norm,' for doing which the collective farmer is to be credited with, say, 1.5 workday units, irrespective of whether he does the 'norm' in less than a day or in more than a day. This means that in one calendar day a collective farmer may earn 1.50, 1.75 or even 2 workday units; on the other hand, there may be occasions when he earns only 0.75 or 0.50 of a workday unit in one day's work. 'Norms' are calculated for each farming operations, and the 'norm' for the same operation varies from

place to place in accordance with local conditions. It is one thing, for example, to operate a reaping machine on level ground and quite different to operate one on hilly fields. Mowing lush grass growing in moist meadows is easier work obviously than mowing the low, hard growths on sun-scorched hillocks. Indeed, each collective farm sets its own 'norm'—often different norms for different plots in the same farm, if circumstances warrant it. After the harvest, deductions are made from the total crop of the farm of the amount that is to be delivered to the State at fixed prices and the amount that has to be set aside for seed and reserve funds. The remainder represents the net income of the collective farm and is distributed

among the members according to the number of work day units earned by each. On the whole, the device of "workday unit" seems to have been fairly successful in providing an incentive for efficiency under collective farm conditions, especially as there is the practice of rewarding exceptional skill with a bonus in the form of workday units additional to those earned on the basis of the 'norm.' Under the system while the collective farm as a whole is interested in the size of the crop, each individual member is interested in earning the largest number of workday units, and in his collective farm obtaining the largest possible crop.

NOTICE

CONTROL OF CAPITAL ISSUES

The following additions are made to the list already published of questions to be answered in applications for consent or recognition to the issue of capital by companies.

Q.4 (a): "Note: Mere reference to the objects stated in the Memorandum of Association is usually unacceptable."

Q. (b). "Note: This does not refer to the company's head office (see Q. 2) but to the place of actual operations (e.g., in the cases of industries, location of factory)."

New Q.5A. "Managing Agents. Give name and address of Managing Agents, if any, appointed or to be appointed."

Q.6. "and describing the voting rights of each class of share."

Q.8 (d). "In respect of capital goods, state whether an application for registration has been made to the Chief Controller of Imports and, if so, whether registration has been accorded (quote number and date of registration certificate)."

Sd.- A. H. LLOYD,
Examiner of Capital Issues.

13th March, 1945.

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SPECIAL ARTICLES

Secondary Industry in Australia

CONTRIBUTED

THE Australian Government is considerably exercised as to its policy in relation to secondary industry in Australia. There has, of course, been a tremendous expansion of Australian industry during this war and it is an accepted fact that after the war a certain amount of selection will have to take place to determine:

- whether certain industries should be continued;
- whether certain industries should be assisted; and
- the extent to which the Government should control and operate its own industrial undertakings.

A body known as the Secondary Industries Commission was set up sometime ago to investigate these and associated questions. At a conference held with the Associated Chambers of Manufactures in Canberra on February 5 and 6, 1945, the Australian Prime Minister, Mr. Curtin, urged manufacturers to make their plans and needs known to the Commission, which was intended to be the link between the Government and industry. Mr. Curtin defined the chief economic problems facing Australia as being excess purchasing power, housing and exports. He admitted that in dealing with these problems resources would for sometime be inadequate to satisfy demands, but the Government hoped to have the assistance of private industry in restoring the economic equilibrium of the country as speedily as possible.

It is important in considering these questions to bear in mind the fundamental point in Australia's economic policy, both international and domestic, namely, the maintenance of high levels of employment throughout the country. This policy has been repeatedly put forward in speeches by leading members of the Government and by Australian delegates at international conferences, notably the International Labour Conference at Philadelphia in April 1944 and the Monetary Conference at Bretton Woods in July 1944. As far back as April 28, 1943, the Minister for External Affairs, Dr. Evatt, said during an address in the United States on post-war settlement:

"If the general principles of the Atlantic Charter are carried out by the countries adhering to it, it may become necessary for their Governments to accept obligations of international character affecting matters which, in the past, have normally been regarded as matters of domestic concern only, and to accept responsibility for standards of living and for economic development in countries beyond their own borders. These are developments of major significance. For instance, it is absolutely essential for the economic and political security of the world that the major industrial countries shall maintain a high level of employment and living standards within their own borders. The Governments of these countries may well be treated as having an obligation to see that these practical objectives are achieved internally, this obligation being assumed not only towards their own peoples but to the peoples of the world."

It is evident, therefore, that the solution of the three problems instanced above is closely bound up with the practical aspects of the Government's policy of full employment.

- The excess amount of purchasing power which

has accumulated in Australia will make control of prices essential if a big inflationary movement is to be avoided and if priority is to be given to essential needs. The question of effective control of prices for sometime after the war raises a serious constitutional problem between the Central Government and the State Governments into which it is beyond the scope of this article to enquire.

Action has also been taken by the Australian Government in the sphere of banking by the introduction of legislation into the Federal Parliament on March 9, 1945. The Treasurer, Mr. Chifley, in his second reading speech on the Banking Bill, defined its objects as follows:—

- To provide a legal framework uniform throughout Australia for regulating the banking system.
- To safeguard depositors of banks from loss.
- To provide for the co-ordination of banking policy under the direction of the Commonwealth Bank.
- To control the volume of credit in circulation and bank interest rates.
- To mobilize and provide machinery for the control of the foreign exchange and gold resources of Australian economy.

The Bill is, therefore, designed to ensure that the Government can exercise greater control of the financial resources of the country and impose a ban on action by the trading banks which it considers detrimental to the economic structure of Australia. Further, the Commonwealth Bank Bill, which was introduced at the same, by Section 8 defined the functions of the Commonwealth Bank as follows:—

"It shall be the duty of the Commonwealth Bank, within the limits of its powers, to pursue a monetary and banking policy directed to the greatest advantage of the people of Australia, and to exercise its powers under this Act and the Banking Act, 1945, in such a manner as in the opinion of the bank will best contribute to (a) stability of currency of Australia, (b) maintenance of full employment in Australia and (c) economic prosperity and welfare of the people of Australia."

These are major reforms but it is expected that the majority which the Government possesses in both Houses of the Federal Parliament will ensure the passage of both bills.

(2) Housing is of first importance. Already there is a tremendous demand for houses in Australia which cannot be met at present. Shortage of materials and of men prevents any large-scale expansion, but after the war the production of building materials of all kinds will have to be higher than ever before and building costs will have to be stabilized as part of the programme against inflation.

(3) The need for supplies of all kinds will lead to a great increase in imports to Australia, to offset the results of the present policy of severe import restriction. To pay for these imports there will have to be an increase in the quantity of exports and it is clear that Australia can rely no longer almost exclusively upon her primary production, notably the "Big Four," wool, wheat, meat and dairy produce.

Industry must, therefore, play an increasing part in post-war export programmes and sane use must be made of the system of protective tariffs. Industries



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no longer dependent upon protection should compete in world markets. The criticism has been made that Australian manufacturers are not export minded enough and also that manufacturing costs were in the pre-war period too high to enable Australia to compete successfully. During the war, the normal trade channels have been dislocated and exports of most manufactures have been arranged as between Government and Government. To assist in the restoration of ordinary trade, the Australian Government has set up an Export Advisory Committee, on which there will be representatives of manufacturing, commercial and Government interests, and this development will be coupled with the strengthening of the Trade Commissioner service abroad. This should be of considerable interest to India, which can take from (and supply to) Australia many items—some of them perhaps only for a limited term until India's own industries are established on a firmer basis. The present tour of Australia by an Indian industrial delegation is, therefore, of great interest and should be most beneficial to trade prospects between the two countries.

On the Australian side, one difficulty is the fact that many high cost undertakings have been established during the war which the Government has no wish to maintain after the war. In determining the continuance or abandonment of such undertakings, the Government will be guided by the advice of the long-established Tariff Board, acting in close collaboration with the Secondary Industries Commission. Two main principles are clear:

(1) The tariff will be used to protect industries which are believed to be "good prospects" commer-

cially. At the same time, there is general agreement that with the exception of industries which are necessary for present and future defence needs, Australia cannot afford to maintain industries which can only exist if permanently sheltered by a high tariff wall. An industry must show that it can pay its way after a reasonable time or else the Tariff Board will recommend against its continuance.

Another aspect of this is that the Australian Government desires that the volume of international trade be maintained at the highest possible level, and has made it clear that its own tariff policy will be consistent with its international obligations in matters of employment, consumption and commercial policy.

(2) The Government will keep control of such of its factories as are essential for defence needs. All remaining factories will so far as possible be operated by private enterprise, either alone or jointly with the Government.

Socialization is no part of the Government's policy and consequently at the conference mentioned above, Mr. Curtin invoked the co-operation of private industry. Openings for private enterprise should be as great as ever before and the Government will assist in the difficult post-war years by providing labour through the machinery established by the Department of Labour and National Service.

Under present plans, therefore, the Australian manufacturer who can efficiently produce items in demand inside Australia or items which have reasonable prospects of holding their own in post-war world markets should be in a good position. The Government is fully conscious of the need for industrial exports; its problem is to square this with the risk of fostering uneconomic enterprises.

Price Control and Rationing

By H. C. Kothari

PRICE control must have a legitimate place in war economy. It must also be on an elaborate and comprehensive scale if it is to achieve success. The maintenance of a rigid ceiling over selling prices when all cost factors are not brought under control at the same time may remove all profits in the production of certain commodities and thus impede supply.

However in practice price control is exercised in the first instance on foodstuffs and other necessities of life. That too is exercised stage by stage namely, wholesale and retail. The tendency at present is to fix prices in all stages at once. The first "price-stop" Decree was issued in Germany on 26th November, 1936, all price increases being prohibited from 17th October, 1936, except with official permission. This practice was followed in France, where the price-stop was based mostly on the price of 1st September, 1939, and in England where the price of Goods Act set a permitted basis price at the level of 1st August, 1939. It has also been adopted with a 1939 base in many other countries. Japan used a "pre-incident" standard for domestic price controls until the Imperial Ordinance of 16th October, 1939, fixed the stop at 18th September. In India immediately after the outbreak of War in September 1939, the Government of India in exercise of the powers conferred on them by Defence of India Rules, delegated by a Notification issued on the 8th September, 1939, to the Provincial Governments their authority to fix prices of certain necessities of life, namely, food-stuffs, salt, kerosene oil and the cheaper qualities of cotton cloth. The maximum price fixed for them was to be not less than 10 per cent. above the price prevailing on 1st September, 1939. Later in the same month provision was

made for increase in the cost of production or landing costs in the case of imports in calculating the maximum price. Control was made applicable to prices at each of the stages of the wholesale and retail trade.

In 1943, the Governor-General, in exercise of the powers conferred by Section 72 of the Government of India Act, was pleased to make and promulgate the Hoarding and Profiteering Prevention Ordinance. Clause 3 of this Ordinance has empowered the Central Government to fix maximum quantities which may be held or sold at maximum prices. Clause 6 of the same Ordinance makes it obligatory on the part of dealer or producer not to sell or offer for sale or otherwise dispose of an article for a consideration which is unreasonable. A consideration is unreasonable if, whether it is exclusively in money or not, it exceeds the amount represented by an addition of 20 per cent. or the addition allowed by normal trade practice whichever is less to—

- the landed cost of the article in the case of an imported article,
- the cost of production of the article in the case of an article which is not imported,
- It is also unreasonable if as a condition of sale the purchaser is required to purchase at the same time any other article.

The Ordinance, however, does not mention what factors should be taken into consideration for calculating the cost of production. The British Prices of Goods Act specifies the permitted additions to basic prices—increased prices of materials, manufacturing expenses, wages and salaries, insurance, transport and advertising charges in the volume of business. Au-

thority is given to the Board of Trade to fix the amount of such additions on demand by the traders and after consultation with an impartial Control Price Regulating Committee. This Act, however, gives no ruling on the proportion of trader's "mark up" allowed on increased cost of materials passed on by manufacturers. The French system forbade any "mark up" at all apart from that due to increased taxes. On the crucial point of the valuation of stocks for costing purposes the Swedish system is to value at replacement cost. In Australia and South Africa, however, a compromise is accepted of average costs defined by the Commonwealth Price Commissioner as "the cost ascertained by dividing the total cost of old stock and new stock by the total quantity of old stock and new stock" and in South Africa as "the average cost of...goods on hand and the replacement cost of the same quantity of similar goods." The German Price Control system has in recent years relied not on the cost of individual traders as a test for the fairness of their prices but on a "justifiable" "price"—"target price." It is not possible to comment in detail on the various price control systems in the short space at disposal.

Any form of price control cannot withstand unaided, the pressure of an increasing demand on limited supplies. Such controls, indeed by holding prices at an artificially low level, tend to stimulate demand; the stricter the price control therefore, the more rigorous must be the restrictions on demand, which can be achieved only by introducing rationing on a well-conceived policy.

Various forms of rationing are employed to suit particular circumstances. The special Purchase Permit is useful where the supply is very small and the fixing of the quota per head can serve no purpose. In that case the matter is generally left at the discretion of the officers to judge the relative importance of the individuals and issue permits accordingly. The system in a way is very useful as only deserving persons can obtain the commodities and thus there is every possibility of making a good deal of saving in the existing stock and utilizing the particular commodity in such a way that maximum social utility can be derived from its consumption. The greatest drawback of this scheme is when the officers are not of high standard then there is a good deal of scope for corruption.

Another form of rationing is to give either family or individual ration cards. An individual or a head of family has right to demand his legitimate share, whether in pre-war days he or his family was consuming the rationed article or not, is not an issue on which the card is given.

The card rationing can be classified into three divisions: (1) Specific, (2) Point, and (3) Calorie. For simplicity, specific rationing can further be divided into two sub-divisions: (i) Pure, and (ii) Group. Pure rationing means that one can purchase a specified quantity. For example, a ration card for one unit of sugar means that an individual is entitled only to purchase say one pound of sugar and no other commodity. But if choice is given to him to purchase one pound of sugar or *gur*, or half pound sugar and half pound *gur*, then it is rationing in the form of a group.

Pure form of Specific rationing is the simplest form of rationing, but very rigid one, while group rationing gives a choice to the consumer to select commodity or commodities in any proportion and therefore flexible. Group Rationing cannot achieve success unless an efficient and well trained staff is kept

and up-to-date pre-war consumption data of different competitive commodities are available.

The third form of rationing is point rationing. Any commodity can be rationed by this method. Different point values are allotted to the rationed commodities according to their relative importance. Each consumer is given certain number of points leaving everything at his choice to select any commodity provided the aggregate point value of his purchases is not in excess of the total allotted points. This system possesses the great advantage of giving a free choice to the consumer, but this flexibility is also its great drawback. It is often difficult to regulate the supply promptly according to intensity of demand. At a particular time all ration card holders may demand a particular commodity for all points. In that case it is impossible to meet their requirements. The illustration is rather hypothetical and no sane citizen will like to do so, simply for defeating the purpose of the rationing scheme, yet the danger is there.

Another form of rationing which is applicable in case of food-stuffs, is the allotment of Calorie units to each individual according to his requirements. This form of rationing is more scientific as it is based on the principle of nutrition. It is not only desirable but essential even in post-war period. The international standard for normal adult is 2,400 calorie units with an addition of 300 calories for an additional heavy labour per hour. Its introduction is only possible when Government is prepared to ration all food-stuffs. Presumably no country in the world has succeeded so far in this direction. In Germany where food-stuffs are very scarce, almost a complete system of calorie rationing (90 per cent. or more) is introduced. In German-occupied area of Europe except Denmark and Italy rationing is introduced to the same extent. The scope of rationing is some what less in Sweden (75 per cent.) and Denmark (65 per cent.) and relatively moderate in United Kingdom (50 per cent.) and Switzerland (45 per cent.).

When a large proportion of calorie is unrationed, these unrationed foods can of course, if available, be used to make up the shortage of rationed foods. The greater the tightness of the food situation in general the higher is likely to be proportion of calorie requirement subject to rationing. A survey of peace-time budget of some countries shows that 90 per cent. or more of total calories are obtained from bread, cereals, potato, milk, meat, sugar and fat.

Even in the post-war period if this form of rationing can be introduced, it will give a yard stick to the administrators and public health officers to regulate a balanced diet of individuals.

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THE WORLD ABROAD

Mr. Lane on Indo-American Trade

FROM OUR WASHINGTON CORRESPONDENT

WASHINGTON, March 27, (By Cable).

THE question of India's economic and financial relations with the U.S.A.—both current and prospective—occupied more than usual attention in the American Press and among Government officials during the past fortnight. Mr. Clayton Lane, Director of the War Economic Operations with the American Mission in New Delhi returned from his post after four years in India, and, judged by his public statements, believes that some of the views regarding post-war trade between the two countries need reorientation. Secondly, the India Supply Mission has been endeavouring to have the shipment of automotive supplies transferred from commercial channels to Lend-Lease. Thirdly, Mr. Amery's attack on the most favoured nation clause continues to receive adverse criticisms from business groups and federal officials although the latter have confined their sentiments to private conversations. Fourthly, the *United Press Association* has widely distributed the exclusive interview with Mr. G. D. Birla obtained by its Far Eastern Manager, Mr. Miles W. Vaughn. Mr. Birla has been represented as having expressed the feeling that Britain must assist India in obtaining large credits in New York if the plans to expand Indo-American trade in the post-war period are to be carried on successfully. Mr. Birla's suggestion was that arrangements should be made for India under which Britain would undertake to convert into dollars part of her holdings of Indian sterling balances now in London.

Mr. Lane predicted in his speech before the International Trade section of the New York Board of Trade the India's imports would gradually move back to commercial channels from Lend-Lease account and that a concomitant development would be that we will find India's sterling balances causing her trade to be redirected to Britain. He said: It would be 'unrealistic' for American exporters to desire to sell to India such products as are unessential to her industrialization or 'to indulge in extravagant ideas' about the Indian market. He said, 'It seems to me very likely that any Government in New Delhi will be subject to an enormous popular pressure for decades to come to minimize imports of anything made in India or such imports which would diminish the foreign exchange available for the manufacture in India of anything' and observed that whatever the complexion of the Government, British or Indian, it could be expected to enforce tight import controls 'as an unavoidable aspect of economic planning which has as its major objectives the expansion of industry and the rehabilitation of agriculture.' He predicted, however, that Indians would use every available American dollar to buy American products 'and advice.' He said that though American advice would be solicited but there is distinct aversion to capital penetration which Indians regard as a prelude to political penetration. In an interview in Washington Mr. Lane seemed to be more optimistic on another phase of American relations with India. According to him there was a possibility of considerable increase in tourism to India if 'adequate provisions were made there for comfort and convenience.' This may help to build up dollar exchange and thus provide the wherewithal for Indian students, scientists, physicians,—who may be numbered in hundreds—to come to the U.S.A. for training and advanced studies.

The Foreign Economic Administration officials have disclosed that the India Supply Mission has applied for Lend-Lease allocations of automotive supply parts and garage equipment which at present must be obtained through private commercial channels. The F.E.A. at the outset had flatly rejected this request but, despite official reluctance to say so publicly, there is in evidence some concern that the Supply Mission might make efforts to go over the heads of the F.E.A. officials. The Supply Mission spokesmen said that the matter has been referred to the Government of India for advice. It was understood here that Indian commercial houses objected to the efforts of the Supply Mission and that the F.E.A. are aware of these objections. The New York Overseas Automotive Club has passed a resolution against the Supply Mission's efforts to obtain 'such late hour extension of Lend-Lease to the detriment of commercial trade.' The Mission's motivation seemed to lie in the fact that Lend-Lease, whether in cash or reimbursable, or of yet another variety, assured delivery under the auspices of the U.S.A. Government whereas commercial channels must take their chance. The British Supply Council has remained silent on the affair.

Mr. Amery's remarks on the most favoured nation clause were taken up this week again by the U.S. Chamber of Commerce in its weekly report 'Business Action.' Noting that Mr. Amery said that effective priority must be given to purchases and exports within the sterling area the 'Business Action' said that this policy was opposed squarely to the views of the Chambers and the Foreign Commerce Department embodied in the Atlantic Charter, Lend-Lease policy and Reciprocal Trade Agreements Act, which are all based on the principle of liberal world trade relations in peace to end excessive and unreasonable tariffs, preferences, quotas, exchange controls, monopolies, subsidies and thus to free international commerce. It has attacked the tendency shown by 'some nations' to perpetuate war-time exchange controls in the form of currency areas and preferential trading as fore-runners of a restricted commerce and anything but a durable peace.

The food shortage has resulted in a Congressional investigation and has involved explanations, charges, and counter-charges by industry, the War Food Administration and the Office of Price Administration. Thus far the data provided by those concerned affords nothing of conclusive nature with the sole exception that no matter what the outcome of the investigations may be, there will be less meat for the U.S. civilians this year than last. The estimates for last years civilian consumption average about 145 pounds per person whereas there may be a decline of as much as 25 pounds this year. The reasons assigned are that soldiers and sailors will get 35 pounds each, military purchases are on the increase, there are more war prisoners to feed, there is drought in Australia which has necessitated more allocations to the Pacific theatre, domestic port production has declined because of the expectation of an end of the war in Europe, and lastly, because family purchasing power has increased making greater demands on available meat. According to the Department of Agriculture there will be available this year 12 per cent. less meat than last year, 11 per cent. less butter, 12 per cent. less sugar and five per cent less vegetables.

London Letter

Britain's Bid for Export Expansion

(FROM OUR LONDON CORRESPONDENT)

LONDON, March 27, 1945, (By Cable).

HIGH among the paradoxes of the British character—according to the Press—must be placed the seeming reluctance of British exporters to export.

