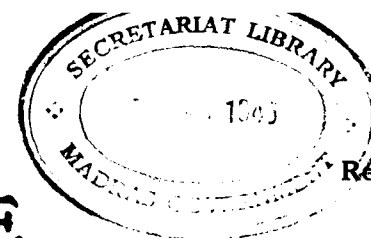


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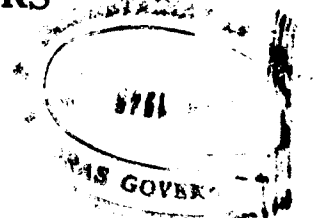
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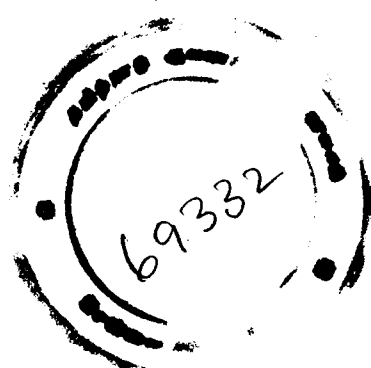
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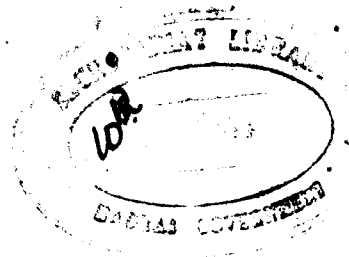
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War-Time Price Trends

IN framing the proper price policy for India after the war, there are two sets of considerations to be taken into account. In the first place, wide disparities in national price levels have emerged under wartime controls and, although Indian price level has risen steeper than in such countries as the U.S.A. and U.K., there are other countries, viz., China, Middle East and Turkey, which have registered a much bigger increase in prices than India, and in the readjustment which will be necessary, the correct height of prices will have to be decided in the light of the occurred inflation in those countries and the averted inflation in others capable of coming to the fore when wartime restrictions are relaxed.

If, from the competitive point of view, reasonable parity with external prices is essential, proper relationship between the different groups of relative prices within the country itself is no less essential for internal harmony and equilibrium. The general price level is, after all, composed of the prices of the diverse groups of commodities, and it is the reasonable relationship among them which we decide upon as being desirable which should determine the height of the general price level.

very differently affected in the course of the war. Roughly, the following phases in their relative movements may be distinguished: (a) August-December 1939—Initial Spurt, (2) January to June 1940—Decline; (3) July 1940 to July 1941—Steady Rise; (4) August 1941 to March 1942—Restrained Upward Trend; (5) April 1942 to June 1943—Steep Rise; (6) Since July 1944 —Slow Downward Tendency. The table below gives figures of indices of prices of different groups of commodities for the different phases:—

(Base: Week ended Aug. 19, 1939=100)

	Dec. 1939	June 1940	July 1941	March 1942	June 1943	March 1944
Food and Tobacco ..	127.5	106.3	127.0	130.5	303.3	283.8
Other Agricultural commodities ..	127.5	106.3	127.0	130.5	303.3	283.8
Raw Materials ..	125.5	117.0	146.2	162.4	178.4	196.6
All Primary Commodities ..	135.9	112.4	136.7	139.4	237.5	222.0
Manufactured Goods ..	144.5	120.0	157.3	162.5	307.5	282.3
General Index ..	137.8	114.1	140.9	144.2	241.7	226.3

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In the initial spurt in prices till December 1939 which followed the outbreak of the war, food and tobacco, *i.e.*, rice, wheat, tea, groundnuts, etc. registered a much smaller increase in prices than other agricultural commodities, comprising commercial crops like raw cotton, raw jute, linseed, etc. Raw materials, *i.e.*, pig iron, coal, lac, raw wool, hides and skins, kerosene, petrol, etc., rose even less. Manufactured articles rose in a smaller degree than the prices of commercial crops, which, therefore, seemed to have gained the most out of the initial boom. By June 1940 in the next phase, much the greater part of the rise had been lost, the prices of manufactures alone showing greater resistance than others. In the succeeding twelve months ending July 1941 the steady upward movement took the prices to the high point of December 1939. Manufactured goods reaped the biggest advantage, primary commodities much less. In the next eight months ending March 1942 food and raw material prices went up steadily and consistently, but prices of commercial crops, especially raw cotton pursued an erratic course and slumped towards the end of the year, resulting in the campaign for a shift of production from commercial to food crops. Thus from September 1939 to March 1942, the prices of manufactures rose most and maintained the rise, while the raw materials, most of them industrial in character also rose in an almost equal measure towards the end of the period. Agricultural commodities enjoyed a much smaller rise, the commercial crops being the least gainer standing at the level of 117 in March 1942.

It was, however, in 1942-43 and the first quarter of 1943-44 that the steepest rise in all prices was witnessed and that the primary commodities recorded even a bigger increase than manufactures. Primary commodities rose from 139.4 in March 1942 to the peak 237.5 in June 1943, *i.e.*, by 98 points. Among them, food and tobacco at the peak at 303.3 in June 1943 had risen largest by 173 points, and commercial crops by 136 points, while raw materials had registered a rise of only 20 points by June 1943. Prices of manufactured articles rose only 97 points in the period. The largest increase in the prices of manufactures was in cotton manufactures by 320 points from 193 in March 1942 to 513 in June 1943. Steel prices rose by 130 points, and cement by 53 points, while in controlled articles such as kerosene, petrol, etc., the rise recorded in the official computation is small, whereas black market prices which are the only true prices must have been considerably higher.

Since July 1943 there is a tendency for prices to decline, but official efforts at control and stabilization have not been attended with any considerable degree of success. Food and tobacco stood at 300 in June 1944, while the new food index, with the week ending August 25 as base, which stood at 243.4 in February 1944, has so far declined only by 9 points. Other agricultural commodities have fallen by over 50 points, but this is due to the consistent fall in the price of raw cotton by 74 points in the year ending June 1944, and efforts have to be taken to keep them above the 'floor.' Raw material prices are still going up, 204 in June. Among manufactures, the group index shows a fall, but only cotton textiles showed a fall as against increases in others.

Statistics from 1942 might suggest that latterly primary producers have benefited more than the makers of manufactured goods. But there are serious limitations to the validity of the inference. The soaring food prices do not reflect a state of rural prosperity, but only acute shortage of foodstuffs. The

rise in raw material prices mainly benefits the raisers of coal and pig iron and sellers of lac and raw wool, most of whom are not to be regarded as agriculturists. As to the manufactures, all prices other than cotton textiles have not declined, while the control prices of most of them reflect neither the black market prices nor the extreme shortages which have been imposed on the people.

However wartime price changes may have benefited the different groups of producers, in fixing the price-level after the war not only should relative justice among them be aimed at, but care should be taken that agricultural prices do not slump violently. If, as many fear, a general slump occurs in India after the war, agricultural prices might collapse and fail to recover for a long time as in 1929-33. Such a possibility should be countered by suitable measures such as are adopted in regard to raw cotton at present.

It is difficult to suggest any level at which agricultural prices should be stabilised after the war. In a previous article on 'Price and Cost Structure' we pointed out the possibilities of cost reduction in industries. Agriculture would seem to offer no similar possibilities except in the sense that an improvement of agricultural technique, long desired, but never achieved, would reduce costs. The only way in which agricultural costs have been cut down in the past has been by reducing the wages and incomes of the agriculturists and it is just the contingency against which protective measures will be necessary as stated above. Extreme sensitivity to decline and unresponsiveness to recovery are the main characteristics of agricultural prices and they should be given equal importance with other factors such as war-time trends in the determination of the price structure after the war.

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Economic Terms of Peace

IT has been known that a committee of experts of the Allied Governments has been long at work on plans for the military and economic control of Germany which might be included in the armistice terms. Even for the generation which had experience of the economic consequences of peace at the end of one world war, the attainment of unanimity on a valid economic policy towards the defeated nations, would be no easy task. Certainly the different Allied countries approach the question from not wholly identical, political and economic angles. Although nothing authoritative has been known about the attitudes of the various Allied Governments, it has been generally assumed that there is considerable scope for mutual accommodation of views. The recent revelation that there are sharp differences even within the counsel of, for example, the United States Government, is a reminder that there exists a genuine intellectual dilemma and the general issue needs to be thrashed out in a dispassionate manner.

The dilemma, in essence, is nothing else than the concomitance of security and prosperity, although at the fringe of constructive thinking, it is often interlaid with questions of international economic rivalries. In an age of mechanized warfare, the central position of Germany in the heart of the European continent, with a vast concentration of industrial power and especially of heavy industries, endows her with an advantage in strategic calculus which is a menace to the security of the continent and so of the entire world. To the military mind, therefore, a rational peace policy towards Germany consists in a programme for dismantling of all her heavy industries to take the 'fangs' out of her industrial power, so that it cannot be easily bent again for aggressive purposes. The dilemma arises because the key industries which are vital for an effective re-armament programme, are also in the same measure essential for a rapidly expanding peace economy, so that apparently the conditions of security cannot be attained except at the expense of prosperity. According to reports, there have been sharp differences in President Roosevelt's Cabinet Committee on German Peace Policy, and Mr Morgenthau has taken the uncompromising attitude of completely destroying Germany as a modern industrial state and converting it into an agricultural country of small farms. Both Mr. Cordell Hull and Mr. Henry Stimson have expressed their unqualified dissent from Mr. Morgenthau who, it appears, has already, lost his battle in the inner councils. The European Advisory Commission in London, which is charged with the formulation of a joint Allied policy towards Germany, on the other hand, is reportedly contemplating to render Germany actually and potentially powerless for all future war-like purposes while allowing "her domestic economy up to but not exceeding the limit at which the general economy of Europe would suffer." In short what is aimed at is nothing short of a long-range economic disarmament of Germany within the elastic limits of maximum and minimum set by considerations of security and prosperity.

Mr. Morgenthau could indeed be convicted out of his own, for while opening the Bretton Woods Conference, he said, "Prosperity, like peace, is indivisible. . . . Poverty, wherever it exists, is menacing to us all and undermines the well-being of each of us. . . . We know that the thread of economic life in every nation

is inseparably woven into a fabric of world economy. Let any thread become frayed and the entire fabric is weakened. No nation, however, great and strong, can remain immune." The de-industrialization and impoverishment of Germany would lead directly not only to the loss of the natural market for the agricultural surpluses of the Balkans, but also to the creation of a giant vacuum for the export trade of the other great industrial countries. The fallacy in the plea of the Chairman of the American Maritime Commission that "German and Japanese foreign trade should be divided between the Allies" consists in regarding foreign trade merely in terms of competition and rivalry for export markets, forgetting that conjointly Germany and Japan offer an equivalent market for the wares of other countries.

A rational economic peace policy must be based on the clear recognition of certain principles. *Firstly*, the world economy under modern conditions is integrated to an extent that it is not possible to inflict economic punishment on any substantial segment of it, without grave consequences recoiling on the rest of it or involving it in far-reaching and painful adjustments. The problem consequently consists essentially in a constructive integration of Germany and Japan into the world economic and political system. *Secondly*, and at the same time they cannot be absolved from their responsibility for the holocaust and must themselves be made, over a defined period, to make significant contributions towards such constructive integration. Reparations and other economic terms of peace would not be self-defeating only when they are conceived as part of and integral with the wider framework of economic and political reconstruction.

To take the aspects of security first, the constructive alternative to the de-industrialization of Germany and Japan, would be to make these countries help the industrial strengthening of the relevant strategic zones. In other words, strategic balance is better achieved by a levelling up of the industrial power of the weaker countries than by a levelling down of the industrial power of Germany. The strategic belt, the industrial strengthening of which is an urgent task from the point of view of the organization of international security, consists of a great arc stretching from the Balkans through the Middle East, India and South-East Asia to China. At either end of this great arc stand the incipient strategic pressures of Germany and Japan, while the arc itself girdles the massive industrial power of the Soviet Union.

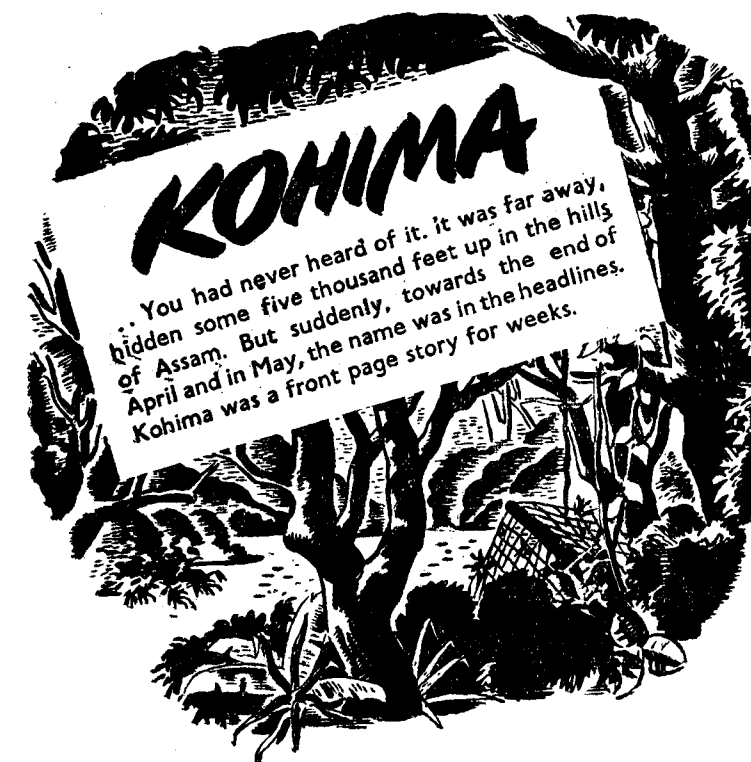
At this point, therefore, the long-term strategic end merges with the short-term problem of economic rehabilitation of the devastated territories in Europe and Asia as well as the long-term economic end of initiating an expansionist world economy. It is now more and more being recognized that another "long wave" of economic expansion depends in a large measure on the rapid development of the comparatively backward areas of the world; and a more evening up of the level of economic development throughout the world is again seen as an essential means of securing world strategic balance. Thus is solved the apparent dilemma of security and prosperity which is posed by the problem of formulation of a valid economic peace policy towards Germany and Japan after their defeat.

How then are Germany and Japan to help the rehabilitation of the devastated territories and then the long-term economic development of the regions in

question, without permanent injury to their own essential economic interests? *Firstly*, the period of probation and payment of reparations would be for a stated period of, say, 10 or 15 years after which they would be able to participate on equal terms in an international system of increasing prosperity. *Secondly*, there would be no dismantling or destruction of German and Japanese industrial capacity except of purely armaments factories which cannot be converted to peacetime use. A stated part of the industrial capacity in the two countries would be placed at the disposal of the various Governments according to a programmed schedule. Thus, it may be stipulated that 90 per cent. of the industrial capacity of Germany and Japan which is at present devoted to producing capital goods and armaments would be converted to produce capital goods to help reconstruction and development of the various countries nine (or six) per cent. reverting to the owning country at the end of every one year, so that at the end of 10 (or 15) years, the whole of the industrial capacity would revert to Germany and Japan. There would therefore be no immediate reduction of standards of living in Germany and Japan, which would be steadily stepped up fully in the course of 10 (or 15) years. This programme itself would yield reparations payments of probably about £20,000 mn. or £30,000 mn. respectively in the course of 10 or

15 years. *Thirdly*, the financial fiasco of the reparation payments after the last war would be avoided. Each of the devastated countries in Europe and Asia and the countries in the great strategic arc would get a quota of blocked marks and blocked yens. These blocked currencies would be placed at the disposal of various *ad hoc* National Boards charged with the task of reconstruction and development. These blocked currencies could be traded against the dollar and sterling balances accumulated during the war (thus introducing the element of multilaterality), but the unutilized portions of these balances would be cancelled after a stated period. Economic terms of peace conceived on some such lines imposing a definite practicable quantum of reparations payable in kind and labour power, according to a programmed schedule, will not only safeguard the essential economic interests of Germany and Japan as integral parts of the world economy, but will also quicken the pace of world recovery and rate of global development. It could avoid both the unpractical cry for a Carthaginian peace like the reported Morgenthau plan for Germany and the reverse error of sloppy sentimentalism and the problems of rehabilitation, reparations and long-term development of the backward countries would emerge as part of an organic constructive effort designed to create the permanent fabric of international security and prosperity throughout the world.

EPIC OF KOHIMA



TOJO'S MEN had crossed the Chindwin. Slowly, stealthily, they had reached the slopes of Mt. Japvo and the Naga Hills. They took the few ridges and hills around Kohima. The Nagas had

been driven out of their villages. Their houses were burnt, their huts were razed to the ground, their pigs, poultry and crops looted and plundered. "INVASION OF INDIA" the Japanese called it.

Events moved rapidly. You remember the names: the Jail Hill, the GPT Ridge, FSD Ridge, the Pimple and lastly the D.C.'s Bungalow. It was a bitter battle.

BUT OUR MEN, GREATLY OUTNUMBERED, NOT ONLY HELD OFF THE ATTACK, BUT ULTIMATELY SMASHED THE FOE AND WON A GREAT VICTORY.

This was the epic of Kohima. Here our men proved that...

"WE CAN BEAT THE JAPS and we ARE BEATING THEM BACK"



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The Week's Notes

SCHACHTIAN DEVICES

In an article under the above caption in the August issue of the *Banker*, Dr. Paul Einzig lists some of the more important unscrupulous commercial devices adopted by Nazi Germany and points out how Britain can give assurance that she will not resort to such tactics in regard to blocked sterling balances. Britain, he says, must make clear that (1) blocked sterling balances will be regarded as a deplorable necessity and attempts will be made to keep them down as far as possible, instead of increasing them, as Dr. Schacht did, (2) the whole range of British goods will be made available to the creditors and Britain would not follow the German example of trying to sell "millions of mouth organs and shiploads of aspirins" (battered trucks and surplus war materials, we would say) in settlement of the claims, (3) the price of British exports will be the same to holders of blocked balances as to buyers who want to pay in gold or dollars and there will be no multiple currency rates, and (4) Britain will not aim at securing a monopoly of the export trade of any country, but would get her requirements at competitive prices. These terms would surely go a long way towards assuring "non-discrimination" in bilateralism, but is Britain in a mood to accept them?

A P.E.P. SCHEME FOR STERLING DEBT.

P. E. P., the well-known independent, non-party research group in Britain, has issued a broad-sheet on India's sterling balances which appears to be a much more careful and much less unfair appreciation of this country's difficulties than has so far been possible in the new debtor country. The broad-sheet dismisses as 'disingenuous' the *Economist's* suggestion for retrospective or any other revision of the Financial Settlement in favour of Britain. It concedes that the bulk of their purchases in India have been made at controlled prices which have risen much less than rupee prices in general. It suggests that 40 per cent. of the sterling assets might be held as cover for currency, but admits it is debatable. It has no objection to the sale of remaining British private assets and of H.M.G.'s war factories in India. It concedes that "the annual repayment of £100 million, for instance, would represent little more than one per cent. of the nation's present income. This should not put an excessive strain on our national economy and standard of living even if we fail to achieve full employment; indeed in such conditions such repayment would constitute valuable employment." But when it comes to concretising these fine sentiments, the performance falls far short of expectation. It would not admit India's right to multilateral convertibility. It would suggest it to "India's advantage to be patient and accept repayment mainly in the form of imports of Britain or at least from the sterling area" and would even prevent free convertibility within the sterling area. It would like annual payments to be transferred to blocked accounts which could be drawn on only for the purchase of British exports and only if purchases from blocked accounts were additional to the creditor's normal imports from Britain. In short, P.E.P. unlike many other British interests, would accept the debt in full, and agree to repayment at £100 million per year, but insist that much of it should be multilaterally inconvertible. What it, however, unfortunately overlooks is that such insistence on blocked accounts and bilateralism, with their inevitable concomitant of selling unwanted goods at unfair prices to the politically weak creditor is nothing, but the enthronement of Schachtian devices in condemning which Britain has been consistently most vociferous.

NOT ENOUGH RICE

To the people of Southern India, unsettled by official forecasts of an unsatisfactory rice harvest, Sir J. P. Srivastava is reported to have appealed to take up wheat for their food. Said the Food Member: "Rice I cannot give; wheat I can. I would like the people of Madras to take more and more to wheat. It is a more nutritive food." Here at last we have a tacit confession from the head of the country's food organization that the "Grow More Food" campaign has after all been not much of a success in at least one vital sector of food supply, viz., increased rice production. One is free to draw legitimate conclusions regarding the other sectors, and it is evident that those conclusions are not likely to be very flattering to Sir Jwalaprasad or his colleague, Sir Jogendra. The brutal truth is that the Government of India have failed to increase food production appreciably and whatever may be their grand projects for the future, they owe it to the public to admit honestly that they have not more than nibbled at the problem in the past. Our dependence on imports consequently becomes more emphatic and, fortunately, the world wheat position is bright rather than otherwise, thanks to the efforts of the Governments in other countries, who have been more mindful of their responsibilities than the Government of India have been of theirs. The United States crop, which by now has been gathered, is estimated at 1,115,000,000 bushels, compared with the previous year's 836,000,000 bushels and is said to be the largest in the country's history. Canada also is stated to have done very well; this year's production is 447,656,000 bushels, while last year's was no more than 293,660,000 bushels. It is clear that these excellent Northern Hemisphere crops should help to guarantee adequate supplies for all deficiency areas. How far this country actually benefits through this bumper wheat production depends on the degree of shipping priority, which the Government of India are able to persuade H.M.G. to grant to wheat consignments for India. Sir Jwala Prasad's assertion that he can supply adequate wheat is not likely to carry conviction as his oft-repeated promise to secure from abroad an extra 400,000 tons by the end of September has not been fulfilled.

We would also like to join issue with the Food Member over his excursion into the field of nutrition science. What exactly did he mean when he said that wheat is more nutritive than rice? If the comparison is between highly polished milled rice and whole wheat, the statement is true enough. But, when hand-pounded, under-milled or par-boiled rice is considered, there may not be any decisive advantage to be claimed for wheat from the nutrition point of view. It is not altogether unknown that, although the protein content of rice is lower than that of wheat, its biological value is superior. Perhaps, asking the people of Madras to eat more wheat and of Bengal to eat more gram are just graceless official tricks to side-track attention from the unsatisfactory progress of the Government's much-advertised food production drive. Perhaps, Sir Jwalaprasad was just uttering a cliché.

INDIAN INVESTMENTS IN BURMA

The pall of mystery which enshrouds the negotiations in Indo-Burman relationships now going on, coupled with the brazenery of men like Sir Alfred Watson who would exclude India from participating even in the legitimate economic activity of helping the development of Burma, naturally excites apprehensions and uncertainty in the public mind in regard

to the future of the investments of our countrymen there, which question, in any circumstances, would have been one of the most complicated in the post-war reconstruction period. It is difficult to estimate precisely the amount that has been invested by Indians in Burma because of the fact that, even though greater in amount than European investments, most of it is invested in lands, buildings, etc., and it is difficult to evaluate their precise amount in the absence of a very detailed survey, and Indian corporations whose financial accounts might be helpful in this connection are almost rare. Much of the largest Indian investment was made, undoubtedly, by the Chettyar community from Southern Madras Presidency who went to Burma soon after the opening of the Suez Canal in 1869 stimulated the export of rice to Europe and, with immense labour and at great cost, brought Lower Burma under cultivation and helped it to become "by far the most important rice-exporting regions in the world." The Burma Banking Enquiry Committee (1930) estimated their total investments at Rs. 750,000,000, two-thirds of which were thought to be invested in agriculture. The depression adversely affected them, but, it is probable, as Prof. Andrus has suggested, that their "total investments... continued to equal the 1930 figure." Apart from this, there is the money of the Indians invested in real estate in the various important cities such as Rangoon, etc., and the network of Indian cloth shops and other small establishments all over the country. Prof. Andrus estimates that Indian holdings of real estate in Burma may have been upwards of Rs. 25,000,000 and the aggregate value of the latter class of property may be put at Rs. 8,000,000. Burma's largest sugar mill, an important cotton knitting mill, a small oil refinery whose total value may be estimated to have equalled £1,000,000. All this would make a very big sum, and some form of restitution to their rightful owners must be contemplated in all fairness to them. Bombing and the war may have damaged or destroyed some portion of this wealth. It would be fair in such cases to pay a compensation to the Indian owners, and this should be made a charge on Burma's public debt. The biggest difficulty and the most delicate problems are likely, however, to arise in connection with the restoration of paddy fields which might now be in the hands of Burmans who would surely be reluctant to begin paying rents, etc., again. Given goodwill, however, all this may and should be solved to the satisfaction of both the parties. This is to be hoped that this aspect of Indo-Burman relationship will receive the attention it deserves.

EX-SOLDIERS AS VILLAGE GUIDES?