Commercial history shows that they have always been willing to ship goods abroad but mainly along the lines of least resistance—to agents who handled numerous lines and could give only cursory attention to pushing their sales. There are some conspicuous exceptions—Lancashire trade with the Far East in grey cotton piecegoods and a similar trade with West Africa in gal coloured calicos have always, according to common report, taken their marketing problems seriously—but broadly speaking all specific suggestions and exhortations regarding better marketing technique (including more scientific packing) which the Department of Overseas Trade began pouring out early in the 1920's it has still been doggedly reiterating up to the outbreak of the war.

Against that background the Press here unanimously welcomes 'betro,' the newly launched British Export Trade Research Organization which, under strong auspices, intends to revitalize British export trade by furnishing its members with up-to-date information regarding each and every one of possible export markets—their economic limitations, their local systems of distribution, their prejudices, idiosyncrasies and tastes. This service will cost member firms nominally 100 sterling but since Income-tax people have consented to allow this as a trading expense it is virtually free to all the firms whose trading results show taxable profits. The sponsors of 'betro' estimate cautiously that their initial funds will be between £40,000–50,000 sterling which at 100 sterling each suggests that they expect only 400–500 firms to join. This is an extremely modest forecast in view of the fact that there are many thousand firms dependent wholly or partially on export trade.

But when British traders have learned with great exactness what sort of goods foreigners wish to buy, one more problem will still remain—how foreigners can pay for them? This promises to be one of the biggest questions confronting the post-war world. A continuous, if desultory, debate shows that a growing number of people are becoming conscious of its importance.

Important consumers of iron and steel are inclined to frown on the recent increase in price of pig iron and of certain iron and mild steel products. Before the American iron and steel prices were raised by the middle of January, the Minister of Supply had estimated that British prices of steel were broadly about 25 per cent. above those of the United States's. The American action had reduced the gap somewhat but now the British action has more or less restored the

gap. The basic difficulty with the British price situation is that during the pre-war years' competition, mainly from Belgium, and Luxemburg in semi-manufactured steel set up a distortion in British prices which has never been ironed out even under tariff protection. Perhaps it might have been had not the sudden rearmament programme, late in the 1930's followed immediately by still greater war programme forced the industry to work out a rough and ready price system with minimum changes. This system survives. Under it a portion of the war-time rise in costs has been placed upon the tax-payers while the remainder is drawn from industry itself with more efficient firms subsidizing the less efficient ones. The end of the war is expected to see lower ore prices but the current price of coal coke threatens to be more less permanent while the high cost of all plan extensions and reconstruction similarly threatens to continue indefinitely.

Open competition on pre-cartel lines would admittedly solve many of the problems but there is not the slightest evidence that leaders of industry intend to permit it to stop and yet two important pre-war markets, India and Australia, already enjoy cheaper steel than the United Kingdom while South Africa is pushing ahead with her own low cost and one of the most modern plants which, according to the Press, would eventually close another empire market. In short steel and coal are in the very forefront of Britain's post-war problems.

This is the background to Mr. Churchill's address to the Conservatives where he said 'at the head of our main mast we, like the United States, fly the flag of free enterprise.' The Conservatives who listened in silence to some parts of the Premier's address cheered heartily this picturesque metaphor but the Press was quick to notice that the Prime Minister did not elaborate the theme nor suggest which war-time controls would be abolished with the termination of hostilities.

The Stock Exchange which has been more interested with its domestic affairs than the trend of prices for the past week has seen the first step toward the unification of Stock Exchange control. The change cannot be completed until the end of the war, and the return of all members at present with the armed forces but it is considered that a good beginning has been made by placing control in the hands of the newly elected Council representing both functions—on the one hand the ownership of building and control funds and on the other members in their professional role as brokers and jobbers. The separation of these two functions had prevented the professional side of the Stock Exchange from utilizing the plant for their best advantage.

Australian Letter

A Review of the U.N.R.R.A. Conference

SYDNEY (By Mail).

AUSTRALIA'S prestige as a Pacific Power and particularly the prestige of Australian External Affairs Minister Herbert Vere Evatt were further enhanced at the U.N.R.R.A. Far Eastern Committee's six-day meeting at Lapstone, New South Wales.

Representatives of eight Governments with Far Eastern interests—Australia, New Zealand, Britain, America, India, China, the Netherlands and France—attended the conference. In addition, General MacArthur and Lord Louis Mountbatten, each sent representatives. Dr. Arturo B. Rotor, who is secre-

tary to the President of the Philippine Commonwealth, was expected at Lapstone but did not leave the Philippines.

In his striking opening speech Dr. Evatt outlined important defects in the organization's policy and administration. A dominating question before the conference was rice, the basic food of the Far Eastern peoples. Before the war, Burma, Thailand and Indo-China exported about 6,000,000 tons of rice annually—or nine-tenths of the amount sold on the international markets. These countries are still partly or wholly occupied by the enemy and from the information available they will probably have enough for their own needs but little or no surplus to export. Very little information was available about Thailand's potential production.

It was agreed that Indo-China's economy had suffered comparatively little disturbance. For that reason, the conference decided that high priority should be given to the rehabilitation of the rice industry there as soon as military operations permitted. The sub-committee reported to the conference that freed Far Eastern countries would need to import at least 2,300,000 tons of rice in the first twelve months after liberation in addition to that grown by the countries themselves. The conference further decided that every effort should be made to step up production of substitute crops such as wheat, maize, tapioca, sweet potatoes, millet and sorghums and—to an extent—soya beans. A difficulty about the use of these substitutes is that many of them are completely new to most of the Eastern peoples. Therefore, they will have to be taught how to cook these foods and also provided with cooking utensils—a domestic luxury unknown to most of them.

Transport was another big problem before the conference. For relief and rehabilitation work railways will have to be repaired and, in some cases, rebuilt. Moreover, small ships will have to be provided. It is possible that Australia can supply locomotives, rolling stock, and rails and also some small ships. U.N.R.R.A. will also look to the American shipbuilding industry to provide small craft.

Other conference resolutions which will be sent to the U.N.R.R.A. Central Council in Washington, for ratification concerned:—

The importance of rehabilitating the cotton textile industry, particularly in the N.E.I.

The exchange of regular information between member Governments of all relevant information on health matters so that early steps can be taken to prevent epidemics, also on other matters of common interest.

Agreement on a common policy of repatriating displaced persons (that is United Nations nationals who have been moved from their homes, or have had their home life broken up by the Japanese).

The important policy declaration that U.N.R.R.A.'s relief and rehabilitation programmes should not aim at increasing production beyond pre-war levels.

The realization that other foodstuffs that Far Eastern countries would need to import after the war would include fish, meat, sugar and vegetable oils, as well as small quantities of canned and dried fruit and vegetables. It was suggested that Australia might supply between five and eight million pounds (weight) each year of canned salmon and barracouta and sardine type fish. Later, the Minister in charge of

the Commonwealth Council for Scientific and Industrial Research (Mr. Dadman) doubted whether Australia would have this amount of fish available for export. Several fishing authorities hold opposing views. On the serious stock and consequent meat shortage, it was suggested that Australia could help by sending water buffaloes from northern territory. However, transport and immunization problems would have to be overcome and the animals would have to be tamed.

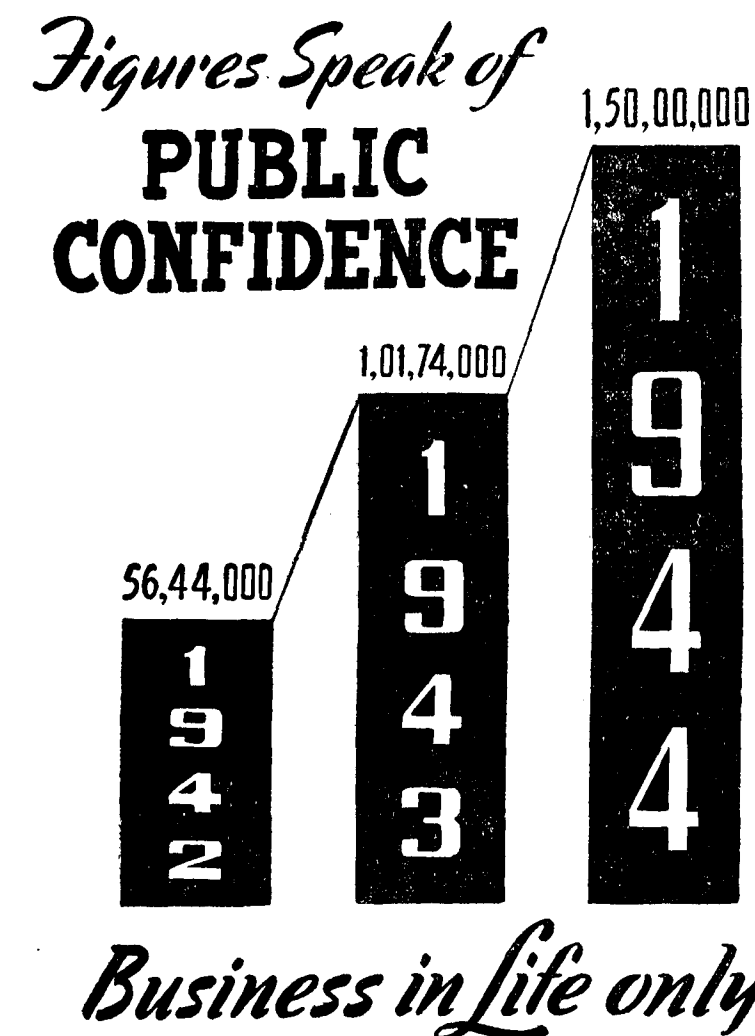
Water buffaloes and bullocks are vital to agricultural rehabilitation in the Far East. They take the place of horses. Many have been worked to death by the Japanese and others killed for food by the Pacific peoples. Others again have died in epidemics. The conference agreed that it was important that veterinary supplies and veterinary experts should be sent to Far Eastern countries as soon as they were liberated to help build up depleted stocks of work animals.

On the question of supplies, Dr. Walter Chudson, U.N.R.R.A. Director of Supplies in the South-West Pacific, went to pains to point out that U.N.R.R.A. itself would not decide where relief supplies were sent. The organization had two-fold responsibility—(a) of acting as a "rationing agency" to ensure that all supplies were fairly distributed among the countries wanting relief whether their Governments paid for the supplies out of their funds or obtained them from U.N.R.R.A. and (b) of presenting its estimates of the supply needs for the liberated countries to the combined boards in Washington which handled all supply allocations.

The conference unanimously endorsed a resolution sponsored by the chief New Zealand delegate (Mr. J. G. Barclay) that nations should not merely make available to U.N.R.R.A. their surplus supplies but should, if necessary, limit their own requirements so that relief supplies could be sent to the countries needing them. This suggests that the full support of U.N.R.R.A. may involve member Governments continuing consumption restrictions on certain goods after the war.

It was revealed at the conference that China alone among the nations represented there would look to U.N.R.R.A. for direct financial relief. While other Governments were hopeful of rehabilitating their territories without U.N.R.R.A.'s assistance, China asked for 600,000,000 dollars (American) (approximately £A.184,600,000). This is roughly 35 per cent. of the estimated cost of relief and rehabilitation in China. The Chinese Government will provide the remaining 65 per cent. from its own funds. Of course, other member Governments will collaborate with U.N.R.R.A. in specific fields such as health and welfare. The Chairman (Dr. Tsiang) told interviewers that China would have to bring in factory managers, agricultural experts and other trained personnel to carry out rehabilitation in his country. He thought Australia could supply some of these experts.

During the conference Dr Tsiang broadcast over the National A.B.C. Network (in the Sunday "Guest of Honour" session) in which he described China's post-war economic plans. He said the Chinese system of the future would be "a middle way economy somewhere between that of Soviet Russia and of Western Europe and America." There would be room for private initiative but Governmental control of key positions. China, he said, felt an economy of this type would assure her both economic democracy and relative wealth.



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MONEY MARKET

Treasury Bill Rate Declines—Sterling Accruals Continue—Bullion Prices Recover

BOMBAY, March 25, 1945.

EASY conditions continued to prevail in the money market. The rates for call money and short-term deposits remained unchanged at last week's levels. Some of the Banks, however, reported a sizable withdrawal of deposits and there was a fair demand for bank accommodation also. Both these developments might have been due to tax payments.

After the successive rise of 3 pies per week in the previous two weeks, from As. 5 per cent. to 5 as. 6 ps. per cent. the Government of India Treasury Bills rate slipped back to 5 as. per cent. per annum during the week under review. It is noteworthy that this decline has occurred in spite of the fall in the total amount tendered to Rs. 12.91 crores, as against Rs. 14.77 crores in the previous week. This suggests that bidding during the week must have been a bit keen. The total amount accepted was Rs. 4 crores and the tender limit has been kept unchanged at that level for the coming week also, although maturities in that week will be only of the order of Rs. 2.58 crores.

It may be noted in this connection that from the week ending 29th March right up to the week ending 19th April, maturities will be less than Rs. 2 crores. Excepting in the last week of April and the first week of May, when the maturities average about Rs. 4 crores, the whole of May and the beginning of June will witness Treasury Bill maturities only of the order of Rs. 2 crores a week. With Central Government's balances continuing to stand at a very high level, it will be interesting to see whether the Government will keep its Treasury Bill borrowings at the present level with a view to preventing short-term money rates slipping down to uneconomically low levels or reduce them to the level of maturities. The keen bidding for the Bills this week, resulting in the rate coming back to As. 5 per cent., suggests that some of the Banks must have felt that the tender limit for the coming weeks might be halved.

Gilt-Edged

The gilt-edged market was barely steady. There were plenty of offerings of 3-1/2 per cent. G.P. Notes and 3 per cent. 1957 First Victory Loan. The former declined to Rs. 99.9 even in the first half of the week on selling by a prominent operator who switched to 3 per cent. 1966-68 loan to take advantage of income-tax rebate vouchers. The prospects of the Reserve Bank stopping sales of this loan on tap also induced him to prefer this security to G.P. notes. The offerings of 3 per cent. First Victory Loan represented mostly 'stag' selling, but the rate for such remained unchanged at Rs. 99-14, as at that level institutional investors supported the loan. There were no purchases by the Reserve Bank, although the Bank must be aware that, so long as the 3 per cent. First Victory Loan was quoted at a discount of As. 2 in the market, the response to the Second Victory Loan will be next to nothing. The Bank evidently believes that open market purchases on a large scale at a time as the present will not be in consonance with the Government's policy of reducing the load of idle funds.

Among other securities, the short and medium-dated ones received some support, but rates were more or less unchanged. The only notable feature here was the cessation of sales by the Reserve Bank of India of 4 per cent. 1948-53 Rupee counterpart, as a result of which the rate for this loan gained as. 3 to close at Rs. 105-11.

Reserve Bank

The Reserve Bank's statement dated March 16, reveals that sterling credited to India during the week was

as much as Rs. 23.4 crores. Balances Held Abroad have increased from Rs. 364.1 to Rs. 383.5 crores, besides the Rs. 4 crores transferred to the Issue Department to effect currency expansion against. The Government of India has been the chief recipient in these sterling credits, to judge from the increase in Central Government balances with the Reserve Bank over the period from Rs. 224.3 to Rs. 243.6 crores. Currency in circulation has increased by Rs. 4 crores at Rs. 1,087.6 crores. The Central Government balances have lately undergone large fluctuations both ways. Thus, they stood at Rs. 260 crores on February 23 and declined to Rs. 224 crores on March 9, and now they have again risen to Rs. 244 crores. This period has, therefore, seen a very rapid circulation of money, on the one hand, from the banks to the treasury by way of tax payments and on the other, heavy expenditure presumably on the war effort.

Scheduled banks' balances are somewhat erratic and in the statement under reference, they have declined by Rs. 2.5 crores to Rs. 95.5 crores. Although the total of balances is much in excess of the minimum balances, this decline shows that the Treasury is attracting a lot of money from the bank vaults. The item 'Investments' shows a decline from Rs. 17.3 to Rs. 14.5 crores, which is rather curious as this had occurred on the eve of the issue of the new loan.

Bullion

In distinct contrast with the previous week, the bullion market during the week under review witnessed firm conditions and values show substantial gains over the week as a whole. The upward trend was more marked in gold than in silver. The improvement in prices was due partly to the sudden rise in the upcountry offtake which was stimulated by the lower prices recorded last week and partly to the revival of activity by the bulls who completely ignored the war news. Purchases by the bulls at hardening rates in a market which was being rapidly denuded of floating stocks of fine gold unnerved the bears who rushed to cover their positions. Prices, therefore, sharply rebounded. Opening in the neighbourhood of Rs. 70, ready gold spurted to Rs. 73.8 during midweek. There was a sharp reaction thereafter, as bulls booked their profits in the hope that higher prices might choke the upcountry demand. The rate declined to Rs. 71-10 on Thursday. But, on renewed buying by the Bulls and firm upcountry advices, the rate steadily advanced to close at Rs. 73.14. The discount on gold to be delivered within a week widened from as. 4 to about a rupee at one time, but narrowed to as. 8 towards the close. The Bank continued to sell gold at the rate of 35,000 tolas per day, at rates varying between Rs. 70.5 and Rs. 72.11. These sales did not have much effect on prices as the offtake was on the whole higher than the Bank's offerings. The floating stocks of gold are now estimated at below one lakh tolas.

The trend of silver section bore a close resemblance to that in gold and was influenced more or less by the same factors. Opening at Rs. 125-12, spot silver touched a high of Rs. 130 on bear covering, but declined to Rs. 127.14 only to go up again to Rs. 130-3-0 at the close. The discount on silver to be delivered within a week widened to Rs. 1-2 towards the close. The Reserve Bank continued to sell silver at 300 bars per day, the rates realized by it rising from Rs. 126-6 early in the week to Rs. 129-2 on Friday. The daily average offtake was said to be 220 bars. The floating stocks are estimated at 2,000 bars.

Trading in the share market was very much restricted, as operators preferred to wait and watch leve-

lopments in Europe and in the Far East. Investors generally kept aloof. Prices of the majority of the scrips remained steady, while those of the popular counters moved within a narrow range.

In the Iron and Steel section, Tata Deferreds staged a mild recovery from Rs. 2,080 to Rs. 2,117.8, but closed lower at Rs. 2,102.8. Likewise, Ordinaries advanced from Rs. 383 to Rs. 391 only to relapse to Rs. 388.

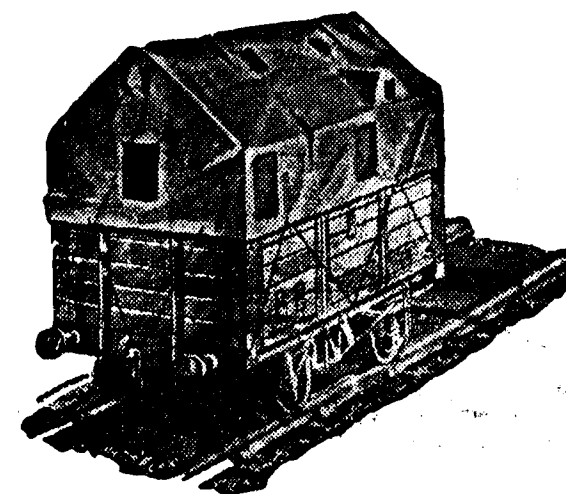
Among textiles, Bombay Dyeings, which were quoted lower at Rs. 1,843.12 on the opening day, were later bid up to Rs. 1,867.8, closing easier again at Rs. 1,855. Centuries, on the other hand, were maintained around Rs. 930, whilst Central Indias evoked good inquiry at

Rs. 381. Kohinoors were quoted ex-dividend at Rs. 612 and New Greats remained steady at Rs. 375. Swadeshis displayed particular strength and the quotation steadily improved from Rs. 540 to Rs. 550 during the week.

A notable development in this section, however, was the continued rise in the rate for Morarjis from Rs. 697 to Rs. 751.4. This is attributed to buying by one of the partners of the Managing Agents of the Mills who is said to be anxious to obtain sole control.

The other sections of the market were featureless. Banks and Insurance ruled dull with only minor variations in rates. Miscellaneous industrials were neglected so also public utilities.

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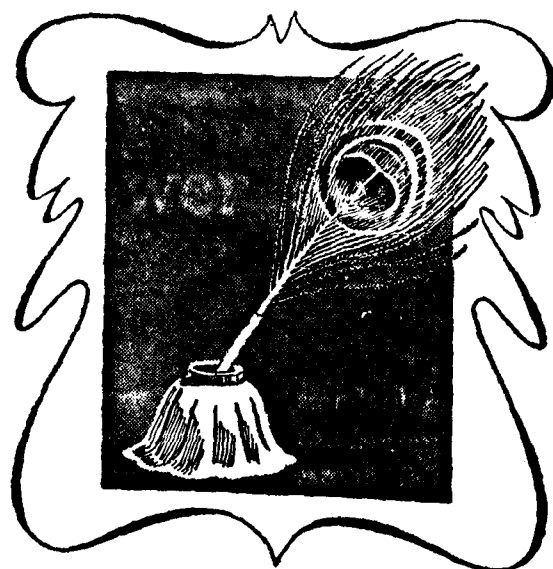
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A DELHI DIARY

THE business of the Assembly session is dragging on wearily from day to day. Even the disposal of supplementary demands for grants which usually takes an hour or two, has gone on for three days this week. The session is due to end on April 8, but it has already been officially extended by four days. If both the Insurance Act Amendment Bill and the Income-Tax Amendment Bill are to come up for consideration, even these four days will not be sufficient.