It will be recalled that the 15-year plan proposed by the Imperial Council of Agricultural Research provides for the appointment of four lakhs of village guides at an annual cost of Rs. 8 crores. Granted that the farms should be more closely and continuously linked to the laboratories and research stations than hitherto, a great expansion of the now inadequate extension activities of the agricultural departments becomes necessary. The Council suggests that the labour of the departmental staff would become more effective and less onerous, if instead of being called upon to explain matters to 46 million individual farmers, they could deal with a representative farmer in each of the 400,000 villages in British India, who would, in his turn, carry the message of better agriculture to the other cultivators in the village. They, therefore, recommend the appointment as rural guides, on an honorarium of Rs. 200 per annum, of active members of the village communities, "who, while cultivating his own land, could give part-time service to act as a

link between the technical experts and the cultivators in his village." Initially, he would receive practical instruction of a few months' duration at departmental centres in the various improved agricultural and animal husbandry practices applicable to his village conditions and would duly himself introduce them and get others to do so. He would be kept posted with up-to-date information and literature on all topics of interest and importance to the farmers and he would arrange with the departmental staff for the supply, through the village co-operative or other organization, of the seeds, manures, insecticides and other needs of his village. There is not only nothing objectionable in this scheme, but the system of trained rural guides is to be warmly welcomed as a necessary first approximation in Indian conditions to the ultimate ideal of general agricultural education for the farming community after the model of the Danish People's Schools. Unfortunately, however, an allied recommendation of the Council that the demobilized soldier should find a large place in the ranks of the village guides has caused misgivings in certain quarters that the institution of village guides would be perverted to serve the purpose of finding soft jobs for ex-army men. Given the political complexion and the vested interests of the present Government, he would be a bold man, indeed, who would assert that such suspicions are totally ill-founded. There is, therefore, need for public vigilance to be exercised to see that a good scheme is not twisted to subserve ulterior purposes. While nobody will be inclined to question the need for rehabilitating demobilized personnel, everybody will agree that the success of the village guides scheme depends entirely on the character and abilities of the persons chosen as guides and that the mass drafting of ex-service men, without a close scrutiny of their suitability, will defeat the very purpose of the scheme and weaken the vital link in the chain of extension activities. No less than a person than Sir T. S. Venkataraman himself has, in the course of a recent letter to the Editor in the *Hindu* stressed the need for drawing upon the experienced local cultivators to man the corp of village guides. Basing himself upon his rich personal experience, he testifies to the practical knowledge and good sense of our farmers and suggests that better agriculture can come only through the initiative and leadership of the better cultivators. It may, therefore, be emphasized that if and when the scheme of village guides is approved, it should be categorically laid down that the persons selected as guides should be cultivating farmers, with intelligence to profit by teaching and initiative to put things through.

PROGRESS OF FUNDING

The following table of figures of the different rupee loans classified according to the period of maturity and their percentage to total rupee debt gives some idea of the funding of the public debt which has been in progress in the last two years:-

	End of March 1942		End of March 1944	
	Per-	Per-	Per-	Per-
	Amount (Rs.)	cent. age	Amount (Rs.)	cent. age of
	crores)	Total	crores)	Total
Undated Loans	164.18	17.4	283.89	21.3
Loans over 10 years	261.77	27.8	445.67	33.4
Loans between 5 and 10 years	68.75	7.3	85.38	6.4
Loans under 5 years	117.16	12.5	182.86	13.7
Treasury Bills	136.98	14.6	110.61	5.3

The loans over 10 years have shown a large increase, as well as the undated loans; Treasury bills which totalled Rs. 264.70 crores or 21.9 per cent. in March, 1943, have distinctly fallen both in volume and as proportion of the total debt. Loans under 5 years have grown though not to the same extent as other loans. India's position can compare in this respect with that of Britain which in 1942-43 had 35.9 per cent. of her debt in loans under one year 11.8 per cent. in loans between 1 and 5 years and 42.6 per cent. in loans over 10 years. One feature of British public debt which contrasts with India is that whereas in 1938-39 in Britain loans over 10 years accounted for 71.5 per cent. of the total, they had fallen by 1942-43 to 42.6 per cent., which shows that the bulk of war-time borrowing has been in short and medium-dated loans. In India on the other hand loans over 10 years have risen from Rs. 113.80 crores or 16 per cent. in 1939 to Rs. 445.67 crores or 33.4 per cent. of the rupee debt in 1944, thus revealing a more favourable fund-
ed position.

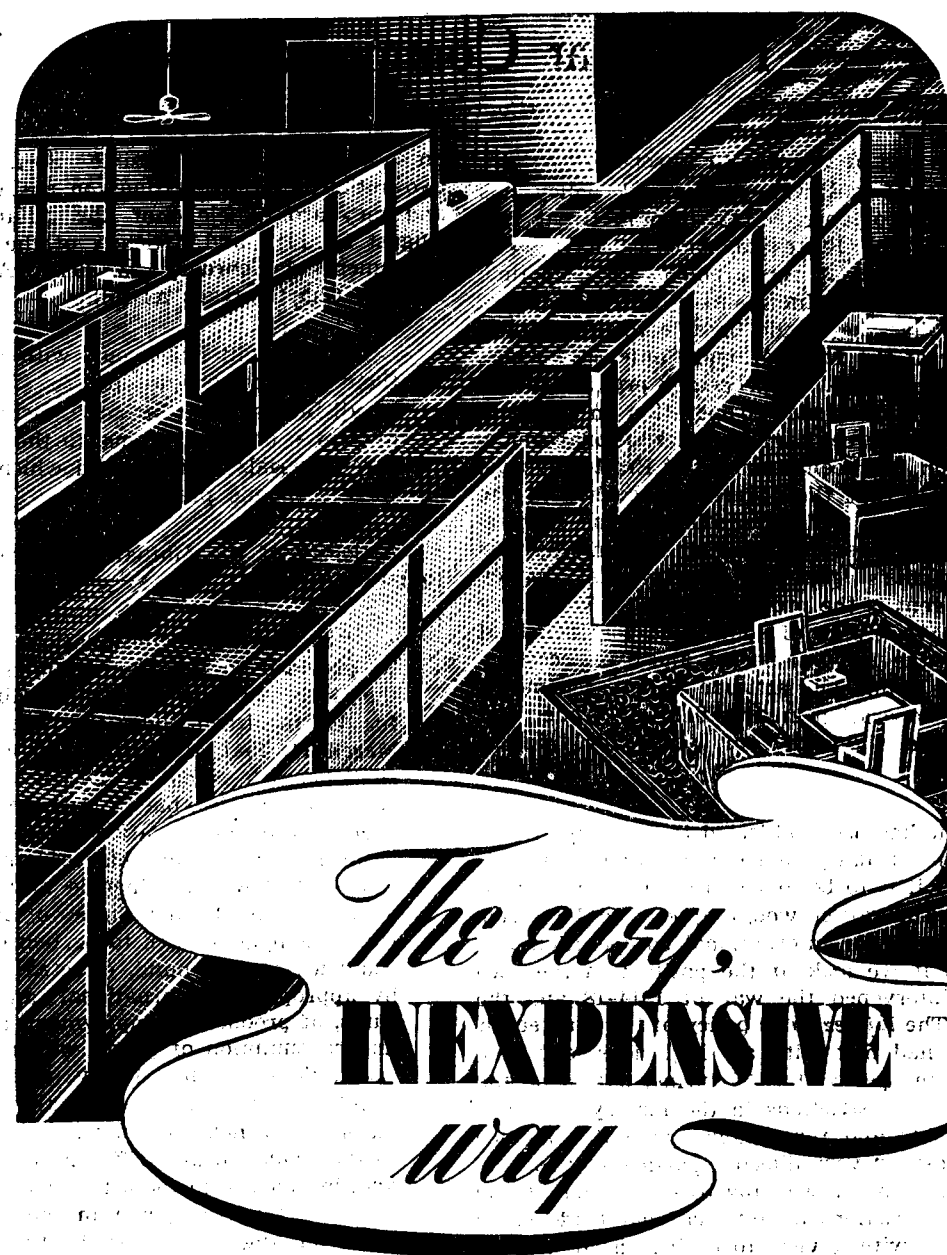
WILL U.N.R.R.A. HELP INDIA

When the question of India's participation in the U.N.R.R.A. came up for discussion the Central Legislature, it will be recalled, agreed to it only on the condition that the Administration would be willing to come forward to help the country, wide parts of which have terribly suffered from the inadequate supply of foodstuffs in particular and of other consumers' goods in general. The U.S.A. made a similar reservation. And so this question came up before the Policy Committee of the U.N.R.R.A. when it met recently at Montreal. India's need for relief was urgent and pressing for her 'suffering has been greater in volume than that of all but very few of the countries actually overrun by the enemy' to whose claim to help nobody seems to have objected. And between the Central Legislature's reservation and the Policy Committee's meeting considerable time was allowed to elapse to the distress of this country. Even then the country was naturally anxious to know whether or not she would be considered worthy of help on humanitarian grounds. At first there was some confusion and conflicting news came to us. Eventually, however, the Policy Committee passed a resolution which empowered it to extend help to India should famine and disease strike there. But even then it does not appear certain that India will receive any adequate help; for this resolution is still hedged by the clause 'in so far as funds permit.' Is it likely that funds will not run short for India? We have grave apprehensions that it will. It will be remembered that at the last session the British delegation opposed the inclusion of India among the beneficiaries of the U.N.R.R.A. What led them to this was never made clear. But it is probable that the fear of a lowering of the British Government's prestige consequent upon a realization by the outside world how grievously the country's food problem has been neglected, was the chief motive. Similar reasons, it seems, have prevented the India Government from asking for help. But quite apart from these some other objections and hurdles have been mentioned which, it is argued, rule out the possibility of immediate supplies being despatched to this country. India is the fourth biggest contributor to the Administration and it is not proper to return aid to contributing nations. But if India deserves help—and we cannot over-emphasize that it does—such purely technical trivialities should prove no insurmountable barrier. Then there is the usual plea of lack of shipping space which it is said is likely to increase with the intensification of the war in the Pacific. That

argument should indeed die on the lips. If space can be found for sending whisky to India and shipping wedding apparels from America to Great Britain it should be found for feeding India's starving millions.

NEW ECONOMIC FRONTIERS

It is well known that the unprecedented economic expansion in the nineteenth century was geared to great investment possibilities along two different dimensions, viz., intensive investment to equip the countries with new technological inventions like the railways, and, secondly, extensive investment to provide equipments for new lands and growing populations of the western countries. Today, the population growth has ceased in the western countries and the possibilities of opening up new territories by them have also dried up. With the territorial and demographic frontiers no longer expanding, investment opportunities for the advanced western countries have considerably dwindled and, given the deep-rooted patterns of consumption and saving, this has made the attainment of full employment equilibrium more and more difficult for them. We can indeed reasonably expect that the pace of technological invention would not be slowed down in near future and, therefore, the scope for intensive investment would remain undiminished, even after taking into account capital-saving inventions; the western countries would have still to find effective avenues for extensive investment. Economists of the advanced industrial countries are more and more coming to recognize that such avenues could be provided only by rapid development of the backward countries of the world—not in the sense of colonial exploitation as of old, but of intensive and programmed development. The *Amerasia* recently, declaring that Britain after the war "will be more than ever dependent on an expanding export trade" to compensate for the loss of income from overseas investments and financial and shipping services, said: "Her only hope for finding new export outlets lies in increasing the purchasing power of impoverished areas like India." With the stabilization of the old territorial and demographic frontiers, she must seek out a new and rapidly extending 'economic frontier.' The *Amerasia* visualizes two "economic alternatives" for her in her search for this "new economic frontier": "She can either return to a preferential system within the Empire and agreements supported by barter arrangements with non-Empire countries or decide to co-operate in the development of an expanding world economy through financial and technical aid to the backward areas and abandonment of colonialism and the system of imperial preference." The alternative posed thus, however, is more spurious than real. For the second and decidedly the more potent alternative subsumes an economic universalism in which Great Britain could undoubtedly participate with benefit, but the success of which would depend not so much on her initiative alone but on decisive support of the United States and her enormous economic power. But the possibilities of the system of imperial preference, especially as it was operated before the war with its restrictionist bias, are strictly limited and can hardly pose as offering an effective economic frontier, without radical change in the economic and political foundations of the Empire. Certainly, the *Amerasia* stands on firm ground when it calls upon Britain "to renounce the 19th century mentality still prevalent among the upper circles in England" and "to co-operate in the creation of that new system of economic relations which is so essential to world security, progress and peace. Only then can we hope for the development of India as a 'new economic frontier' not only for ourselves, but also for the people of India, Britain and the world."



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SPECIAL ARTICLE

Post-War Commercial Policy

(Contributed)

NOW that the end of the war in Europe is in sight, the subject of post-war commercial policy has assumed great importance. Statesmen in Great Britain and the United States of America have been thinking seriously about the problem for sometime now, and it is ~~that~~ that India should now clarify her ideas in order that she should be able to present her case effectively at the International Conference which may soon be summoned. A necessary preliminary to any scheme of international co-operation in the field of trade and commerce, namely, international monetary co-operation, has been discussed at Bretton Woods, and it is possible that the agreement reached at the Monetary Conference will be ratified by the Governments of the countries. Yet another reason why this problem of India's post-war commercial policy has become urgent is the probability that this country is likely to have a plan of some kind for industrial development in the post-war period, and it is necessary that we should define our attitude to any scheme of international co-operation in the field of trade and commerce in the light of our plans for internal development.

World trade has been subjected to so many strains and stresses, particularly since the thirties of this century, that if it is to be aided to grow, some sort of international co-operation would appear to be essential. The necessity for international co-operation will be appreciated if we look at the position in the two decades that intervened between the war of 1914-18 and the present war. The *laissez faire* policy of the nineteenth century world had met with an inglorious end and, what is more, the period 1919-39 turned out to be the most eventful for restrictions in the history of world trade. War debts and reparations made the balance of payments position very difficult, particularly for the debtor countries, and it was towards the end of the twenties that restrictions on international trade came to be placed, all with a view to easing the difficulties arising from the balance of payments position. During the Great Depression of 1929-33 world trade contracted and more restrictions by way of tariffs and quotas came to be levied in this period. In order to ease the movement of goods between countries, a series of trade agreements came to be negotiated, the most outstanding of these being the Ottawa Trade Agreements of 1932, concluded between the different members of the British Commonwealth of Nations. These agreements as well as the agreements concluded by the U.S.A. round about 1936 were all bilateral in character, i.e., the procedure adopted for negotiations was bilateral. It is necessary to observe here that in spite of the resort to trade agreements for freeing international trade the volume of world trade even in 1938 did not reach the 1929 level. Germany, Italy and countries adjacent to them were placing their economic systems on a war-time basis, and in their rearmament schemes they had necessarily to aim at self-sufficiency which resulted in a smaller volume of foreign trade for them and consequently a smaller volume of world trade also.

It would be worthwhile as far as possible to avoid subjecting international trade to the difficulties which it experienced in the thirties. It is true that all attempts at international co-operation in the field of trade and commerce during the inter-war period have failed, but if we are to encourage the growth and expansion of world foreign trade after the war, we should endeavour to reach an international agreement

on as broad a basis as possible. So far, there are only two authoritative expressions on post-war trade policy and they are Article 4 of the Atlantic Charter of August 14, 1941, and Article 7 of the Anglo-American Agreement of February 23, 1942. Article 4 of the Atlantic Charter reads as follows:—

"They will endeavour, with due respect for their existing obligations, to further enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity."

Article 7 of the Mutual Aid Agreement reads as follows:—

"In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom. At an early convenient date conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments."

It can be readily granted that elimination of all forms of discriminatory treatment in international commerce and the reduction of tariffs and other trade barriers are essential for the revival of world foreign trade. Opinion in the U.S.A. appears to prefer some kind of multilateral convention for achieving these objectives while recent writings in the U.K. would appear to prefer bilateral trade agreements. (Incidentally, it may be pointed out here that the bilateral balancing of imports and exports as between pairs of countries eliminating triangular trade is different from bilateral procedures of trade negotiations, for the view is held in some quarters that the bilateral trade agreements of the thirties were largely responsible for the contraction of world trade. But it is the bilateral balancing of the commodity trade and the resultant compensatory and clearing agreements concluded by countries like Germany and Italy which was responsible for the contraction of world trade and not the bilateral procedures as such. The two are really distinct, though on the continent both were mixed up in practice.) The reason why the U.K. seems to prefer bilateral to the multilateral approach is her anxiety to

ensure expansion of Great Britain's export trade with a view to maintaining her present standard of living at home. British opinion cannot, therefore, support an international convention which would do away with the scheme of tariff preferences now in force in the British Commonwealth of Nations. If a multilateral convention could be concluded which would permit bilateral trade agreements within its framework and which would also make it possible for the U.K. to exchange tariff preferences with the other members of the British Commonwealth of Nations, then Great Britain may be willing to support such a multilateral arrangement. In practice, however, it is difficult for the participating countries to agree on a multilateral convention which would permit both bilateral and preferential arrangements within its orbit. Even if this were possible in theory, a multilateral convention embracing bilateral and preferential approaches would in the long run be reduced to a series of bilateral agreements; but it is only a proper multilateral convention adhered to by a very large number of nations which can be more conducive to the growth of world trade.

The multilateral agreement envisaged here should prescribe a maximum level for import duties. This maximum should be high enough to enable the participating countries to meet their particular national requirements. Members of the convention should agree not to use the device of import quotas except in emergencies, for it was the quantitative regulation of imports in the inter-war period rather than the other devices which was found to be more restrictive on international trade. The same remark applies to export subsidies which should not also be resorted to by member countries. These should be the principal features of any multilateral commercial agreement, but there are other minor issues for which measures should be designed in the convention. The convention may come into force after a period of two or three years after the cessation of hostilities. This period is necessary to enable the war-worn countries to make adequate arrangements for transition from war to peace.

Should India join such a multilateral convention which seems to be the only practical scheme for international co-operation in the field of trade and commerce? Yes, provided her particular interests are protected. India should be allowed to levy protective import duties or to resort to such other measures as may be considered necessary by Tariff Board Enquiries to assist growth of industries which we may decide to develop after the war. Any protective import duties or other measures will, of course, be for periods as recommended by the Tariff Board. Our policy of industrial development may make it necessary for us to retain control over exports and imports after the war for a period longer than the transition period suggested in the previous paragraph. If industrialization is to be one of our major aims of economic development after the war, there is bound to be a very substantial increase in our import trade (particularly of capital goods) and in order to pay for our imports we have to export on a large scale, notwithstanding the fact that the country's capacity to pay for the imports has been greatly strengthened by the growing accumulation of sterling balances abroad. Any international commercial policy capable of helping towards a solution of the post-war economic problems should be consistent with national policies for high levels of employment, production and consumption on the part of backward countries like India and China. An increase in the standard of living of the backward nations is

in itself helpful to the advanced industrial powers. A multilateral convention as envisaged in this article is about the most practicable means of international co-operation which would be consistent with an expansive world economy.

India's guiding principle in her foreign trade policy in the two decades that intervened between world wars I and II has been the necessity for an export surplus to pay off the "Home charges" and in order to be assured of an export surplus the country had to ensure the markets for the export of raw materials. This need not be our guiding principle in the trade negotiations after the war, for we have cleared the external debt and built up substantial assets abroad which, if allowed to be utilized in the manner we desire, would even enable us to cope with import surpluses for a period after the war. We have developed certain markets in Burma, Malaya, Ceylon and East Africa for some of our manufactured or semi-manufactured articles notably for cotton textiles, even before the present war, and we should try and maintain these markets after the war. It is true that for a time after the war we may have to export raw materials with a view to paying for our imports, but in the long run a policy of exporting manufactured or semi-manufactured goods would replace one of exporting raw materials. The latter will be needed in large quantities by our growing industries. Such an export policy is not necessarily conflicting with the interests of U.K. or U.S.A., for in the modern industrial economy the range of industrial goods is so great that with technological progress and increase in the consumption levels of the backward countries there will be enough room for all. In the post-war period we should also try and avoid excessive dependence on a particular market or markets for a particular class or classes of goods, e.g., dependence on Japan for exports of raw cotton in the inter-war period. The more we industrialize the more we will find it necessary to export and to import. A policy of rapid industrialization is not inconsistent with a growing foreign trade; as a matter of fact the latter will also grow with industrialization, although not necessarily in the same proportion.

To sum up, a multilateral convention of the kind outlined above will be the most easily practicable means of promoting the growth of international trade in the post-war period. India may join the convention provided she is allowed to take such steps as may be considered necessary for developing industries at home, India's foreign trade policy after the war need not follow the same lines as before the war; she should aim at diversification of the trade which would grow with increasing industrialization and she should also avoid undue dependence on the export of raw materials and on particular markets for particular classes of goods.

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Review of Sugar Industry

By K. K. Birla

WITH capacity sufficient to supply all her requirements and potentiality to relieve the dearth in neighbouring Middle East countries, in some of which sugar prices are soaring to fabulous heights of Rs. 600 per maund, India has been passing through a "sugar famine," which has been artificially created through official bungling. Black markets are flourishing today throughout India, the price of sugar rising to peak levels of Rs. 100 per maund in some of them. Even in cities such as Bombay and Calcutta, where rationing has been resorted to, black markets are not extinct; the position is very serious in North and East Bengal, Assam, Orissa, Chota-Nagpur, C.P. and some of the States. Had the sugar industry been properly organized, it could have produced 15 lakh tons of sugar which would have been more than sufficient to stamp out the black markets. Unfortunately, however, the war-time history of the sugar industry, fettered by acts and rules of the Central and Provincial Governments, presents a dark picture of ill-considered official experiments followed by glaring failures. Let us have a glimpse at the past to correctly judge the present and visualize its future in the right setting.

By the beginning of the 20th century, India, which from pre-historic times had cultivated the sugar-cane and at one time had a flourishing foreign trade in sugar, had become a valuable market for foreign countries, about ninety per cent. of her requirements of white sugar being imported, particularly from Java, the other exporting countries being China, Mauritius, Japan, Austria, Hungary, Germany, France, Italy and the United States. This entailed a heavy drain of between 10 to 18 crores a year. True, a few sugar refineries and mills were started in the U.P. and Bihar even in the teeth of this heavy competition, but they could only supply the inland demand where they could just compete owing to freight advantages. This disastrous state of affairs continued for some time, although the desirability of expanding the sugar industry was felt very keenly. The Government were urged to help to revive this vital industry, but only after much loss of valuable time did they refer the matter to a Tariff Board which submitted its report in 1931. The Board recommended an initial protective duty of Rs. 7-4 per cwt., but in order that the industry might stand on its own legs after some time, it urged the Government to take measures to promote extensive cane research and development. The Government accepted the Board's recommendation for protective duty and the stage was set for the growth of the sugar industry on an unprecedented scale. Probably no other industry has made such big strides; the number of factories, which was only 32 in 1931-32, increased to 137 in 1935-36, and India almost achieved self-sufficiency. The Government now appointed another Tariff Board to further examine the whole situation. The Board submitted that the progress in production and manufacturing—efficiency achieved by the industry was satisfactory and that, although protection was still necessary, the industry was in a position to sell sugar at about Rs. 6-13-0 per maund provided the price to be paid to the cultivators for cane was not more than Re. 0-4-3, which the Board regarded as fair. It further exploded the myth sponsored by official circles that the consumer was the loser owing to protection by emphasizing that the latter had every reason to be satisfied as he was paying less for the sugar than he paid before the advent of protection and that the price that he paid for sugar was cheaper than in any other

country in the world, except Cuba, Java and Brazil. Besides, in order to further reduce the cost of production of sugar, the Board rightly pointed out that a great deal of progress and research was essential in cane development to enable India to compete with Java sugar which at that time could have been dumped at the ridiculously low rate of Rs. 2-7-0 per maund. The Board also recommended the extraction of alcohol from molasses which was a waste product, so as to further reduce the cost of manufacturing.

What was, therefore, now required was efficient development of the cultivation of sugarcane which would have enabled the sugar industry to stand on its own legs without any protection. Although some good work under Government guidance in cane research was being done at a few centres, particularly Pusa and Coimbatore, it was totally inadequate for the task, and the Government seemed to rest content with utilizing the industry, under cover of protection, as a kind of tax collector from the public. The lead was taken by the Central Government who, within two years of the grant of protection, came out with an excise duty on sugar at the rate of Re. 1-5-0 per cwt. which has been increased from time to time thereafter. The effect of this imposition was that the price of sugar which was Rs. 7-12-0 per maund before the imposition of duty increased to Rs. 8-8 per maund. It was thus in effect taxation of the masses through the industry. Besides, once the lead was taken by the Central Government, the Provincial Governments of the U.P. and Bihar, where the bulk of the industry is situated were not slow to follow. They imposed a cess of six pies per maund on cane purchased by the industry. This was all done under the cloak of improving cane development. The amount of cess raised up to date in these two provinces has been about 4 crores of rupees and has mostly gone to the general revenues. The cess, however, was only one of the items on the programme of the Provincial Governments. Along with it came in 1937 and 1938 the major step of control of the industry in the U.P. and Bihar. Taking advantage of the request from the industry for legislation to prevent unhealthy competition in expansion, the Government for reasons best known to themselves thought it best to go one step further and introduced a bill providing, as they claimed, "Government control from the preparation and planting of the seed to the distribution of sugar to the consumer." Another pretext for thus fettering the industry was that in the preceding year some cane was left standing in the fields uncrushed in these two provinces, but then even after the control was imposed, much cane was left uncrushed in the season 1939-40, 1940-41 and 1943-44. These experiments at the expense of the industry in contravention of the laws of supply and demand continued and with the outbreak of the war their intensity increased. It is really these factors which have combined to produce the present situation. In spite of the increased demands caused by the war, the production of sugar in recent years has not been adequate. In the seasons 1940-41 and 1941-42 production was purposely kept low by the Government, because there was over-production in 1939-40. We thus come to the season 1939-40 from where the cycle starts and which incidentally also happens to be the first year of the war.