The main difficulty is the uncertainty about the official business still remaining to be disposed of. So far as the Insurance Bill is concerned, there is admittedly a wide divergence of opinion between the Government and a number of Opposition members. The Select Committee stands committed to the two new sections introduced—sections 40-A and 40-B which seek to limit expenditure on commission and management expenses. The European group took a strong line in the select committee itself. In their dissenting minute they stated: "We are entirely opposed to limitation of expenses and commission in the manner proposed by some of our colleagues; since any such provision will inevitably operate to the disadvantage of those small insurers whose Boards of Directors are less able to give the great indirect awards at the disposal of their wealthier rivals." The Government representatives took a more moderate line and said in their minute: "While we are in sympathy with the broad principles underlying the limitations in the proposed new sections 40-A and 40-B, we feel that the detailed provisions and the actual figures have to be carefully considered in their effect on the insurance companies in general."

A good deal has gone on behind the scenes during the last few days. And it is evident that powerful interests have been at work both here and in London. The European group is in no mood to reconcile itself to the proposed limitation of overall expenses. Though they have tried to drag in the cause of "small insurers" in support of their objections, their attitude is not quite so altruistic as it would appear from their minute, for they have their own special interests to safeguard. There have been strong rumours in New Delhi that European interests have been able to influence the Secretary of State and that there was an urgent communication from Whitehall suggesting the withdrawal of the Bill. These rumours originated because, in the case of non-life insurance, non-Indian offices which are mostly of British origin and which have practically the monopoly of business in their hands—having more than 75 per cent. of the total turnover in India—would be hard hit by these provisions. It is now learnt that the Government might bring up the Bill for consideration next week but would seek to omit these two sections, 40-A and 40-B. I understand that a note which the Commerce Member is reported to have submitted to party leaders this week, the Government have made this recommendation—coupled with the assurance that if necessary, another amending Bill will be brought forward at a subsequent session to deal with these specific question. Any attempt by the Government to omit these sections, put forward by the Select Committee, is bound to provoke vehement protests from Opposition parties. There is little doubt that even the small insurance interests who, it is pleaded, are likely to benefit from this omission, will eventually find that they have only been exploited by European interests. It is, therefore, not unlikely that if the Government feel that they cannot have their way, they may decide to drop the Bill altogether. I understand that the same tactics are likely to be repeated in the case of the Income-Tax Amendment Act also. The Select Committee has omitted the provisions authorizing income-tax authorities to reopen assessments even without definite information and empowering them to

enter the premises of assesses, inspect their accounts and stamp their books. The Government's representatives are anxious to restore these sections in a modified form at least, but non-official members are solidly behind the Select Committee in this matter. There is the old threat that if these provisions are not restored the Government will not be prepared to go forward with the Bill and allow the new concessions provided in the Bill. I understand that the Government are not unwilling to give up the clause about the reopening of assessments if the Assembly will agree to the other provision subject to certain still safeguards.

The position of Indians in liberated Burma is giving rise to some concern. In answer to interpellations the Secretary of State told Parliament that there was no likelihood of the civil Government of Burma returning to the occupied areas at an early date. The S.E.A.C. are still in complete control and according to reports, have not even so far permitted the Indian Agent-General to visit these areas. This is in sharp contrast to what happened in France after the invasion, for the De Gaulle Government was given immediate facilities to return to France and set up civil administration. Indian interests are naturally worried that the procedure now adopted in Burma might indefinitely delay the return of Indians to Burma. At present permission to enter occupied parts is given only by the South East Asia Command authorities. It has been categorically stated by the Government that British business interests have also not been allowed to go into Burma. This is only partially correct, for what is happening is that British business interests have several of their men as officers in the Army. They can go into Burma in their official capacity and have the opportunity to survey the position and gain first-hand knowledge of business prospects. It is an advantage which is not available to Indian business interests.

The liberated part of Burma constitutes surplus districts so far as rice is concerned. Even the Burma Government will admit that if cultivation of rice can be taken up immediately, India can obtain at least two lakhs of tons of rice. Indian labour would, however be necessary for this purpose, for many of these rice fields are water logged. Many of the dams which were protecting these fields against floods, have been damaged. The Government of India cannot agree to the migration of Indian labour unless the Burma Government are prepared to enter into a definite agreement for protecting the interests of such emigrant labour in Burma. I believe that the Burma Government are trying to impress upon His Majesty's Government that some section of the Indian Army, such as the Civil Pioneer Corps, may be used for this purpose and thereby save the civil Government of Burma from the embarrassment of negotiating with the Government of Burma for Indian labour. At the moment, the Governor of Burma is in London discussing these and other problems with the authorities in Whitehall.

ARGUS.

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Edited by Dr. P. S. LOKANATHAN

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THE BUSINESS WORLD

PROBLEMS OF THE CYCLE INDUSTRY

WHEN Sir J. J. Ghandy revealed recently that the war, far from having given an impetus to the iron and steel industry, has in fact impeded even its normal development, he shocked and surprised not a few. And yet, the iron and steel industry is only one of a large number of industries, the expansion, or even the establishment of which has been retarded by the various war-time bottle-necks, and even more by the large number of ill-conceived and badly administered Government controls. The cycle industry, for instance, is no mean sufferer in this respect.

The manufacture of cycles is no doubt a venture of recent date in this country, but it is emphatically not a 'war baby.' Even before the war, there were two plants engaged in making cycles, one an assembling unit and the other a manufacturing unit. The operations were on a modest scale, but indications were not lacking that the industrialists interested in this field had already begun to think on bold lines and make plans for expansion. They had to take notice of two sets of factors, one favourable and encouraging and the other calculated to point out the difficulties on the way. Thus, it was clear on the one hand that the Indian manufacturer had the enormous advantage of a large and expanding home market, with all that it implies, and not the inconsiderable facility of relatively cheap and naturally adaptable labour. But, it was also equally clear that competition from old-established foreign manufacturers, mainly of Japan and the U.K., would be formidable and that the domestic industry would have to depend for some time to come on imported special steel and parts, while its labour costs would also be high in the initial stages of training raw workers for skilled jobs. On balance, it was obvious that the industry could hope to hold its own only if it successfully explored all possible means of production economy, with a view to putting on the market a good quality cycle at as low and competitive a price as could be managed.

The first requisite of economic production, of course, is the most modern type of plant and machinery. The manufacturers were fully aware of this, and just before the war broke out, orders were placed with a prominent British firm for such a plant on the basis of complete Time calculation for each part required for ordering machines. The object was to set up an up-to-date manufacturing unit in Bombay, with a capacity of 200 cycles and 100 parts per day, which, it was thought, would be sufficient to secure all the major economies of large-scale production under the given circumstances.

Unfortunately, the war broke out and the industry had its first taste of the difficulties that it has since experienced in abundant measure. The British firm, with whom orders had been placed for the plant, were unable to fulfil the contract because of the exigencies of war work. The parties at this end, therefore, had to import whatever machines were available in the United States, as the alternative was to give up the project altogether for the duration. Consequently, cost of production was adversely affected, especially because of the lack of single purpose machinery. Nevertheless, the manufacturers were able to place on the market, in the early years of the war, cycles which were well-received both in regard to performance and quality.

In 1942, the Supply Department placed orders with the Hind Cycles Limited, Bombay, and the Hindustan Bicycle Manufacturing Corporation, Limited, Patna, for a large number of cycles required for the Defence services. In that year, the former concern produced over 17,000 cycles, of which about 6,000 were delivered against Government orders, and the rest placed on the civilian market; the latter concern turned out about 4,000 cycles during the same period. In 1943, when owing to the very difficult shipping position it became almost impossible to arrange for imports, the Government came to the cycle manufacturers with a request to assist them in finding 16,000 cycles, which were urgently required by the army. A conference of manufacturers and Government representatives was held in June, and the latter promised all possible help in importing machines, low carbon steel tubes and steel strips for frames, and special parts such as free wheels, chains, spokes and nipples, and steel balls. On the clear understanding that this help would be forthcoming without stint, the manufacturers undertook to do their best and placed indents on the U.S.A., through the Government of India, for machinery, special steel and components, most of which could be got only through lease-lend. In the meanwhile, at the express request of the Government, they started to execute a certain position of the Government orders with materials and parts as were either in stock or locally available. In March 1944, the Federal Economic Administration at Washington rejected the indents for special steel, and the Government of India also cancelled the orders for cycles pending with the industry, as imports had once again become more readily available. As a direct consequence of this, one of the firms had to suspend production and was also put to the deplorable necessity of partially disbanding a labour force, which has been got together and trained with much expenditure of effort and money.

The facts, then, are clear. The Government, so far, have made no efforts worth the name to assist one of our most prominent industries in a period of extraordinary difficulties and disadvantages. What is worse, what they propose to do in the future is more deplorable still. In the first place, they have decided to import 125,000 cycles annually from the U.K. It is true that the interests of the public require that steps should be taken to ease the grievous shortage of essential goods. But, this should not be made an excuse for letting loose a flood of imports over a struggling infant industry. In the first place, the Government should render all possible aid to the home manufacturers to realize their full capacity. This capacity is estimated at anything between 75,000 and 100,000 cycles per year, and if actual production reaches these figures, it would become possible for the industry to compete more successfully with imports, as its costs of production would be cut down due to economies of large-scale manufacture. More specifically, the Government of India should issue import licenses freely for the machinery, special steel and components required by the industry from abroad. Where the export of any of these items is restricted by the Board of Trade in the U.K. or the Foreign Economic Administration at Washington, the Government should directly negotiate for their release with as much zeal as they have shown in the case of completed cycles and other consumer goods. It is true that their spokesmen have announced in the

Central Legislature that they have granted priority passage for an expert to advise one of the firms and issued import permits recently for special steel from the U.K. This would be helpful, no doubt; but, with regard to the latter facility, as we have pointed out a little earlier, assistance of a more direct and vigorous kind is required if the industry is to obtain essential machinery, components and raw materials. If the British industry can supply 125,000 completed cycles this year, it should be technically possible for it to supply the component materials, and it is clearly the duty of the Government of India to obtain the latter for the home manufacturers so that they may step up production to capacity. They cannot, of course, do so all of a sudden and it is possible that with their present capital equipment, even their maximum potential may fall short of the country's requirements. In the short period, therefore, imports may be necessary to a limited extent so that essential consumer needs may not go unsatisfied. But, it is clear that such imports

have to be carefully regulated on a cautious estimate of the country's requirements. In fact, there should be a quantitative control of imports, which should be adjusted in relation to the rising tempo of domestic production on the one hand, and the trend of the demand for cycles on the other. This would ensure that no hardships are inflicted on the public, while at the same time legitimate protection is given to a new industry. It is too readily assumed that the domestic market can absorb a very large number of cycles, and while it is not denied that there is a certain extent of pent-up demand and that the number of cycle users has increased because of increased activities of all kinds in war-time, it should not be overlooked that the necessarily high prices of cycles in the prevailing conditions are likely to keep the demand within limits. At any rate, there is little doubt that imports on the scale envisaged by the Government are likely to prove harmful to domestic production.

NOTES

TALL TALK

British comments on the recent decision of the Government of India to permit import of a wide range of consumer goods from the U.K. make amusing reading. After commenting that the list of articles exempted from Indian import licensing is much larger than the list recently freed from British export licensing, the *Manchester Guardian's* financial editor indulges in the tall talk that the British Government's only interest in the whole show is that "India is an important operational base and civilian economy must be kept functioning." We in this country, unfortunately, have different ideas. For one thing, the timing of the Government of India's decision to relax import restrictions has a significance which we cannot miss. The very opportune way in which this convenient decision happens to fit in with the reconversion programme of British industry makes it clear that the deciding factor has been not the essential necessities of the civilian economy in this country but rather the business needs of Britain's export industries. If the Delhi schedule of permissible imports is more comprehensive than the British schedule of permissible exports, it only proves that those over here are only too ready to oblige! After all, as the *Guardian's* financial editor himself has admitted, "To the manufacturers and merchants, however, the opening up of trade channels will give an opportunity to re-establish themselves in Indian markets." That, after all, is what is wanted in certain quarters. Where, then, is the need to trot out other motives?

RADIO MANUFACTURE

While Indian enterprise is busy preparing the ground for establishing the radio manufacturing industry in this country, a report from London indicates that the British radio industry is anxious to get a hold on the Indian market before domestic plans advance further. Mr. R. P. Browne, the Secretary to the British Radio Equipment Manufacturers' Association has just now said: "Assuming that the manufacture of civilian radio sets is allowed and export encouraged, it is the intention of our members to give earnest consideration, whereby the Indian working class market can best be catered for," and wants to know to what extent the Government of India will 'co-operate' with them by reducing the import duties. This is not the first symptom of British radio industry's desire to step into the Indian market. It was reported even in December last, that two British firms were contemplating to set up their own assembling plants in India. We would only add what preparations have been made

on the Indian side. Two companies for the manufacture of radio sets have been permitted to be formed and its sponsors will shortly be going abroad to secure the necessary technical assistance and plant. Mr. V. G. Motwana, Vice-Chairman of the Radio Manufacturing Company says that the plan of the Bombay industrialists who have started the company, aims at an annual production of 10,000 radio sets, that in the initial stages, parts will have to be imported which can, however, gradually be made at home and that exports of radios to Iraq and other countries also is possible. He even promises that Indian industry could sell the set at half the price at which foreigners are selling. Whatever the substance in this last claim, no one can fail to see the oddity of a situation in which the British exporter of a finished article is planning his offensive, while Indian radio companies are being allowed to be formed, the only assurance so far given to the latter being that facilities for overseas travel will be given to the firm's representatives, if Government were satisfied with the *bona-fides* of the firm, whatever that might mean.

TEA EXPORTS

The British Food Minister recently announced that negotiations for the purchase of the total exportable surplus of tea from India, Ceylon and East Africa for the United Nations has been practically completed. This tea will be allocated among Allied and neutral nations. We hope that so far as this country is concerned, due account has been or will be taken of the needs of internal consumption while computing the exportable surplus. After all, for the tea plantations in this country, the domestic market will also be the best market in the long run. The tea habit has spread well among us in recent years, but already shortage and high price are having a hampering effect. This cheap drink is no longer so cheap and nothing should be done to push up its price or restrict its supply.

Incidentally, we would urge that the Government should urge H.M.G. to take up the exportable surpluses of all agricultural and plantation products, the export of which has been restricted to any extent for strategic or other war-created reasons. The producers in this country are clearly entitled to this much of a fair deal.

'BETRO'

One very important step in the British drive for exports is the creation of a trade intelligence service, called the "Betro" or the British Export Trade Research Organization. Its Capital will be £175 million and the scheme is sponsored by the leading industrial

concerns. The Department of Overseas Trade has blessed it and Mr. Ivor Cooper of Lever Brothers and the Unilever Ltd., is the Chairman of its Formation Committee. The organization will be worldwide in its branches which will serve as the "flying squads of overseas market-finders." The big amount of capital proposed is an index to its scope and ambition. It is difficult not to see the contrast between Britain's plan and the Government of India's minor proposals for export publicity.

COMMITTEE TO CONTROL U.S. EXPORTS

U.S. War Mobilization Director, James F. Byrnes, has announced the constitution of a special committee whose responsibility will be to "programme American exports." The Committee will exercise a veto power over any export commitments, which conflict seriously with essential civilian needs of the national economy. This step denotes a lack of enthusiasm for an immediate export drive, which is in strange contrast with the United Kingdom's obvious eagerness to export to this country millions of yards of textiles and thousands of automobiles and bicycles. One may expect that for some time to come British products may make a more frequent appearance in Indian markets, while American goods may become scarcer.

CEMENT INDUSTRY FOR CEYLON

Detailed surveys have revealed the existence of enormous quantities of high grade limestone in the Jaffna Peninsula where the Ceylon Government is proposing to start a cement factory at a capital cost of Rs. 8-12 lakhs. Ceylon's average pre-war imports of cement amounted to over 70,000 tons per annum. The post-war demand is estimated at about 100,000 tons per year. Some form of protection may be needed against cheaper varieties of foreign cement; a protective duty or import control will probably be necessary. The loss of customs duty on imported cement plus the higher price which the Government will have to pay for cement for its own use will cost Ceylon about Rs. 7-12 lakhs per annum.

COMMODITY NEWS FROM THE U.S.

New York trade circles are satisfied with Washington's handling of Government burlap purchase orders for the second half of 1945. While previous purchases were conducted by U.S. Governmental representatives, the Foreign Economic Administration decided in favour of established trade channels being entrusted with the new orders, the bulk of which is for July-September delivery. Extensive offerings from the Calcutta market have facilitated this U.S. purchase programme which has been virtually completed. There is a reasonably good call for Ceylon citronella oil, both spot and afloat, at steadily rising prices. The much needed supply of lemongrass has not been forthcoming and spot prices, while much higher than a few weeks ago, are largely nominal because of the limited quantities offered in the open market.

HOW STANDS COPPER?

In the long list of war swollen industries, which may have to face a difficult period of adjustment in the post-war period, is copper mining. Even before the war, this industry was highly cartelized outside the United States, where the domestic market was isolated behind the walls of the tariff barrier for the benefit of native producers. Figures of output and consumption (in thousands of short tons), are given below for 1937, a good year and 1938, a poor one:

	Consumption		Mine Production	
	1937	1938	1937	1938
U. S.	878	522	835	557
Canada	61	52	252	290

Chile	..	..	455	387
Great Britain	335	286	..	..
Germany	..	252	374	..
France	..	132	120	..
Russia	..	173	182	102
Japan	..	202	222	84
Other Asia	..	18	19	45
Belgian Congo	..	..	166	137
Rhodesia	..	..	234	237
Others	..	357	397	316
World	..	..	..	..
Total	..	2,408	2,174	2,499

Production has expanded considerably during the war and today United States stands first with 1,114,149 tons, followed by Chile with 548,000 tons, Rhodesia and Belgian Congo with 470,000 tons and Canada with 289,491 tons. Copper interests are disposed to take a serious view of the problem of over-production after the war, especially because Germany and Japan, major consumers both, are likely to have their industrial capacity severely crippled. Commenting on the possibilities, *Business Week* (New York) says: "Cartel talk once again fills the air. It will be no surprise, therefore, if leading copper producing nations get together soon for discussion of possible steps." Inter-governmental negotiations have been taking place for some time now at the "bureau" or "technical" level. The interested parties are Belgium for Congo, Britain for Rhodesia, Canada for itself, and the United States for itself and also for Chile, most of whose copper-mines are American-owned.

CONTROL OF PURCHASES

While there are not many firms which omit to take reasonable precautions to ensure that their cash is handled safely, not all are equally careful about their purchasing section, where opportunities for misappropriation are not less numerous. Commissions offered by unscrupulous vendors, haphazard methods of payment, and the practice of passing cheques for amounts unsupported by official statement are only some of the temptations that may prove too strong for such employees as may be entertaining ideas of easy money. Business men should be interested, therefore, in the following simple safeguards, suggested recently by a contributor to an Australian business magazine (Mr. Hugh Falconer in *Ridge's*, January, 1945):

- (1) Call tenders for everything that can be bought from several sources.
- (2) Tenders to be posted to the Manager, Secretary or Accountant, by whom they should be passed.
- (3) Prices for goods procurable from only one source are generally fixed, and should be ascertained from the seller.
- (4) All accounts, except petty cash items, should be paid only by closed cheque.
- (5) Accounts should be passed for payment only when accompanied by any official statement, supported by invoices.
- (6) The officer responsible for ordering should have access to the accounts, or cheques, when drawn.

Obviously, none of the above suggestions are anything like being novel and equally obviously, they are not completely fool-proof. But, at the same time, not all of them are always practised, while it cannot be denied that, taken together, they would certainly go far to prevent fraud by dishonest servants.

BOOK REVIEW

SUPPLEMENT TO GUIDE TO CURRENT OFFICIAL STATISTICS VOL. I—Working class cost of living Index Numbers in India (a critical study): By S. Subramanian, Statistician, Office of the Economic Adviser to the Government of India. Published by the Manager of Publications, Delhi, 1945. Pp. 20. Price As. 12 or 1s.

Working class cost of living index numbers for various centres in India came to be regarded of much doubtful utility ever since the Rau Court of Enquiry pronounced a verdict on them that "none of the cost of living index figures at present available are entirely satisfactory." The stream of day-to-day enquiries regarding their "accuracy and inter-comparability" flowing into the office of the Economic Adviser to the Government of India, prompted the above office to come out with the present supplement embodying a critical study of the index numbers which were too briefly described in the *Guide to Current Official Statistics, Vol. I* some four years ago. Mr Subramanian, in this small book, has discussed and examined in detail the scope and method of the family budget enquiries so important in the construction of these indices, the collection of current price data for the index purposes, and the constitution of the index numbers. The blemishes and defects of the existing series of index numbers have been clearly brought out. This study should prove to be of great usefulness and interest to the students of statistics and social economics. The eight appendices to the text, relating to the classification of families by income groups and the coverage of the provincial cost of living index series, etc., enhance the value of the publication all the more.

REPORT OF THE TECHNICAL AND INDUSTRIAL EDUCATION COMMITTEE: Commerce Labour and Industries Department, Government of Bengal, 1945. Pages 162.

At a time when the question of technical education has assumed so great importance in our national planning, this provincial survey of the present state of technical and education in Bengal and the lines along which it might be developed to serve the progressive needs of the province, would be read with interest. It covers the entire ground and makes interesting recommendations. While indicting the "planters educational policy," the Report also castigates Mr. Abbot's plea that vocational education in India should be expanded "with caution" so as to avoid the danger of creating unemployment among trained technical men. The Report says, India "can afford to pursue a less cautious and a more progressive policy in regard to technical education." It recommends: "While attempts should be made to plan technical education on the basis of the country's needs, we need not make a fetish of it."

AN ECONOMIST LOOKS AT PAKISTAN: By Radha Kamal Mukerjee. Published by Hind Kitabs, Bombay, 1944. Pages 39. Price Re. 1-8.

The issue of Pakistan is almost always discussed at the political level and as such the dust and back of political passion more often than not beclouds an objective assessment. This preliminary study by Dr. Mukerjee seeks to examine the issue from the economic point of view. In India the fundamental problem is the degrading poverty of people and the means of uplifting the masses economically. Here no political jugglery would be of any avail and may indeed impede

the economic task. Dr. Mukerjee says, "That is why it is far more necessary in the political orientation of India to stress economic organization and make this a major principle of planning." He stresses the common economic front of the masses and points out that, firstly, smaller countries are less fit for planning than larger countries like the U.S.A., Russia and India, and, secondly, a full-fledged normal federation with a strong national executive at Delhi can alone create the conditions for the proper working of planning. Prof. Mukerjee concludes with the significant note: "In the modern age, industrial power is real political power. The development of industrial power in a planned economy makes Indian unity imperative. Only with this can India obtain a fair deal from the foreign nations and develop her industry and trade at a rapid pace; and within the country, Hindus and Muslims with more food, clothing and other necessities and decencies of a civilized existence, will become more understanding towards each other. The surer and safer road to Indian unity is through Economics and not through Politics." This booklet should encourage a more detailed and dispassionate study of Pakistan from the economic point of view.

THE FUTURE OF THE RUPEE: By C. V. Vakil and J. J. Anjaria. Popular Book Depot, Bombay 7, Pages 39. Re. 1-4.

In this little book, the authors draw attention to the external and internal factors which must influence our price level and economic life after the war and conclude that it is impossible, in view of the many imponderables in the situation, to lay down the rate at which the rupee should be stabilized after the war—a conclusion which few will be disposed to deny. But it is somewhat surprising that the authors do not draw one general conclusion to which all facts and arguments point, i.e., appreciation is ruled out and devaluation will be necessary. The plea for an autonomous rupee is an old and familiar one, but its contents need to be worked out.

VERDICT ON BEVERLEY NICHOLS: By Gertrude Murray. Hind Kitabs, Bombay. Price Re. 1-8. Pp. 50.

Tells off in excellent style the notorious Mr Nichols. Everybody, particularly every non-Indian, who has read *Verdict on India* should read this and check up Mr Nichols' facts and figures—and fictions.

SOVIET ASIA: By K. S. Hirlekar. Avanti Prakashan, Bombay 14. Pp. X, *9. Rs. 10.

In this small booklet Mr K. S. Hirlekar, whose earlier book on the Soviet Union has deservedly won him credit for painstaking research and objective description, has collected a large amount of valuable data relating to the rapid progress, economic, social and cultural, that has been made by Soviet Asia under the Soviet dispensation. The book is of considerable interest to us in India who are faced with problems more or less similar in magnitude as the Russians had to tackle in their Asiatic territory and there is a lesson of hope that if deserts could be turned into fertile plains and a vast mass of an ignorant populace enriched by knowledge and culture, there is no reason to despair that we in India could also attain the same goal.

An interesting feature of the booklet, which, incidentally, perhaps accounts for its price, is provided by the several coloured maps and photos which add to the excellence of the publication.

FROM THE PROVINCIAL ANGLE

Madras Letter

FROM OUR CORRESPONDENTS

MADRAS, March 24.

A PLEA for placing the finances of municipalities on a sound basis was made to the Government of Madras by a deputation of the chairmen of municipal councils of this Presidency led by the Mayor of Madras. There are over eighty municipalities in this Province, but the finances of none are not sound enough to enable them to discharge their legitimate functions. They had already exhausted their powers of taxation to the maximum and the remedy now open would be for the Government to assign fresh sources to them. "Assigning a fair percentage (one third) of the proceeds of the sales tax collected within the limits of each municipal area; assigning one half of the excise revenue derived from each municipal area; permitting the levy of a Railway Passenger Tax in the case of all cities having a population of over one lakh and a subvention from local Government's share of the Central Income-tax receipts, as income-tax is mostly derived from municipal towns and cities," were some of the suggestions made to strengthen the municipal finances. The suggestions might seem to be revolutionary but they deserve the careful consideration of the Government if municipal towns are not to become black spots for want of finance. The deputationists also asked for facilities for the commercial utilization of sewage into fertilizers and gases, for maintaining their own transport system and permission to borrow loans in the open market.

The Working of the Stock Exchange

The Government of India have appointed Dr P. J. Thomas of the Finance Department to enquire into the working of the Stock Exchanges in India. A questionnaire has been issued and an officer of the Finance Department was in Madras this week eliciting opinion from various interests. While it is thought undesirable to continue all the laws and regulations made under the Defence of India Rules brought about by the emergency of the war, it is felt that some legislation may be undertaken to unify the practices and regulations of the Stock Exchanges in India. Though the authorities have taken steps to curb speculative activity and might continue their efforts in that direction, yet speculation cannot be entirely eliminated so long as buyers and sellers make arrangements for deliveries between themselves and it is felt that this should be taken note of in any legislation. The questionnaire seems to assume that speculation in shares has aggravated inflation while it is the other way about. It is stressed that banks will have to play an increasing part in Stock Exchange activities, though not directly. The restrictions on dealings in the Stock Exchanges have driven business from the floor of the Exchange to uncertified brokers and dealers and it would be desirable to prevent this.

Ceramic Factory

The Madras Government have decided to establish a model ceramic factory and this will be opened shortly. The factory will be located at Gudur in Nellore District. The proposed factory will be an attempt to develop pottery into porcelain which has great significance. Mr. S. V. Ramamurthy, Adviser to the Governor of Madras, speaking on the development of the ceramic industry said that as a result of a survey made recently, it has been found that the materials used in ceramic manufacture were available in adequate quantities in many districts. It therefore looked somewhat anomalous that an industry which had enough raw materials and markets to supply finished articles, should still be in a state of infancy. Narrat-

ing the details of Government help to promote the industry, the Adviser said that a ceramic expert had already been appointed and his services would be available for industrialists too. Provision has also been made for the training of technical personnel by starting a two-year-course in Madras and it is to be hoped that the industry would establish itself sooner or later.

Agricultural Prices

Sir V. T. Krishnamachari, Chairman of the Committee appointed by the Government of India to go into the question of the stabilization of agricultural prices said in an interview here that the Committee at its meeting held early this month has decided on the widest possible consultations being made on the subject. A questionnaire has been prepared towards that end which will be sent to the Governments of Provinces and States, Chambers of Commerce and agriculturists' associations, etc., to ascertain both official and non-official opinion on the question of fixing a fair price for agricultural produce in the post-war India. Sir V. T. Krishnamachari expects to have personal discussions with the various Provincial Governments and important Indian States.

The Stock Exchange

The Stock Exchange passed through a dull but nevertheless interesting phase. It appears that markets are seriously trying to forecast conditions under post-war life and on the theory that those conditions are unlikely to be much better than they are today, here has been a tendency for investors to keep out of the share market and await events. The suspense regarding the levy of agricultural income-tax has been relieved by the announcement made by the Government of Madras. The announcement affected Planting shares adversely and very low levels have been seen though at the close, there has been an improvement due to bear covering. The companies are to be taxed at two annas in the rupee. The incidence is heavier on rubber and coffee plantations than on tea as this will amount to 7½ per cent. only on net tea income (after deducting the income-tax payable on the 40 per cent. of the produce) against the full 12½ per cent. on rubber and coffee and other plantation produce. The rate is sufficiently heavy to cut well into plantation dividends and the smaller dividend payers seem to be more vulnerable. In addition to the news about the tax, there was the report that rubber deliveries have not been encouraging in the past week so that the maximum bonus may be missed. Therefore, share values were severely marked down. Cochin Malabars declined from Rs. 16-14 to Rs. 16-4, Periakaramalais from Rs. 31-8 to Rs. 30-8, Vellamalais from Rs. 29-12 to Rs. 28, Chembra Peaks from Rs. 9-15 to Rs. 9-2, and O. Valleys from Rs. 10-12 to Rs. 9-5. Textiles were a dull counter. The series of disappointing dividends from the Coimbatore group of mills have shaken the confidence of the investors and there was continued upcountry selling. Prices staged further small declines. Cambodias came down to Rs. 28 and Radhakrishnas to Rs. 337. There was investment support for Maduras up to Rs. 74 c.d. On good support from Bombay and Calcutta, Reserve Banks improved to Rs. 132-8. In the Miscellaneous section, Andhra Cements improved to Rs. 113 buyers on the announcement by the company that an interim dividend at 4 per cent. per annum will be declared on the ordinary shares. In the gilt-edged market, 3½ per cent. Paper was easy at Rs. 99-10-6. Three per cent. Victory Loans 1957 were marked up to Rs. 99-12.

Bombay Letter

BOMBAY, March 24, 1945.

INAUGURATING the Silver Jubilee Conference of the Mechanical Engineer's Association (India), Mr. G. F. S. Collins, Adviser to H.E. the Governor of Bombay, very aptly observed that "engineers will be essentially cogs in the machine of post-war development." Apart from the obvious responsibility of suggesting improvements and new ideas in the execution of post-war plans, Mr. Collins referred to the Apprentice Scheme which can prepare a large body of practical craftsmen in the industry. These craftsmen growing up and spending their whole lives in the service of the industry in which they are employed can often bring about small inventions and improved contrivances. It will be the duty of the mechanical engineers to train such a body of craftsmen. The President of the Conference, Mr. T. R. S. Kynnersley, during the course of his speech, pointed out that the engineer was an important figure both in agriculture as well as industry. He emphasized that the engineer should not only concern himself with the employment of modern agricultural machinery such as ploughs, tractors etc., but must plan irrigation and develop water power. He stated that he was surprised that the simple windmill was not used in India and suggested that mechanical engineers should study this problem. Discussing the problem of housing after the war, he expressed the opinion that there is room for factories in India for making prefabricated houses for demobilized soldiers. Mr. S. B. Joshi dealt with the subject of research and suggested that research should not be entirely left to Central institutions because many of the problems are of a local nature. He accordingly suggested that the Bombay P.W.D. should open a building and road research station and should also expand the research organization for irrigation. Finally, he struck an original note when he suggested that Indian engineers should not blindly copy the methods adopted by other countries and should devise ways and means of making the best use of India's large population. He observed:

"We should devise ways and means of spreading, throughout the length and breadth of India, a network of small-scale village industries, providing work to about 100,000,000 of our adult population. Supply of cheap power to all the countryside, by means of an electric grid system, is a welcome step, if we simultaneously take measures to become self-sufficient in our requirements of electrical goods."

Cloth Rationing

The energetic Provincial Textile Controller, Mr. J. K. Thakore, has struck upon a new idea to ensure that *dhoties* and *sarees*, the two articles of dress which have for sometime past become almost unavailable, should reach the *bona-fide* consumer. Under the new distribution scheme, one pair of *dhoties* and one pair of *sarees* will be available every six months to the head of a family on presentation of the foodgrains ration card at the Government approved retail cloth shops. Explaining his scheme at a Press conference, Mr. Thakore stated that the scheme could not be called rationing as they were not guaranteeing supply to anybody. While the quantity to be distributed per

Bengal Letter

CALCUTTA, March 26.

LEADING citizens and business men of Calcutta, headed by Sir Badridas Goenka in a statement on Bengal's cloth famine analysing the causes of the crisis, have offered a well-thought-out scheme for the solution of the problem. While they recognize the

head of family is no doubt inadequate, it was impossible to increase the same under the present supply position. The office of the Provincial Textile Controller will collect statistics of people habitually using *dhoties* and *sarees* from returns of the sales by the approved cloth shops under this new scheme and once this information is available, it will be possible to check whether the cloth distributed goes to *bona-fide* consumers or not. However inadequate the quantity, the city has welcomed this scheme as it will put an end to the ugly sight of long queues cloth shops. However, that is mere tinkering with this serious problem. For the whole country, there is only one solution and that lies in increasing the production. It is disappointing that Mr. M. K. Vellodi, the Textile Commissioner, stated in one of his recent speeches that there was no prospect at all during war-time of increasing the supply of cotton cloth for civilian consumption unless there was a reduction in exports and requirements for the Defence Services. Shortage of coal and skilled labour were other reasons why production could not be stepped up. According to the policy of importing consumer goods into India, it is expected that 20 million yards of cloth will be imported into India from U.K. Whatever relief this can give, it will be at best a mixed blessing for obvious reasons. The Government of India is trying to import coal into India from South Africa and there should be no objection to this if it can lead to greater industrial production especially of textile goods. If this cannot be done, the only other direction in which the solution of this problem may lie is by reducing the limit of 600 million yards of cloth which are annually exported.

Grain Procurement

In a recent Press-report the Government of Bombay stated that the procurement of grain this season was progressing very satisfactorily. However, a report from Kanara District belies this statement at least so far as that district is concerned. It is complained that the yield from the land does not amount to as much as was officially estimated. As a matter of fact, it is maintained that by the method of agriculture at present followed by cultivators it is quite impossible to obtain as much as the official estimate in general. This fact was brought to the notice of the Collector of the District but no action was taken to rectify the mistake. Another fault that has been pointed out in the crop estimate is that the same estimate is applied to all the lands in the village irrespective of the fertility or otherwise of the soil, and all the cultivators have to sell to the Government the quantities of paddy specified in the schedule. The worst part of the scheme, however, is that the petty Government officials basing their demand on these faulty estimates enforce the procurement by such means as attaching stocks of paddy and even carrying away the same with the help of the police. The correspondent who has sent this report from North Kanara has cited his own instance in which, because he resisted the demand, the officials entered his house and took away the paddy. It is possible that this report may be exaggerated, but it is only if instances like this are thoroughly investigated and the matter set right that the cultivators will have the confidence in the Government which inspires co-operation.

factor of basic shortage in cloth supply for Bengal, they believe that since increased supply holds out no promise of relief in the near future it is to the improvement in the distribution of what is available that we must look forward for relief. To this effect they have presented scheme of distribution. While Mr.

Suhrawardy has been talking of full-fledged control of distribution, to the extent of abolishing certain important trade links, the scheme under consideration suggests a suitable compromise between Government control and functioning of the normal trade channels. The scheme is divided into two distinct parts—one relating to Calcutta and the industrial areas, and the other relating to the mofussil. All cloth may be frozen to the extent of 100 per cent. and quota-holders shall sell cloth direct to the retailers under instructions of Government on the advice and guidance of a central distributing organization, all parties getting their profits according to the rules laid down by the Textile Control Board. This central organization should consist of representatives of the various Chambers of Commerce in the city and shall equally distribute the cloth among retailers who were in the trade in 1940-42. The chain of distribution would be as follows:—Mills, quota-holders, or importers and retailers. As regards the mofussil, retailers would be issued with licences by the S.D.O. in consultation with the local Advisory Committee composed of representatives of dealers and the public.

In the course of a recent lecture Dr. M. N. Saha dealt with the river problems of Bengal. The rivers of Bengal have always been changing their course, devastating crop fields and raising new lands. The

Punjab Letter

LAHORE, March 17.

JUDGED by ordinary standards the Punjab Government's financial position is indeed enviable. In the current year the budget estimated a revenue surplus of Rs. 386 lakhs. The revised estimates as now available show a surplus of Rs. 139 lakhs. For the ensuing year a surplus of Rs. 192 lakhs is anticipated. It will be recalled that earlier in the budget estimates for the year 1942-43 there was an anticipated deficit of Rs. 10 lakhs which was eventually converted in the revised estimates into a moderate surplus of Rs. 6 lakhs on revenue account, the letter in its turn being converted into an actual surplus of Rs. 134 lakhs. The budget estimates for the year 1943-44 provided for a fairly large surplus of Rs. 50 lakhs which in the revised estimates was converted into the much heavier surplus of Rs. 379 lakhs. Actually the surplus amounted to no less than Rs. 436 lakhs—a record figure in the history of Punjab finance. In this connection, it may, however, be pointed out that it has been a more or less permanent feature of the Province's budget that the "actuals" bear no resemblance to the forecasts and this has even led to the charge that budget surpluses are manufactured out of under-estimations and over-estimations.

The Finance Minister, Sir Manohar Lal, stated that the expenditure on beneficent departments, which stood at Rs. 2.87 lakhs in 1936-37, has steadily risen till in 1945-46 it is proposed to spend Rs. 5.59 lakhs. But it is not a matter for congratulation when we notice that a paltry sum of Rs. 2 crores has been set apart for post-war reconstruction purposes, while dearness and war allowances account for an additional expenditure of Rs. 2 crores for 1945-46 and provision has been made for an expenditure of Rs. 2.82 crores on the police in 1945-46 which must be pronounced as disproportionate. This becomes more glaring when we remember that provision for education, in the province which lingers, according to the Finance Member's own admission, between a literacy of 10-11 per cent., amounts to a mere 27 lakhs. Agriculture and Industries are even more seriously neglected, their share being Rs. 14 lakhs and Rs. 5 lakhs respectively. Prof. K. T. Shah's report on the

erratic movement of rivers has often been responsible for the disappearance of many prosperous cities and for the transformation of healthy places into malarious areas. With the aid of modern science, Dr. Saha maintained, it is not only possible to prevent the ravage caused by rivers, but it is also practicable to harness the rivers to various useful services. Referring to the Tennessey river in America Dr. Saha said that this river had been in the past a very destructive river like the Damodar river in Bengal. But the river had now been converted into a very profitable agency. The river has been giving electrical energy, 20 times more than what was used in the city of Calcutta. Prosperity now reigns in the neighbouring areas which had once suffered much from the turbulent river. The Damodar river, Dr. Saha continued, could be brought under control in the same way. But he maintained that the present Government was not fit for doing the job. It must be done and executed by a separate agency which must have full power from the Central Government. "If they could harness the rivers of Bengal," Dr. Saha concluded, "they could get powers from him for industrial work, could increase agricultural output, they could raise 2 or 3 crops in the year and by reducing the miseries of the people they could build a truly happier, healthier, and more prosperous Bengal."

industrialization of the Punjab has been shelved. It is odd that nothing should be contemplated to improve matters in the near future. The Punjab Premier has, however, stated that they were accumulating funds for the future.

The Punjab Government has unequivocally announced that the transport industry shall be nationalized. About 6,000 bus operators involved have made a representation to the Government that the industry should not be taken away from the hands of the bus operators as it would deprive them of their livelihood. A controversy is raging over the question of nationalization of this industry. It is argued that by banishing private enterprise and bringing in Government ownership red tapism and corruption are bound to creep in and the public interest will entirely be sacrificed. What is in this transport industry to nationalize? Only the running of vehicles is in the hands of the Indian community, it is contended. All other things come from America or England. The average earning of a bus plying in the Punjab comes to 12 annas a mile per vehicle. Out of 12 annas 10 annas go to America and England and only 2 annas are left in this country. Why not accept Sir Edward Benthall's compromise formula regarding the share capital of the transport companies?—Bus operators 40 per cent.; Punjab Government 30 per cent.; railways 30 per cent.

In spite of the assertion of Mr M. K. Vellodi, Textile Commissioner, who is in Lahore on a short visit, that the Punjab was getting the highest quota of cotton cloth, there was acute cloth famine in the province due to black-marketing and re-export to other places. The poor were going without any cloth while the rich were able to buy more than they required. The distribution was unequal. The Amritsar dealers were trying to conserve all supplies and were alleged to be applying underhand means to see that the outsiders fail to use their permits in time. The inspecting agency, ignorant of cloth trade and dealers' tricks, has so far been unable to check malpractices. The average consumers wonder if the Textile Commissioner was right when he refused to give any hope that the quota of 18 yards *per capita* would be continued in the face of protests from Bengal and other provinces.

FINANCE

Madras Budget 1945-46

FOR the sixth time in succession, the budget of the Government of Madras for 1945-46, has been framed by the Governor of Madras, acting under Section 93 of the Government of India Act. The proposals have been published in the *Fort St. George Gazette* and a press *communiqué* has been issued embodying the budget estimates. The Adviser Regime which began with a short-term policy has now recognized the need and have made much larger provision for new schemes of expenditure in 1945-46, than in the previous years, though still lower compared with the revenue, as "they now feel that a portion of the Provincial surplus should be spent now on urgent requirements of the public."

The budget estimates the revenue for the new year at Rs. 41,25.29 lakhs and expenditure at Rs. 40,45.14 lakhs leaving a surplus of Rs. 80.15 lakhs. The estimates have been framed on the assumption of normal seasonal conditions, the maintenance of the improved war situation and no sharp variations in the general price level. The revenue for the current year is a record in the annals of the Provincial finance and has swollen from about Rs. 18 crores in 1940-41 just after the beginning of the war. Under-estimate of revenue and over-estimate of expenditure continues to be the feature. The revised estimate for 1944-45 anticipates a revenue of Rs. 40,37.32 lakhs against the budget figure of Rs. 30,20.74 lakhs i.e., an increase of Rs. 10,16.58 lakhs. The increase has been mainly accounted by the larger share of income-tax due to the Provincial Government (+ Rs. 128.40 lakhs), increased land revenue (+ Rs. 15.31 lakhs), larger receipts under provincial excise (+ Rs. 548.95 lakhs) and increased revenue from commercial taxes and duties (+ 164.69 lakhs), the chief among them being the General Sales Tax. The Government have, in view of such affluent circumstances, proposed to transfer Rs. 12 crores to the Revenue Reserve Fund for financing post-war development schemes. During the year 1945-46, it has been proposed to add another Rs. 10 crores to this Fund. The policy of conservation of such huge sums in the name of post-war schemes has been sharply criticized.