In the beginning of the season 1939-40 there was nothing to indicate that the season would be an unusually long one. In those days the price of cane was linked to the price of sugar ruling in the market

according to a sliding scale and the cultivator got his price according to the market price of sugar irrespective of whether the mills could sell their sugar or not. The price of cane in the U.P. and Bihar was initially fixed at Re. 0-8-9 which was indeed very high, looking to the prices of other commodities, and the cost of production as well as the market price of sugar went up. Automatically the price of cane was further increased, which in its turn again caused the sugar prices to rise. This vicious circle went on, and in January 1940 the cultivator was obtaining as high a price as Re. 0-10-9. These high prices diverted the cane from *gur* producing centres to the mills, and it became apparent that the mills were going to have a record crushing. Whereas, on the one hand, production went up, on the other, owing to high prices of sugar, the demand came down; thus stocks started accumulating. A crash was, therefore, bound to come. The mill-owners, realizing the grave plight which the industry had got into, assembled at Lucknow in April, 1940, and decided that it was suicidal to produce further sugar at such a high cost, and that the best course was to close down the mills thus avoiding further losses in case the Government remained adamant and did not reduce the cane prices. The Government, however, soon realized that it was dangerous to ignore the situation. The only course left open was to reduce cane prices, and the crash came on April 10 when the price was reduced to about 6 annas per maund with a further reduction of 6 pies following from May. The cultivator was not prepared for this sudden fall in prices. He would have been perfectly satisfied with a lower price of cane, but what he wanted was stability. The high cane price had induced him to reserve most of his cane for the mills. Very little cane was diverted to *gur*, with the result that the cane left with him was more than the mills could ever crush. Destruction of cane standing in the fields stared him in the face.

The industry was now faced with a piquant situation. It was left with a huge surplus stock of about 4 lakh tons. Groaning under the heavy pressure of stocks and with poor demand owing to inflated prices of sugar, it was now faced with catastrophe. There was, of course, the obvious solution—export—but, unfortunately, an agreement signed in 1937 by representatives of various countries popularly known as the "International Sugar Agreement" had sealed the fate of India in regard to her exports as, according to this agreement, she could not export sugar by sea to any country except Burma. India was made a party to this agreement against her wishes. The public in general and the industry in particular demanded that in view of the fact that many of the signatories of the International Sugar Agreement had become enemy countries, the Agreement should be regarded as null and void. The Government of India, however, were too weak to take this bold step, but after some time under relentless public pressure, succeeded in getting permission from the International Sugar Council to export 2 lakh tons of sugar to the U.K. This, however, was purely window-dressing as the price offered for the Indian sugar was abominably low, although the level of prices in neighbouring countries was reasonably high.

There was thus no other way for the industry but to trudge along under a crushing load. The Governments of the U.P. and Bihar, realizing the gravity of the situation, gave a loan to the industry at the rate of Re. 1 per maund on the stocks of sugar left with it. But the measure failed to check the chaotic conditions brought about by the blunders of the Government. It is interesting to note that the mills situated outside the U.P. and Bihar where there was no such control, were not faced with any crisis.

The two Governments now formulated a scheme of restricted production of sugar in these provinces till the carry-over stock could be substantially reduced. But restricted crushing meant destruction of cane. The representatives of the industry and the growers were not prepared for this drastic measure which involved the destruction of national wealth. The lead was taken at this juncture by Dr. Rajendra Prasad who called a conference of the industry and growers at Patna in November 1940. The conference decided that export of sugar was the best way out, but the Government of India was not agreeable on that point. An alternate scheme for producing cheap sugar at about Rs. 7-10 resulting in greater consumption of sugar which would have absorbed all the surplus, did not also find favour with the Government, although the industry as well as the growers were willing to work this scheme. A policy of restricted crushing in these two provinces was rigidly followed and as was feared resulted in over a crore of maunds of cane being left uncrushed. Although the two Governments paid some compensation to the growers, it was like a drop in the ocean. The crash in prices in 1939-40 and the destruction of surplus cane in these two years so embittered the growers that there was very poor crop in 1941-42. This was even less than what the Government had expected. The production was only 7,78,000 tons of which the portion of the U.P. and Bihar was about 5 lakh tons against the estimates of 7.2 lakh tons.

(To be concluded)

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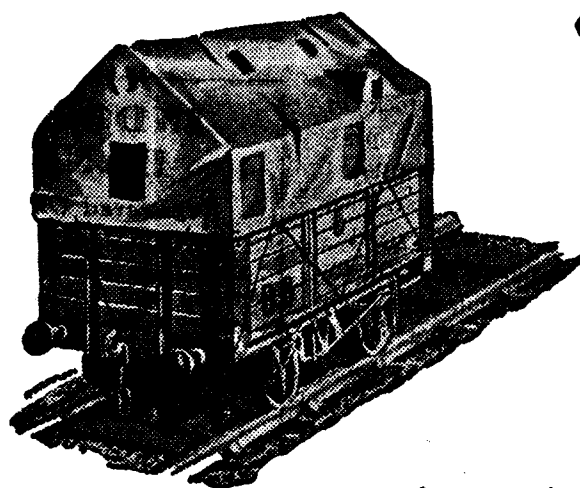
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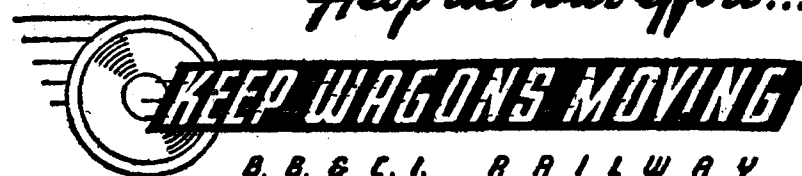


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THE WORLD ABROAD

International Tariff Convention

(From Our Washington Correspondent)

WASHINGTON, Oct. 2, 1944 (By Cable).

GOVERNMENT officials here are going ahead steadily with draft plans for the United Nations' Convention to reduce tariff barriers and other trade restrictions. The Inter-Departmental Committee already has a plan for such a Convention, and post-war planners hope that early next year steps may be taken to call a United Nations' Conference on the subject. That is one of the main features of the United States Government's long-range programme for the improvement of post-war world economic conditions. Meanwhile, from a short-term viewpoint, some officials have been giving increasing attention to what is popularly called the "commodity method" of meeting certain post-war trade problems whereby instead of seeking exclusive trade agreements with countries covering many commodities in each agreement as Mr. Hull did during the ten years before the war, they would also seek agreements with several nations on each commodity. The economists who are in the forefront in Government operations here still strongly favour Mr. Hull's general approach to the problem of increasing international commerce. That is why they have started drawing up a draft convention for a multilateral treaty to reduce tariff barriers, but some of them have swung over to the idea of supplementary commodity agreements on a temporary basis due to the problem of war surpluses which has arisen only during the last few months.

Commodity agreements, however, would only supplement the plans for long-range attack on trade barriers which would be intended to reduce by an orderly process any huge surpluses on war materials that may remain in governmental or private stock-piles when the war has ended. The prospect for such surpluses has arisen due to the unexpectedly early success in the European theatre and the possibility that victory may come there without the necessity for the production of some millions of pieces of many equipment of many types once thought necessary. Officials have also cited the possibility of surpluses arising in commodities such as copper, aluminium, wool and perhaps many others. Furthermore, they foresee the possibility of large surpluses in goods which are not strictly the result of an abundance in war stock-piles, but are simply the outgrowth of a gradually increased capacity in world production. This category includes wheat and cotton particularly and also perhaps sugar, coffee and rubber. In order to arrange Commodity Agreements in regard to the war surpluses it might be necessary to arrange agreements among three types of nations, namely, producers, consumers and those with war stock-piles. The last two categories, it will be noted, may often overlap or be more or less identical. Commodity agreements would, therefore, in effect be "official cartels" intended to arrange for the orderly disposal of war surpluses among consumers at moderate prices and at the same

time for limitations of supply of new goods of these classes among the producer nations.

While the United States' officials strongly oppose cartels in general, as shown by President Roosevelt's public attack upon them a few weeks ago, nevertheless, some economists think such "official cartels" might, for a short period, benefit every one concerned. Planners who favour such agreements contend that such cartels would differ from the objectionable private cartels because they would be operated "for general public welfare" and that such arrangements would be preferable to the use of export subsidies which might be necessary, otherwise, in the disposition of some of the commodities of which there are the largest surpluses. These planners believe that the consumer nations, if consulted fully, would be a willing party to such agreements and hold that there is a tendency in England to deal with major commodities through governmental machinery at least for a short period after the war. They cite the reports that Britain already has a Four-Year Purchase Agreement with New Zealand to take the entire export surplus of that country's butter, cheese, beef, mutton and lambs. They say that Britain has similar agreements with Canada for its exports of bacon and cheese surpluses for a period of two to four years and with West Africa for its cocoa exports for two years. Concerning the United States Government's long-range tariff reduction plan, the authorities intimate nothing to the public and it does not seem likely that anything will be done before the national elections early in November, but it is certain that something must be done before next June when Government's powers to negotiate a reduction in trade barriers expires. Between those dates it seems likely that officials will bring forth their draft plan and open formal discussions with leading trading nations just as they did on the Monetary Stabilization Plan. If such talks show promising results, then a general conference of the United and Associated Nations would be called. Some experts believe that the proposed International Convention on Tariffs will be drafted in such a way that it could be submitted to Congress before next June, as a substitute for the present law which gives the Administration powers to reduce tariffs by as much as 50 per cent. In that way the Administration would secure the renewal of those powers through international multilateral agreement instead of by the usual process of asking Congress to give it such powers merely to negotiate individual agreements with single countries. The Administration's friends believe that this might be the easier way to obtain a renewal of tariff-cutting powers in the light of the fact that Congress has been increasingly reluctant to perpetuate those powers in the hands of the Administration. These friends contend that if many nations sign the agreement to reduce tariff barriers, then Congress will be more kindly disposed to such a programme than if President Roosevelt and Mr. Hull try merely to continue tariff reductions along the lines they had to follow during the last ten years.

Money Market

Revival of Activity in all Sections—Bullion and Share Values Recover—Plethora of Funds Continues.

BOMBAY, Oct. 1, 1944.

Bullion

THE past week is interesting for a realization in all markets that the end of the war is not so near as was imagined a fortnight ago. There has been a relaxation of the 'wait and see' attitude of the last few weeks in consequence. There has been a revival of activity in the stock, bullion and gilt-edged markets, making for a higher tempo of investment. But these developments could not make much difference to the money situation, which is still dominated by the plethora of credits. The easy situation is further heightened by the expansion in currency which is now again becoming a more or less weekly feature. The money rates are quoted at the levels of the previous week. In the week ended September 22, Scheduled Banks experienced an increase of Rs. 3.3 crores under demand liabilities, while there was no change in time liabilities. That sight deposits should increase is not surprising, but the statement pertaining to the week just ended, which will be out next week, will probably show a higher tempo of increase in time liabilities. The mounting volume of uninvestible funds is reflected in the mounting balances of scheduled banks with the Reserve Bank.

The steadier tone of the gilt-edged market probably accounts for the diminished interest of banks and investors in the Central Treasury Bills. Total applications came to Rs. 10 crores only as against Rs. 11.23 crores in the week before. The average rate of accepted tenders has remained unchanged at Rs. 0-7-11 per cent. The lower volume of tenders failed to bring about a rise in the average rate owing to the exceptionally strong financial position of the Central Government, tenders for Rs. 6 crores have again been invited, and the authorities are not reducing the Treasury Bill tender limit perhaps purely with a view to oblige the banks with a monetary instrument.

In the week ended September 22, the Central Government balances with the Reserve Bank have increased from Rs. 160.2 crores to Rs. 168.7 crores. Perhaps this entire increase has been derived from sterling receipts during the week under reference, since balances held abroad increased from Rs. 283.65 crores to Rs. 290.1 crore. A transfer of sterling securities to the Issue Department to the tune of Rs. 3 crores, against corresponding expansion of currency is evident.

Gilt-Edge

The 3½ per cent. non-terminable has improved by an anna at Rs. 99-9. The paper promises to move up further soon when the sales by small holders selling it to pay taxes ceases. The demand for 3 per cent. 1949-52 has continued and the security is quoted an anna higher at Rs. 101-7. The same is the case with 3 per cent. 1951-54 at Rs. 101 and 3 per cent. 1963-65 at Rs. 99, both of which have met with considerable inquiry. These loans are making up the ground which they lost a week ago. The switching over from the long-dateds into the short-dateds continues. This explains the slight setback in 4 per cent. 1960-70, now quoted an anna lower at Rs. 112-9. The 5 per cent. tax-free loan is steadily declining. But even at the present price of Rs. 103-12, the yield works at 1.35 per cent. which is a very good return for the short period remaining for the loan to be redeemed, which should put it on par with the Treasury Bills. Since peace prospects are proving discouraging to investment, the redemption is not likely to be delayed.

The week has seen a number of marked tendencies. Firstly, there was a distinct decline in the dishoarding and arrivals of uncountried gold. Secondly, the offtake which had dried up two weeks ago has substantially improved to about 25,000 tolas on an average, coupled with a demand for sovereigns at the rate of 1,000 per day. The gold forward rate opened steady at Rs. 64-1 on Monday last. The liquidation of Abyssinian gold in the Ready market to a moderate amount did not hold up a rise. By the evening, the rate had improved to Rs. 65-6, thanks to frenzied rush by bears to cover their commitments when it became known that a strong bull syndicate had been formed and that it was about to buy substantial amounts. The latter coincided with reports of stiffening German resistance which prompted further demand for gold. The price touched Rs. 66-14 on Wednesday, and a small reaction to Rs. 65-10 on Thursday morning was more than offset by a sharp spurt to Rs. 67-7 caused by speculative buying brought about by the news that in Sofia some British officers had been handed the quit order by the Russian commander. Friday came the full report of Mr. Churchill's speech and the prospect of the extension of the European War till next Spring. It caused short sellers to continue their covering operations on a substantial scale. The gold forward rate on Friday opened a rupee higher at Rs. 67-12 and shot up to Rs. 69 very soon. At this level, some bulls took their profits and the rate moved back to Rs. 68-8, only to shoot up again to Rs. 70-5. The premium for Ready over settlement widened also. The market remained steady on Saturday, although officially closed. It will remain closed on Monday also owing to Gandhi Jayanti. There was to be a meeting of the Committee of the Bullion Exchange yesterday to consider matters relating to clearing arrangements in respect of settlement of transactions in both the precious metals. It appears that the Reserve Bank has apprised the Bullion Exchange of its intention to call tenders for 30,000 tolas of gold, from the next trading day. The Bank may be expected to sell in the neighbourhood of Rs. 70. The news is likely to cause a setback in prices and the upward tendency may be curbed. It is noteworthy, however, that the authorities have decided to sell at the lower level, whereas formerly they would never sell below Rs. 72-4. The decision to offer gold at the lower level is presumably prompted not so much by the desire to keep bullion prices in check as by the necessity for finding the rupee proceeds for military expenditure. The latter is rising up, with increasing arrivals of troops in this country and the preparations for the launching of the offensive against Japan. After all, even at Rs. 70 the Allied Governments are assured of handsome profits if they sell their stocks of gold.

The silver market has been fluctuating widely during the week. The weekly settlement rate started at Rs. 118-12 on Monday, improved to Rs. 121-2 on Tuesday covering and declined to Rs. 118-12 again by Tuesday evening on heavy realizations. The price recovered to Rs. 120-12 on Thursday evening and the rise continued to shoot up to Rs. 123 on Friday. The operators took their profits and the rate moved down to Rs. 122-4, but the public has been bullishly disposed and so the market is very steady around Rs. 122-8 while the Ready price is about Re. 1-4 higher. It is pointed out in bullion circles that the scarcity of Ready supplies is an important factor in the maintenance of the prices of silver. In this respect, the white metal

differs from the yellow metal. There is no doubt, however, that prices will be gyrating widely in the coming days. A noteworthy factor is the support to both the precious metals which the public at large is prepared to give at the levels of about Rs. 65 for gold and Rs. 118 for silver. Recent movement of bullion prices were as follows:—

	(Pre-score of early end of war) 23-8-44	Lowest touched in the week ended 23-9-44	This week's closing 30-9-44
	Rs. ap. p.	Rs. a. p.	Rs. a. p.
Gold bullion	75 12 0	61 14 0	70 8 0
Sovereign	51 8 0	41 0 0	48 0 0
Silver	134 8 0	117 4 0	124 0 0

Stock Exchange

The weak undertone exhibited by the Share Market towards the close of last week was not only arrested in the week under report but was also followed by a sharp upward movement in values. There was a fairly large turnover, particularly in textiles, where the leading scrips came in for good support. Steel shares witnessed a perceptible rise in values and the turnover also was substantial. Among the Bombay scrips, *Tata Ordinaries* received good support from both investors and speculators, the rate for such advancing from Rs. 369 to Rs. 380. *Tata Deferreds* too moved up but by only Rs. 35 to Rs. 2,125, the rela-

tively small increase being due to straddle operations by speculators who in the early half of the week sold *Deferreds* and bought *Ordinaries*. Both the Calcutta Steel shares were active. Thus, *Indian Irons* improved from Rs. 38 to Rs. 39.4 and *Steel Corporations* from Rs. 30 to Rs. 31.2. In the textiles section, *Bombay Dyetings* were taken up from Rs. 1,697-8 to Rs. 1,740 *ex-div.* *Centuries*, which had declined to Rs. 760 *cum-div.* spurted to Rs. 810 *ex-div.* Some influential buying was noticeable in *Central Indias* resulting in a gain of Rs. 16 to Rs. 377. *Kohinoors* were in keen demand at hardening rates from Rs. 533 to Rs. 563. *New Greats* wound up the week with a gain of Rs. 15 at Rs. 371 so also the *Swadeshis* which finished Rs. 24 higher at Rs. 499. Public utilities and banks experienced colourless trading and prices remained more or less unchanged. In the miscellaneous section, *Associated Cements* continued to decline in the first half of the week but recovered in the latter half. Thus, after declining to Rs. 218.12 during mid-week, they improved to close at Rs. 223. *Belapurs*, which had declined to Rs. 220 last week-end met with good support during the week, the rate for such rising to Rs. 227. Among the rest, *Bombay Burmahs* were weak at Rs. 485 as against Rs. 515 a week ago. *Scindias* moved within a range of a rupee and closed steady at Rs. 30. The trend of the market at the time of writing points to a further rise in values, but any such rise cannot be appreciable, as the higher levels are bound to attract considerable profit-taking by speculators who have doubtless contributed, in a large measure, to the present rise in prices.

Proposal for Jute Mills Industrial Pool.

CALCUTTA, Oct. 2.

AS from November 1st, by a new Goods Movement, Rules, coming into force from that date, all registrations of jute must be made in terms of wagon loads and not on the old basis of weight or bales. This procedure is expected to create innumerable difficulties to the merchants who will not be able readily to equate the number of wagons required, for the orders he gets from the mills are usually in terms of weight in maunds or in number of bales. Another difficulty is that the wagons placed are not always of the same capacity. This is true of the broad gauge system as well as of metre gauge. Delivery against the correct contact by rail is not therefore possible and unless the mills also do everything to help, the delay and confusion are expected to continue till a more practicable system is introduced.

The Indian Jute Mills Association will decide at a meeting to be held tomorrow the proposals regarding the Jute Mills Industrial Pool regarding the transferance and utilization of loom hours and settling of the compensation received from the Government as a result of the requisitioning of mill premises. The proposals briefly are, all rentals paid to mills by Government in respect of requisitioned property since the commencement of this year will be paid into the Pool, all loom hours to be placed in the pool, loom hours lost as a result of requisitioning, so purchased, will be resold to such mills as can use them at a rate not lower than the purchase price. Loom hours may be transferred between mills of the same group without going into the pool. Except in the case of mills with less than 220 looms which will pay at the rate of Rs. 10 per loom per month, the cess has been fixed at not more than two annas for every loom hour. The Pool shall reimburse idle mills with Rs. 4-4 per head per week payable to the idle labour force, together with losses incurred in the sale to the labour, of subsidized foodstuffs.

Practically idle conditions have prevailed and no fresh business has been reported in the loose jute section. In the *Pucca Bales* section, small interbazar business was reported during the holidays in new crop

Firsts and Lightnings at Rs. 83 and Rs. 79 for ready delivery to mills. Small business was put through in *Dundee Tossa Fours* at Rs. 80 for December shipment.

The *Hessian* market has been steady and unchanged with buyers at maximum rates for all deliveries up to March and Mills have been relectant sellers. No business of any importance, however, has been recorded.

In the Heavy Goods section, apart from interbazar transactions for *B Twills* at Rs. 62 ready and for October-December.

The Calcutta Stock Exchange is expected to reopen tomorrow after the long puja holidays. The opening is awaited with interest as operators would have by now time to assess the various developments both in the political and financial field.

The Eastern Economist

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THE BUSINESS WORLD

THE PAINTS AND VARNISHES INDUSTRY.

THE modern paint industry is essentially a product of the twentieth century, for it was the war demand of the years 1914-18 for its products that gave impetus to and scope for its rapid development into a major scientific industry. Production had to be expanded and new formulae explored to meet the increased demands of the embattled navies of the world and the strategic requirements for camouflage and other purposes. In India itself, the first modern paint factory was set up in Calcutta, only in 1902, by the enterprise of a foreign steam ship company, who were prompted by the fact that much money would be saved if the paint they required in vast quantities during overhaul at the end of the journey, could be manufactured in India. It took eighteen years more for a second factory to be established, but thereafter progress was very quick and many more factories came into being, with the result that the estimated production for 1937 was 20,000 tons and for 1938 about 25,000 tons. This, however, met only about 60 per cent. of India's requirements and as the following table will show, this country's dependence on imports in terms of the quantities imported or of their values has remained more or less unchanged during the last thirty years; in other words, the development of internal production has been accompanied by an increase in consumption.

Imports of Paints and Colours into India

	1909-10 (Average)	1914-15 (Average)	1919-20 (Average)	1937-38	1938-39	1939-40	1940-41	1941-42
Quantity (in thousands of cwt.)	296	255	299	279	253	294	214	204
Value (in thousands of rupees)	54.19	83.08	1,13.59	7476	66.52	80.52	78.55	91.59

The countries from whom the above supplies were principally drawn are the United Kingdom, Germany, Japan and Belgium, the first being by far the most important.

War is a voracious consumer of paints and finishes for multifarious purposes and millions of tons are consumed today in camouflage and other uses. In this country, the industry has been called upon to supply camouflage paints, anti-gas varnish and gas resisting paint and air-craft dope. Camouflage paints are special preparations, drying without any gloss or sheen, and conforming to the prescribed shades. The manufacture of anti-gas varnish in India is wholly a war-time development and has been achieved through the co-operation of the manufacturers with the technical staff of the Supply Department. The problem was to evolve a formula for the manufacture of an efficient anti-gas varnish from indigenous materials and it has been successfully solved with the result that in 1943 about 400,000 gallons of a satisfactory varnish was produced from wholly indigenous materials, such as shellac, glycerine and linseed oil. This varnish is employed for proofing a specially strong and fine cotton cloth to produce a gas resistant fabric used in the fabrication of anti-gas equipment. The production of air-craft dope is another novel line developed recently. Upto August 1942, it was thought that indigenous manufacture was not practicable except by importing 80 to 90 per cent. of the ingredients but here again experiments in evolving a new formula based mainly on indigenous materials proved emi-

nently successful. Nitro-cellulose dopes for application to aeroplaned fabric are now manufactured from waste film, shellac or castor oil, imports forming only 15 per cent. or even less of the ingredients. The present output of dopes is about 100,000 gallons and this can be increased easily as no elaborate machinery is required. It is interesting to note that the formula, slightly modified, will be found suitable for car finishes, high-quality furniture lacquer and manufacture of artificial leather. There are some 62 factories on the whole, of which 22 are in neighbourhood of Calcutta, 28 in the neighbourhood of Bombay and 6 in the neighbourhood of Karachi, while of the rest, 4 are up-country and only two are in the South. The pronounced localization in the Calcutta and Bombay centres is due largely to their being the most important consuming areas. In most of the factories the machinery is operated by electric drive; in the varnish section the pots are heated by coke or gas. The amount of capital invested in the industry is estimated at Rs. 150 lakhs. The production in 1942 for paints and enamels was some 30,000 tons, of which about 25,000 tons were used up in India and the rest exported, almost wholly for military consumption. Of the total Indian production, more than 80 per cent. has been supplied against war orders and only some 5,000 tons have been available for civilian purposes.