No variations in the present rates of taxation have been made in the budget but a tax on agricultural income, on the lines of the Income-tax Act, is to be levied. The rates proposed for this year are on incomes exceeding Rs. 5,000 and exclude the first Rs. 1,500 of the income and are fixed at 9 pies in the rupee on the next Rs. 3,500 with a slab rate up to Rs. 2½ for higher incomes. In the case of companies, a flat rate of two annas in the rupee is to be levied. In calculating the total agricultural income, cultivation expenses, amounts paid as land revenue or rent to a superior landlord, interest paid on mortgage if the land is so subjected and the like are to be excluded. The rate of taxation can be varied and will be governed by the Finance Act in force at the time but it is assured that no super-tax will be imposed. It is anticipated that anything up to Rs. 60 lakhs will be realized from this tax. The levy of this tax without a comprehensive reform of taxation and without placing land revenue on an equitable basis, to which the Government are already committed, has evoked widespread opposition to the proposal. Considering the financial position of the Government, it is thought that the time is inopportune and should be left over to a popular Govern-

ment. It is feared that the tax will lead to a general set-back in the development of agriculture on which so much stress is being laid today. It is thought that it will also lead to fragmentation of holdings, greater cost of production and increased cost of living in rural areas. But the Adviser to H.E. the Governor in charge of Finance explained at a Press Conference that the new tax would just bring about the desired reforms and in defence of the proposal urged. "The present system of land taxation takes no account of firstly, the varying profits derivable from different crops and secondly, the poor and the rich are taxed at the same rate. The new tax aims at setting right these inequalities. If it is worked successfully, it may entirely replace the present land revenue system."

Many of the items that contributed to the increased revenue in 1944-45 figure again in the budget for 1945-46. Provincial excise continues to head the list and is expected to bring in Rs. 14,10.82 lakhs, Rs. 124.32 lakhs more than in the previous year. This has been due to the re-opening of *arrack* shops in the ex-Prohibition districts and increases in the rates of duty. There is also an increase of Rs. 42.78 lakhs under interest receipts. The expenditure on beneficial schemes, though higher than last year, comes to only Rs. 2.11 crores. In the name of avoiding inflation and shortage of materials and staff, the people have been told to look for the morrow and thus new developments have been excused as far as possible. Increased war allowance and dearness allowance is the theme which dominates the expenditure side and these items take away nearly Rs. 2 crores. The net outlay on State Trading Schemes in 1945-46 has been estimated at Rs. 106.20 lakhs and is mainly for the purchase and distribution of wheat, wheat products, paddy, other grains and other seeds and manure. A provision of Rs. 10 lakhs in the current year and a like sum in the coming year to the Rural Water Supply Fund, first constituted by the Congress Ministry, has been made to speed up the programme for the supply of good drinking water in rural areas. The Education Department gets Rs. 54.52 lakhs for new schemes and provision has been made, among others, for the introduction of free compulsory elementary education in selected areas and the provision of free mid-day meals for poor children in elementary schools in selected areas. Grants to the Madras University for technological courses and to the Annamalai University for opening a new Engineering College have also been made. Other nation-building departments get paltry sums. Local bodies which have been clamouring for more assistance from Government towards their increased needs get additional sums totalling Rs. 100 lakhs. These grants are mainly for keeping the roads better, for compensation against loss of income on tolls and for improvements to village roads. The expenditure on civil defence has been estimated at Rs. 210.96 lakhs, representing a decrease of Rs. 19.88 lakhs compared with the previous year. Still, one would have expected a greater reduction in view of the favourable war situation. As regards capital outlay schemes, Rs. 62.50 lakhs have been provided for the Tungabhadra Project and Rs. 37 lakhs for electricity schemes. No loans are contemplated but Treasury Bills may be issued. On the whole, the budget has been favourably received but for the agricultural income-tax.

COMMODITY MARKETS

MADRAS, March 24.

Tanned Hides

Business in the tanned hides market has been in the doldrums. Arrivals have been very small and sales to the British Ministry of Supply poor. The Ministry are naturally concerned with the growing deterioration in the supply position, particularly in view of the fact that reports from tanneries are disquieting. The East India Kip Advisory Committee which is to meet on the 27th of this month is expected to discuss the position and arrive at such decisions as would speed up the production and increase the supply of kips. The supply position being as such, there has been a growing tendency on the part of sellers to adulterate the goods and this has resulted in a warning being issued by the Ministry. But the dealers do not accept the view of the Ministry and the Arbitration Committee that is to meet shortly will go into this question.

Groundnuts

The Groundnuts market continued to be steady with the quotation round about Rs. 60. There was small buying for crushing. It is stated that the British Ministry of Food may not come into the Indian market for two or three months more. Information has been received that the Ministry have bought some quantities in Nigeria for shipment to Canada. In this connection, it may be remembered that India exported some quantities of groundnuts to Canada last year. Quota holders have completed their purchases for Calcutta for March. It is understood that out of the summer crop in the South Arcot District, 10,000 tons have been allotted to Bengal, and already European exporting houses have bought about 3,000 tons. It is stated that shipping facilities may not be available very freely in the next few months as it is programmed to lift only 7,500 tons per month for the next months from Madras on Ministry's account. The oil market was easy. In the absence of export for Bengal, stocks have accumulated. The closure of a local big mill arrested a steep decline in the prices. Demand from consuming centres was poor.

HAPUR, March 28.

THE local Guwar market during the week exhibited firm conditions, which became all the more extensive towards the close, but, however, they were confined to near positions. The strength in prices was accounted for by considerable buyings probably due to fears of cornering in *Baisakh* delivery due to shortage of stocks. Traders of Agra and the Punjab markets acted as principal buyers here. Trading on the whole has been fair to good and the price variations were colourful.

Gui

Market was steady even though there were decreased arrivals and considerable demand. Arrivals averaged 1,200 maunds daily.

Grams and Pulses

The general trend of all grain markets showed an easier feeling due to the advent of new crops and increased arrivals. Wheat arrivals averaged 40 maunds while that of pass 250 maunds. At present there is no stock of wheat, Gram and Barley in the trader's hands. Government's stocks are also diminishing swiftly. Government had decided to introduce a partial rationing of wheat at Hapur and there appears some consolation in the circles of petty consumers. Local consumers want the introduction of a complete rationing of all essential commodities. This will avoid the likelihood of hoarding the foodgrains in large quantities.

The Regional Food Controller, Meerut, has fixed the maximum prices of the new crops at Hapur as under:—

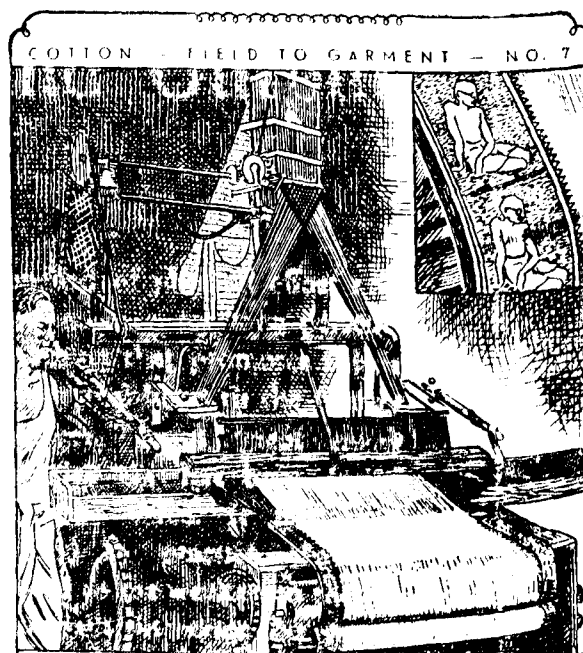
Wheat Rs. 10-4, Gram Rs. 7, Barley Rs. 6, Peas Rs. 6 Arhar Rs. 7, Rapeseed Rs. 10 Arhar pulses Rs. 10.

Weather and Crops

Latest reports indicate that growing crops continue in fair to good conditions in most parts of the country but in the Northern Districts of C.P. the trust has caused a great damage to wheat crops. Harvesting of *rabi* crops in C.P. is complete and preparations of the land for the next *kharif* crops are proceeding.

The following are the latest quotations and stock figures of various local commodities against those of last week's in brackets:—

Wheat: Rs. 9-12, (Rs. 9-12) stock 73 *khattis* (200 *khattis*). Gram: Rs. 7-9-9, (Rs. 8). Barley: Rs. 6-10-6 (Rs. 6-2-6) stock 75 *khattis* (117 *khattis*). Peas: Rs. 6-7-3 (Rs. unquoted). Arhar: Rs. 6-15-6 stock 75 *khattis*. Gur: Rs. 9-2 (Rs. 9-2).



HOW PATTERNS ARE MADE

Stripes or borders of plain colours are made by groups made by changing the shuttle from plain to coloured of dyed warps. Checks or stripes across the widths are weft—sometimes automatically.

But patterns of floral or other complicated designs are formed in the cloth by keeping selected warp thread raised while two or more wefts pass underneath them. For instance a coloured circle will be formed by lifting enough coloured warps to show its diameter—those in the middle of the circle will have to stay up for the same number of weft threads to pass underneath and those at the circumference of the circle nearest the edges of the cloth will only stay up while two or three wefts pass underneath.

Every warp thread can be controlled independently and automatically on a modern Jacquard-loom—to make tapestries and bedspreads. A simpler mechanism is used for sari borders in which only a few threads have to be separately lifted.

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JWT (E) LTD

A Note on Gold

The chief gold producing countries are the U.S.S.R., South Africa (Transvaal), Rhodesia, West Africa (Gold Coasts), Belgian Congo, U.S.A., Canada (Alaska), Mexico, Columbia, Chile, Nicaragua, Australia and India. Up to 1893, the U.S.A. and Australia used to have the first two positions among the gold producing countries, but after the discovery of the *Witwatersrand* goldfield, South Africa wrested the first place from the above-named countries by 1898, accounting for about half of the world's gold supply. The share of the British Empire has normally been between 60 and 70 per cent. of the total production. India's share in the world

production of gold comes to about 2 per cent. and she occupies the seventh place in the list of gold supplying countries. In the recent past, the annual gold production has continued to increase except in years like 1921 and 1922 when the figures were very low, as compared with those of 1913-15 and in thirties. Gold production by certain countries for the last ten years is set out below. The figures in thousand of ounces have been obtained by translating the thousand dollars reported in the Federal Reserve Bulletin, at the rate of \$35 equal to one fine ounce.

GOLD PRODUCTION (in thousand ounces)

	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944
											8 months
Estimated world production ..	23,514	25,215	27,758	29,759	32,467	34,534	37,067	36,827	..	..	..
Total reported monthly ..	20,242	21,510	23,826	25,525	27,393	29,151	31,265	31,126	27,660	21,099	12,688
South Africa ..	10,460	10,774	11,336	11,735	12,161	12,822	14,047	14,408	14,127	12,804	6,201
Rhodesia ..	693	728	802	809	815	800	833	793	760	657	308
West Africa ..	347	389	466	594	705	816	919	926	835	657	598
Belgian Congo ..	187	205	211	229	242	250	234	..	..	564	318
U.S.A. ..	3,091	3,613	4,329	4,805	5,090	5,612	6,003	5,976	3,742	1,365	670
Canada ..	2,072	3,285	3,748	4,066	4,725	5,064	5,311	5,348	4,841	3,651	1,995
Mexico ..	661	682	756	845	923	841	882	799	857	3,651	2,900
Columbia ..	344	329	361	442	521	570	629	656	597	750	750
Chile ..	239	264	258	273	294	325	343	265	183	565	397
Nicaragua ..	33	25	23	24	44	100	155	215	252	174	170
Australia ..	873	893	1,146	1,342	1,550	1,605	1,597	1,456	1,215	220	148
India ..	321	327	333	331	322	317	290	294	256	770	880
							291			252	187

* Figures reported by Messrs Samuel Montagu & Co., London. These figures for 1944 are the estimates of the whole year.

According to the figure, given by Messrs. Samuel Montagu and Co. in their *Annual Bullion Review*, production in 1944 was 7-1/2 per cent. less than that in 1943 and 33 per cent. below 1940. The share of the Empire was 17,600,000 ozs. or 64 per cent. in 1944 as compared with 19,200,000 or 64.6 per cent. in 1943 and 24,053,000 or 58.9 per cent. in 1940, of the world's total production with respective South African percentages of 44.6, 43.1 and 34.4 in the three years.

In India gold has been produced from the very earliest times by the indigenous inhabitants of the country, either by mining the outcrops of gold-bearing quartz veins, or by washing sands for sparsely disseminated alluvial gold. But mining on any large scale commenced between years 1880-1884 when several companies of which two exist even today, viz., Mysore Gold Mining Co., Ltd., and Ooregum Gold Mining Company of India, Ltd., were formed and met with success about 1900. Though gold is distributed all over India, yet mining is confined to the South where it is found in quartz veins in "ancient schists." In the north "it is mainly of dextral origin and of commercial importance." Ninety-nine per cent. of the gold produced in India is obtained from Kolar field in the Eastern Mysore where there is a single gold bearing reef of quartz of about four miles. Besides mines in

the above field, there are Hutti Mihe in Hyderabad, North Anantpur and Jibutli mines in Anantpur district in Madras Presidency, Dhalbhum mines in Bihar and Orissa and unprofitable Dharwal mines in Bombay Presidency. In Burma too alluvial gold has been dredged in Myitkyina and Choukpazat, though unsuccessfully at the latter case. On the Kolar fields, four big companies, viz., Mysore Gold Mining Co., Ltd., the Ooregum Gold Mining of India, Ltd., the Champion Reef Gold Mining of India and Nundyroog Mines Ltd., having leases over 12,492 acres of land, are working and account for 95 per cent. of the total production of India. It is, however, said that these mines "will continue to be important producers of gold for a considerable number of years to come."

India has been accused of being a first-rate traditional "sink" for gold, but thanks to the currency policy of the Government it has lost enormous quantities of gold to the U.K. and the U.S.A. To the U.S.A. alone about 441,353 ozs. of gold have been exported between 1934 and 1941 which are no doubt much less as compared with those to the U.K. Thus India has ceased to be the 'sink' long ago. On the contrary, the U.S.A., which, being the second largest gold producing country in the world, has yet tended to divert the world's gold stock to its own *Kentucky vaults*, thus contributing in no small measure to the Great Depression of the thirties.

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT
(Rs. in lakhs)

	16-3-45	9-3-45	17-3-44	1-9-39	16-3-45 compared with 1-9-39
Notes held in the					
Banking Dept. ..	11.98	9.50	8.74	35.04	- 23.06
In circulation ..	1079.21	1078.07	885.36	182.13	+897.08
Total Notes ..	1091.19	1 87.57	894.10	217.18	+874.01
A. Gold Coin and					
bullion ..	44.41	44.41	44.41	44.41	Nil
Sterling Securities ..	975.33	971.33	779.84	59.50	+915.83
Total of A ..	1019.74	1015.74	824.25	103.92	+915.82
B. Rupee Coin ..	13.60	13.98	11.51	75.87	- 62.27
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45
Silver bullion under					
coinage ..	..	..	..	..	..
% of Reserve to					
Liabilities ..	93.453	93.396	92.189	63.149	+30.304

IMPERIAL BANK

(Rs. in lakhs)

	16-3-45	9-3-45	17-3-44	1-9-39	16-3-45 compared with 1-9-39
Fixed Deposits, Sav-					
ings Bank, Cur-					
rent and other					
Accounts ..	231.25	231.58	212.95	87.26	+143.99
Govt. Securities ..	125.16	125.17	143.89	51.3	+ 74.13
Other Investments ..	4.05	4.05	2.75	96	+ 3.09
Loans ..	21.57	22.17	14.65	7.66	+13.91
Cash Credit Over-					
drafts ..	41.75	42.62	33.43	19.76	+ 21.99
Bills discounted ..	4.40	5.21	7.27	2.95	+ 1.45
Cash in hand, with					
R.B.I. and other					
Banks ..	44.24	42.10	20.78	14.69	+ 29.55

BANK OF ENGLAND
(£ '000)

	21-3-45	14-3-45	22-3-44	30-8-39	21-3-45 compared with 30-8-39
Total Bullion ..	1,776	1,764	747	263.7 0	-261.924
Public Deposits ..	9,700	12,500	7,200	31,100	- 20,400
Other Deposits ..	273,800	246,800	297,200	129,1 0	+144,700
Of which Bankers'					
Deposits ..	218,400	190,800	198,800	90,100	+128,30
Govt. Securities ..	247,200	222,700	193,300	113,100	+134,100
Other Securities ..	151.0	14,800	16,100	31,000	- 15,900
Of which Dis-					
counts and Ad-					
vances ..	10,200	9,700	15,900	6,400	+ 3,800
Notes and Coins ..	28,900	30,000	57,100	34,200	- 5,300
Notes in circulation	1,222,800	1,221,800	1,093,600	529,500	+693,300
% of Reserve to					
Liabilities ..	10.24	11.57	21.61	21.38	- 16.14

TREASURY BILLS SALES
(3 Months' Tenure)
(Rs. in lakhs)

Date of Issue	Amount entered	Amount accepted	Average rate	Inter- est	Sold in favour of Issue Dept.
December 29, 1944 ..	8.58	2.53	0 8 10	..	1.85
January 3, 1945 ..	2.31	1.41	0 8 8	..	4.72
" 9, " ..	1.39	1.24	0 9 0	..	2.94
" 16, " ..	3.28	1.58	0 9 0	..	3.54
" 23, " ..	5.55	4.71	0 9 0	..	2.86
" 30, " ..	4.01	3.87	0 9 0	..	2.87
February 6, " ..	7.19	2.00	0 9 0	..	2.13
" 13, " ..	14.25	2.00	0 7 9	..	2.76
" 20, " ..	12.95	2.00	0 6 3	..	3.60
" 28, " ..	9.16	2.00	0 5 0	..	4.78
March 6, " ..	10.89	4.00	0 5 3	..	9.32
" 13, " ..	14.77	4.00	0 5 6	..	4.06
" 20, " ..	12.91	4.00	0 5 0	..	..

CLEARING HOUSE RETURNS

	1943-44	1944-45	Jan.	Feb.	Mar. 16,	Mar. 23,
			1945	1945	1945	1945
Bombay ..	20,42.31	18,37.52	2,35.28	1,75.71	53.49	..
Calcutta ..	17,40.12	19,46.27	2,20.68	1,80.03	33.72	..
Cawnpore ..	1,02.41	92.95	11.10	9.04	2.53	2.87
Delhi ..	1,02.41	1,04.27	13.68	11.58	3.29	..
Karachi ..	1,02.84	1,01.75	12.36	10.72	2.93	..
Lahore ..	78.82	80.36	10.40	6.99	2.32	1.79
Madras ..	2,00.02	86.49	22.34	18.97	..	5.29

NON-SCHEDULED BANKS

	Liabilities	Cash	Per cent. of % of Cash
21-12-1943 (530) ..	17.52	17.27	34.79
29-1-1944 (526) ..	17.16	18.51	35.67
25-2-1944 (543) ..	18.08	19.50	37.58
31-3-1944 (508) ..	18.88	20.49	39.37
28-4-1944 (558) ..	19.30	22.53	41.84
26-5-1944 (549) ..	19.65	21.08	40.74
Number of banks submitting their returns are stated within brackets.			

BANKING DEPARTMENT
(Rs. in lakhs)

	16-3-45	9-3-45	17-3-44	1-9-39	16-3-45 compared with 1-9-39
Cash ..	12.25	9.76	9.01	35.15	- 22.90
Balances held					
abroad* ..	383.51	384.11	154.27	10.03	+373.48
Investments ..	14.54	17.34	8.55	6.81	+ 7.73
Bills discounted—					
(a) Internal and					
External ..	..	..	..	..	..
(b) Treasury Bills	3.01	3.03	5	1.16	+ 1.85
Loans and Advances					
to Government ..	59	..	35	31	+ 28
Deposits—					
(a) All Govts. ..	272.12	251.63	88.51	14.89	+257.23
Of which G. of I.	243.55	224.27	59.98	14.89	+228.66
(b) Banks ..	95.98	98.05	55.44	26.91	+ 68.07
(c) Others ..	21.65	20.82	7.28	1.24	+ 20.41

* Including Cash and Short-term securities.

SCHEDULED BANKS
(Rs. in lakhs)

	16-3-45	9-3-45	17-3-44	1-9-39	16-3-45 compared with 1-9-39
Demand Liabilities					
in India ..	602.55	608.31	520.15	134.36	+468.19
Time Liabilities in					
India ..	220.78	220.10	165.75	102.24	+118.54
Cash in India ..	28.45	29.25	23.96	6.70	+ 21.75
Balances with Re-					
serve Bank ..	92.57	95.25	53.43	25.17	+ 67.40
Advances in India	270.15	268.19	200.67	1 1.52	+166.63
Bills discounted in					
India ..	14.78	14.75	9.03	3.57	+ 11.21

U.S. FEDERAL RESERVE BOARD
(Million dollars)

	22-3-45	15-3-45	23-3-44	31-8-39	22-3-45 compared with 31-8-39
Resources:—					
Total Reserves ..	18,547	18,546	19,766	14,661	+ 3,886
Total Bills Dis-					
counted ..	..	255	65	6	- 6
Bills bought in					
open market ..	..	..	..	(550,000)	-(550,000)
Total U.S. Govt.					
Securities ..	19,493	19,576	12,243	2,426	+ 17,067
Liabilities:					
F.R. Notes in actual					
circulation ..	22,256	22,289	17,429	4,609	+ 17,647
Reserve Account ..	14,579	14,459	12,405	10,951	+ 3,628
Total Reserve to					
Deposit and F.R.					
Liabilities ..	48.3%	42.2%	61.3%	86.9%	- 38.6%

Figures in brackets are the actual ones.