What of the post-war prospects? Paints, enamels, distempers and dry colours are needed as much in peace-time as camouflage paints and anti-gas varnishes are in war-time. In this country of high temperatures and excessive humidity, paints and varnishes are indispensable as protecting armour for a variety of objects. High grade enamels for exterior coating for houses, railway carriages and ships; anti-corrosive compositions for iron and steel work; anti-fouling compositions for use on ships' bottoms; special formulations for corrugated roofs, workshops and factory machinery; lead-free paints, varnishes and enamels for the food industries; stoving blacks and enamels for cycles and other steel products; enamels for the furniture trade and petrol cans; stoving lacquers for tinware, collapsible tubes, etc., and insulating varnishes for electrical equipment are only some in the wide range of products of the paint industry for which one may expect an expanding consumption in this industrial age. Again, the very change-over from camouflage coating to the gay and bright colours of peace and the impact of postponed consumption of large consumers, such as the Railways may reasonably be expected to keep the factories working to full capacity. In the long run also, the industry may look forward to an expanding market. Before the war, it was supplying only about 60 per cent. of the home demand, but in the years to come both the internal market and the Indian industry's share of it may be expected to increase. It is good to note that the manufacturers themselves are inclined to take an optimistic view of the future. In an illustrated pamphlet published by the Association of Paint, Colour and Varnish Manufacturers in India, occurs this confident anticipation, "When ships are free to sail the seas . . . it may be looked upon as certain that they will carry Indian manufactured paint to neighbouring lands. . . ." And yet, why not? This country is rich in most of the required raw materials. Excellent linseed oil, an important paint vehicle, is available cheaply and in abundance, while experimental growing of tung trees in the tea estates of Assam and elsewhere has been undertaken in an effort

to develop internal sources of tung oil, which is at present imported from China. Raw materials such as barytes, bauxite, gypsum, China clay, rosin, shellac, turpentine, coal-tar distillates, etc., etc., are all indigenous. Among pigments, white lead, red lead, zinc oxide and lead zinc oxide are produced by Indian factories, but from imported metals. Important ingredients, however, such as copal gums, synthetic resins, lithophone, etc., have to be imported, but it may be expected that when India's natural resources and potentialities, mineral, vegetable and animal are more

fully surveyed and exploited, the industry will be able to attain an even greater degree of national self-sufficiency in respect of raw materials. The industry is organized in India on modern scientific lines and it is claimed that in their laboratory equipment and research activities, the front-rank factories in India are not a whit behind those in the progressive western countries. It may not therefore be extravagant to expect that in due course India will come to the fore as one of the great paint producing countries of the world, not only self-supporting, but an exporter as well.

NOTES

U.S. FOREIGN INVESTMENTS

According to a recent Treasury enquiry, the investments of American firms and individuals in foreign countries aggregate no less than \$13,300 millions. Of this amount, the British Empire accounts for \$5,800 million, including \$4,375 million in Canada and \$1,030 million in the U.K. In Latin America, U.S. holdings come to \$3,250 million, including \$755 million in Cuba, \$420 million in Mexico, \$355 million in Argentina and \$330 million in Brazil. In all, American interests in United Nations territory excluding areas now under enemy occupations amount to \$8,000 million. Investments in the enemy countries amount to \$1,775 million, Germany accounting for \$1,290 million, Italy \$265 million and Japan \$90 million. Investments in enemy-occupied territories total more than \$2,000 million.

INTERNATIONAL SUGAR AGREEMENT

In pursuance of the recommendation of the World Monetary and Economic Conference of 1933, that negotiations should continue with a view to establishing and maintaining an orderly relationship between the supply and demand for sugar in the world market, the Governments of twenty-one countries, including India, entered into an agreement concerning the Regulation of Production and Marketing of Sugar, in September, 1937. At that time out of the total annual world sugar consumption of 30 million tons, only 3 million tons provided a "free" market, as almost all the leading sugar consuming countries were building up sugar beet production—some of them to the point of self-sufficiency and beyond—and were keeping out the much cheaper cane sugar by all sorts of protective measures. Under the Agreement, the Government of India undertook to prohibit exports of sugar by sea elsewhere than to Burma during the period of the Agreement. Although there was a feeling that in their customary autocratic manner the Government had not cared to consult the Indian sugar industry before committing themselves, no active opposition to their action was expressed, principally perhaps upto 1939, Indian production could be easily absorbed within the country itself. But, the situation has changed since. In 1938-39, there were only 139 factories, producing 650,800 tons; but in 1941-42, there were 152 producing 778,100 tons and in 1943-44, there were 152 producing over 1.2 million tons. When in August 1942, the Agreement expired and the Government of India were well-advised enough to decide not to be a signatory to the proposed extension of the Agreement, their decision was warmly welcomed by the sugar trade interests, in the expectation that the lifting of the ban on exports from India would pave the way for the establishment of valuable commercial contacts with the Ceylon and Middle East markets. If these hopes have not been actually realized and what is more if even our internal requirements are not ade-

quately met, some blame must attach to the Government's policy of setting up a huge stock-pile. What of export prospects after the war? Obviously, they will be conditioned by three factors. The first is the scope for free international trade in cane sugar, which in turn will depend on the attitude of European countries towards sugar beet cultivation. If the emphasis in post-war European agriculture is laid predominantly on food and dairying, to that extent there will be a larger market for cane sugar. Secondly, the pre-war world sugar surplus was due, it has been claimed, more to under-consumption than to over-production. While the annual per capita consumption was well over 100 lbs. in the U.K. and the U.S.A., areas such as France and Germany did not consume more than half of that, while Eastern Europe consumed less than one-quarter and many Asiatic countries not more than one-fiftieth. Propaganda and a higher standard of living may help to increase consumption in countries, which are not now consuming as much as they might, but a drive towards better nutrition may tend to bring down consumption in countries where it is now excessive. Thirdly, India's own role in the world export trade would evidently be a function of her competitive efficiency in comparison with Java, but it would be too early to prophesy on this point, especially as there is no reliable data on how the Javanese sugar industry has fared under Japanese control. It may, however, be safely said that there is need for much improvement both in the cultivation of better sugar-cane and in the manufacture of sugar by the factories.

RELIEF FROM TAXATION

The Government of India's apathy, indifference or even hostility to the country's industrial development is only too well known. A glaring indication of this tendency, however, is the present taxation policy of the Government in relation to industry under which for each one rupee of excess profits 0/10/8 have to be paid by way of E.P.T. and -3/2 by way of compulsory deposit and -2/2 by way of Income Tax, Surcharge and Corporation Tax. A company is left thus only with the standard profits which also are adjusted on the basis of the average capital employed during any particular chargeable accounting period. These cumulatively eat up the major portions of an industry's earnings which is thus rendered incapable of making any reasonably satisfactory preparations for survival in the fiercely competitive post-war period. It is interesting in this connection to recall that the British Treasury has recently decided to make substantial allowances for expenditure on new plant and machinery and also for research and development, etc. It is obvious these allowances are of fundamental importance to industry; for on their adequacy would depend the pace of renewal and re-equipment of out-of-date or over-worked industries. In the context of India's well-known backwardness in respect of technical equipment, the question attains greater

significance. But not only this, Indian industry requires greater financial assistance for the purpose because India gets her machinery and equipment from abroad and has thus to pay a higher price in comparison with, say, Great Britain. Even before the present war it has been estimated that the cost of plant in India was 35-40 per cent. higher than in England. Indian industries have thus to start with an initial disadvantage and if this continues to be their handicap even in the post-war period it is difficult to see how they can survive, much less develop and expand. It is high time that Government realized their mistake that no amount of immobilization of profits by itself lower prices very substantially unless measures are taken even at this late hour to ensure regular flow of consumers' goods into the market. On the contrary, this policy of excessive taxation, if persisted in any longer would spell disaster for the country's industrial progress by preventing our industries to go in for better and more scientific tools, etc., for lack of funds and they would become an easy prey to foreign competition when it is once more free to operate in our markets. An adequate grant for re-equipment, a more generous depreciation allowance and other possible measures of tax relief are indeed a crying need of our industries.

MANUFACTURE OF SANDALWOOD OIL

An article in the August number of the *Journal of Scientific and Industrial Research* gives interesting details regarding the sandalwood oil industry in India. The East Indian sandalwood oil is the distillate of the heart-wood of *Santalum album*, a tree which is almost entirely confined to the forests of Mysore and closely adjacent districts. Formerly, the major portion of the sandalwood used to be exported to foreign countries for distillation purposes; but the Mysore State, controlling seven-eighths of the world's production of

this wood, took the opportunity created by the compulsory stoppage of sandalwood exports during World War I to start the distillation of sandalwood in the State on modern, scientific lines. The Government factory at Mysore is now the biggest and best equipped sandalwood factory in the world and is complete in every branch of mechanical and chemical engineering equipment. It has an up-to-date control laboratory, a modern tin-making plant and a workshop with a copper smithy section and a small foundry, which fabricates the condensers and also attends to repairs and renewals. There are also two small factories at Kuppam in the Madras Presidency and one each at Mettur, Karaikal (both in South India), Bombay and Kanauj. These factories are run by private enterprise and purchase their requirements of sandalwood at public auctions held by the Madras and Coorg Governments, which resort to this way of disposing of supplies drawn from forests under their respective jurisdictions. About 95 per cent. of the East Indian sandalwood oil is distilled by Indian interests. The Mysore Government alone distil over 75 per cent. of the world output. The average output of oil in their Mysore factory is about 120,000 lbs. annually, the maximum capacity being 50 per cent. more. The output of all the other factories in India is about 40,000,50,000 lbs. per year. It is interesting to note that, because of tariff considerations, the Mysore Government have arranged to get some 50 tons of wood distilled yearly in New York on their account, the oil being sold in the United States and Canadian markets. The total amount of sandalwood distilled in the world varies from 2,500 to 3,000 tons a year, while the average yield of oil ranges from 105 to 110 lbs. per ton of wood. In 1927-28, the Government of Mysore distilled on the aggregate 213,500 lbs. of oil from 2,021 tons of wood; the ruling average price at that time for sandalwood oil was 25s. per lb. Nearly 90 per cent. of the world output of oil is used for perfumery purposes and the balance in medicine.

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BOOK REVIEW

INDIA AND INTERNATIONAL CURRENCY PLANS:
By V. K. R. V. Rao. Published by S. Chand & Co.,
Delhi. Second and revised edition, 1944. Pages
102, LXVIII. Price Rs. 3-8.

This is the revised and enlarged edition of the pamphlet which was reviewed in these columns in an earlier issue. Prof. Rao has revised his concluding chapter and has added a post-script on "The Bretton Woods Conference and After" which bears numerous marks of the haste in which it was written. Certainly not all would concur with his arguments as to why we should immediately plump for joining the Monetary Fund Scheme on the basis of the meagre and rather selective reports of the Conference sent out by the news agency. Before we can make up our mind on the subject, we must have a full report of the proceedings of the Conference and text of the agreements. The documentary appendices which Dr. Rao has included in this edition would be greatly appreciated.

PLANNING A NEW INDIA: By M. N. Roy. Published by B. N. Banerjee, on behalf of Renaissance Publishers, Post Box 580, Calcutta, 1944. Pages 64. Price Re. 1.

This is a collection of four lectures delivered by Mr. M. N. Roy on various occasions. The lectures dwell on his well-known views, with their characteristic slant. The defeat of the Axis Powers will mean a polarisation of the world—the Soviet Union on the one hand and the feudal capitalism of the United States on the other. The Cripps offer was a gamble by the British Government because "somebody else" (*viz.* America) "had entered the market and was bidding higher." To Mr. Roy, British Imperialism is only a ghost today, but the real danger is a National Government of Indian capitalists. Mr. Roy's reconstruction economics is remarkable. Having propounded the thesis that production must be 'for use and not for profit,' he says, "If we start at the very outset with producing consumers' goods, we would come up against the restricted market," for he does not see that the very process of production disburses equivalent purchasing power. So he would first "leave two or three rupees more" per year with every peasant; then build railways, roads, canals, school buildings, cultural institutions; build capital goods like bricks, cement, etc., thus distributing purchasing power.

PAKISTAN: THE PROBLEM OF INDIA. By Dr. Shaikatullah Ansari. Minerva, 1944. Pp. 130. Rs. 3-8.

This is a timely book on an immensely important subject and is written with that sense of urgency which belongs to great themes. Within living memory the Hindu-Muslim problem has grown bigger and bigger and has at each turning point assumed a different form. In its latest phase, the movement for Pakistan, it has evoked elemental passions and has become almost too intractable for solution at a moment when the time-factor in the struggle for freedom is not in our favour. The Pakistan movement is a test of what is best in both communities, a challenge which must be answered wisely by both lest the gates burst. Dr. Ansari's book is addressed to Muslims, but Hindus have also much to learn from it.

There is no lack of literature on Pakistan, but much of it is unbalanced, prejudiced and ill-informed, based more on anger and hate than on a calm under-

standing of facts and their implications. Without passion and without bypassing awkward questions, Dr. Ansari has laid bare the basic issues in the problem, whether they are social and cultural or political and economic. In the chapter on the genesis of Pakistan he explains, among other things, the extent to which separation is a product of frustration in the social and economic field. The second chapter on the two-nation theory is the best available discussion on the subject and is as fearless as it is true. The author rightly regards Hindus and Muslims, not as two nations, but as constituent parts (even though at times not altogether harmonious) of one nation. The real problem, as he says, is to have social unity as a result of economic equality. The present strife is fundamentally social and economic, but is called religious for political reasons.

The bulk of the book is given to a careful statement of the case for and against Pakistan which is discussed threadbare from every possible angle. Nothing is omitted, nothing overstated, and every page reveals a sense of perspective and a vision. All thinking Hindus should study the case for Pakistan, just as all thinking Muslims should ponder deeply over Dr. Ansari's chapter on the case against Pakistan. His final view is that Pakistan will be infinitely more harmful to Muslims than to Hindus. He considers some sort of centre essential, if for nothing at least for such matters as defence, external affairs, currency, communications and customs. There is no reason, as he says, why Muslims should not develop the vision of a future which should secure for them autonomous zones when they could live a life of their own and follow their own culture and yet work for the good of the country as a whole. Dr. Ansari's analysis is shrewd and penetrating and always just. All who care for a peaceful settlement, for freedom and for goodwill, will be profoundly thankful to Dr. Ansari for such good fare.

A STUDY IN THE INDUSTRIAL DEVELOPMENT OF BENGAL: By M. L. Khemka. Marwar Chamber of Commerce, Calcutta, 1944. Pages 42. Price Re. 1.

INDIA'S STERLING POSITION AND THE WAR: By Bimalendu Dhar. Published by Co-operative Book Depot, 54, College Street, Calcutta, August 1944. Pages 165. Price Rs. 3.

GANDHISM: A SOCIALISTIC APPROACH: By A. N. Agarwala. Published by Kitab Mahal, 56/A, Zero Road, Allahabad, 1944. Pages 56. Price not stated.

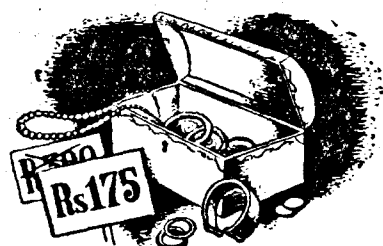
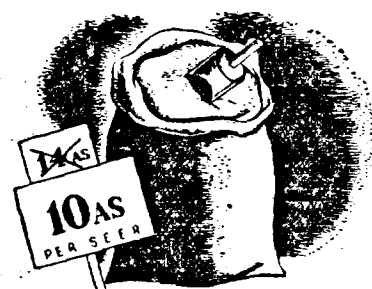
GRAIN-STANDARD LABOUR MONEY: By Robin-dra Lal Roy. Published by the author from 18, Ramratan Lane, Adampur, Bhagalpur, Bihar. August, 1944. Pages 212. Price Rs. 4-2.

OUR ECONOMIC CONDITION: 'T' Club Studies, B. R. College, Agra. Data compiled by the Economics Research Committee. Edited by Dr. Baljit Singh, 1944. Pages 159. Price Rs. 4.

PLAN FOR BRITAIN
SOIL EROSION: By Sir Harold Glover, Oxford Pamphlets on Indian Affairs, No. 23. Published by Oxford University Press. Pages 32. Price 6 as.

RECONSTRUCTION IN POST-WAR INDIA: A plan of Development All-Round. By Sir M. Visvesvaraya. Published by the All-India Manufacturers' Organization, September, 1944. Pages 60. Price Re. 1.

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FROM THE PROVINCIAL ANGLE

Bombay Letter

(From Our Correspondents)

BOMBAY, Sept. 23, 1944.

AT a two-day meeting held recently the Bombay Provincial Rural Development Board discussed the Bombay Government's Post-war Reconstruction plan. If the Press reports are true that the Board has merely discussed and generally approved of the Plan instead of, as may be expected from such a body, suggesting any notable improvement or alteration in the Plan it is rather disappointing especially as it appears that the Government have already started implementing the Plan instead of giving time to the public and the commercial bodies to voice their opinion.

It was revealed at this meeting that the Government proposed to start forthwith 14 special priority schemes, 13 of which have already been sanctioned and will be put into operation shortly. A priority scheme dealing with livestock improvement has also been sanctioned as the cattle required for post-war years must be bred and reared now. The Government have also established a Project Circle under a Superintending Engineer, with three Executive Engineers, for the planning and preparation of road schemes. The work of preparing preliminary estimates will be immediately started by this staff. Next, a special officer of the P.W.D. has been appointed to examine in detail the project of the Grid electricity scheme of the Province. A list of heavy plant and equipment likely to be required for this scheme has been furnished to the Government of India. A Building Projects Division and an Irrigation Projects Division have been created, the former to start work on the planning of building schemes in connection with the post-war plan and the latter to investigate the irrigation projects proposed for execution in the post-war period.

The working of the Grow More Food campaign was outlined by the Director of Agriculture at this meeting of the Bombay Provincial Rural Development Board. It was stated that the area under cotton in this Province had decreased from 4,035,000 acres in 1941-42 to 2,830,000 acres in 1942-43 and 2,800,000

U.P. Letter

CAWNPORE, Sept. 24.

THERE are several interesting features in the Scheme for Post-War Development of the Industries and Commerce Department of the U. P. Government. The Scheme has been drawn up under instructions from the U. P. Government and forms part of the various post-war plans being prepared departmentally for the Post-War Reconstruction Committees of the Province and the Government of India.

The Scheme is divided into three parts. The first deals with technical education, its expansion and the setting up of a technological university. The second deals with basic and large scale industries, and the third with cottage industries.

At present most of the technical institutions maintained by the Department of Industries are monotechnics, for example, the Carpentry School at Bareilly, Metal Working School at Aligarh, Leather Working School at Cawnpore. The Scheme, now prepared, suggests the establishment of polytechnics instead of

acres (estimated) in 1943-44; and that under tobacco from 210,000 acres in 1941-42 to 127,000 acres in 1942-43 and 120,000 acres (estimated) 1943-44. On the other hand, the area under foodgrains had increased from 19,730,000 acres in 1941-42 to 20,503,000 acres in 1942-43 and 21,200,000 acres (estimated) in 1943-44. This means that an increase in the area under food crop cultivation of about 8 per cent. has been brought about which means that the decrease in the acreage under cash crops and the increase in the acreage under food crops almost offset each other, that is, hardly any new land has been brought under the plough from the immense cultivable waste which we have.

Infantile Mortality

The Municipal Commissioner in his Administration report for the year has revealed a disturbing figure of infantile mortality. Mortality among infants (under one year of age) during the year was 8,690 against 6,164 and the rate per thousand live births, 197.4 against 195.4 in 1942. The difficult food situation and the high prices of articles of food like milk, ghee etc. which are absolutely necessary for the maintenance of the health of the mother and the infant, were probably responsible for the increased number of deaths.

Cloth Distribution

In spite of the reduction in cloth ceiling prices by 40-50 per cent. from the 1943 peak level, the vast majority of consumers, especially those in the deficit areas, are not getting the full benefit of the reduced prices owing to defective distribution. While the introduction of the quota system recently has eliminated dealers who had entered the trade in the 1943 boom, those who still retain the quota have acquired a complete control over the distribution of cloth to other provinces. Upcountry dealers who have to buy from the quota holders in Bombay and Ahmedabad can get very limited quantities of what they want and even that by paying premium. The second objective of the Control measures, namely, increase in production of cloth, is also not being achieved. There is still a vast scope for stepping up production.

monotechnics, and teach several trades in one institution.

The H.B. Technological Institute at present offers post-graduate course in Oil and General Research. The Institute, which is situated at Cawnpore, it is recommended, should be vastly extended and include the following 8 sections: Oil, including oil, soap, paints and varnishes; Glass and ceramics; Leather including leather chemistry and leather working; Textiles, including spinning, weaving, dyeing, finishing and textile chemistry; Radio Engineering, chemical and Pharmaceuticals; Food chemistry; Engineering including metallurgy, mechanical, industrial and electrical engineering.

The Institute will admit 100 students per year, and will have an average enrolment of 250 students at a time. The Institute besides will have post-graduate and post-M.Sc. classes. Research courses will also offer short-term courses for the superior staff of large industries.

Ten technical high schools will be established in the first five years and another ten in the next five years. These two will be polytechnic type of institutions, each admitting 150 boys. There will be also polytechnics designed mainly to produce a high quality workman. Trades and crafts mainly practised by women at their homes will be taught in a polytechnic for women.

While the other existing institutions will be merged in the new technical educational scheme the Arts and Crafts School, Lucknow, will retain its separate identity.

Basic Industries

The following basic industries can be developed in the Province. Some had already been started on a small scale and their further development was possible.

1. Heavy chemicals, mainly acids and alkali.
2. Re-rolling and Engineering.
3. Cement.
4. Fertilisers.

It was unnecessary for the Provincial Government to invest large sums of money in any of these industries. There were already 4 re-rolling mills in the Province. The most up-to-date workshop, apart from ordnance factories, was the Central Workshop run by the U. P. Government at Cawnpore. The Government was already investigating the possibility of utilizing Lucknow marl for cement. Setting up of a very large plant for the production of fertilisers in the form of ammonium sulphate was under active consideration.

It has been suggested that the Government can assist in the development of basic industries in the following ways: 1. Survey of raw materials, supply and transport facilities. 2. Planning of project. 3. Establishing contacts between industrialists and technical men.

Large-Scale Industries

Among large scale industries already established in the Province are:—Textile, Glass, Leather, Paper, Oil, Sugar, Engineering and Pharmaceutical. These established industries require assistance in the form of technical help and guidance, testing samples and raw materials, supply of new designs and new ideas, in manufacture, supply of good trained men and assistance from Commercial Intelligence Bureau.

Apart from these, there is scope for the establishment of many more new large-scale industries, e.g., electric lamp bulbs, electrical equipment, thermos flasks, optical glass, potteries, enamel ware, plastics, plywood and its products, sunn hemp fibre, artificial silk, and small metal consumers' goods like razor blades, safety pins. Some of these exist in embryo and they can be encouraged and guided and expanded.

Help in the establishment of the new industries can be given by the Provincial Government in the following forms:—Approaching Government of India for protective tariffs. Government may lease land on nominal rent and help in obtaining raw materials at concession rates. Concession rates may be charged for electric power. Guarantee of Government purchases may be given. The Central Marketing organization can help. At present it was handling only

Rs. 2 lakhs to Rs. 4 lakhs worth goods annually. It was capable of being expanded to deal with goods worth upto Rs. 20 lakhs. Help may be given in organizing model villages for labour. Growth of industries in rural areas will lead to the prosperity of villages. In some cases extensive labour colonies can be subsidised. Where financiers were doubtful and capital shy the Government might invest upto 10 per cent. of capital required and forego dividends until 12½ per cent. declared. This proposal has already been criticised by some of the bodies from which opinions were invited by the U. P. Government. The past experience of such investments has not been encouraging, and there is no reason whatsoever for the Government to forego dividends until other shareholders have received dividends at the rate of 12½ per cent., a possibility which never may be achieved in normal times.

Cottage Industries

In view of the development of hydro-electricity in the Province it is stated that the term cottage industry should include industries that require a capital of upto Rs. 1 lakh. The following can be developed as cottage industries in the Province:—Clockwork toys, wooden toys, silk filature, wood spinning and weaving, torch bulbs, dry cell batteries, electric torches, die punching industry, fountain pens, buttons, pencils, glass beads, spectacle frames, clocks and watches.

So far in dealing with cottage industries efforts were diffused and one industry was sought to be developed in several places. The results, therefore, have been poor. It is suggested that efforts should be made to concentrate one cottage industry in one district. There should be a ten-year programme for each district. In this way 30 selected new industries can be introduced. There will be no need for finance as money was cheap.

Central Marketing

A Central Marketing organization is proposed. It will be a public limited liability company, the Government investing Rs. 2 lakhs and the other Rs. 8 lakhs to be raised from public.

There will be a Museum attached to the Bureau of Commercial Intelligence, a magazine and an employment and welfare section for dealing with only very high class technical men.

It is proposed to introduce quality marketing on a voluntary basis for the following six industries at first:—Carpets, locks, hides, wool, shoes and Moradabad brassware.

HUKUMCHAND JUTE MILLS

Limited

Hukumchandnagore, Naihati, B. & A. Ry.

(Estd. 1919).

Manufacturers of

High Class Hessian, Sacking, Canvas,
Tents, Twine, Webbing, Woollen
Blankets, Etc. Etc.

Managing Agents

RAMDUTT RAMKISENDASS

4, Clive Ghat Street, Calcutta

Commodity Markets

HAPUR, Oct. 3, 1944.

Grains

The wheat and other grain markets were quietly easy owing to increased arrivals of wheat and other grains. The daily arrivals of wheat averaged 800 maunds, and it is anticipated that they would continue to increase in the coming weeks.

The conditions of *Kharif* crops are reported to be quite satisfactory. The preparation for sowing *Rabi* crops has commenced in some places up-country.

Gur: Prices were steady following good demand and exports. The condition of standing sugarcane crops are said to be poor.

Pulses: The pulses markets ruled steady owing to unfavourable westerly winds and some prominent speculators' purchases. The Provincial Government have prohibited forward and option business

in *Urad* and *Moong* and the outstanding transactions would be settled at rates prevailing at closing time of transactions on September 29, 1944. Whether the transactions would be settled at forward rates or spot rates, is a question that has arisen in the local trade circles. The Managing Committee of the local Chamber of Commerce is seriously considering the settlement of prices. It may be recalled here that the forward transactions in *Urad* and *Moong* were of forthcoming new crops which have not yet arrived in markets. This sudden and unexpected decision of Government would hit hard several prominent speculators.

The following are the latest quotations: Wheat: Ready Dara Rs. 9-12 Stock 108 *khattis*. Gram: Dara Rs. 7-16. Barley: Ready Rs. 5-5-3; Stock 8 *khattis*. Peas: Dara Rs. 5-11-6; Stock 143 *khattis*. *Arhar*: Dara Rs. 5-14-9; Stock 137 *khattis*. *Naj*: Ready Rs. 4-7; Maize: Ready Rs. 5-9. *Urad*: Ready Rs. 8-14-6. *Moong*: Ready Rs. 7-9-9. *Gur*: Ready Rs. 7-8.

THE CREEPING MENACE

As a rule Tuberculosis creeps very gradually upon its victims. Its symptoms, though dangerous, appear so innocent that this creeping menace is often disregarded until too late.

To keep healthy, eat as much fruit, vegetables and dairy foods as possible. Try to get sufficient sleep. Above all make the most of fresh air and sunshine.

In India over 5 lakhs of people die of T.B. every year. Loss of weight, undue fatigue and persistent coughing are the danger signs of this tragic disease. When you feel run-down consult a qualified doctor immediately—before the trouble becomes serious.

If you already have T.B., your doctor will arrange for your admittance to a sanatorium, free of cost if necessary. Treatment in a sanatorium taken early, will almost always effect a cure.

★ ★ ★ ★

This warning is issued by the signatories of
this advertisement in the interests of Public
Health in India.

THE NEW ASIATIC INSURANCE CO., LTD.

Transact Business Covering: LIFE, FIRE, MARINE
AND ACCIDENT RISKS.

Calcutta Office:—3, Royal Exchange Place.

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

TODAY'S SAFEST YET MOST EXCITING WAY OF SAVING

GOVERNMENT OF INDIA Prize Bonds

Prize Bonds are absolutely secure, yet owners have a chance of winning large cash prizes. Rs. 100 can win as much as Rs. 50,000 and the chance to win persists twice a year for the currency of the issue. Meanwhile the capital retains its full value and is repayable at par on or after 15th January, 1949.

You can get either a Rs. 10 or Rs. 100 Bond. There is no limit as to holdings.

Prizes are drawn half-yearly, on 15th January and 15th July. All bonds purchased before the 17th December 1944 will participate in the next draw on the 15th January 1945.

PRIZES ARE

★
All prize money will be free of Income-tax, Super tax, Excess Profits tax and Corporation tax.
★

Each series of 1 lakh pieces of Rs. 100 Bonds

1 Prize of Rs. 50,000	Rs. 50,000
2 Prizes of Rs. 20,000	Rs. 40,000
2 Prizes of Rs. 5,000	Rs. 10,000

Total amount of prize money half-yearly in each series of 1 lakh pieces Rs. 1,00,000

Each series of 1 lakh pieces of Rs. 10 Bonds

1 Prize of Rs. 2,500	Rs. 2,500
2 Prizes of Rs. 1,250	Rs. 2,500
5 Prizes of Rs. 500	Rs. 2,500
10 Prizes of Rs. 250	Rs. 2,500

Total amount of Prize money half-yearly in each series of 1 lakh pieces Rs. 10,000

Available at:—Any Indian Office of the Reserve Bank of India, Imperial Bank of India, Government Treasury in British India or in an Indian State conducting Government of India Treasury Business. Prizes will be paid at all the above mentioned places

and also at sub-Treasuries on or after the 15th August or 15th February following the date of the draw. Every Bond remains eligible for prizes at all drawings up to 15th January 1949. Payment of Prize money of the Rs. 10 series will be made in cash; of the Rs. 100

series, half in cash and the balance in Government Loans. Winning numbers will be published in the Gazette of India and the Press, before 15th August and 15th February following the date of the draw.

ISSUED BY FINANCE DEPARTMENT, GOVERNMENT OF INDIA

AAA 964

CURRENT STATISTICS

A—Finance and Banking

ISSUE DEPARTMENT					BANKING DEPARTMENT						
(Rs. in lakhs)					(Rs. in lakhs)						
22-9-44	15-9-44	24-9-43	1-9-39	22-9-44 compared with 1-9-39	22-9-44	15-9-44	24-9-43	1-9-39	22-9-44 compar- ed with 1-9-39		
Notes held in the Banking Dept. ..	9.87	9.17	14.78	35.04	- 25.17	Cash	10.13	9.45	14.94	35.15	- 25.02
In circulation ..	940.57	938.22	759.68	182.13	+758.44	Balances held abroad*	290.10	283.66	108.21	10.08	+279.02
Total Notes ..	950.44	947.39	774.46	217.18	+733.26	Investments ..	11.57	11.57	7.57	6.81	+ 4.76
A. Gold coin and bullion*	44.41	44.41	44.41	44.41	Nil	Bills discounted:—					
Sterling Securities ..	834.33	831.33	641.78	59.50	+774.83	(a) Internal and External	..	..	..	..	..
Total of A	878.74	875.74	686.20	103.92	+774.82	(b) Treasury Bills ..	37	37	..	1.16	- 79
B. Rupee coin ..	13.85	13.81	14.88	75.87	- 62.02	Loans and Advances to Government ..	70	1.17	..	31	+ 39
Rupee Securities ..	57.84	57.84	73.38	37.38	+ 20.46	Deposits:—					
Silver bullion under coinage	..	..	..	..	Nil	(a) All Govts.	182.93	175.93	33.40	14.89	+168.04
% of Reserve to lia- bilities	92.457	92.437	88.603	63.149	+19.308	Of which G. of I.	168.70	160.20	18.61	14.89	+153.81
* Only those held in India, outside India being nil.						(b) Banks	101.25	100.42	73.33	26.91	+ 74.34
						(c) Others	13.22	13.31	10.99	1.24	+ 11.98
						Including Cash and Short-term Securities.					

IMPERIAL BANK					SCHEDULED BANKS				
(Rs. in lakhs)					(Rs. in lakhs)				
22-9-44	15-9-44	24-9-43	1-9-39	22-9-44 compared with 1-9-39	22-9-44	15-9-44	24-9-43	1-9-39	22-9-44 compared with 1-9-39
Fixed Deposits ...									
Savings Bank, Current and Other Accounts ...	229.61	230.93	191.97	87.26	+142.35				
Govt. Securities ...	131.06	132.13	127.13	51.03	+ 80.03				
Other Investments ...	3.64	3.73	2.16	9.62	- 5.98				
Loans ...	9.48	11.08	12.04	7.66	+ 1.82				
Cash Credit Overdrafts ...	43.20	41.95	20.79	19.76	+ 22.41				
Bills discounted ...	2.84	2.81	1.95	2.95	- 11				
Cash in hand, with R.B.I. and other Banks ...	49.44	49.28	37.88	14.69	+ 34.75				

BANK OF ENGLAND					U.S. FEDERAL RESERVE BOARD				
(£ '000)					(million dollars)				
27-9-44	20-9-44	22-9-43	30-8-39		21-9-44	14-9-44	23-9-43	31-8-39	
Total Bullion ...	2,282	2,180	1,896	263,700	18,975	18,981	20,379	14,060	
Public Deposits ...	800	11,500		31,100	171	116	21	(6,190)	
Other Deposits ...	276,800	230,900	228,500	291,000				(550)	
Of which Bankers' Deposits ...	221,500	175,100	173,400	90,100					
Government Securities ...	229,200	192,100	209,700	113,100					
Other Securities ...	23,400	14,800	29,000	31,000	16,540	16,407	9,204	2,426	
Of which Discounts and Advances ...	4,300	2,800	1,800	6,400					
Notes and Coins ...	47,700	51,700	15,400	34,200					
Notes in circulation ...	1,154,600	1,150,000	986,500	529,500					
% of Reserve to Liabilities ...	16.65	21.24	6.48	21.38	52.9	53.3	68.37	86.9	

TREASURY BILLS SALES					TREASURY BILLS MATURITIES				
(3 Months' Tenure) (Rs. '000)					(3 Months' Tenure) (Rs. '000)				
Date of issue	Amount tendered	Amount accepted	Average rate	Interest	Date of maturity	Amount	Date of maturity	Amount	
June	50,82.50	30,00.00	0 7 3	8,52.50	August 1944	18,00.00	October 28	4,00.00	
July	37,36.75	16,00.00	0 7 9	13,76.00	September	30,00.00	November 4	4,00.00	
Aug.	12,97.00	4,00.00	0 7 9	60.00	October	16,00.00	" 10	4,00.00	
"	14,91.25	4,00.00	0 7 7	3,30.00	November	20,00.00	" 16	6,00.00	
"	19,25.00	6,00.00	0 7 9	2,97.00	October 7	4,00.00	" 25	6,00.00	
"	13,32.50	6,00.00	0 7 10	2,05.50	" 14	4,00.00	December 1	6,00.00	
Sept	14,57.50	6,00.00	0 7 7	61.25	" 21	4,00.00	" 8	6,00.00	
"	14,61.50	6,00.00	0 7 10	2,00.00	"		" 15	6,00.00	
"	6,00.00	6,00.00	0 7 10	2,00.50	"		" 22	6,00.00	
"	6,00.00	6,00.00	0 7 11	1,46.50	"		" 29	6,00.00	
"	10,00.50	6,00.00	0 7 11						

CLEARING HOUSE RETURNS					STERLING PURCHASES BY RESERVE BANK OF INDIA				
(Rs. in lakhs)					(0000E)				
Centres					1943-44 1944 1944 1944 1943 1943				
1943-44	1944	1944	1944	1944	Amount	Amount	Amount	Amount	Amount
Bombay	20,43.21	6,91.78	1,53.30	1,55.09	105,309	32,862	10,218	12,400	8,546
Calcutta	17,40.12	7,01.92	1,97.27	2,00.50					
Cannanore	1,02.41	37.55	7.52						
Delhi	1,21.08	39.35	8.40						
Karachi	1,02.84	38.23	7.90						
Lahore	78.82	30.36	7.11						
Madras	2,00.02	78.25	16.59	17.03					
Total	43,45.50	16,07.49	3,98.27	3,72.62*					

CASH POSITION					EXCHANGE RATES (T.T.)				
(Rs. in lakhs)					(000's omitted)				
22-9-44	15-9-44	24-9-43	1-9-39	22-9-44 compared with 1-9-39	Oct. 4, '44. Aug. 28, '44.				
Reserve Bank of India	10.13	9.45	14.94	35.15	1-5 31/32	1-9 21/32			
Scheduled Banks	126.77	125.40	92.91	31.87	332 3/4	332 3/4			

BANK RATES					STERLING PURCHASES BY RESERVE BANK OF INDIA				
(Rs. in lakhs)					1943-44 1944 1944 1944 1943 1943				
22-9-44	15-9-44	24-9-43	1-9-39	22-9-44 compared with 1-9-39	Amount	Amount	Amount	Amount	Amount
Bombay	28th Nov. 1935	3 1/4%							
London	26th Oct. 1939	3%							
U.S.A.—New York	26th Oct. 1942	1%							
Fed. Res. 27th Oct. 1942		1 1/4%							

B—General

LEAGUE OF NATIONS STATISTICS—BANKING†

Country	Units	Notes in Circulation‡		Commercial Bank Deposits	
		(In millions)	(In millions)	(In millions)	(In millions)
Union of South Africa ..	(S. A. E.)	20.9	48.4 (1944—II)	101.0	227.7 (1943—XI)
Egypt ..	(E. £)	26.4	98.1 (1944—II)		
Canada ..	(C. \$)	233	915 (1944—IV)	2,774	4,368 (1944—III)
U.S.A. ..	(S. \$)	4,912	17,429 (1944—III)	23,842	39,069 (1944—III)
Argentina ..	(Peso)	1,191	1,964 (1944—II)	3,913	6,299 (1944—II)
Chile ..	(Peso Pap.)	950	2,311 (1944—III)	2,049	3,524 (1944—II)
Mexico ..	(Peso)	373	1,149 (1944—II)	251	1,414 (1943—XII)
China—Manchuria ..	(Yuan M.)	624	2,941 (1943—XI)		
India (excluding Burma) ..	(Rupee)	2,245	8,825 (1944—III)	2,401 (S.B.)	6,851 (1944—II)
Japan ..	(Yen)	3,818	9,667 (1943—XII)	19,794	40,652 (1943—XI)
Germany (Reich Bank) ..	(Reich M.)	11,798	33,792 (1944—III)	8,501	16,595 (1942—XII)
Spain ..	(Peseta)	13,536	16,381 (1943—XII)		
France ..	(Franc)	151,322	530,174 (1944—III)	42,443	107,043 (1943—XII)
Ireland ..	(£)	18.0	32.8 (1944—II)	119.3	170.5 (1943—XII)
Italy ..	(Lire)	24,432	96,541 (1943—VII)		
Roumania ..	(Leu)	48,800	162,283 (1944—I)	40,574	0,574 (1943—XI)
U.K. ..	(£)	554.6	1,104.6 (1944—III)	2,441	3,988 (1944—III)
Turkey ..	(T. £)	281	864 (1944—III)	261.9	404.7 (1943—XII)
Australia ..	(A. £)	57.3	176.8 (1944—III)	335.0	539.0 (1944—III)
New Zealand ..	(N.Z. £)	19.3	36.3 (1944—III)	72.6	118.4 (1944—II)

† Monthly Bulletin of Statistics, May 1944 (League of Nations).
‡ Central Bank notes.

PRINCIPAL COMMODITIES AND INDUSTRIES STATISTICS

COTTON MANUFACTURES
(Million yards)

Months	Production	Imports	Exports	Index No. of price of average cotton manu- factures (Base: Week ending Aug. 19, 1939=100)†
1938-39 ..	4,269.3	647.1	192.7	
1939-40 ..	4,012.4	579.1	238.0	
1940-41 ..	4,269.4	447.0	423.6	
1941-42 ..	4,493.4	181.6	857.6	
1942-43 ..	4,109.3	13.1	834.8	
1943-44 ..	1,216.3	0.4	132.0	498
1st quarter ..	1,158.9	0.425	96.85	444
2nd quarter ..	394.1	0.1	33.8	417
October 1943 ..	394.1	0.1	33.8	417
November ..	472.0	0.3	66.7	389
December ..	356.3	1.6	15.45	381
January 1944 ..	407.3	0.1	41.5	381
February ..	412.2	0.3	58.2	350

RURAL RETAIL PRICE INDEX NUMBERS†
JULY 1944

(Base: January 1943=100)

Name of Centre	Cereals	Pulses	Other articles of food	All articles of food	Fuel and lighting	Clothing	Miscellaneous
Eastern Zones							
1. Bamra ..	(a)	(a)	(a)	(a)	(a)	(a)	(a)
2. Malabar ..	169	152	185	179	92	131	317
3. Rajapur ..	147	182	244	227	128	137	355
4. Shankargarh ..	176	163	116	147	87	90	
5. Sonali ..	179	134	169	165	98	137	191
Northern Zone							
6. Multapi ..	113	115	126	122	111	109	168
7. Nana ..	113	101	91	96	131	106	279
8. Salamatpur ..	154	102	111	117	80	142	214
9. Shujabad ..	114	141	107	115	102	108	156
10. Gujar Khan ..	131	145	115	124	153	112	215
Southern Zone							
11. Krishna ..	(a)	(a)	(a)	(a)	(a)	(a)	(a)
12. Lakh ..	112	103	117	113	121	135	170
13. Malur ..	140	145	140	141	88	113	216
14. Muniguda ..	165	158	103	125	86	92	136
15. Kudchi ..	(a)	(a)	(a)	(a)	(a)	(a)	(a)

(a) Index Number could not be calculated due to unavailability of price quotations.

† "Indian Labour Gazette," September 1944.

INDEX NUMBERS OF PRICES OF INDIAN SECURITIES†
(Base: 1927-28=100)

Months	Govt. Securities (Fixed yield)	Industrial Securities (Fixed yield)	Securities (Variable yield)
October 1943 ..	117.5	165.3	183.1
November ..	117.6	165.6	188.9
December ..	117.6	165.7	188.8
January 1944 ..	118.3	168.3	200.1
February ..	118.2	169.1	196.2

† Published by the Office of the Economic Adviser to Government of India.

RAILWAY STATISTICS (CLASS I ONLY)

(Period: April 1 to August 31, 1944)

A—EARNINGS

Railways	Up to			Increase or decrease	
	31-8-42	31-8-43	31-8-44	in current year	cf. with previous year
	(Rs. in lakhs)			amount	%
B. & A. ..	4.24	6.68	9.94	+3.26	+48.8
B. N. ..	5.92	6.88	6.86	- 2	- 0.29
B. E. & C. I. ..	7.44	8.02	8.27	+ 25	+ 3.12
E. I. ..	11.60	13.52	16.36	+2.84	+21.0
G. I. P. ..	10.99	12.16	13.12	+ 96	+ 7.89
M. & S. M. ..	4.65	5.64	6.33	+ 69	+12.2
N. W. ..	10.61	13.17	13.31	+ 14	+ 1.06
Oudh & Tirhut ..	2.18	2.70	2.56	- 14	- 5.19
S. I. ..	3.67	4.04	4.64	+ 60	+14.9
Other Railways ..	32	35	37	+ 2	+ 5.71
Total ..	61.62	73.16	81.76	+8.66	+11.8

B—WAGON LOADINGS

(No of Wagons—4 Wheelers)

Railways	1943-44			Increase or decrease	
	1943-44	1954-44	August 1944	1944-45 over 1943-44	1944-45 over 1943-44
	(April 1 to Aug. 31)				
Broad Gauge ..	1,820,635	1,825,442	350,926	+ 0.26	
Metre Gauge ..	944,677	1,019,795	200,314	+ 7.96	
Total ..	2,765,312	2,845,237	551,240	+ 8.21	

Details	1943-44		Increase or decrease in June '44 over May '44
	June	May	
(i) Coal and Coke ..	456,535	429,409	- 5.94
(ii) Grains and pulses ..	308,836	255,643	-17.2
(iii) Oilseeds ..	58,152	69,863	+20.1
(iv) Cotton ..	44,709	44,190	-1.16
(v) Miscellaneous ..	373,547	288,207	-22.8
(vi) Miscellaneous full wagons ..	1,343,940	1,554,926	+15.7
(vii) Home line stores and materials ..	179,593	202,999	+13.0

C—TONNAGE LIFTED (Tons)

Railways	1943-44			Increase or decrease in June '44 over May '44
	June	May	June '44	
Broad Gauge ..	28,644,248	28,348,834	5,196,916	- 1.03
Metre Gauge ..	7,152,920	7,579,257	1,458,253	+ 5.96
Total ..	35,797,168	35,928,091	6,655,169	

SEA-BORNE TRADE OF BRITISH INDIA

Exports (Indian)	Rs.		Increase or decrease in June '44 over May '44
	June	May	
Exports (Indian) ..	18,90,21,688	16,03,36,936	+2,86,84,752
Exports (foreign) ..	28,56,349	27,38,984	+ 1,17,365
Exports (total) ..	19,18,78,037	16,30,75,920	+2,88,02,117
Imports ..	14,35,87,729	17,08,10,661	-2,72,22,932
B.T. in merchandise (Private) ..	+4,82,90,308	-77,34,741	
Total trade ..	33,54,65,766	33,38,86,581	+ 15,79,285

FOOD INDEX (WHOLESALE PRICES)†

(Base: Last week of Aug. 1939=100)

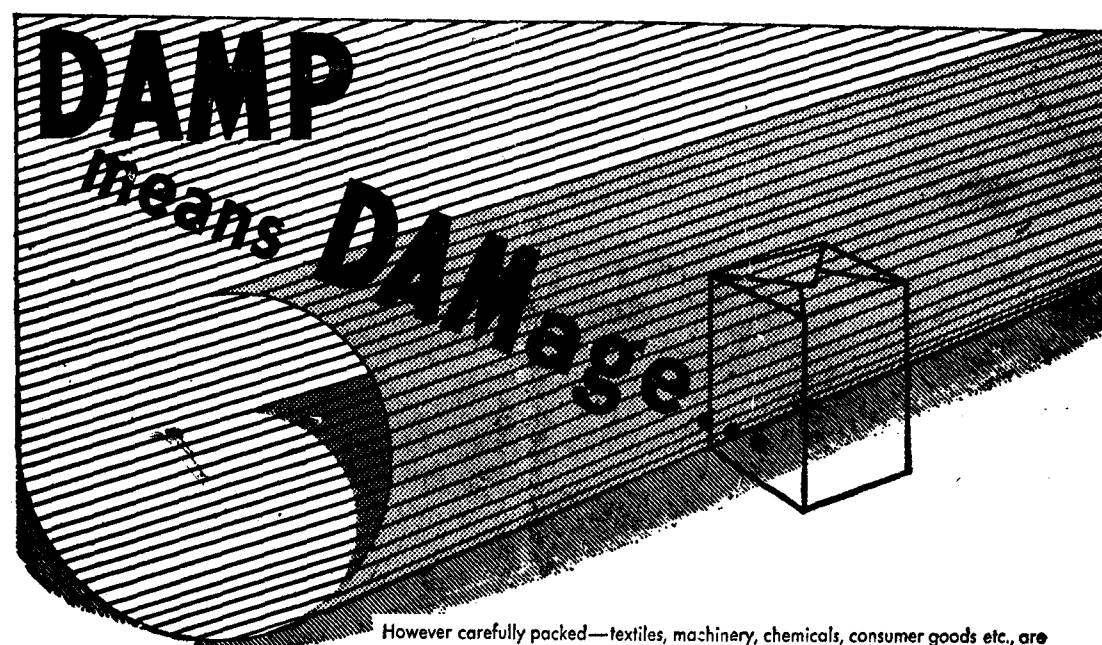
Week ending	Increase or decrease	
	July	August
Average for July ..	236.9	+4.8
" " August ..	237.3	+0.4
2nd September 1944 ..	237.3	+1.5
9th ..	235.4	-1.9
16th ..	235.5	+0.1
23rd ..	232.4	-3.1

† Issued by the Office of the Economic Adviser to the Government of India.