TREASURY BILLS MATURITIES
(3 Months' Tenure)
(Rs. in lakhs)

Date of maturity	Amount	Date of maturity*	Amount
March 29, 1945 ..	2.53	13, " ..	2.00
April 3, " ..	1.41	20, " ..	2.00
" 9, " ..	1.24	" 28, " ..	2.00
April 23, 1945 ..	4.71	June 4, " ..	4.00
" 16, " ..	1.58	" 18, " ..	4.00
" 30, " ..	3.87	" 11, " ..	4.00
May 6, " ..	2.00	" 18, " ..	4.00

* Approximate date.

	1943-44	Apr.-Jan. Feb.	Jan. Feb. Jan.
		1944-45	1945
Amount	105,310	82,987	3,601
Average rate of purchases remained 0-1-6 all the time.	4,447	5,595	11,136

EXCHANGE RATES (T.T.)

	March 30, 1945	March 23, 1945
Bombay on London (s.)	1-5 31/32	1-5 31/32
Bombay on New York (Rs.)	332 3/4	332 3/4
London on Bombay (s.)	1-6	1-6
London on New York (\$)	4.02 1/2—4.03 1/2	4.02 1/2—4.06 1/2
New York on London (\$)	4.03	4.03

BANK RATES

	Date of last change	Previous Rate	Present Rate
Bombay ..	28th Nov. 1939	3 1/2%	3%
London ..	26th Oct. 1939	3 1/2%	2%
U.S.A.—New York	29th Oct. 1942	1%	1 1/2%
Fed. Res. ..	27th Oct. 1942	1 1/2%	1%

CASH POSITION

	16-3-45	9-3-45	17-3-44	1-9-39	16-3-45 compared with 1-9-39
Reserve Bank of					
India ..	12.25	9.76	9.01	35.15	- 22.90
Scheduled Banks ..	121.02	124.34	77.39	31.87	+ 89.15

B—General

INDIA'S FOREIGN SEA-BORNE TRADE 1944-45
Imports and Exports to certain Countries (Rs. '000)

	Nov. 1944	Nov. 1943	Apr.-Nov. 1944-45	Apr.-Mar. 1943-44	Nov. 1944	Nov. 1943	Apr.-Nov. 1944-45	Apr.-Mar. 1943-44
Imports from								
British Empire:—								
United Kingdom ..	4,36.26	2,50.70	26,36.58	29,80.37	6,55.34	6,83.36	42,56.83	60,19.12
Ceylon ..	..	..	..	..	1,25.26	96.91	12,51.77	14,35.76
Burma ..	..	..	..	..	..	..	..	..
Union of South Africa ..	..	..	..	..	..	..	..	..
Canada ..	..	..	..	..	..	..	..	..
Australia ..	..	..	..	..	..	..	..	..
New Zealand ..	..	..	..	..	..	..	..	..
Other British Possessions ..	..	..	..	..	..	..	..	..
Total British Empire ..	7,91.58	4,33.80	52,17.00	57,01.13	11,44.69	13,38.26	95,03.44	1,28,50.72
Foreign Countries:—								
U.S.S.R. ..	..	..	..	..	..	..	..	..
Turkey (European and Asiatic) ..	..	..	..	..	..	..	..	..
Iraq ..	..	..	..	..	..	..	..	..
Iran ..	..	..	..	..	..	..	..	..
China ..	..	..	..	..	..	..	..	..
Egypt ..	..	..	..	..	..	..	..	..
U.S.A. ..	..	..	..	..	..	..	..	..
South America ..	..	..	..	..	..	..	..	..
Other Foreign Countries ..	..	..	..	..	..	..	..	..
Total Foreign Countries ..	10,53.48	5,43.44	76,75.29	61,84.22	5,65.13	6,58.91	49,55.09	70,69.65
GRAND TOTAL ..	18,45.06	9,77.24	1,28,92.29	1,18,85.35	17,09.82	19,97.18	1,44,58.52	1,99,20.37

CROP FORECASTS*

CROP FORECAST						
Crop and forecast	Estimated area this year acres	Per cent of preceding year	Final figures of area in the preceding year acres	Estimated outturn this year	Per cent of the preceding year	Final figures of outturn in the preceding year
SEASON 1944-45						
Jute (Final) ..	2,060,000	78	2,639,000	5,493,000 (bales)	78	7,004,000 (bales)
Groundnut (Second) ..	8,663,000	100.4	8,531,000	(b)	..	3,305,000 tons
Sesamum (Second) ..	2,535,000	82	4,306,000	(b)	..	453,000 tons
Cotton (Second) ..	12,957,000	77	20,420,000	(b)	..	5,072,000 (bales)
Sugarcane (Second) ..	4,024,000	101	4,113,000	(b)	..	5,699,000 tons
Rice (First) ..	73,475,000	101.5	79,960,000	(b)	..	30,803,000 tons
SEASON 1943-44						
Opium (Final) ..	1,202,000	88	1,384,000	109,000 tons	74	147,000 tons
Sisal and Mustard (Final)	5,484,000	93	5,901,000	955,000 tons	89	1,070,000 tons
Linseed (Final) ..	3,518,000	103	3,406,000	395,000 tons	96	410,000 tons
Wheat (Final) ..	33,740,000	98	34,417,000	9,690,000 tons	88	11,032,000 tons
(b) Not yet available.						
† Indian Trade Journal, March 15, 1945.						

C—General and Prices

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodities	Grade and Quality	Market	Unit	This week Rs. a. p.	Last week Rs. a. p.	Pre-war Rs. a. p.
*Wheat	Average	Amritsar	per md.	..	..	..
	Superior	..	..	..	..	..
	Ready	..	..	..	..	..
	Red	..	..	..	..	..
	Dara	..	..	..	..	..
*Rice	Punjab Basmati New	Amritsar	..	..	..	..
	Punjab Basmati Old	..	..	..	..	..
	Punjab Basmati Sela	..	..	..	..	..
	Parnal	..	..	..	..	..
	Sona	..	..	..	..	..
	Begami	..	..	..	..	..
	Jhone	..	..	..	..	..
	Common rice (Sambhalu)	..	..	..	..	..
	Medium Grade	..	..	..	..	..
*Linsed	Ready Bold	..	..	..	..	..
	Ready Small	..	..	..	..	..
	Ready Bold	..	..	..	..	..
	Ready Small	..	..	..	..	..
*Groundnuts	Karnal	..	..	..	..	..
	Coromandel	..	..	..	..	..
*Mustard	Karnal	..	..	..	..	..
*Potatoes	Yellow	..	..	..	..	..
	Black	..	..	..	..	..
	Dei	..	..	..	..	..
*Cotton (Raw)	Punjab (Haldwani)	..	per candy of	..	..	..
	L.C.G. March 1945	..	784 lbs.	..	..	..
*Cotton Yarn	No. 10/15	..	er lb.	..	..	..
	No. 20	..	..	..	..	..
*Cotton Piecegoods	Long Cloth (std. quality)	..	..	..	..	..
	37"x42" yds. of 9 lbs.	..	..	..	..	..
*Jute Raw	Firsts	..	per bale (400 lbs.)	..	..	..
	Lightnings	..	..	..	..	..
	B. Twills 24 lbs.	..	..	..	..	..
	44"x24" 6x8	..	..	..	..	..
	Hessian Cloth 8 oz.	..	per 100 bags	..	..	..
	40" 9x100	..	per 100 yds.	..	..	..
*Wool (Raw)	10 1/2 oz. 40" 11x12	..	..	..	..	..
*Hides & Skins	Kandhar (cleaned)	..	per md. (82 lbs.)	..	..	..
	Cow Hides (Agris)	..	per 20 lbs.	..	..	..
*Hides & Skins	Goat Skins (good quality)	..	per 100 pieces	..	..	..
	Cow Hide	..	per lb.	..	..	..
	Goat Skins	..	..	..	..	..
*Shellac	T.N.	..	per B. md.	..	..	..
	Superior	..	per tin of 4 gallons	..	..	..
*Kerosene Oil	Selected Jheria (1)	..	per ton f.o.r.	..	..	..
*Coal	Indian	..	full wagon load of 16 1/2 to 23 tons	..	..	..
*Cement	Plantation A	..	per cwt.	..	..	..
*Tea	First Crystals	..	per lb.	..	..	..
*Sugar	First Crystals	..	per md. (ex-factory)	..	..	..
*Oils	Ready	..	per qr.	..	..	..
	Linseed	..	..	..	..	..
	Castor	..	..	..	..	..
	Copra	..	..	..	..	..
	Groundnut	..	..	..	..	..

This week's figures from Weekly

Market Report issued by Agricultural Marketing Adviser G. of I. dated March 18, 1945.

† "Indian Trade Journal," dated March 15, 1945.

‡ The "Times of India," dated March 20, 1945.

SUGAR POSITION FOR THE SEASON 1944-45

(Figures in tons)

Producing Areas	Production up to 15-3-45	Despatches during the period 8-3-45 to 15-3-45	Progressive total of despatches up to 15-3-45	Percentage of progressive despatches to production	Balance stock as at close of 15-3-45
U.P.	4,60,246	13,947	1,03,820	22.6	3,56,426
Bihar	1,47,281	4,425	17,124	11.6	1,30,157
Bombay	55,639	2,008	17,340	31.2	38,299
Madras	32,340	1,441	15,960	49.4	16,380
Punjab	6,613	628	666	10.1	5,947
Bengal	10,535	471	4,160	39.5	6,375
N.-W.F.P.	3,457	116	858	24.8	2,601
Orissa	2,121	59	329	15.5	1,792
Indian States	89,927	2,384	32,108	35.7	57,819
Total	8,03,159	25,479	1,92,363	23.8	6,15,796

Note:—Balance stock of 1942-43 and 1943-44 season's sugar as at close of 15-3-45 was 18,923 tons.

(2) Production returns have not been received from 15 factories.

FOOD INDEX (WHOLESALE PRICES)*

(Base: Last week of August 1939=100)

Week ending	Average for January 1945	Average for February 1945	3rd February 1945	10th	17th	24th	3rd March	10th
	233.6	231.35	230.9	231.8	230.6	232.1	232.1	237.8
	+2.2	+1.25	-0.9	+0.9	-1.2	+1.5	Nil	+5.7

* Issued by the Office of the Economic Adviser to the G.I.

PROVINCIAL TREASURY BILLS

(Rs. '000 omitted)

Government of	Approximate due date	Amount issued	Average rate
Assam	Apr-11 8, 1945	2,50,000	0.9
Orissa	.. 15, ..	50,000	0.9
Assam	.. 25, ..	2,50,000	0.10
..	.. June 4, ..	1,00,000	0.6
Orissa	.. 12, ..	50,000	0.6

D—Prices

INDIAN STOCKS AND SHARES

	27-3-45 Rs. a. p.	20-3-45 Rs. a. p.		27-3-45 Rs. a. p.	20-3-45 Rs. a. p.
GOVT. SECURITIES:			TATA SHARES: Bombay		
Bombay			Chemical (10)	..	..
2 1/2% (1945-52) (98)	99 14 0	..	Oil (25)	..	..
3% (1946) (101)	102 6 0	102 6 0	Power (1,000)	1,835 0 0	1,877 8 0
3% (1952-54) (98 1/2)	100 14 0	100 14 0	Hydro (100)	203 0 0	204 0 0
3% (1960-68)	98 6 0	98 6 0	Steel Def. (100)	2,031 4 0	2,101 4 0
3 1/2% G.P. Notes	99 9 0	99 9 0	Steel Ord. (75)	..	388 0 0
4% (1960-70)	..	112 1 4	Steel Pref. I (150)	224 4 0	224 4 0
4 1/2% (1955-60)	..	117 4 0	Steel Pref. II (100)	160 4 0	160 8 0
5% (1945-60)	102 8 0	102 8 0	STEEL ENG.: Calcutta		
Calcutta			Braithwaite (70)	..	..
3% Loan (1949-52)	..	101 9 0	National Iron (10)	..	..
3% Loan (1953-55)	100 7 0	100 6 0	Steel Cor. Ord. (10)	32 9 0	33 4 0
3 1/2% G.P. Notes	..	99 10 6	Steel Cor. Pref. (100)	142 8 0	..
3% Vic. (1957)	99 14 0	99 14 0	Jessop Ord. (10)	24 2 0	24 4 0
4 1/2% (1955-60)	..	..	Kumardhubi (10)	11 1 0	..
5% Loan (1945-55)	..	..	Pharula Elec. (10)	22 0 0	22 10 0
TEXTILES: Bombay			Br. I. Elec. Cons.	18 4 0	..
Ahmedabad (100)	393 12 0	425 0 0	Indian Iron	39 1 0	40 1 0
Bm. Dyeing (250)	1,830 0 0	1,837 3 0	COAL: Calcutta		
Central India (100)	379 0 0	378 8 0	Amalgamated (10)	..	..
Century (100)	925 0 0	925 0 0	Bangal (100)	693 0 0	702 0 0
Colaba (100)	213 0 0	215 0 0	S. Kanapura (10)	29 9 0	30 2 0
Gokak (100)	298 8 0	304 0 0	Bhalgola (70)	20 2 0	20 9 0
In. Bleaching (100)	174 0 0	174 0 0	Burrakur (10)	41 13 0	42 9 0
Kohinoor (100)	609 0 0	624 0 0	East India (11)	38 0 0	39 3 0
Phoenix (100)	593 12 0	562 8 0	N. Damuda (2 1/2)	..	..
Sholapur (1,000)	7,625 0 0	7,125 0 0	Standard (10)	..	..
Simplex (50)	256 8 0	254 8 0	Talcher (2 1/2)	12 0 0	12 6 0
Swadesh (100)	546 0 0	544 0 0	Equitable	68 0 0	..
Vishnu (50)	476 4 0	476 4 0	Ghusak & Musila	15 10 0	16 4 0
Finlay (100)	302 8 0	..	Khardi	..	..
Moorji (100)	720 0 0	..	New Deorhoom	40 2 0	40 8 0
Swan (100)	328 0 0	..	Ronegung	50 12 0	..
New Great (100)	366 8 0	..	Ichemo Main	28 7 0	..
Apollo	3 14 6	..	Nakra	22 4 0	..
Sassoon Ord.	14 0 6	..	New Chaurulla	13 6 0	13 12 0
Sassoon Defd.	2 14 6	..	Parasa	..	11 4 0
Mojel	248 11 0	..	Satpukuria	..	..
Poddar	335 0 0	..	Asatol	..	11 3 0
Calcutta			SUGAR: Calcutta		
Denares (50)	..	..	Buland (10)	41 8 0	..
Bengal Nagpur (10)	42 2 0	..	Balrampur (30)	..	..
Cawnpore Tex. (1/2)	13 4 0	13 6 0	Samastipur (10)	..	..
Dunbar (100)	..	..	Relund (7 1/2)	..	15 15 0
Karam (2 1/2)	17 7 0	17 11 0	Carew (10)	27 0 0	27 8 0
Lyons Mills (10)	64 8 0	..	Murree Brewery (5)	..	..
Muir Mills (50)	..	..	New Savan (10)	..	26 9 0
New Vic. (2 1/2)	7 4 0	7 8 0	Cawnpore (10)	..	..
Basanti	..	..	Champani (10)	32 12 0	..
Madras			Dyer Menkin (5)	..	..
B. & C. Ord. (100)	316 8 0	..	Rambhadr Cane	14 15 0	15 3 0
Ding. Wool (100)	455 0 0	475 0 0	Lahore		
Pinkaja (100)	292 8 0	244 0 0	Pun. Sugar (100)	..	..
Cambodia (100)	22 0 0	28 8 0	Gokulnagar Ord.	..	..
Colm. Sping. (50)	143 8 0	143 8 0	Jagjit	..	..
Elaram Sping. (100)	170 0 0	..	Muree Brew. (5)	265 0 0	..
Vasanthi (100)	370 8 0	307 8 0	Ja-want	..	..
Madura (15)	69 8 0	..	Madras		
Lakshmi (50)	150 0 0	151 0 0	Mysore (10)	59 8 0	..
Sharda (100)	..	..	Deccan 1	37 0 0	39 0 0
Lahore			Deccan 2	85 0 0	92 0 0
Ajudhia	8 1 0	..	Travan. Sugar (7)	..	..
Cawnpore Tex. (2 1/2)	13 4 0	..	South India (10)	16 8 0	16 8 0
New Vic. Ord. (2 1/2)	7 5 6	..	PLANTINGS: Madras		
New Vic. Trif.	..	..	Orchin Malabar (3)	16 2 0	15 6 0
Razi Textiles (10)	79 4 0	79 12 0	Chembra Peaks (2)	9 1 0	9 12 0
JUTE: Calcutta			Woodlands (10)	11 12 0	..
Alliance (100)	..	..	Thurmbadi (1)	3 15 6	4 2 0
Anglo-India (100)	476 0 0	469 0 0	Travan. Rubbers	..	21 12 0
Birla (10)	..	..	TEA: Calcutta		
Barnagore (15)	224 0 0	..	Bishnauth (10)	45 2 0	..
Champdany (100)	258 0 0	..	Un. Com. Bank (50)	..	..
Ganges (300)	561 0 0	561 0 0	Tezpor (10)	..	21 12 0
India (375)	764 0 0	705 0 0	Eastern Cachar	..	12 6 0
Early (100)	..	363 0 0	Loobah	19 0 0	19 14 0
Budge-Budge (100)	500 0 0	500 0 0	Pathemara	..	16 4 0
Chevolt (100)	319 0 0	322 0 0	Tezpor	..	14 10 0
Chitavalah	..	34 4 0	BANKS & INS.: Bombay		
Howrah (10)	89 14 0	89 7 0	Central (25)	81 0 0	80 4 0
Kamrath (100)	693 0 0	693 0 0	Imperial F.P. (500)	1,990 0 0	1,882 8 0
Kankarath (100)	584 0 0	578 0 0	Imperial P.P. (125)	493 12 0	495 10 0
McDonal (10)	..	..	Reserve (100)	135 4 0	134 8 0
Orient (100)	273 0 0	276 0 0	India (50)	190 0 0	190 8 0
Presidency (5)	12 7 0	12 9 0	New Ind. Ins. (15)	80 0 0	80 4 0
Nuddia (50)	..	128 8 0	Lahore		
Standard (100)	..	..	United Com. (50)	69 0 0	..

Madras quotations are for 28-3-45.

STOCKS OF GOLD AND SILVER AT BOMBAY*

	GOLD	SILVER		GOLD	SILVER
	Tolas	Bars (100 tolas)		(Rs. per fine tola)	(Rs. per 100 fine tolas)
				Spot	Forward
1941-42	1,90,144	5,481	Mar. 22, '45	..	..
1940-41	1,71,835	6,471	" 23, "	73 11 0	73 1 0
1942-43	83,558	4,313	" 24, "	..	..
1943-44	1,30,413	1,100	" 25, "	72 4 0	72 2 0
December 1944	2,10,000	350	" 26, "	71 13 0	71 6 0
January 1945	2,87,500	2,050	" 27, "	71 10 0	71 0 0
February 1945	1,43,750	3,250	" 28, "	72 2 0	71 10 0
Average of week-end stocks.					

GOLD AND SILVER PRICES†

	GOLD	SILVER
	(Rs. per fine tola)	(Rs. per 100 fine tolas)
	Spot	Forward
Mar. 22, '45	..	..
" 23, "	73 11 0	73 1 0
" 24, "	..	..
" 25, "	72 4 0	72 2 0
" 26, "	71 13 0	71 6 0
" 27, "	71 10 0	71 0 0
" 28, "	72 2 0	71 10 0

LONDON—March 28, 1945 (per st. oz.) £8-8-0 23 1/2 d. (Ready)

NEW YORK—March 28, 1945 (per oz.) 44 3/4 cents 44 3/4 cents

† Closing prices at Bombay.

THE EASTERN ECONOMIST

CURRENCY SUPPLEMENT

NEW DELHI.

MARCH 23, 1945.

Price 8 As.