C—Prices

INDIAN STOCKS AND SHARES

	3-10-1944	25-9-1944		3-10-1944	25-9-1944		3-10-1944	25-9-1944
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
SECURITIES: Bombay								
2½% (1948-52)	99 12 0	99 12 0				India	175 12 0	174 12 0
3% (1946) Defence	102 5 0	102 4 0				Reserve	131 8 0	131 0 0
3½% G.P. Notes	99 10 6	99 8 0				New India	77 12 0	75 8 0
4% (1960-70)	112 10 0	112 10 0				Lahore		
4½% (1955-60)	116 2 0	116 2 0				United Com.	80 12 0	75 0 0
5% (1945-50)	103 14 0	103 15 0				Hindustan Com.	58 8 0	52 12 0
Calcutta						Bharat Bank		
5% Loan (1945-55)	104 2 0					New Bank	32 8 0	33 0 0
3% Loan (1949-52)	101 4 0					Jup. In. Trust		
TEXTILES: Bombay						Pun. N. Bank F.P.		
Ahmedabad	413 0 0	405 0 0				P.F.	225 0 0	225 0 0
Bombay Dyeing	1,785 0 0	1,697 8 0				New Asiatic	11 8 0	
Central India	389 0 0	365 8 0				MISCELLANEOUS: Bombay		
Century	830 0 0	795 0 0				Ajmer		15 0 0
Colaba	219 8 0	200 0 0				Bom. Suburban		220 0 0
Gokak	388 0 0	285 8 0				Alcock	430 0 0	417 8 0
India Bleaching	177 0 0	172 0 0				B.I.C.		
Kohinoor	569 0 0	545 0 0				Belpur Sugar	230 0 0	220 8 0
Phoenix	552 8 0	552 8 0				Bom.-Burma	477 8 0	513 12 0
Sholapur	7,100 0 0	7,025 0 0				" New	180 0 0	* 180 0 0
Simplex	242 8 0	226 8 0				Bombay Steam	630 0 0	577 8 0
Swadeshi	509 0 0	482 0 0				" Tram	151 8 0	147 0 0
Vishnu	475 0 0	457 8 0				" Petrol	4 2 0	4 4 6
Finlay						Scindia Steam	30 2 0	29 6 0
Morari						Shivrajpur	51 0 0	49 8 0
Apollo						Andhra Valley	1,815 0 0	1,807 8 0
Calcutta						Freem. Cons.	193 0 0	
Benares	12 12 6					Indian Iron	39 2 0	
Bengal Nagpur						Indian Copper	3 0 6	
Cawnpore Textile	13 0 0					Burma Corp.	4 13 6	
Dunbar						Associated Cement		219 4 0
Elgin Mills	65 8 0					Calcutta		
Kesoram	16 2 0					Shree Gopal	18 1 0	
Muir Mill	384 0 0					I.P.P.		
New Victoria	8 2 0					Orient (ex-div.)		
" Pref.						Titaghur	26 2 0	26 0 0
Madras						Dalmia Cement	16 3 0	16 10 0
Buckingham		300 0 0				Burma Corp.	4 14 0	
Bangalore Wool	450 0 0					Indian Copper	3 2 0	
Caribodia	30 8 0					Consolidated T.N.	3 8 0	
Coimbatore Pioneer	320 0 0					Madras		
Pankaja						Andhra Cement	115 8 0	
Sitaram Spg.	162 0 0	154 0 0				Bruntons	12 6 0	12 4 6
Vasanthia						Mysore Chem.	38 6 0	
Madura	67 0 0					India Steel Roll	7 14 6	7 12 6
Lahore						Mysore Paper	24 12 0	23 12 0
Ajudhia Textile		5 12 0				Mettur Chs. Ord.	17 10 0	17 22 0
Cawnpore Textile	13 10 0	12 11 0				Epeneser		
New Victoria Ord.	8 6 6	7 11 0				Lahore		
JUTE: Calcutta						Rampur Distillery		10 10 0
Alliance	629 0 0					National Saltpetre		
Anglo-India	440 0 0					N. India Oil		
Birla Pref.						S. G. Paper Mills		17 0 0
Barnagore						Star		
Champdany	248 0 0					Delhi		
Ganges						Apollo		3 6 0
India						New Victoria	8 10 0	7 10 0
Howrah	82 14 0					Rav Textiles	75 0 0	64 8 0
Kamarhatti	645 0 0					Ajudhia Textile		
Kankarrah	541 0 0					Rampur Distillery	12 8 0	
Nuddia	127 8 0					Delhi Cloth	416 8 0	103 12 0
						Prices marked (*) are for 3-10-1944.		
						Prices marked (†) are for 30-9-1944.		



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THE EASTERN ECONOMIST

Vol. 3 No. 15

NEW DELHI, OCT. 13, 1944.

ONE RUPEE

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There will be no issue of the "Eastern Economist" dated October 20, 1944, on account of the Dewali holidays. The next number will be issued on October 27.

International Cartels

PRESIDENT ROOSEVELT'S recent denunciation of international cartels may have invested the subject with a certain topicality, but at all stages of its amazing development, the international combine movement has always been watched the world over with uneasiness and distrust and has often provoked violent criticism and condemnation. Although a few of its roots reach back into the nineteenth century, the movement itself is definitely of the twentieth. Thus, whereas in 1897 Dr. Robert Liefmann could count only some forty international combines of various kinds, there were known to be at least 114 at the end of the first fourteen years of the present century and these were distributed among the different industries as follows:—

Coal, ores and metals	26
Chemical and allied	19
Transportation	18
Textiles	15
Stoneware and porcelain	8
Paper	7
Stones and earths	6
Electrical	5
Miscellaneous	10

The Great War of 1914-18 upset the apple-cart of

the international combine movement for the time being, but the later twenties saw a general revival and many international combines, which existed before the war, were revived and many new ones formed. Although it is generally true that such combines come into being in response to a complex of factors, it may be said that progress during this period was largely provoked by the remarkable and abnormal increase in productive capacity in so many industries and countries, owing to the tremendous stimulus given by the war, coupled with a striking acceleration of the rate of scientific and technical progress. The resultant intensification of international competition, or the danger and fear of it has been the motive force behind the formation of many an international combine. The Great Depression following so closely and the national protectionist and autarchic policies were obviously calculated to strengthen the movement and it was in the thirties that many of the notorious restrictive cartels, particularly in the mineral raw materials of industry, were ushered into being. On the eve of the present war, competent observers were of the opinion that the international combine movement was still young and in the growing stage.

International combines are a strangely mixed fauna. Thus, we have cartels, combines, concerns, consortiums, conventions, conferences, trusts, syndi-

cates, rings, associations, industrial agreements, and so forth. Although several of these terms are practically synonymous, it is still difficult to classify these types satisfactorily. A line may, however, be drawn between international cartels (including international output agreements) and international concerns, trusts and holding companies (including national combines with international ramifications). The latter represent merely the expansion on an international scale of the integration movement in modern industry and finance and are technically not different from national combines, trusts, monopolies and quasi-monopolies, although the fact that they operate across political frontiers imparts a special slant to their activities and gives rise to special problems. But, nevertheless, it is international cartels properly so-called that constitute the specific international cartel problem.

An international cartel, unlike a trust, does not constitute a great unified legal entity, holding property of its own. It is, in essence, merely an industrial alliance between a number of separate units in two or more countries, or between two or more cartels, or between some independent producers and one or more cartels. It is, however, true that the devices of the holding company, interchange of shares, etc., have often been employed by international cartel-builders in devising vast and intricate networks of interlacing interests, both financial and industrial. Cartels may be of two kinds. Firstly, there are international agreements regarding standardization of products, exchange of patent rights and information, or the conditions of trading, known as "cartels of conditions." But "cartels of conditions" have a way of developing into the second and more general form of cartels aiming at a variety of objects, such as preservation of an undisputed internal or "home" market for each national group; division and delimitation of export markets or "sales territories"; suppression of price-cutting; "regulation" of prices; exchange of patents and technical knowledge; standardization and reduction of redundant varieties; concentration of production; elimination of inefficient plants; concerted regulation and restriction of output; and joint purchase of raw materials.

A brief account of some of the international combines may be of interest. In 1392, an international agreement was concluded among producers representing approximately 80 per cent. of the world output of petroleum, providing for limitation of exports, each group taking a quota based upon the percentage of their trade in export markets during 1931. The Standard Oil interests, the Anglo-Persian Company, the Roumanian oil industry and the Royal Dutch-Shell Groups were the principal participants. The rapid expansion of production of petrol in America, and the competition of Roumanian and Russian supplies had brought down prices to an unprecedentedly low level and thus provided the incentive. In the tobacco trade, Anglo-American cartelization had to pass through a number of vicissitudes due to the anti-trust legislation in the United States, but ultimately it took the form of the Imperial Tobacco Company, catering to its home market—Great Britain, and its associate The British-American Tobacco Company having "the rest of the world for its oyster", through its control of over 100 companies in Canada, China, India and South Africa and its association with other principal manufacturers in Canada, Australia and South Africa. In 1927, a Franco-German cartel was formed in the aniline dyestuffs industry, a group of three Swiss companies joining in 1929. Prices, however, continued to be competitive as many powerful

undertakings remained outside the cartel. The cement cartel was based upon three main agreements, viz., a reciprocal quotas arrangement between the French and Belgian cement manufacturers; an agreement between the Franco-Belgian combine and German, Swiss and Czech producers; and a Belgian-Dutch agreement. Among all the international cartels formed to control the production of raw materials, the International Tin Cartel has been described as one of the most successful from the producers' point of view, for by dint of drastic output restriction, it had enabled redundant stocks of tin to be greatly reduced, while, at the same time, prices had been raised by more than 130 per cent. Examples of a more integrated type of the international combine movement, where the devices of holding companies, subsidiaries, etc., have been extensively used, may be seen in the rayon industry dominated by Courtaulds, the electricity supply, tramways and gas industries dominated by two Belgian companies, the sewing machines industry controlled by the American Singer Company, the soap, glycerine and candle industry dominated by Lever Brothers, the Swedish Match Company built up by Ivar Krueger, the expansion of the Ford Motor Company beyond the frontiers of the United States and of the Dunlop Rubber Company and the heavy chemicals, dyestuffs, paints and varnishes, fertilizers and explosives industries dominated by the Imperial Chemical Industries, the Du Pont De Nemours Company of the United States and the German I. G. Farben.

It is needless to restate the case for and against international combines. In part, these combines are of the same substance as that of which national monopolies and quasi-monopolies are formed and are born of the same causes, offer the same advantages and are open to the same objections as the latter. In part, and this is particularly true of cartels properly so called, they are the direct result of that state of economic *malaise*, which Hobson called "underconsumption" and represent a conscious attempt on the part of producers to remedy the disequilibrium caused by productive capacity, based on rapid technological progress, outpacing the consuming capacity and more commonly the purchasing power of the peoples of the world. And inasmuch as they are the solution put forward for the general ill by sectional interests, they have generally been to the advantage of that section rather than of the community at large. And as their primary purpose has been generally to raise prices by restricting output, their policies would clearly militate against liberal tendencies in world trade. In the circumstances, there is substance in the argument of the United States Assistant Attorney General, Wendell Burge, that "if there is to be a free exchange of goods in world markets, power cartels must be broken." But, how is this object to be achieved? So long as large sectors of industry are inevitably under private enterprise and so long as gluts of over-production threaten to break down the very machinery of production, conscious and *bona fide* planning by producers to regulate output and prices are not only justified, but may even be desirable. What the governments of the different countries should, therefore, do is to create conditions for an economy of abundance, in which restrictive monopolies, national as well as international, will be unnecessary and out of place. They must also co-operate, wherever possible and necessary and particularly in the case of agricultural produce that enter into world trade and mineral raw materials of industry, in devising inter-governmental commodity agreements among producer as well as consumer countries. Such inter-governmental agreements, it is obvious, are more calculated to ensure supplies at prices reasonable

to consumers and remunerative to producers than cartel agreements between producers only. But, where such inter-governmental agreements are not possible for some reason or other, agreements between producers of the various countries need not be necessarily condemned summarily, provided they offer possibilities of leading to stable and reasonable levels of supplies and prices. It would, of course, be necessary, when such international collaboration of producers is permitted, to devise a positive policy of state supervision so that vital consumer and community interests are not injured. The details of such a policy will have to be carefully thought out and it is possible that it may form part of the various governments' policies towards national trusts and monopolies. In any case, it is evident that for really effective control, there will have to be co-ordinated action by the various countries on the basis of an international convention.

India, in common with other politically subject and industrially undeveloped countries, has suffered greatly from the activities of foreign corporations with international ramifications. Her industries are pawns in a world of giants and while her producers have never been in a position to try conclusions with

the firms and corporations of other countries or come to advantageous agreements with them, her economy has been particularly vulnerable to the onslaughts of powerful foreign combines. The dominating position, which foreign corporations such as the Swedish Match Company, Lever Brothers, the Burmah-Shell Group, the Dunlop Company, the Imperial Tobacco Company, and last, but not least the Imperial Chemical Industries have established for themselves in important sectors of Indian industry are too glaring to be missed. The dangerous potentialities of the future constitute an even more disconcerting feature. So long as there is a foreign government in the saddle and industrial development schemes are launched under its auspices, there is reason to fear that the opportunities for powerful foreign combines to secure positions of vantage and stifle indigenous enterprise and exploit the consumers will be many. This country need, therefore, have no hesitation in warmly supporting the crusade against the international combine movement. It may also be necessary for public opinion to express itself forcibly so that no government, however constituted, will find it possible to avoid special legislation for counteracting such activities of international combines as are harmful to our national interests.

Price Disparities and Exchange Rates

ONE of the most difficult and complex problems of reconstruction to which the war has given rise is the glaring disparities in national price and cost structures. Even before the war, an integrated world price structure such as had been known in the palmy days of relatively free trade and exchanges had been considerably disrupted by exchange and other quantitative trade controls; but the war-time disparities are entirely abnormal and of a far greater magnitude, and will have to be narrowed down to competitive levels so as to permit the free flow of trade, even if some form of exchange control were retained, ruling out only multiple currency devices.

The causes of international price disparities are obvious. Monetary expansion and upward trend of prices are universal in war-time, but the degree of increase of purchasing power and the measure of success attending attempts at stabilization of costs and prices have differed widely from country to country, while to their effects have to be added those of the canalization of trade into artificial channels by strategic needs, transport difficulties, priorities, blockades, etc. The price level of any country thus reflects the impact of all war-time forces on its national economy.

According to the degree of increase recorded in the wholesale price level, countries would seem to fall into the following more or less well defined categories:

	Wholesale Prices (Nov. 1943)	Cost of Living (Nov. 1943)
Group I		
U.S.A.	135	125
U.K.	167	129
Canada	140	119
Australia . . .	138	122
S. Africa . . .	151	125
Group II		
Germany	109	110
Japan	146	137

Group III		
	(Sept. 1943)	(Sept. 1943)
Belgium	172	162
France	248	209
Netherlands . .	165	140
Norway	176	
Group IV		
	(Nov. 1943)	(Nov. 1943)
Spain	192	170
Sweden	179	149
Switzerland . . .	208	150
Portugal	278	158
Group V		
	(Nov. 1943)	(Nov. 1943)
Iraq	692	
Iran	195	762
Egypt	200	
		(Sept. 1943)
Palestine	325	239
Turkey	601	334
India	318	229
Group VI		
	(Nov. 1943)	(Oct. 1943)
Argentina	197	109
Chile	199	201
Mexico	157	172
Peru	209	149

[All figures except for Group III are from the *Monthly Bulletin of Statistics* (League of Nations) with 1—VI/1939 as 100. The figures of Group III (base 1938=100) were prepared by French experts for Bretton Woods.]

In the first group of countries, which may be described as the politically leading and economically organized ones, the smallest increase in wholesale prices and a smaller increase in the cost of living have occurred, despite appreciable, though varying, degrees of monetary expansion. In Germany and Japan, economic regimentation had been in force long before the war and prices have been kept down with great rigour. The third group comprises the occupied countries of Europe, where, despite the huge German

occupation expenses, loot and inflation, prices have not more than doubled except in the case of France, the worst victim. The price and cost indices of European neutrals show, as those of occupied countries, that they have experienced a greater increase than the "leader" nations. The last category of Latin American countries also shows, roughly, a less than doubling of prices and living costs.

The largest increase has occurred in Group V, comprising countries either politically subordinate and weak or economically backward or both. If we add China, where runaway inflation and economic chaos have become so uncontrollable that by July 1943 the Chungking official cost of living had, on the basis of the first half of 1939, risen to 6,074 and resort to the printing press had become the chief means of war finance, it will be clear that the Middle Eastern and Far Eastern countries, including India, have suffered much more than the rest of the world from inflationary forces. It is remarkable that the rise in prices even in the occupied countries of Europe has been less marked than in this vast area inhabited by non-white peoples, while in the U.S.A., Britain and her Dominions the rise in prices is nothing in relation to the increase in their purchasing power and magnitude of their war effort. Space alone forbids citing figures in evidence of gigantic productive mobilization and successful impounding of expanded money in these powerful countries.

The explanation for this one-sided incidence of the real cost of the war is simple enough. The Middle Eastern countries and India have been bearing the heavy burden of Allied war expenditure to which their undeveloped economies are hardly equal, and their administrative apparatus is not efficient enough to enforce economic discipline in the matter of prices and consumption, while outside assistance in the shape of imports of goods and machinery needed to improve production and curb prices has been withheld on precisely the same grounds on which those immense demands have been made on their slender resources.

But these countries are not without hope of some post-war compensation and that they seek in their improved balance of payments. The occupied countries of Europe have immense amounts of blocked marks to their credit in the Berlin clearing which may or may not be realizable, depending on incalculable political factors. But the Middle Eastern countries, India and certain Latin American countries which have accumulated external balances are certain of realizing and using them to constructive use. China alone among the nations which have suffered is without external reserves, but the U.S.A. is not likely to count the cost in setting China on her feet.

What is relevant, however, in the present context, is the significance of the improved balance of payments of these countries to the readjustment of prices, costs and exchange rates in the post-war era. While a consideration only of relative prices and costs would indicate a striking decline in the domestic value of the Middle Eastern and Far Eastern currencies and a corresponding depreciation of their exchange rates, their accumulated external assets will exert a contrary pull on their exchanges. If disparities in prices and costs are not the only factors to determine the exchange rates—and they are not—and if the external credits are also to be taken into account, the final result might point to a small dose of devaluation or none at all, although it is difficult to generalize in the matter about the whole group of countries.

On the other hand, at least in the case of Britain the stabilization of domestic costs and prices, which argues against exchange depreciation, has been achieved at the cost of a big deterioration in her capital account which is certain to exert a downward pressure on her foreign exchanges. The U.S.A. and the British Dominions are in the fortunate position of having at the same time averted inflation and accumulated foreign credits.

Even in the "leader" countries which have effectively immobilized surplus money now, there is considerable inflation potential after the war when pent-up demand has to be satisfied and dammed purchasing power released. And, despite all the controls which might be exercised, an upward trend of prices in them is inevitable. Furthermore, the low prices of these countries are accounted for by special measures of subsidization, etc., which may not be as efficacious after the war. On the other hand, in the backward countries the rise in prices has been abnormal, owing its origin to monetary inflation and acute shortages, and when both of them abate very much after the war, a slump in prices might be indicated.

The choice of the right parities for stabilization by the proposed Monetary Fund is thus no simple matter. The determination of initial parities for a currency is no doubt the concern of the country. But even from its own point of view, a country will find the issue too complex to come to an early decision. According to the revised text of the Bretton Woods Plan, the initial parities are, in most cases, to be those prevailing on the sixtieth day before the entry into force of the agreement, i.e., at the latest, on October 21, 1945. Assuming reasonably that no changes in existing rates are going to be made for the duration and that the war will last till then, the above provision will make existing rates the initial parities. Whatever provisions may be contained in the Fund for varying the exchange rates, to start the Fund with existing rates as the initial parities is to prejudice its success by pitting against it more far-reaching price disparities and debtor-creditor relationships than have happened in the entire inter-war period and asking it to do the impossible. Britain took 6½ years after the last war to choose the proper parities and France did it only in 1928. Clearly much more time is needed than the 12 months allowed.

As far as India is concerned, the right rate of exchange is all-important, as her history will testify. She will have to consider the consequences of all alternative courses of action, a reduction or an increase in the exchange, or retention of the present rate, on her foreign trade, sterling credits, inter-prices and costs, and, more than all, her plans of reconstruction. There is already some discussion on the question, but no decision as to the correct rate of exchange can be arrived at until (a) the sterling-dollar rate is firmly fixed and time allowed to perceive its effects on the world economic situation and (b) some idea can be formed of the international economic conditions emerging after the war. In the meanwhile, discussion in India can only be confined to the various alternative possibilities open to her, so that when the time for decision is ripe, she can fix the rate with full awareness of all the consequences of the ratio. Any exchange rate which she may agree to at the time of her joining the Fund (if she does join) can at best be regarded as only provisional. To the various considerations that are relevant to and should be taken into account in the determination of the rate of exchange we shall revert shortly.

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The Week's Notes

THE GOVERNOR ON BRETTON WOODS

There are three points in Sir C. D. Deshmukh's recent Rotary Club speech which call for notice. In the first place, he said that there was no hurry for India to decide to participate in the Monetary Fund, since she could see things more clearly when the dust of controversy had settled and the attitude of the U.S.A. and the U.K. had been defined. This is precisely our view too and should serve to warn enthusiasts against hasty advocacy. In the second place he emphasised that we ought to get busy with our plans of development, and "consider what sort of controls and exchange rate would be appropriate in the circumstances of the case, the objective being the establishment of a suitable surplus of imports from the United Kingdom over exports representing the repayment of our sterling balances." We would draw the Governor's attention to Section 55 (2) of the Reserve Bank of India Act, which imposes a statutory obligation on the Bank in regard to the monetary standard. When the Bank is of opinion that the international monetary position has become clear and stable to make it possible to determine the permanent basis for the monetary system and frame measures, it shall report its views to the Governor-General-in-Council. It cannot be argued that the international monetary position has not become 'clear and stable.' If the situation, has not become clear and stable according to the Bank's standard, in the last nine years, it is unlikely to do so for the duration of the war and long thereafter. Nor can it be suggested that questions of exchange control and the rate of exchange are outside the scope of the provision. The clause will lack all sense and substance if such a narrow legalistic interpretation is made and will reduce the Reserve Bank's task to stating whether the sterling exchange standard is to be continued or not. Exchange control and the rate of exchange constitute the most vital monetary issues, on which the Reserve Bank must give its expert guidance and there is not much time to be lost in starting a thorough investigation. The third point is Sir Deshmukh's suggestion that in deciding upon the rate of exchange and methods of control the objective is the 'establishment' of an import surplus from the U.K. This requires clarification. A net import surplus with the rest of the world is inevitable and necessary for India, whether it arises from the repayment of her sterling balances or foreign loans. But in proportion as these foreign resources are multilaterally convertible, in that proportion the import surplus with Britain will be smaller. The determination of the rupee-sterling rate should not also be entirely governed by the objective of securing an import surplus from Britain. An appreciation of the rate may help in securing an import surplus; but there are considerations to the contrary. We hope that Sir Chintaman is not for any move which will restrict the present free convertibility of currencies within the sterling area itself. While India will buy all she reasonably can from Britain, she must aim at the widest degree of multilaterality within and without the sterling area as the surest means of realizing her assets on economic terms.

WAR DEBTS VS. COMMERCIAL DEBTS

In discussions in Britain on India's sterling assets a distinction is often drawn between the so-called war debts and commercial loans as if such a distinction were relevant to the question of repayment. Sir John Anderson, for example recently said that creditors should not seek to treat war debts "on a footing of commercial obligations." The P.E.P. broad-sheet on

sterling balances also holds that war debts between the Allies should not be treated on a par with commercial debts, though it admits that the argument is more difficult to sustain in relation to the claims of poorer countries like India than in the case of others. There exists, no doubt, a distinction between war debts and commercial loans in that the former are mostly unproductive in character and yield no return, while the latter are productive and fetch a yield. But the distinction is generally applied only to internal public debt, especially when, as after a great war, the unproductive part of it has greatly swollen and its burden on the community threatens to be heavy and continuous, and not to debts as between nations. At any rate it is hardly relevant to India's sterling assets, because a good part of them has been acquired out of the favourable balance of merchandise and bullion and the dollar balances commandeered from this country, while the rest represents a transfer to Britain of real resources in the form of goods, productive capacity and services which are no less repayable than commercial loans because they have been put to war uses. In fact the test of productivity of these loans is not whether Britain has used them productively (though even from that point of view they might be regarded as productive because they averted inflation, stabilised prices and costs, preserved in tact the productive system in Britain and reduced the volume of sale of her overseas assets), but what revolutionary economic progress India could have achieved, had she made these heroic savings for peace-time reconstruction. The narrow and petty standards by which commercial loans between individuals are judged is hardly valid in respect of the Indian people's war effort. The tendency to make such distinctions seems to spring from an under-current of unwillingness to recognise them equally with other obligations as legitimate.