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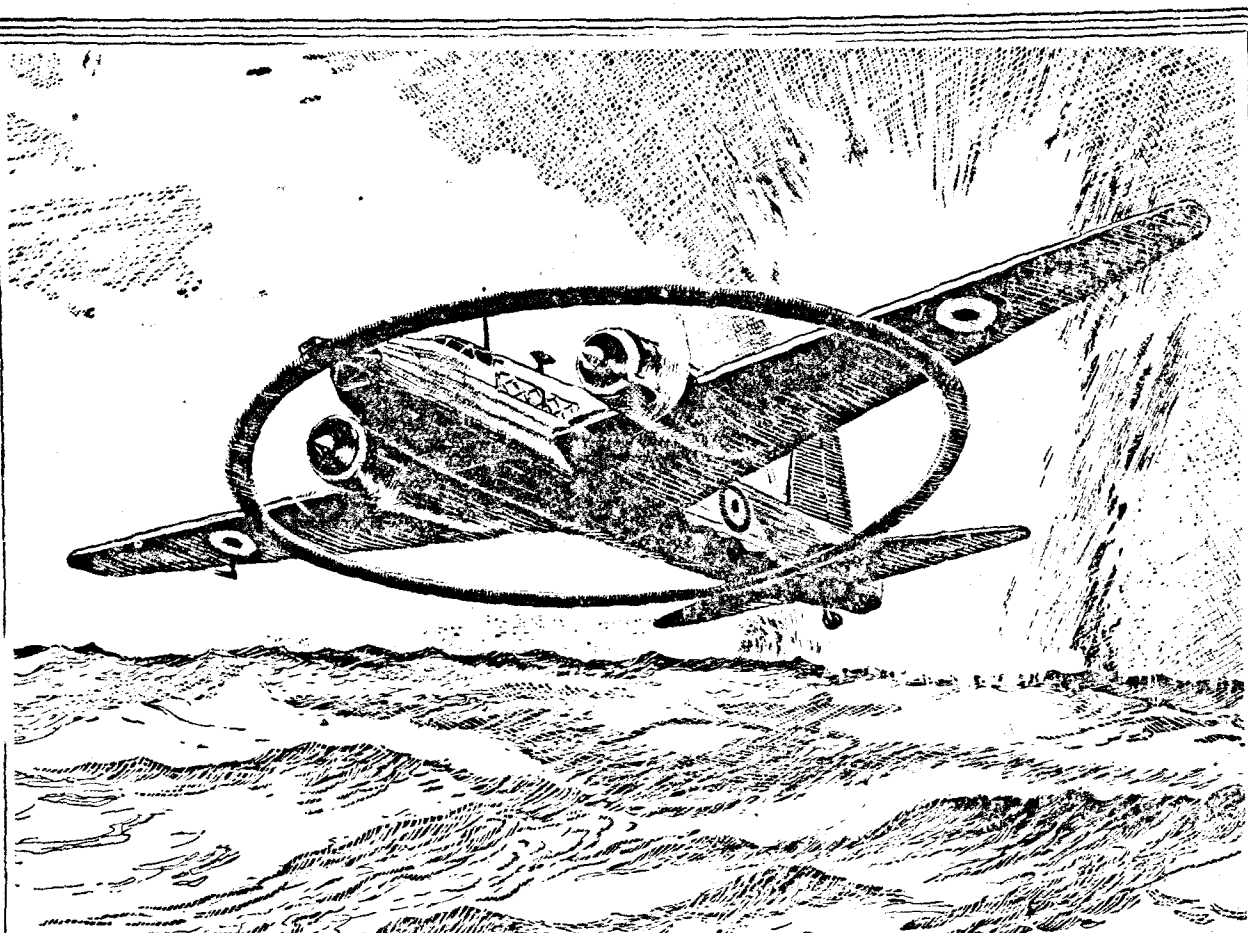
The International Currency Background

It has been said that happy nations have no monetary history. Certainly, if we compare the turbulent economic and monetary history of the world during the inter-war years with the placid functioning and even the steady consolidation of the regime of gold standard before the last war, we do get the impression that with the last war, the world entered an era of international financial and economic instability. A valiant attempt was made to restore the old paraphernalia of gold standard, but the attempt failed dismally and withal involved the whole world in a crash. The following years were one of widespread monetary opportunism. New economic techniques were coming into their own, and with those economic techniques, new monetary practices were being evolved through a process of trial and error. Such indeed were the monetary perversities of the inter-war years, that the measures taken by the national monetary authorities to correct a certain monetary situation, directly led to further aggravation of situation. Thus, if bank rates were raised to attract foreign capital, this came to be taken as a danger signal and an occasion for a flight of capital. In such a situation, the central banking technique which was being laboriously evolved and to which so much faith was pinned in the early thirties, speedily came to reducing itself to nullity. It is not, therefore, surprising that of all international economic problems, the task of international monetary reconstruction should be the first to which the various nations have addressed themselves even before the end of war. Nevertheless, it cannot be doubted that the central idea that the international monetary system has to be thought out, planned and operated on an over-all basis, represents a significant departure from the ideas of both benignant automatism and autonomous opportunism, which were contending for supremacy during the inter-war years.

various countries tried to "stabilize" their currencies in terms of gold, and in the process not a little enchantment was cast by the old gold parities. Indeed, the ideal long cherished was not only that the gold standard would be resurrected, but that its domain would gradually extend to cover the entire world. For many years before the process of monetary stabilization was complete, the overriding fear was that the limiting factor for the successful operation and extension of the gold standard would be shortage in the supply of gold. The chief recommendation of the Genoa Conference in 1922 was that the gold exchange standard should be adopted as widely as possible as a gold-economizing measure. The gold exchange standard was adopted by more and more countries during the twenties; gold was withdrawn from domestic circulation, and for a time, thanks to these gold economizing measures, it appeared as though the danger had been averted. The scare started in 1928 when France legalized her return to gold standard and started accumulating gold. The proportion of foreign exchange to the total of foreign exchange and gold reserves of the Bank of France was 2 per cent. in 1924, 14 per cent. in 1926 and 51 per cent. in 1928 when it declined to 38 per cent. in 1929, 24 per cent. in 1931 and only 5 per cent. in 1932. The gold standard which appeared nearly established and smoothly functioning after the first few years of instability and effort; at stabilization after the war, was, in reality, as became soon painfully evident, only propped up largely by means of massive one-way loans from the United States. The unsteady influence of the erratic flow of international lending during the inter-war years, particularly after the depression, is reflected in the following figures (in billions of dollars) of the international investment position of the United States, exclusive of war debts:—

	1919	1930	1933	1939
U.S. Investments Abroad:				
Long-term ..	6.5	15.2	13.8	10.8
Short-term ..	0.5	2.0	1.1	0.6
Total ..	7.0	17.2	14.9	11.4
Foreign Investments in U.S.:				
Long-term ..	2.5	5.7	4.9	6.3
Short-term ..	0.8	2.7	0.5	3.3
Total ..	3.3	8.4	5.4	9.6
Net Creditor Position of U.S.				
..	3.7	8.8	9.5	1.8

So great had been the faith placed in the stability and permanence of the economic and financial system which prevailed during the nineteenth century and prior to the last war, that 1913=100 became almost a statistical cliché, and none questioned the general desire to 'return to the normal' at the end of war. During the war and the aftermath, different countries had experienced varying degrees of internal inflation, accompanied often by sharp depreciation of the exchange rates. But throughout the early twenties, the



Built to Vickers-Armstrongs geodetic methods, the Wellington long-range general-purpose bomber has done yeoman service with Bomber and Coastal Commands. It has appeared in different Marks, equipped respectively with Bristol Pegasus and Hercules engines and with Rolls-Royce Merlins. A transport development of the Wellington is the Warwick.

BOMBERS SAVED THE SHIPS

Late in 1939 the German magnetic mine threatened the existence of the Allied shipping fleets.

Desperate necessity evoked a scientific and engineering *tour-de-force* unparalleled in the history of war. A magnetic mine was recovered intact from the sea. To quote the official Air Ministry account: "Its secrets were laid bare by the courage and skill of a naval officer, and experiments were at once made to determine whether this type of mine, which blew up when it came into contact with the magnetic field of a passing ship, could be exploded from the air by an aircraft capable of setting up a similar field."

In seven days British technicians found

the answer. Many twin-engined bombers were speedily equipped with a hoop-shaped casing some fifty feet in diameter, attached at points in the wings, nose, and tail. Within the casing was a magnetic coil, to which current was supplied by an auxiliary engine mounted in the aeroplane. These aerial mine-sweepers saved Allied shipping from destruction. For vital months while the ships were being fitted with degaussing gear they assured safe passage along the seaways.

Such unrivalled adaptability and engineering genius may indeed be trusted to meet the most exigent technical demands of air transport and private flying in the Air Age of Tomorrow.

THE BRITISH AIRCRAFT INDUSTRY

ANNOUNCEMENT BY THE SOCIETY OF BRITISH AIRCRAFT CONSTRUCTORS - LONDON - ENGLAND

Any international monetary system can work successfully only if it is not asked to bear recurrently impulsive and dislocating jerks. The balance of international financial relationships must conform to the steady pattern of international trade relationships. The United States, by reason of her overwhelming economic position in the world economy, could be *par excellence* the international lender who could by their operations keep the international monetary system on an even keel. But as the figures above show, her foreign investments, both short-term and long-term, fell, while the inward flow of capital grew in volume, and especially the flow of short-term capital became voluminous and spasmodic in timing and direction. It is true that between 1925 and 1930, the United States relinquished a little gold to the rest of the world, and France and Germany had acquired relatively considerable gold. During the following two years the general direction of gold movements has been rather erratic, and especially during the autumn of 1931 and the spring of 1932, the United States was losing gold at a remarkable rate. Nevertheless, since the devaluation of the dollar in January, 1934, the world's gold has flowed to the United States, as if impelled by an irresistible centripetal force. Consequently, the United States must today be possessing 80 per cent. of the world stock of gold. Gold has become more confirmedly than ever before the pensioner of the dollar.

Clearly, under such circumstances, any international monetary system with gold as the ultimate basis of domestic credit structure, the different countries found the so-called rules of the gold standard game too onerous and their several national economic policies severely inhibited. No wonder that Lord Keynes, speaking on the proposed International Monetary Fund in the British House of Lords last May, when extolling the virtues of the Fund, referred to it as "a far-reaching formula of protection against a recurrence of the main cause of deflation during the inter-war years, namely, the draining of reserves out of the rest of the world to pay a country which was obstinately borrowing and exporting on a scale immensely greater than it was lending or importing." The fiasco of the gold standard in the thirties certainly did not arise from a 'shortage' of gold as was so widely apprehended in the twenties. Under falling costs, world output of gold steadily increased from old gold \$397 mn. in 1929 until it reached old gold \$780 mn. in 1938. The eastern dishoardings, revaluation of gold stocks which followed the 'devaluation cycle' which started with the fall of the pound in 1931, the emergence of separate monetary areas or blocks of gold exchange standard, the operation of Exchange Equalization Funds—all served to ease the gold position. The 'surplus' of hard gold reserves of forty-one countries, excluding Germany and Italy, amounted in 1929 to old gold \$2,178 mn. and in 1936 to old gold \$7,109 mn. At the same time the market for gold was stabilized by the flexible gold-settlement system which was put on a formal basis under the Tripartite Agreement after the devaluation of the gold bloc currencies in September 1936.

Nevertheless, in spite of the general recognition of the advantages of exchange stability and a multi-lateral international trading system, the trend towards quantitative control of international trade and autonomous monetary areas held together through gentlemanly agreements and such devices as exchange stabilization funds, was not halted. While a universal system of exchange stability proved impossible to be maintained, each of major currencies provided a nucleus round which groupings of exchange stability grew up, along natural lines of trade and financial

relationships. Money market rates in the various centres no longer moved along parallel tracks, and short-term funds were no longer impelled by differential in interest rates. Neutralization of gold movements arising mainly from the spasmodic flows of "hot money" was in the thirties systematized through the operation of the Exchange Equalization Fund, but even during the short resurrected regime of the gold standard from about 1925 to its fall in the economic crisis, 'neutralization' of gold movements and stabilization of the domestic credit structure had more and more come to be recognized as the primary and valid task of national central banking policy; and as Prof. J. H. Williams said, there seemed to be a "fundamental conflict between the principles of central banking and the principles of the gold standard." While the technique of exchange control derived from the essential requirements of national economic planning, the technique of exchange equalization fund sought to evolve a working compromise between the principles of central banking and the principles of gold standard.

In fact, the gold standard or the international monetary standard got itself knocked between the dual principles of central banking and central planning; and this was because the international monetary system had failed to adjust itself to the profound changes in structural environment since the nineteenth century. The spread of democratic forces and the democratic pressure on the State to pursue economic stability and social security and the increasing organization of both labour and capital leading to structural rigidities, were indeed some of the major changes. These have affected even the character of monetary demands and have made the economic system both more unstable and more sensitive to instability. But another fundamental change has been the diffusion of industrial power throughout the world. The international gold standard requires that the domestic credit structure of the various countries should be based on the respective gold movements or on the respective balance of payments position. And this means that there must be a certain degree of co-ordination or "synchronization" of domestic conditions of the various countries. During the nineteenth century, Britain was the unchallenged industrial and financial centre in the world. The economic development throughout the world was largely dependent on British finance and technical aid. Consequently, before 1914, both the cyclical and secular trends in price levels, national income, technical progress and, in general, in economic development in the various countries were almost automatically geared to the trends in Britain. But more and more as new centres of economic power like Germany, France, the United States, Japan and other countries arose they became capable of independently initiating economic forces and the task of co-ordination or synchronization of divergent economic trends in the various countries became very difficult. The international monetary equilibrium of the nineteenth century broke down because its maintenance would have involved such violent interference with the trends of employment policy, technical progress and general economic development, which the various countries, with the ideology of either central banking or central economic planning were unwilling to accept. The technique of quantitative control of foreign trade was developed in order to secure maximum conservation of foreign exchange resources to subserve any national economic plan. On the other hand, each of the major economic powers carved out separate monetary empires like the sterling area centred on London, the dollar area on New York, the European exchange-control area on Berlin, the

yen area on Tokyo and finally the gold bloc centred on Paris, which was held together chiefly by common resistance to devaluation and later dissolved. Some countries like Canada and Argentine with commercial affiliations divided between the dollar and the sterling, on the other hand, had to accept a sort of dual monetary citizenship.

The second world war broke upon this flexible and *ad hoc* system of "multifocal international monetary equilibrium"—in which, firstly, the long-term international investments had ceased to flow evenly and generously from capital-rich countries to capital-hungry areas and short-term capital movements had lost their essential equilibrating function; secondly, a number of independent economic powers had arisen who, imbued with the ideologies of either central banking or central economic planning, refused to have their several national economic policies—both cyclical and secular—co-ordinated or synchronized; thirdly, the democratic pressure for economic stability and social security together with the resistance from organized labour and capital introduced elements of rigidities which prevented the remorseless process of market equilibration; and finally, but basically, as is now being increasingly realized, the gross maldistribution of wealth among nations and the conditions of economic progress in general resulting in the overwhelming and one-sided economic dominance of the United States which put the world economy askew. Before the new multifocal system could be stabilized, the war has forced new changes. During the war the various countries have followed divergent monetary policies leading to disparate trends in price levels, cost of living and national money income levels. There have been achieved during the war different degrees of technical

progress in the advanced countries and very considerable but differential strengthening of the industrial structure in Canada, Latin America, America and India. After the war, countries like India and China may embark on gigantic economic programmes which may be very difficult to accommodate within any structure of international monetary equilibrium without the intervention of special institutions for the allocation of international priorities and resources. The economies of vast territories have been devastated by war and forcibly wrenched out of gear. If we are to achieve international monetary stabilization, how are we to arrive at the valid complex of foreign exchange rates? For the exchange rate calculated on the basis of mere purchasing power or even price-cost parity is too simple and is bound to break down in a world of dynamic and differential economic changes such as are betokened after the war. The valid complex of exchange rates must take account of not only price and cost but also other factors like aggregate income and expenditure, in their cyclical as well as secular trend, which determine demand and supply; it must take into account the changed and changing international localization of industrial and agricultural development. And, finally, if any international monetary system is to work successfully, it must make arrangements to accommodate the divergent potentials for economic development of the various countries and the effect of such dynamic changes on the substantive course and volume of international trade, for, in the new *milieu* of the ideology of the economics of expansionism, no country would be willing to limit its national economic policies and programme, just in order to make any international monetary system work.

Indian Currency through the War

THE outbreak of the war found the Government of India not only quite unprepared for the task of economic mobilization for war, but also, singularly unaware of the real implications of the financial policy which it adopted during the war and which has proved so disastrous in its effect on our economy. This financial policy was initiated through the famous Financial Settlement agreed upon between His Majesty's Government and the Government of India in respect of the allocation of the financial cost of the war. This financial policy again was operated through the Reserve Bank of India. The rules relating to the composition of the paper currency reserve were altered through a seemingly harmless Ordinance of February 8, 1941, which made possible an almost indefinite substitution of sterling securities for gold in the reserve. The Government kept up a show of a balanced budget by including in it only such expenditure as it could cover through loan and tax revenue. The rest of its mounting expenditure, which involved no less a draft on Indian resources and manpower, was shown as 'recoverable' from His Majesty's Government under the terms of the Financial Settlement. Actually, His Majesty's Government made no effort through floating loans in the Indian market or otherwise to secure equivalent Indian resources with which to make payments to the Government of India. The British Government paid in effect with sterling book entries. With the British money market rigidly controlled and the stringent shipping restriction and import control it was not possible to 'collect' the sterling balances mounting in our favour. These frozen sterling balances were transferred to the Reserve Bank which issued currency against these balances.

The Government's financial orthodoxy during the war was thus maintained by two fictions: firstly, the

fiction of a 'balanced' budget—balanced only because the major part of its expenditure was placed outside the account; secondly, the fiction of a law-abiding Reserve Bank which pretended that there was no inflationary issue of currency because it did not issue any currency which was not covered by sufficient reserves. But let us get to the back of these twin pretty fictions. From the economic point of view, was there any essential difference between this situation and a situation in which the whole of the recoverable expenditure was shown in the budget, as it honestly should have been, and the deficit covered by unlimited printing of currency notes? Again, why is it that sound economics recommend that currency should be issued only against an adequate backing of gold and acceptable foreign exchange resources? Surely because gold and acceptable foreign exchange resources constitute *international purchasing power*. Although the currency issued by the Reserve Bank has been against the backing of sterling assets, due to wartime restrictions and controls, these sterling balances were, for all intents and purposes, frozen and therefore currently did not constitute effective international purchasing power. Currency issued against these sterling assets must therefore evince all the characteristics of inflationary issues. Behind the twin fictions of balanced budget and orthodox central banking, the Government continued its disastrous financial policy and did not wake up to the grave dangers wrought on our economy until the crisis was full on us. Even when presenting the budget for 1943-44, the Finance Member showed little awareness that anything was seriously wrong with the Government's financial and economic policy.

The key to the vicissitudes through which the Indian currency has been forced in the course of the

war is given by the accumulation of our sterling balances to gigantic size. As long as the tempo of war preparation was low as prior to the fall of France and the entry of Japan into the war, the Financial Settlement was instrumental in injecting only a small dose of inflationary issue. This small dose of inflationary issue was probably not quite unwelcome, apart from the evils of lack of coherent economic controls instituted by the Government, especially having regard to the depression of the early thirties from which our economy had barely recovered itself on the eve of the war. But with the fall of France a bulk of the economic burden of supporting Allied power in the Middle East fell on India, while with the entry of Japan, India was drawn directly into the war zone. As a result, Government expenditure went up by leaps and bounds and without paying heed to the economic capacity of India to bear the burden, particularly as the strained shipping position made it difficult to import war materials from Great Britain and the United States. Recoverable war expenditure on behalf of H.M.G. was barely Rs. 40 crores in 1940-41, but it mounted up to (in round figures) Rs. 200 crores in 1941-42, Rs. 300 crores in 1942-43 and Rs. 350 crores in the following year. This led to the continual and unprecedented growth in our sterling balances, which were kept down, in view of the limited possibilities of importing, only by financial operations like the

repatriation of our sterling debts.

The total amount of sterling securities held by the Issue Department of the Reserve Bank was Rs. 949 crores on February 9, 1945, balances held abroad on the same date in the Banking Department being Rs. 352 crores, making a total of about Rs. 1,300 crores. Even though the Empire dollar pool scheme, under which all our income of dollar resources used to be exchanged for sterling balances, has been relaxed a little, it can hardly be doubted that, with the mounting tempo of the Far Eastern war and the increasing importance of India as the operational base, our sterling balances will continue to mount and presently stand at the enormous sum of Rs. 1,500 crores.

How has this enormous load of sterling balances affected our currency? The role of rupee securities for a considerable time has been nil. For several months from the fall of 1943, the amount of rupee securities in the reserve stood at the constant figure of Rs. 58.33 crores. From July 1944 to date, they stood at Rs. 57.84 crores. No doubt, however, there were minor adjustments, when, for example, as in February-March, 1942, a reduction in sterling securities was made good by an increase in rupee securities. But to get an over-all picture of the position of currency expansion in our war economy, we may reconstruct, rather very tentatively, what we may call our "national cash ledger."

THE NATIONAL CASH LEDGER

(Rs. crores)

EXPENDITURE	1940-41	1941-42	1942-43	1943-44	1944-45 Estimates	Total 5 Years
Central:						
Military	73.61	103.93	215.00	263.00	397.23	952.77
Civil	40.57	43.33	78.66	83.93	115.42	361.91
Provincial	95.18	103.48	118.55	117.15	120.00	554.36
Revenue Expenditure	209.36	250.74	412.21	464.08	512.65	1,869.04
Capital Expenditure	7.00	4.00	78.54	72.33	59.41	221.28
	216.36	254.74	490.75	536.41	572.06	2,090.32
Less amount spent in England	30.00	34.00	48.00	48.00	48.00	208.00
Total	186.36	220.74	442.75	488.41	524.06	1,882.32
Export surplus (visible)	41.99	79.90	84.26	91.31	50.00	347.46
Export surplus (invisible)	34.00	18.00	43.00	64.00	80.00	239.00
Expenditure on behalf of U.K. (Recoverable)	43.00	200.00	313.00	346.00	400.00	1,302.00
Grand Total of outgoing Rupees	305.35	518.64	883.00	989.72	1,054.06	3,770.78
REVENUE						
Central:						
Income Tax	25.93	44.06	85.76	128.00	210.00	493.75
Railway contribution	12.16	20.17	20.13	37.64	32.00	122.10
Other heads	69.56	70.34	85.87	83.88	114.00	423.65
Provincial	97.48	107.41	118.00	117.00	(170.00)	609.89
Total Revenue	205.13	241.98	309.76	366.52	526.00	1,649.39
Net increase in Rupee Debt and other funds	45.00	80.00	267.00	(350.00)	(400.00)	1,142.00
Grand Total of incoming Rupee	250.13	321.98	576.76	716.52	926.00	2,791.39
Expansion of currency	52.34	159.58	308.42	264.51	150.00	954.85

In the table all expenditures and operations which go to put money in circulation in the total economy, are shown to constitute the total of outgoing rupees. Contrariwise, all incomes and operations which show the flow of money in the opposite direction, constitute the total of incoming rupees. If we can construct an all-inclusive table, in which all items are accurately recorded, we shall get the national cash ledger, in which the difference of the total of outgoing rupees and the total of incoming rupees will equal the total of currency expansion in each period. The tentative

national cash ledger we have made shows the progress of currency expansion in relation to the approximate relative proportions of our public finance during the war.

The serious measure of inflation through which the Indian currency went during the war has thus been the inevitable result of the wide gap between the total expenditure by the Government of India on behalf of itself and other Allied Governments and the total resources which it has been able to secure through

tax and loans. This inflation was inflicted through the sterling link and our accumulating sterling balances which could not be currently utilized due to war-time restrictions, including that of shipping and foreign exchange control. Total governmental outlay on account of defence, including expenditure recoverable from the British Government was about Rs. 600 crores in 1942-43 and Rs. 700 crores in 1943-44. In 1944-45 defence budget alone was Rs. 457 crores and if we put expenditure recoverable from H.M.G. at Rs. 400 crores, we can visualize the gigantic demands on our war economy. No wonder under this enormous strain, the Indian currency was seriously depreciated in internal value and the only compensation was in the shape of whatever strengthening of external value came from the growing sterling balances and the liquidation of the sterling debts. The wholesale price index has risen to about 300 per cent. of pre-war; the total of notes in circulation was Rs. 170 crores on the eve of the war and Rs. 994 crores on the fall of 1944; demand liabilities of scheduled banks were Rs. 135 crores before the war and Rs. 611 crores on the fall of 1944—showing a characteristic laggard behaviour of bank deposits; again, the percentage of gold and sterling securities to total notes issued was 48.19 in August 1939 and 92.89 in December 1944. Indian cost and prices are violently out of step with world conditions and the Indian currency itself is today not only linked with but, in a sense, virtually mortgaged to the sterling. India's international balance of payments posi-

tion has been improved due to the liquidation of foreign debts and the consequent relief from having to make substantial annual remittances abroad. As against this, the prospects for Indian exports in the new post-war climate of fierce international competition, are not clear and again our imports policy after the war must be fitted to our post-war plan for industrialization. How will the Indian currency, much worsted by the war experience, adjust itself, firstly, to the changed and changing economic and monetary set-up of the world, and, secondly, to the strenuous demands of our vast post-war national economic programme? How far indeed can the two aspects be reconciled with one another? A nation's currency policy must conform to and be governed by its economic policy, rather than *vice versa*. The piteous plight into which our currency has been thrown into during the war is only a symptom of the fact that the Government has had no constructive economic policy to ensure the maximum mobilization and development of our economic resources; rather the Government concerned itself, in the main, only with making pre-emptive purchases of goods and quite heedless of the fact that even the most elementary needs of the civilian population were being recklessly starved. Our post-war constructive economic programme must be matched by a currency policy, both in the domestic and international aspect, in consonance with the urgent requirements of an expanding economy.

Bretton Woods and After

THE United Nations' Monetary and Financial Conference met at Bretton Woods, New Hampshire, U.S.A., from July 1 to July 22, 1944, and formulated the final act embodying the articles of agreement of the International Monetary Fund as well as the International Bank for Reconstruction and Development. This final act has been submitted for the consideration of the Governments and peoples of the countries represented at the Conference and will be implemented only when it has been signed on behalf of Governments having 65 per cent. of the total of quotas in the case of the Fund and of subscriptions in the case of the Bank—the earliest date for the entry into force of the Agreement being May 1, 1945. To those who are aware of the record of international economic conferences, this agreement of 45 nations represents not a small achievement. Lord Keynes, who moved the acceptance of the final act at the closing plenary session, pointed out that this final act has necessarily been in the nature of a compromise—of finding a common measure, "a common rule applicable to each and not irksome to any." The final act as it eventually emerged from the Conference has, in fact, been the result of a series of compromises. Both the British Treasury and the U.S.A. Treasury were engaged on studying the problems of post-war international economic co-operation, particularly in their monetary aspects, for a number of years, and in April 1943, almost simultaneously, but separately, they published their respective proposals for an International Clearing Union and a United and Associated Nations Stabilization Fund. These proposals came to be known respectively as the Keynes Plan and the White Plan. These plans represented two different "technical set-ups," but authoritative opinion soon conceded that they had identical objectives and served essentially the same purpose. The White Plan underwent a number of comparatively minor amendments, representing a change in emphasis particularly in relation to the position of gold and administrative machinery. Discussions continued at the technical level and ultimately it was found possible to evolve a compromise in the

shape of a joint statement by experts on the establishment of an International Monetary Fund. It was this compromise agreed upon by experts representing not only Britain and America but the other United Nations as well, which formed the basis of discussion in the Bretton Woods Conference and the nucleus of the final act.

The "technical set-up" of the original British plan was novel but was theoretically the more elegant. It worked on the extension of the principles of domestic clearing to the international plane. It recognized the fact that, in a closed system, agreement by the various nations to accept one another's promises to pay, could perform all the functions of universal means of payment and could be integrated into a multilateral system. Apart from the novelty of the institution, the charge levelled against it generally has been that, divorced of the orthodox conceptions of "reserves," it created international purchasing power out of air, as it were, and was unduly or dangerously expansionary from the point of view of the world economy. Champions of the plan have referred to it, on the other hand, as the "international application of the doctrine of monetary expansion," and have indeed tended to take the charge as a compliment. In the plan itself, however, there were enough provisions to keep down the tendency to expansionism by linking the volume of overdraft facilities to quotas allocated to the respective countries. There were further provisions to provide graduated pressure on both the debtor and the creditor countries to correct their international balances as also by equi-proportional adjustment of the quotas of the various countries to rectify either a deficiency or excess of world purchasing power.

The American plan, in contrast, was more conservative in structure and envisaged an international stabilization fund to be started with quotas, (in national currencies, foreign assets and gold) contributed by the various countries. It sought to internationalize, so to say, the operations of the various national exchange equalization funds which came into

existence in the thirties. Here, too, the fund had the function of advancing short-term loans to the various countries and allowing them time to correct their balance of payments. This was achieved through the linking of quotas of the respective countries and the accumulation or depletion of the Fund's holding of the various currencies. Here again, there was a system of graduated pressure on the various countries to keep their balances as near to equilibrium as possible. Gold was given a more prominent and definitive place in the scheme. And, finally, what is most interesting from the point of view of India, the American plan in the original form envisaged a clear-cut programme for the multilateral liquidation of the "abnormal war balances."

The joint plan follows, in technique, closely the American plan. The very novelty and unorthodoxy of the Keynes plan, it was felt, was a handicap and "it has proved easier to obtain agreement on the mechanism of the proposed Fund, which has the appearance of being closer to something which is already familiar." In spite of the theoretical elegance of the Keynes plan, and indeed because of it, countries looked askance at it, and it was felt that "confidence and co-operation are so essential to the working of any such institution that it would have been fatal to start with something in which members could not feel entirely confident." Consequently, the joint plan follows, in framework, the American plan but embodies important modifications. The British reference to providing "a quantum of international currency" was, of course, dropped. As for the abnormal war balances, it was urged in many quarters that unless the Fund actively helped the orderly and multilateral conversion, after the war, of these vast balances, the world economy would be heavily tilted and it would be impossible for any healthy multilateral international trading system to emerge. The force of these monetary and economic considerations was not wholly unappreciated, but for political considerations the programme for multilateral liquidation of these war balances, which was envisaged in the original American draft plan, was dropped.

In the original American plan and the revised versions, the joint plan and the final act, there have been successive changes in regard to the position of gold, latitude in control, particularly in regard to short-term accommodation and change of parity, and executive control. The Bretton Woods Agreements, embodied in the final proposals for the Fund, no more than lay down proper rules of conduct in valuing and in dealing with members' currencies and gold and in providing banking facilities for the orderly settlement of current payments, while the Bank is designed to provide long-term facilities for negotiating a specified range of non-current payments. But no monetary agreement can provide all the essential conditions of economic stability which requires the support of adequate commercial and economic policies by the various countries. Lord Keynes, indeed, took pains to make it clear that Bretton Woods set no limit to the commercial policy of any member and that "forms of commercial policy may be so destructive of multilateral trade that, if they are adopted, Bretton Woods will have been rather a waste of time." However, the valid criticism would be whether even in the limited field of monetary action, the provisions of the final act are elastic enough to correct any fundamental departure from equilibrium. It is noteworthy that, while the original plan wanted to "stabilize the foreign exchange rates of the currencies of the United Nations," the joint plan as well as the final act rather promotes "to promote exchange stability, to maintain orderly exchange arrangements among members and

to avoid competitive exchange depreciation," and "to give confidence to members by making the Fund's resources available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity." From the provisions in the scheme, it is evident that the authors regard that there would be no deep-seated disequilibrium in the current balances of payments after the war and comparatively small and short-term accommodation would be enough to tide over temporary unbalances. Thus under Article VI, the resources of the Fund cannot be utilized to meet large and sustained outflow of capital. Again, the credit which the Fund may extend to any particular country cannot exceed a quarter of its "quota" in any 12-month period or aggregate to more than the quota which itself is rather small in relation to the debit side of the foreign exchange balance of the respective countries. Thus India has been allotted a quota of \$400 mn. and so a maximum annual credit facility of \$100 mn. per annum, as against our import of Rs. 165 crores in 1939-40. In other words, facilities afforded in any year would be of the order of 12 or 15 per cent. of pre-war import, quite apart from the consideration that after the war both our volume of imports and general price level would tend to be much higher. Particularly, if India and other countries embark on ambitious national economic programmes, there would be rapid and dynamic changes in the balance of payments. The hope is that such major adjustments in the balance involving large scale capital transfers would be negotiated through the operation of the Bank, while the Fund itself would be adequate to cover the temporary and normal requirements of the changing structure of current trade. There is a graduated pressure on debtor countries to correct their balance of payments by means of levies graduated in respect of both the volume of the Fund's excess holding of any particular currency and the period for which it remains in excess of the quota. The importance of such short-term accommodations cannot be underestimated, but for a country placed like India, the long-term accommodations which we may get either through the Bank or through its good offices are far weightier consideration. But the political and economic considerations which are attached to such loans are not quite encouraging from our point of view.

It is noteworthy, therefore, that in the Bretton Woods Conference, the real battle was fought not so much over the technical parts of the scheme as over the quotas and executive control. In this battle of quotas, political as distinct from economic considerations played the crucial role. Both in the Board of Governors and the Executive Directorate of the Bank and the Fund, votes would be weighed and not counted, and the weighting would be related to quotas of the respective countries—the quotas (or capital stocks) allotted being nearly same in the case of the Fund and the Bank. During the International Monetary Conference, a secret document prepared by the U.S. Government had been circulated giving certain preliminary criteria on the basis of which the quotas should be considered. Later, behind the scenes, the quotas of all other countries were increased, but the quota of India was reduced, thus depriving us of a permanent seat on the executive body. It was frankly conceded that China got a permanent seat because of political and military considerations, while India lost it as otherwise there would be two permanent seats for the British Empire. However, our quota is sufficiently large to ensure a seat for us in every election. There was no reason why the quotas in the case of the Fund and capital stocks of the Bank should be

based on identical political and economic calculations—especially because power as well as amenities and obligations of the member countries are dependent so crucially on such quotas or capital stocks. But, doubtless, after a period of working, powers, responsibilities and requirements of the various nations could be brought in more realistic relationship with one another by revision of the quotas and capital stock and other provisions. The rules in relation to the initial determination of exchange parities and subsequent revision, may also appear unduly rigid to some, while to others it would appear as the most effective recipe for "an international monetary standard without tears." Caution has been urged by many who have argued that the final proposals embody the maximum of commitments which it is practicable to ask from the various countries in favour of an as yet untried institution. Neither the Fund nor the Bank goes far enough, but they are a step in the right direction in the monetary and financial field. Their

success would depend on how many of the countries, particularly the big economic powers, agree to adhere to them and, in actual operation of the schemes, agree to interpret the provisions in a progressive spirit. If other big economic powers adhere to the schemes, it would clearly be in Indian interest to adhere to them likewise. India can exert a powerful voice in the executive body of both the Fund and the Bank, particularly in view of the various requirements of qualified majorities in the provisions of the schemes. In any case, such adherence to these schemes cannot shackle our economic and financial autonomy. Continued adherence to the Agreements, even after signing and ratifying them is completely voluntary, because any member may withdraw at any time simply by giving a notice in writing and "withdrawal shall become effective on the date such notice is served." The Bretton Woods proposals are now before the U.S. Congress for ratification.

Sterling Balances

IT is necessary to have a clear understanding of the origin, nature and significance of what are now widely known as sterling balances. Sterling balances have been held in London before the war by the private banks who may have funds to their credit, by individuals who may have investments in London and by the Reserve Bank. The first two items were always and even now are inconsiderable. The Reserve Bank of India held on the 1st September, 1939, Rs. 59.5 crores as sterling securities which together with Rs. 44.4 crores of gold and bullion held in India constituted the backing for the Indian currency. The Reserve Bank Act lumped sterling securities and gold and bullion together and quite rightly too, because sterling securities held by the Bank being first class bills were readily convertible into gold.

But with the outbreak of the war the whole situation changed. Sterling securities were no longer convertible, but the ritual of external backing to Indian currency was observed. This would not have mattered seriously if the currency expansion in the country was only due to the excess of exports over imports, both on Government and private account, although in the absence of proper controls, inflation would certainly have resulted. But the mechanism of the Reserve Bank Act was utilized for a purpose never dreamt of by the authors of that Act. The British Government who had to undertake large expenditure in India was freely permitted to create practically *ad hoc* sterling bills, pass them on to the Reserve Bank and was thereby enabled to create as much credit as it wanted without any reference to the interests of the people of India. In this way on the basis of a currency system was built a huge superstructure of credit, the volume of which rested entirely with the debtor, not with the creditor. How rapidly the debt was allowed to be created without reference to the people of India may be seen from the fact that the sterling securities rose from Rs. 59.5 crores on 1st September 1939 to Rs. 961.33 crores in 2nd March, 1945, an increase of over 1,500 per cent. The danger of the method of financing the British war expenditure in India lay not merely in the inability or unwillingness of the Government of India from recognizing its inherently inflationary nature but also in making the world believe that the assets were just currency backing and that the question of repayment of the debt to India was not one in which the public need be interested. For after all, were not the sterling balances just mere currency backing and owned by the Reserve Bank? The confusion of mixing up a real loan transaction with currency practice

was found very convenient to the British Government, the Government of India and the Reserve Bank of India which, unfortunately throughout behaved as just an appendage of the Government. Let us now analyse the composition of these sterling balances.

Immediately after the war broke out, all dollar balances held in the United States by residents in India as also the holdings of such residents in American securities were compulsorily acquired, rupee equivalents for the amounts thus acquired being paid out by the Reserve Bank. The exact amount is not known. Secondly, there were normal export merchandise surpluses on private account during the five years ending with March, 1944. These have amounted to Rs. 290 to Rs. 300 crores. Thirdly, there was the export of goods on Government account which is not brought into the published figures of foreign trade; and finally, there were the sale of silver to Britain and the share of Britain's liability for India's war expenditure.

The total sterling holdings of the Reserve Bank at the end of January, 1945, stood at Rs. 1,304 crores as against Rs. 64 crores at the end of August 1939. But as the following statement shows that much more was acquired in the period.

The sources of the supply of sterling and its disposal up to the end of January, 1945, are shown in the following table:—

TABLE I
(In crores of rupees)

	Rs.
1. Sterling Assets held by Reserve Bank August, 1939	64
2. Sterling purchased by Reserve Bank	
Sept. 1939—Jan. 1940	63
Feb. 1940—Jan. 1941	86
Feb. 1941—Jan. 1942	90
Feb. 1942—Jan. 1943	105
Feb. 1943—Jan. 1944	152
Feb. 1944—Jan. 1945	137
3. Sterling payments by H.M.G.	1,245
4. Sterling amounts involved in repatriation	400
5. Other sterling commitments	238
6. Sterling holdings of Reserve Bank at the end of January 1945	1,304

(Item 4) is most important and explains how a considerable part of the sterling acquired before 1943,

was utilized. The process of repatriating sterling debt and replacing it by rupee debt had started before the war, but the amounts involved were small. In February, 1941, two compulsory schemes were brought into operation by which practically the entire sterling debt of India amounting to Rs. 469.10 crores in 1939, was wiped out, leaving only about Rs. 38 crores outstanding in March, 1944. Out of a sterling debt of £365 millions outstanding at the end of 1936-37, debt of the value of £307.2 had been repaid by the end of 1942-43. The Chatfield debt (debt incurred with a view to modernizing the army and its equipment) amounting to £8½ million was also liquidated. Certain railways were also purchased and railway debentures were redeemed. The redemption of sterling involves two stages; First sterling is acquired from the Reserve Bank to pay off the holders of sterling stock, and second, rupees must be obtained to pay for the acquired sterling. Rupee counterpart loans were issued in India but these were not immediately taken up with the result that for some time the Reserve Bank was left to hold the Government's *ad hoc* Treasury Bills. The composition of India's public debt has undergone a significant change, as nearly all of it is in the form of rupee debt.

TABLE II
(In crores of rupees)

	Rupee debt.	Sterling debt.
	Rs.	Rs.
1938-39	737	469
1945-46	2,143	38

Despite some criticism the scheme of repatriation was well received and proved a useful method of reducing the sterling accumulation in a way beneficial to Britain and India. But the problem of how to secure or employ the surplus sterling remaining after repatriation is a vexed one. Until the Bretton Woods Conference the British Government never troubled itself with the question at all. Since then British comments have been tending to be critical of the manner in which sterling credits were accumulated by India and have resorted to various arguments, designed to scale down the debt. It has been argued that the financial settlement has been unfair to Britain. Indian opinion can scarcely be expected to accept the view that Britain would be sufficiently self-sacrificing or so ignorant of the implications of a financial agreement as to negotiate one disadvantageous to herself. The fact that war expenditures mounted up to an unexpected level is no argument against the intrinsic soundness of the agreement itself, which was based on the capacity of India to bear. Again, the argument that India having already undergone the real burden of sacrifice on account of inflation need not now seek to reimburse herself from Britain has no more substance in it than the German argument would have been if occupied countries which were promised markets after the war were told that since in any case they had already suffered from inflation there was no point in seeking to get back their money. India is fully aware of the fact that Britain's expenditure was partly for India's own defence. But ignoring the politics of the matter, an agreement which was practicable only because it was based on an easy, effective but injurious method of passing on the immediate burden to India should not now be scrapped after exploiting it to one's own advantage. The *Economist* (London) and the other British papers have said that the greater the ac-

cumulation, the less the chances of India's getting it back, because it would just be impossible for Britain to repay. Has the *Economist* asked itself the question how it was possible for Britain within less than four years to draw from a poor country-like India as much as Rs. 1,000 crores? If it were argued that the Indian economy could be subject to such a strain which the British economy with its greater productiveness could not bear, India would be entitled to conclude that Great Britain was not prepared to make additional sacrifices commensurate with those imposed on India during the war. In saying this it is not to be understood that there are not other obligations which Britain has to meet and which in view of her reduced economic capacity she may find it hard to fulfil. All that is meant is that without a much more exhaustive examination of the burden which can actually be borne by Great Britain, a mere statement that India cannot expect to be paid back in a few years is hardly helpful or valid. There are many ways open to Britain to repay her debt to India; for example, borrowing from America, disinvestment of her overseas assets, or funding the debt over fifteen or twenty years period. In any case she should be willing to think not merely in terms of her own increasing standard of living, but also of the effects of continued Indian suffering after the war.

Various other arguments have been advanced which do greater credit to the cleverness than to the objectivity of those who advance them. It is said that the prices at which Britain bought goods in India were at inflationary levels. Apart from the moral basis of such an argument, emanating from those primarily responsible for the inflation, it is not precisely true that the prices at which goods were sold were at the prevalent inflationary levels. Internal prices were left uncontrolled; they only injured the people of India. But other prices and those of goods exported on war purposes were controlled. Some indeed were higher than the indices of British prices. But that has no relevance in war time, when each country has to fix prices taking into account all circumstances. The fact to remember is that the prices at which Britain got its goods from India were very much lower than those at which they were sold to consumers within the country—a greater indictment on the administration of a country by another country cannot be conceived. Those Britishers who use this argument are hoist by their own petard. Closely resembling the above in its substance and fairness is the argument that the rupee which on account of inflation in the country had only a low purchasing power in terms of sterling was kept at an artificially controlled rate and hence sterling accumulated in larger volume than otherwise would have been the case if the high rate had not been artificially maintained. This, of course, is simply absurd. If the rupee had not been controlled, it would (as it did in the last war in very similar circumstances) have gone up in terms of sterling to 2 shillings, indeed to any giddy height. Who would want the sterling with which nothing could be purchased? Everyone would demand the rupee because the rupee meant convertibility into goods and materials which were required by Britain. These arguments have only to be stated to expose their untenableness.

A proportion of the sterling assets will, of course, continue to be the backing for the large currency in circulation. But it is not necessary to have more than Rs. 200 to 250 crores for that purpose. With the continuance of the war for another year or two the debt which Britain will have incurred in India will have amounted to Rs. 2,000 crores or thereabouts.