DEVALUATING THE DOLLAR

The report that the devaluation of the dollar in terms of sterling is under contemplation and that the sterling-dollar rate would be 4.8 dollars to the £ is not only unlikely to be true, but is a case of wishful thinking. The reason for the supposed appreciation of the sterling in term of the dollar is stated to be the greater degree of inflation that is said to exist in America than in Britain. This is not the first time British opinion has expressed itself in this wise. The desire to see a strong sterling and to be able to look the dollar in the face may be excused as part of national pride; but all the evidence available points to a future depreciation of the sterling rather than an appreciation. With loss of overseas investments, a decline in the incomes from various services which Britain was rendering to the rest of the world and an enormous debt incurred during the war, sterling cannot be a scarce currency. The one argument usually advanced in favour of the view that dollar will not be scarce in relation to sterling is based on the relative purchasing power of the two currencies in their own countries. The purchasing power parity theory, which even in its height of popular belief had been built on shaking foundation has lost all its meaning and significance in war-time. Costs of living even if they can be compared have been stabilised in different countries with the aid of subsidies or other measures. But apart from every qualification, is it true that prices and costs of living have been more inflationary in U.S.A. than in Britain. Let the facts speak:

	Wholesale prices	Cost of living
	(Base: 1939=100)	
	1944	1944
U. S.	136	126
Britain	170	130

The League of Nations publication, the Federal Reserve Bulletin and every other available authoritative statistical information point to the dollar having greater internal purchasing power than the sterling. In the circumstances all talk of the sterling likely to become the future "scarce" currency is either ignorant or perverse.

THE CURATE'S EGG

The second broadcast in the B.B.C. series on Indian Agriculture was, like the curate's egg, good in parts. Sir John Russell was certainly right in emphasising the importance of mixed farming. There can be no question that India should produce more fruits, more vegetables and above all more milk. The discussion brought out many of the defects of the unbalanced agricultural production that obtains today. The immediate benefits from cereal cultivation or cash crop farming are apparent, but there is the danger of the peasants ending up in monoculture, which is bad for the soil and bad for the cultivator. Bad for the soil because you get an accumulation of diseases and pests, and in some cases even soil erosion. Bad for the cultivator, because if the concentration is on grains, his diet becomes poor and unbalanced and if the concentration is on commercial crops, it even becomes inadequate and precarious as the cultivator tends to get away from his source of food and has to depend on what he can buy or import. To a country such as India especially, with its high density of agricultural population, the general adoption of mixed farm is the essential condition of prosperous agriculture. This should not, however, mean that we can afford to produce less of food grains, or even very much less of commercial crops. To take foodgrains first, the war has demonstrated that this country does not produce enough for its people even at the present inadequate level of consumption. In an ideal world, it may be to India's advantage to take up mainly the production of protective foods, importing foodgrains cheaply from Australia or Argentina, where extensive cereal cultivation can be practised more economically. As it is, India cannot do that. For one thing, she will have to develop her industrial production to an extent that will enable her to pay for the cereals she may require from abroad and for another the world market should be prepared to absorb the increased volume of exports from India. It is, therefore, inevitable that for any measurable period of time, India shall have to be self-sufficient in foodgrains, which would mean that there should be an expansion rather than a curtailment of internal grain production. As for commercial crops, it is to India's interest to grow a certain volume to meet the raw material requirements of her industries and to pay for imports through exports. The extent of commercial crop cultivation can be determined, therefore, only after a careful consideration of a complex of factors. It is, thus, hard to say-off-hand whether we are now producing too much of commercial crops or not, although it is just possible that in certain specific instances, e.g., short staple cotton, there is room for restriction of acreage in the interests of diversified agricultural production. The problem, therefore, is truly formidable. We need to have mixed farming—more fodder crops, more pulses, more vegetables and more fruits. But, then, we cannot afford to cut down grain production, and on the other hand, should even increase it appreciably, while there may not be much scope for restricting the production of non-food crops. The only way out seems to be, therefore, to bring more land under the plough and produce more per acre. Neither Russell nor Darling thrashed out these implications of their emphasis on mixed farming, so that their talk gave one the impression that they wanted more land to be diverted to fodder crops, vegetables and fruits by cutting down the acreage under cereals and commercial crops. Such

a solution, it has been pointed above, would not be the right one. A more important fallacy was sought to be committed by Russell, when, in a weak moment, he tried to juggle with statistics to prove that India has developed industrially too rapidly at the price of agricultural stagnation. But, being nobody's fool, he admitted presently that mixed farming depends on an urban industrial population able to pay for the more expensive protective foods. Thus, if agricultural prosperity can be achieved only through mixed farming, the latter is very much dependent on industrial development.

WHO OWNS THE CURRENCY?

An interesting article in the April issue of the Federal Reserve Bulletin analyses the large war-time increase in currency in circulation in the U.S.A. and sets out tentative conclusions as to its ownership and post-war behaviour. The monthly rate of currency outflow is estimated at \$400 million, while at the end of March, currency in circulation totalled \$21.1 billion. During the period from 1935 to 1942, a fairly close correlation persisted between the growth in money in circulation and that in wage and salary payments which indicated a presumption that the currency outflow reflected wages and salary payments. But since mid. 1941, the rate of currency increase has far out distanced that of consumer expenditure, and from 1942 that of wage and salary disbursements, and this discrepancy which has become more marked in 1943 and 1944, may point to the fact that though transactions needs continue to account for a large portion of the increase in currency, there is also some increase in the proportion held as 'holdings' as distinct from amounts needed for current needs and balances. But there is no evidence of general 'scarce holding' of the sort which was widespread in the early 1930's. Reports from a few corporations do not reveal that more than a minor proportion of the increase has gone into corporation holdings, while scattered information suggests that holdings of unincorporated businesses are also only a small part of the total. Thus currency in the hands of individuals, (as distinct from businesses) is now well over \$100 per capital, or around \$450 per average family, an amount in excess of transaction needs, even allowing for population shifts, disruption in banking arrangements, uncertainty of outlook and such other causes as have called forth increased currency. The explanation lies in the expansion in the income of the lower and middle income groups not habituated to service with banks. But even then, currency savings of individuals are only a small part of total savings because of the other part, viz., bank deposits, mainly owned by businesses. As to the future of this expanded volume of currency, it is revealed that after the last great war, somewhat over half of the increased currency returned from circulation in England and Canada, and less than half in the U.S.A. But it is not necessary to assume that this experience will recur. Everything will depend on the economic policies pursued, and in particular on the levels of income and prices.

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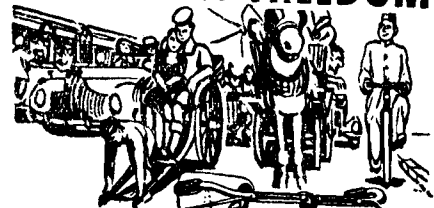
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BANKERS IN CONFERENCE

The second conference of the South Indian Joint Stock Banks held in Madras this week is important as an effort at collective action by banking interests. The necessity of joint action and some common machinery of consultation among Indian joint stock banks has always been recognized, but it was only very recently that the formation of an All-India Bankers' Association has been taken up. And, it is doubtful whether, when it is formed, it can embrace within its fold every kind of banking institution, in particular the smaller banks. South India is eminently the domain of small banks. A look at the map showing the distribution of the offices of the non-scheduled banks reveals their remarkable concentration in Bengal and South India. It is not too soon, considering the important war-time banking changes that have taken place and the difficult problems which are likely to crop up after the war, that the banks of South India have come together to consider their common problems.

The most important among them is how the proposals of banking legislation shortly to be published will affect them. The memorandum presented by the S. I. Banks' Association to the Deputy Governor of the Reserve Bank opposes the provision which requires the banks to keep 30 per cent. of their deposits in cash or unencumbered securities and suggests that statutory differentiation should be made between such banks as have predominantly time deposits as the small banks and others mainly with demand deposits, like the scheduled banks. The

memorandum also refers to the disadvantages of linking the capital of a bank with the population of the place. It is not possible to discuss these issues of banking reform in a single note. But we would only emphasize the necessity of considering the special problems and position of small banks in making legislative reforms. As was pointed out by Mr. T. T. Krishnamachari in his opening address, the service done by the small banks, operating in a limited field with advantages of economic running costs, personal contact with the people of the locality and the provision of credit at reasonable cost is beyond the reach of bigger banks. The small banks operating in areas which the big ones do not touch, have tapped deposits which would otherwise be idle and are not competitive, but complementary to the bigger banks. Banking legislation should secure that no obstacles are placed to this type of service being rendered as efficiently as possible and, if possible, special provisions should be made to cover their peculiar status.

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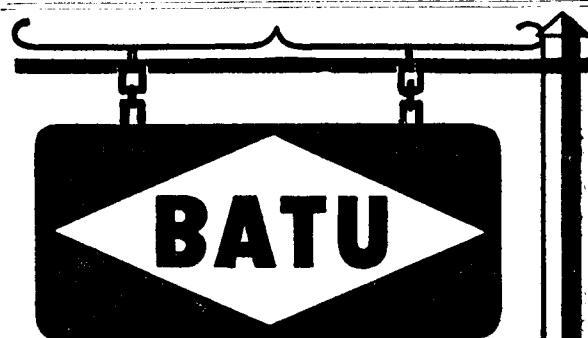
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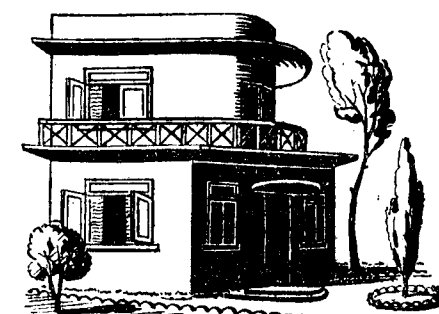
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ISSUED BY THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA

Exchange Value of the Rupee

By P. C. Jain

IT is misleading to apply the purchasing power parity theory in determining a suitable foreign exchange value for the rupee. Even under normal conditions of peace-time this theory has a very limited application while in the abnormal conditions now prevailing it serves no purpose whatsoever to compare the general price-level in India with that in the other countries; and bringing costs of living indices into the picture makes matters worse. A suitable foreign exchange rate is determined by a complex series of considerations which cannot be reduced to statistical terms and which do not apply except in the short period. That is why what we consider a proper rate of exchange for any currency at a particular time is very much a matter of opinion.

The aim of a suitable foreign exchange value of the rupee would be to shape India's foreign trade and monetary transactions so as to give the best advantage to our manufacturers and cultivators without causing an undue strain on the consumers and labourers. Along with this we have to keep in mind our balance of payments position, the budgetary position of the Government, and the foreign exchange policies pursued by other countries with whom we have important trade and monetary dealings. This by no chance exhausts the list of vital considerations. In the case of India, as long as we are under British rule, we shall have to pay special attention to the political factor and to the destiny of the pound sterling to whose chariot wheel the rupee is at present chained. But apart from the fact that it might not suit our rulers to adjust the foreign exchange value of the rupee to our best advantage it is not quite easy to reconcile the various interests affected by a new alignment of foreign exchange values.

A depreciation of the rupee-sterling exchange rate to 1sh. 4d. or 1sh. in the immediate post-war period will handicap our manufacturers in the imports of machinery, raw materials, and chemicals. With depreciated exchange rates we shall have to find more rupees, or equivalent exports, for meeting the cost of imported goods and this is bound to place our manufacturers in a disadvantageous position vis-a-vis the foreign manufacturers. A special reason for this handicap is that as yet, and this would apply to the immediate post-war period with full force, we do not manufacture finer types of machinery and machine tools while due to war-time pressure of work the machinery in most of our factories has become worn out and unfit for profitable operation. Hence it will have to be replaced in whole lots in the post-war period and with depreciated exchange rates the cost of replacement will become unnecessarily heavy. The same consideration would apply to the price paid for imported dye-stuffs, chemicals, sulphur, and other raw materials. On the other hand, for a considerable time in the immediate post-war period the manufacturers would not get the advantage of depreciated exchanges in the exports of commodities because except for some exports such as cotton textile goods, tea, and jute manufactures our producers shall have to depend mostly on the home market. The major industrial countries have already expressed their intention of dividing the world market amongst themselves and in this arrangement India is not likely to get an adequate share. Moreover, the devastated consumer-good industries in the war zones would be reconstructed much quicker than most of us in India seem to realize and, when we consider this along with

the schemes of industrialization in Afghanistan, Iran, Ceylon and other markets which we served in the past, it becomes clear that we cannot rely much upon these markets as outlets for Indian-made goods. It is true that, that we shall export some manufactured goods even in the immediate post-war period and more will be exported ultimately if the principle of 'equality of opportunity' is applied to international trade and post-war reconstruction in other countries gathers momentum thus increasing the purchasing power of consumers in those areas. But this will take a considerable time and meanwhile our manufacturers will have to rely mostly on the internal market.

It might be argued that a depreciated rupee-sterling rate would assist the Indian manufacturers by safeguarding the internal market against foreign competition. The Indian manufacturers would get the advantage of comparatively lower rupee-prices at which they would sell their goods as against higher prices at which the foreign goods will have to be sold because of depreciated exchange value of the rupee. This assumes that the manufacturers in other countries would not prevail upon their Governments to retaliate by depreciating their foreign exchange values. And apart from the possibility of retaliation there are better methods of stifling cut-throat competition in the Indian market and there is no reason why we should make use of exchange depreciation for this purpose when it might lead to serious disadvantages elsewhere. We might, therefore, conclude that so far as the interests of the Indian manufacturers are concerned a depreciated foreign exchange value of the rupee will, on balance, be disadvantageous in the immediate post-war period. And it is worth remembering that if we undertake to develop our industries, as is very much our intention, the interests of manufacturers are worthy of full consideration.

A depreciated rupee-sterling rate will not be in the interest of the Indian consumers as this would increase the rupee prices of all imported goods. Though a large number of commodities will be supplied by the Indian manufacturers, for some commodities the Indian consumers will have to depend on imported goods. There is no justification for causing hardship to consumers especially if no counterbalancing gain accrues to the Indian manufacturers by this policy.

The question is a little more complicated in the case of producers of food-stuffs and raw materials. It might be argued that a depreciated rupee-sterling rate would fetch higher prices for the exports of agricultural commodities. To some extent this is correct but we have to take into account the loss or gain on balance and a depreciated rupee-sterling rate would be undesirable if the loss inflicted on the manufacturers and consumers is greater than the gain to the producers of agricultural commodities. Moreover, a larger proportion of Indian raw materials is likely to be utilized by the Indian industry in the immediate post-war period than was the case before 1939, due to increased industrial activity. Also many countries in the British Empire, as well as outside it, have increased their output of food-stuffs and raw materials so that the Indian producers of these commodities shall have to face a severe competition in the world market in the post-war period. In consequence they will have to be satisfied, to an increasing extent, with the internal market and to that extent the advantage

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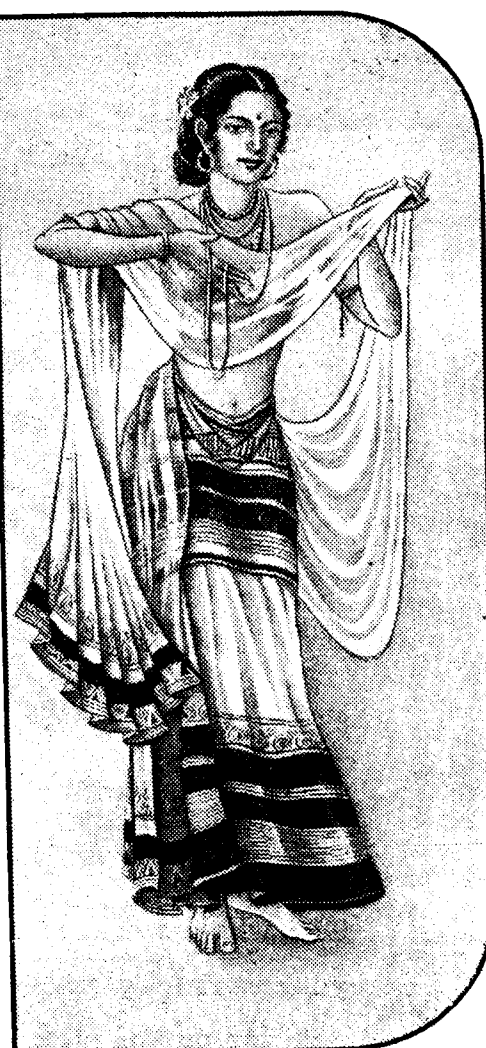
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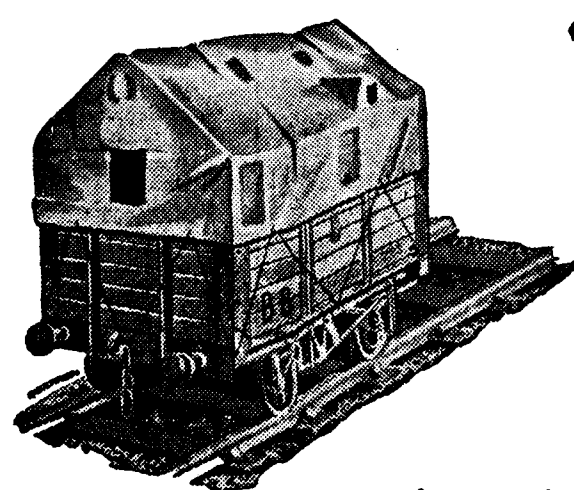
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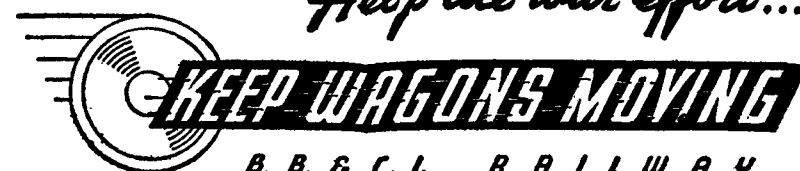


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of a depreciated rupee-sterling rate would not be available to them.

It is argued that we would be gainers by a depreciated rupee-sterling rate so far as our sterling balances in London, amounting to Rs. 1,000 crores at present exchange rates, are concerned. We might utilize these sterling balances, when they are made available, for the purchase of machinery and raw materials. With depreciated rupee-sterling rate the Indian manufacturers will have to pay more in terms of rupees for the raw materials and machinery received by them and to that extent they would be losers. The benefit of a lower rupee-sterling rate will accrue to the Government of India who would obtain more rupees in exchange for these sterling balances. But the revenues of the Government of India ultimately depend on the prosperity of the Indian manufacturers, traders, and other tax-payers and if a depreciated rupee-sterling rate inflicts a loss on these people, the revenues of the Government of India would also suffer a loss.

In the past we have generally had a substantial favourable balance of payments, but in the immediate post-war period this favourable balance would be very much reduced as we shall have to import large amounts of machinery and raw materials while the exports of Indian made goods would not increase to the same extent. This position would be due to changed conditions determining international trade. It is possible that the present rupee-sterling rate would hasten this process and to that extent it would have an adverse effect on our balance of payments position. But we have to appreciate the fact that our

balance of payments in the immediate post-war period is likely to be reduced even if we depreciate the rupee-sterling rate. The responsibility for this adverse effect, therefore, rests not upon the present or any other exchange rate, but upon the changes in the nature of international trade which are bound to take place in the future.

We have not yet considered the effects of changes in the foreign exchange value of the pound sterling to which the rupee is linked. Suppose, as has been suggested in some quarters, the dollar value of the sterling is depreciated by 20 per cent. or more. The dollar value of the rupee will also be depreciated to that extent. This, however, need not harm us if we adjust our trade accordingly. On the other hand we might get some advantage out of it if we are able to buy most of our machinery and raw materials from Great Britain and other countries in the sterling bloc and sell our goods to countries outside it. And to some extent this is bound to be the case as most of the Empire countries produce the same goods which we would like to export; hence it would be mostly in the non-Empire countries that we would have to find market for these commodities. But, though we would like to purchase as much machinery and raw materials as possible from Great Britain, we shall also have to depend on America and other non-Empire countries and to that extent the depreciation in the foreign exchange value of the pound will be contrary to our best interests. But surely there is no ground for desiring a depreciation in the rupee-sterling exchange rate, so far as the immediate post-war period is concerned, as on balance this would prove harmful to us.

University of Allahabad.

Review of Sugar Industry

By K. K. Birla

II

THE entry of Japan in the war in December 1941, however, changed completely the outlook of the sugar industry in India owing to the imminent threat to Java, which was subsequently lost. Java was the supplier to the Middle East which consumed in normal times about 3 lakh tons of sugar. Had the advice of the Patna Conference been accepted and a policy of unrestricted crushing allowed, the present situation would never have arisen and India could have supplied these countries the full quota of their requirements. What was, therefore, necessary at that time was to plan better cultivation for the following years. No substantial efforts were, however, made in this direction. But even then the position as it stood in regard to internal consumption at that time was not serious. There was still an old carry over of 2 lakh tons, which, added to the new production, would have seen the country through till the next season. The Central Government at this juncture, however, took it into its head to start experiments of its own without consulting the industry, and out it came in April 1942, with the Sugar Control Order, which is directly responsible for the present situation. The Government announced that owing to steep rises in the price of sugar it had decided to impose a control over the industry in respect of prices, production and distribution. The fact is that the system of transport at that time was in utter chaos, and sugar was fetching high prices at some places owing to local shortages. But this did not apply to sugar alone. It applied to all the commodities which were scarce at some particular places and it would be ridiculous to say that sugar prices everywhere were soaring high at that time. Since the outbreak of the war a general rise in prices in almost all the commodities had taken

place, but sugar was an exception. A glance at the index number will convince us of that. The rise in the index number of food crops had been from 114—the pre-War Index—to 213, in tea from 140 to 222, in jute manufacture from 79 to 141, in cloth from 97 to 190, in metals from 140 to 258 and all commodities taken together from 100 to 153. Sugar in fact was one of the least affected articles. The rise in sugar index was from 162 to 177 only. There was therefore neither a necessity nor justification for any control. But the Government chose to have its own way, notwithstanding strong protests from the India Sugar Mills Association. And so they had it.

The Order was a blow to the industry. The speculators became active and sugar started going underground and within a short period the cry of "sugar shortage" became audible and grew more and more in intensity; so the consumer, in whose interest the order was professedly promulgated, was also a loser. The black markets have been flourishing since the Control Order. They persist notwithstanding the fact that the production this season has been over 12½ lakh tons, which though poor for emergent times like this, can be called fairly good, judging from normal standards. But as the distribution machinery is defective, sugar is still going underground. While the present position is dark, the future is even darker. This is due to the fact that the cultivator got inadequate prices for his cane in the last season and so sowing has been reduced which means less production. Further in case a reasonable and competitive price for the cane is not announced even this year, sowing for next year will be exceedingly poor specially in Bihar and the position would become very grave.

We have drawn a picture of the industry as it stands today and have shown where the policy of controls has landed the industry. It is clear that unless the Government changes its policy there is likely to be no amelioration in the position.

We are not against control as a whole. Well planned and well organized control can produce good results. But for good planning and organization the active co-operation of the industry and public is essential. In the sugar control, unfortunately unlike the Textile Control, both these aspects have been ignored. Even vital figures of distribution have been withheld from the industry and the public on the plea of so-called "national security." More confidence therefore should be reposed in the industry as to execution of control; otherwise a very huge organization will be required. Even the Finance Member during discussions on the Finance Bill in the Central Assembly on March 28, 1944, had declared that to effect price control a staff fifty times of its present size will be required. Looking to the vastness of India and to the conditions and atmosphere created by the control, it is doubtful whether even this army of inspectors could do anything. What then is the remedy?

The first and foremost thing that we have to remember is that owing to the arrival of a large number of the armed forces from abroad, the consumption of sugar in India in the last two years has increased to 14 lakh tons. The supply depends on production which, as it is, considerably falls short of total demand. Hence in all places having a population of more than 5,000, rationing must be resorted to as, in spite of its defects, it is the best method of controlling consumption during periods of shortage. Besides the machinery of distribution should be reorganized. The present system is that the mills supply sugar to the dealers recognized by the Government as per quotas fixed by the Government. Under the existing organization the entire production is allocated to some assigned dealers and, therefore, there is no chance of black marketing by the mills. Sugar now comes to the dealers and from them it passes on to the retailers and thence to the consumers. As there is no effective check on distribution at these two places, black markets start. The dealers who participate in black marketing show fictitious sales in their books and the quantity concerned is removed underground. This causes a general shortage and the consumer has either to go without sugar or pay a fancy price for it. As sugar is an important item of food, he is forced to take the latter course. The position in this respect has further deteriorated as many people who had no connection with the sugar trade in the past finding this a profitable business got themselves registered as dealers by methods we need not mention. Of course the best course would have been not to have imposed initially any control, but to have organized the transport system instead. On the other hand complete decontrol at this stage might cause misgivings in the minds of the people resulting in further chaos. The only solution therefore is a modified control.

The first and foremost thing to remember in this connection is that the machinery of control is being run by people who have no experience of business and marketing and who above all are suffering from complacency. Although the Sugar Controller has an Advisory Body, it is more or less a decorative one. More responsibility should, therefore, be vested with the industry which has had a long experience of distribution. They know all the ins and outs of the trade and are well acquainted with the various dealers, big and small and so it will be relatively easier for them to ensure effective control. Unless, therefore, the industry's help is sought and its advice followed, there are no chances of improvement.

When once this basic principle is accepted a fairly sound scheme can be worked out in detail. The whole of India may be divided for this purpose into various zones, so that each zone can be fed exclusively by particular mills whose sugar should not be allowed to go to any other zone. Slight modifications, for instance, the transference of a few places from one zone to another may have to be made in the constitution of these zones from year to year depending upon the varying production of the mills attached to it; but this will be immaterial. The mills would market sugar through various dealers and the normal trade channels. It should not be difficult for them to tackle the dealers who have for long been their customers. Besides an Advisory Committee for each zone, consisting of the representatives of the mills, dealers and some prominent citizens should be constituted with power to take action against any dealer, if any allegation against his honesty or integrity is proved. To be in the know of the whole position, the authorities should have in each zone one supervisor, who besides keeping a constant watch, can also work as a co-ordinating functionary between the mills, the Advisory Committee and the Government and can report direct to the Government. On receipt of an adverse report about any zone the authorities should take up the matter with the individual mills and the Advisory Committee and have things put right. The advantage of this scheme is that even if a few zones show satisfactory results, they might become a source of inspiration to others and methods employed and experience gained in those zones might profitably be applied to others.

The co-operation of the public and the industry is very essential to make the control a success. If no such steps are taken, the prospects of control proving a success are very remote. No false sense of prestige anywhere should stand in the way of the problem being tackled in the right manner and the distress of the public being redressed without any further delay. There is sugar enough to go round, but its distribution requires thorough overhaul if the hardships associated with the present sugar famine are to be permanently removed.

Calcutta.

COMILLA BANKING CORPORATION Ltd.,

Head Office:— COMILLA. Estd. — 1914.

The Bank that always strikes a nice balance between auidity and liquidity and that transacts all kinds of banking business both inland and overseas.

BRANCHES:

Calcutta, South Calcutta, High Court, Burra Bazar, Bombay, Mandvi (Bombay), Delhi, Benares, Cawnpore, Lucknow, Cuttack, Dibrugarh, Jalpaiguri, Dacca, Nawabpur, Brahman Baria, Barisal, Jhalakati, Chandpur, Puran Bazar, Hajiganj, Narayanganj, Netaiganj Bazar Branch (Comilla), Chittagong.

FOREIGN AGENTS:—

London Agents:—Westminster Bank Ltd.

American Agents:—Bankers Trust Co. of New York.

Australian Agents:—National Bank of Australasia, Ltd.

Managing Director:—Mr. N. C. Datta, M.L.C.

THE WORLD ABROAD

Greater Support to Bretton Woods Proposals

(From Our Washington Correspondent)

WASHINGTON, Oct. 11, 1944 (By Cable).

ADVERSE criticism of the Bretton Woods recommendations regarding the Stabilization Fund and the Reconstruction Bank at present assumes these main lines. Firstly, the proposals are said to be over-elaborate; secondly, the United States, it is feared, might be committed to the vagaries of a vast international financial system without full protection of its investments which approximate to six billion dollars. Then it is argued that suitable precautions against "bad loans" are lacking. And the plans do not please those who favour the Gold Standard. It is said, fifthly, that the main problem perhaps is to restore Britain's economy which could be done bilaterally. In this connection, it is regarded as one of the most important matters that a suitable solution be found for the problem of Britain's War Balances. Sixthly, it is urged that the United States should be most careful in entering into the Stabilization Agreement before a solution has been found for the more fundamental international problems like trade barriers, cartels and commodity agreements, without which, many financial circles argue, the Stabilization Fund is hardly practicable.

These are the points discussed in the Eastern United States financial community and indicate also the views of some of the most influential Congressional circles. However, there are divergent viewpoints among bankers as seen in reports from Chicago that financial interests there are somewhat more disposed to accept the Bretton Woods proposals than those in the East. This is accounted for partially by the fact that inland business and financial circles have ties in Latin America and elsewhere and thus doubt the wisdom of purely Anglo-American arrangements in stabilizing the pound-dollar ratio. On the whole there appears, however, greater disposition now to accept the Bretton Woods proposals as a working basis and recommend means for simplification, clarification and improvement than to support the scheme offered by Mr. Winthrop W. Aldrich, Chairman of the Chase National Bank, under which the Fund and the Bank would be flatly rejected in preference for Anglo-American trade conferences to be followed, if successful, by grants-in-aid to Britain aimed at the stabilization of the pound-dollar rate. *Aprèpos* the sixth point above, a typical comment came recently from the new President of the American Bankers' Association, Mr. Randolph Burgess, Vice-Chairman of the National City Bank, New York. Mr. Burgess said: "These proposals for setting up mechanisms for currency stabilization and arrangements for long-term foreign loans came to us in advance of other necessary parts of an international economic programme and we are handicapped in judging them before we know the rest of the programme with respect to international security, reciprocal trade arrangements, and internal political and economic stability of countries concerned." In this respect, Mr. Laughlin Currie, Deputy Administrator of the Foreign Economic Administration, recently indicated the Administration's trend of thoughts in a statement to a Congressional Committee. Mr. Currie said that the impoverished condition of foreign treasuries will be the greatest impediment to the prompt resumption of exports, adding that the United States must overcome this hurdle by importing other nations' marketable goods. Mr. Currie suggested these essentials for international commerce: An adequate security organization, full employment in the United States and abroad, foreign credits for financing

export, foreign trade for the United States running at the level of about 14 billion dollars per annum, establishment of fair exchange rates, removal of export and import controls, unfreezing of blocked and frozen currencies, and, finally, lower tariffs. Speaking generally about the Bretton Woods proposals, Mr. Burgess announced that the Bankers' Association had appointed a special committee to study simplifications of alternative constructive proposals.....the plans are elaborate and complex. It is not clear, particularly in regard to the Monetary Fund, that only good loans are contemplated. They are, however, proposals arising from an important international conference at a time when nations must find the means for international co-operation." He expressed the hope that bankers could suggest methods "which will make sure that the funds which we may provide for world recovery are wisely and prudently used.....the first step in world recovery is to plan for Britain."

During the Bankers' Association's Convention which was the occasion of Mr. Burgess' remarks, it appeared, however, that outside New York the Bretton Woods proposals are increasing in favour. A dispatch from Chicago, where the Convention was held, to the New York *Herald Tribune* said: "An increasing number of financial men from all parts of the country seem inclined to embrace the Bretton Woods proposals in lieu of any others which have not reached an equal state of international agreement. They think that the time is passed when monetary agreements could wait upon tariff changes in various countries or upon necessary reform measures.....There can be little doubt that the proposals which have been advanced in the East for elaborate plans to support Great Britain alone as an initial measure are not regarded as palatable here."

Meanwhile, one of the original critics of the Stabilization Fund, Mr. Jognn Williams, Professor of Economics at Harvard and Vice-President of the New York Federal Reserve Bank, has suggested some compromise proposals because it is too late now to begin anew "the whole process of international negotiation"—a view widely supported by the Fund's critics. Mr. Williams proposes the approval only of the International Bank with expanded functions to achieve some of the ends of the Fund as well. He says that the Fund is a long-term agency unsuited to tackle transitional problems. He contends that it would supply funds "indiscriminately to all United Nations and would make them available on a time schedule and as a matter of automatic right." He proceeds to point out that this would mean a reporting and policing system for foreign exchange and that provisions for declaring a currency scarce and for rationing its supply would subject the United States as the leading creditor nation to exchange and trade discrimination while there are no means for correcting wrong policies of the debtor nations. He urges the establishment of a Stabilization Loan Department in addition to the Bank which "would require a much smaller sum and will at the same time, probably, be much more flexible and effective than the proposed Monetary Fund." Officials here, in the meantime, are following closely the interesting situation in which many Britishers, notably Mr. Robert Boothby, Chairman of the Monetary Parliamentary Policy Committee, hold that the proposed Fund means a return to the Gold Standard, whereas there is exactly the contrary criticism in Congress and Wall Street that the Fund resembles too little the Gold Standard.

A DELHI DIARY

WHY was Dr. Syed Mahmud, a member of the Congress Working Committee, released? There is much speculation here over the causes. The Government has, of course, stated through an inspired statement in the Press that it was not on account of ill-health. Apparently the release is unconditional. Dr. Syed Mahmud alone can throw light on the subject. Some optimists may conclude others too may shortly be released. But, according to political trends in the capital, the Doctor's release does not connote a change in the Government's policy *vis-à-vis* the Congress.

Mr. N. R. Pillai, Commerce Secretary to the Government of India, has left for London on an official mission. The object of the mission has not been explained officially. Mr. Pillai will break journey at Cairo to talk to officials of the Middle Eastern Supply Council. He will confer in London with the India Office and the Board of Trade officials. He is also expected to visit the U.S.A. before returning to India. Mr. Pillai's visits will enable him to discuss a number of outstanding questions the disposal of which by correspondence will involve inordinate delay.

Export and import restrictions, shipping problems and tariff issues have a vital bearing on future Indo-British trade and on India's industrial and commercial development. Is India to be a part of the Empire tariff ring? Is she to enjoy real fiscal autonomy? What type of exports are to be sent to India by the U.K.? Will they compete with existing industries? Mr. Pillai is a capable civilian. But all depends on his instructions. When he went to England last it was as Secretary to the delegation which went to negotiate an Indo-British trade agreement. His former contacts will give him easy access to official quarters, but the objective to be pursued this time should be different. It should be to make India self-sufficient in all things she can manufacture herself. Mr. Pillai will do well if he merely feels the pulse in London and Washington without committing his government even informally.

Sir Ardeshir Dalal was recently entertained to a dinner by a local magnate. Although it was a private dinner, an attempt was made by the host to draw him out. The Member for Development and Planning neither felt the urge to say much on the occasion nor had much to say. He is reported to have dealt with such trivialities as his inability to get paper and pencil for his work in Delhi! He expected to equip himself with these weapons when he would visit Bombay. (He has already left for his home town.) The only serious remark he made was when he played up General Hutton as the "wet nurse" of the Reconstruction baby and declared that in the General's charge the baby was bound to grow into a healthy being. The guests, I am told, were disappointed at the outcome of the post-prandial effort.

A story is going round Delhi that the idea of sending an Indian delegation to London to discuss the problem of sterling balances is being put in cold storage. Sir Jeremy Raisman will be busy with the November session of the Assembly and thereafter the annual budget. So that the delegation may not be sent until the spring of 1945, by which time the European war might be over and England and America would have made up their mind about the Monetary Fund scheme. Talking of the Budget, the Finance Member, I understand, will announce another record-breaking expenditure. If some one reminds him of his previous statement that the highest level had already been touched, he might say: "Don't forget, Mount Everest was discovered after Kanchanjunga." The truth about the matter is that India is being made to pay through the nose for the so-called war for India's defence. If the Congress and the Muslim League parties gather in full strength, they may throw out the Budget containing such a heavy defence bill, but the Government

seem determined to make India pay for imperial defence.

An Akhand Hindustan Conference was staged in Delhi last week-end. It was not up to the standard even of the Hindu Mahasabha meetings. Hardly a thousand people attended it on the opening day and about half that number the following day. "Delegates" could not have been more than a score or two. Hardly any one of all-India importance outside the Mahasabha ranks figured on the stage. The Akali leader, Master Tara Singh, who attended did so more as a visitor than a delegate. His speech too showed that he did not care to line up with the Sabhaites but stood for self-determination for the Sikhs. The slogan that India shall not be vivisected naturally appeals to every Hindu. Then, why was the Conference so poorly patronized? The reason is obvious. The slogan was "down with the Congress; down with Gandhi." They uttered not even one harsh word against the imperialist hold over India. The response would have been much greater if these men had said: "We want to free this country from the British rule. The Congress has failed to achieve it. We shall fight the British. We shall fight the reactionary Muslim Leaguers. Here is our alternative programme." The trouble with the Mahasabhaites and the Akhandists is that their creed is: "It is better to be under British domination than to have India partitioned." No wonder they did not cut much ice.

The *Hindustan Times* has analysed the propaganda dope recently issued by the Government of India. One of these stories played up the achievements of the meteorological service. More officers had been employed in this department during the past two years than were engaged in the past 66 years, it was stated. No greater proof is needed of the neglect of India's public administration! Another write-up proclaimed that India's post offices had handled enormous traffic. The paper has compared the so-called achievement with the U.S.A. which has only a third of India's population. The following comparison is interesting. Mail pieces handled: India 1¼ billion; U.S.A. 29 billion. Telegrams: India 23 million; U.S.A. 218 million. Telephone calls: India 100,000; U.S.A. 25 million. Telephone calls: India 3½ million; U.S.A. 40 billion. And what makes the comparison even more startling, is the fact that whereas the U.S.A. Government lose 12 million dollars every year on their postal department because it is a public utility service the Government of India made Rs. 4½ crores of profit in 1942-43. It is stated that the men employed in defence forces remitted to their people Rs. 20 crores in a year through the post office. At a time when controversy about the voluntary or mercenary character of the army is going on, it is surprising that the censor passed this figure for publication.

ARGUS.

HUKUMCHAND JUTE MILLS

Limited

Hukumchandnagore, Naihati, B. & A. Ry.

(Estd. 1919).

Manufacturers of

High Class Hessian, Sacking, Canvas,
Tents, Twine, Webbing, Woollen
Blankets, Etc. Etc.

Managing Agents

RAMDUTT RAMKISENDASS

4, Clive Ghat Street, Calcutta

A copy of this PROSPECTUS has been filed for Registration with the Assistant Registrar of Joint Stock Companies, Madras. An application will be made in due course to the MADRAS STOCK EXCHANGE ASSOCIATION, LTD., Madras and NATIVE SHARE AND STOCK BROKERS' ASSOCIATION, Bombay, for listing the Company's shares. The consent of the CENTRAL GOVERNMENT has been obtained to this issue under Defence of India Rule 94-A. It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them."

THE KIRLAMPUDI SUGAR MILLS, LIMITED.

AUTHORISED CAPITAL Rs. 10,00,000
DIVIDED INTO 10,000 SHARES OF Rs. 100 each.

PROSPECTUS

Payable as follows:—Rs. 30 per share on application, Rs. 30 per share on allotment, and the balance in calls of not more than Rs. 20 per call with interval of not less than one month between calls.

Of the above Issued-Capital, the Directors and their friends have agreed to take up 3,000 Shares of Rs. 100 each and the balance 3,000 Shares are now offered to the public.

The Subscription list will open on 16th October, 1944, and will close on 21st October, 1944.

DIRECTORS:

1. Dewan Bahadur C. S. RATNASABAPATHY MUDALIAR, C.B.E., Chairman of the Board; Managing Agent: Pankaja Mills Ltd.; President, The Madras Co-operative Central Land Mortgage Bank Ltd.; President, The Madras Handloom Weavers Provincial Co-operative Society Ltd.; Chairman: South India Mill Owners' Association; Director: The Madras Provincial Co-operative Bank Ltd., Etc., Etc. Avanashi Road, Coimbatore.
2. Rajah Ravu Sri RAMAKRISHNA RANGARAO BAHADUR VARU, Zamindar of Kirlampudi; Director: The National Engineers (Madras) Ltd., The Constructional Syndicate (Madras) Ltd. Kirlampudi Palace, Bobbili.
3. RAVU SURYARAO, Esq., B.A., B.L., Director: The Reserve Bank of India, (Madras Local Board), The Vizagapatnam Electric Supply Corporation, Ltd., The Anakapalli Electric Supply Corporation, Ltd., The Udupi Electric Supply Corporation, Ltd., The Chicacole Electric Supply Corporation, Ltd., The Coorg Electricity Co., Ltd.; Ex-President, Hindu Religious Endowment Board, Pithapuram.
4. M. HASON KHALEELI, Esq., Banker and Landlord, "Cambrail House", 21, Commander-in-Chief Road, Madras.
5. P. V. RAGHAVAREDDI, Esq., Mica Mine Owner; Director: Continental Export and Import Co., (Madras) Ltd., Gudur.
6. THOTA RAMASWAMI, Esq., Sugar Cane Planter, Veeravaram.
7. PANTHAM KAMARAJU, Esq., Sugar Cane Planter, Geddanapalli.
8. M. PADMANABHAM, Esq., Sugar Cane Planter, Kirlampudi. (Ex-Officio).
9. K. V. SUBBARAO, Esq., B.Sc. (Eng.), A.M.I.E.E., A.M.I.E. Managing Director: The Mechelec Engineering Co. Ltd.; Director: The Gudivada Electric Supply Corporation Ltd., The Chicacole Electric Supply Corporation Ltd., The Andhra Insurance Co., Ltd., The Udupi Electric Supply Corporation, Ltd., The Coorg Electricity Co., Ltd., The Salur-Parvatipur Electricity Distribution Co., Ltd. 99-A, Armenian Street, G. T., Madras. (Ex-Officio).

MANAGING AGENTS:

Messrs. K. V. SUBBARAO & COMPANY.

BANKERS:

THE CENTRAL BANK OF INDIA, LTD., MADRAS.
THE INDIAN BANK, LIMITED., MADRAS.
THE BANK OF JAIPUR, LTD., MADRAS.
ANDHRA BANK, LTD., MASULIPATAM.

AUDITORS:

Messrs. SASTRI & SHAH, Incorporated Accountants, Armenian Street, G.T., Madras.

UNDERWRITERS:

Mr. P. R. SUBRAMANYAM, M.A., Stock Share and Finance Broker, 61, Stock Exchange Building, Apollo Street, Fort, Bombay.
Messrs. B. V. SARABHAIAH and P. KOTAIH, Stock and Share Brokers; Proprietors, Sankar Foundry, Bezwada.

BROKERS:

MADRAS: SWASTIK & CO., Stock and Share Brokers, Armenian Street, G.T.
BOMBAY: P. R. SUBRAMANYAM, M.A., Stock, Share and Finance Broker, 61, Stock Exchange Building, Apollo St. Fort.
CALCUTTA: NARAYANADAS KHANDELWAL & CO., Stock and Share Brokers, 25, Swallow Lane.
DELHI: DELHI INVESTORS, Stock and Share Brokers, 3, Bhagwandas Road, New Delhi.
BEZWADA: B. V. SARABHAIAH & P. KOTAIH, Stock and Share Brokers, Proprietors, Sankar Foundry.

CONSULTING ARCHITECT:

L. M. CHITALE, Esq., F.R.I.B.A., A.M.T.P.I., Chartered Architect and Town Planning Consultant, "Oriental Buildings", Armenian Street, G. T., Madras.

LEGAL ADVISER:

P. R. SRINIVASAN, Esq., M.A., B.L., Advocate, Sripuram, Madras.

SITUATION OF THE FACTORY:

KIRLAMPUDI, East Godavari District.

REGISTERED OFFICE:

99-A, ARMENIAN STREET, G.T., MADRAS.

1. OBJECTS OF THE COMPANY

The Company has been formed for the purposes set forth in the Memorandum of Association and in particular to acquire the fixed assets of the Sugar Factory belonging to THE KIRLAMPUDI SUGAR MILLS.

2. PROSPECTS OF SUGAR INDUSTRY IN INDIA

Sugar industry has achieved a great success in India since the grant of protection in 1932. There were only 32 Cane Factories in that year producing about 1,58,000 tons of sugar while in 1943-44, the number of Factories working rose to about 158 and sugar production was about 12½ lakhs of tons. Although India is one of the largest sugar consuming countries in the world, the per capita consumption of sugar is very low as compared to other civilised countries in the world, as can be seen from the table given below:—

Country.	Per capita consumption.
U.S.A.	103 lbs.
Great Britain	112 "
New Zealand	115 "
Australia	114 "
France	54 "
Germany	59 "
Cuba	88 "
Denmark	128 "
India	6.5 "

(25 lbs. including gur consumption).
With the rapid development of industries and agriculture, the standard of living in this country is bound to go up which should lead to increased consumption of sugar.

The present war has, however, made India an important sugar producing centre, particularly after the occupation of Netherlands East Indies and the Philippines by the Japanese. There is therefore, a considerable demand for sugar not only from the Indian market but also from other countries which were previously receiving their supplies from Java and the Philippines.

It is well recognised that Molasses from Sugar Factories can be economically converted into absolute alcohol rectified spirits and power alcohol for which there is a heavy demand in this country. Addition of an Alcohol Plant to the Sugar Factory not only supplies the much needed alcohol to the country but also helps in reducing the cost of production of sugar itself so that the industry will be in a position to successfully withstand post-war competition.

Sugar Factories in India have, therefore, a very good future.

3. SPECIAL FEATURES OF THE COMPANY.

The Sugar Factory at Kirlampudi which is 10 miles from Samalkot in the East Godavari District was installed in the year 1934 by the Zamindar of Kirlampudi and commenced operations at full capacity in 1936. Since then the Factory has been working as a proprietary concern till 1944 when it was purchased by the Kirlampudi Sugar Mills. The Factory has got all the natural advantages that are necessary for the successful development of a Sugar Factory.

(1) The Factory is situated in the heart of a cane growing area extending over about 3,000 acres with an average yield of 35 to 40 tons per acre within a radius of about 8 miles from the Factory. The average annual production of cane in this locality is estimated to be over a lakh of tons as against the requirements of this Factory of 24,000 tons. There is thus an abundant supply of cane at easy distance from the Factory.

(2) The Factory is connected with good roads on which bullock carts regularly ply facilitating easy and economic transport of cane to the Factory.

(3) The average sucrose contents of the cane grown in this area (CO-419) is 13.5% as per the report of the Agricultural Department. Though the commercial recovery of sugar has been estimated at 10%, experts have based their calculations on only a 9% recovery making liberal allowances for unforeseen contingencies.

(4) The Machinery supplied by the well-known Firm of John McNeil & Co. of Glasgow, is most up-to-date and is in good condition. To obtain the maximum recovery for the coming season, which commences in November next, the machinery has recently been thoroughly overhauled.

(5) The Factory has now secured the necessary expert technical staff and skilled and cheap labour is available in the neighbouring villages.

The present crushing capacity of the Factory is 150 tons per day and it can be easily increased to 250 tons with slight alterations which the Directors propose to effect before the commencement of the next season (1945-46). It is also the intention of the Directors to enlarge the Factory by installing additional machinery so as to increase the crushing capacity to 500 tons as early as possible.

The Factory was purchased from the Zamindar of Kirlampudi by The Kirlampudi Sugar Mills (represented by the Sole Proprietor Mr. K. V. Subbarao) at a price of Rs. 3,00,000.

The Factory was recently inspected by an expert Engineer who valued the fixed assets on the basis of fair prices at Rs. 4,25,000. In view of the fact that Mr. K. V. Subbarao is interested in this Company, being the Managing Partner of the Managing Agents, the Directors have been able to purchase the entire property of the said Kirlampudi Sugar Mills from him for Rs. 3,25,000 which amount represents his actual cost price of Rs. 3,00,000 plus the amount spent by him towards overhauling, additions and sundry expenses.

In view of the natural advantages and potentialities for future development that this Factory possesses and taking into consideration the difficulties in obtaining fresh Machinery, the Directors are of opinion that the price paid is reasonably low.

ISSUED CAPITAL

CONSISTING OF 6,000 ORDINARY SHARES OF Rs. 100 each.

4. PROSPECTS

A cane field survey has been made and it has been found that the area has already early and late varieties of cane which will enable the Factory to work during the coming season from 15th November to 15th May i.e., full 6 months. Contracts for supply of cane for the requirements of the Factory for the season have already been entered into. Although the crushing capacity of the factory is 150 tons a day calculations have been made on the basis of crushing only 125 tons a day with a recovery of 9%. It is estimated that the Factory would be able to crush 21,000 tons of cane and produce 1,900 tons of sugar at a cost of Rs. 360 per ton as against the present control price of Rs. 440 per ton. While making the above estimates, the experts have taken into consideration the cost of cane at the contract price, and made liberal allowances for other items of expenditure including excise duty. Based on these estimates, a profit of about Rs. 1½ lakhs, at the rate of Rs. 80 per ton can be safely expected and the earnings on this basis work out to about 25% on the capital. After setting apart adequate amounts towards depreciation and taxes, the Directors feel confident that it should be possible to declare a handsome dividend from the very first year.

The post-war prospects of the Company are also attractive for the following reasons:—

- (1) It will take a fairly long period for Java and the neighbouring Sugar producing countries to re-establish their industry and effectively come into the market on a competitive basis.
- (2) It is very unlikely that the present E.P.T. and other forms of heavy taxation will continue for any length of time after the war is over.
- (3) It is the intention of the Directors to add a Distillery Plant for utilising the by-products which will reduce production costs substantially, thereby increasing the profits of the Company.
- (4) It is also proposed to acquire an Agricultural Farm and grow sugarcane crops of different varieties in rotation thus enabling the Company to have a working season of 8 months in the year.

The Board consists of very influential businessmen. Mr. K. V. Subbarao of the Managing Agency Firm is a well-known and experienced businessman connected with the Management of a number of Joint Stock Companies in South India.

The following table will give an idea of the share value of some of the Sugar Mills having more or less the same crushing capacity:—

Name of Mill	Crushing capacity.	Paid-up value per share	Last dividend	Market value.
	Tons.	Rs.	%	Rs. a p.
Jeypore Sugars	200	10	6¼%	12 12 0
India Sugars	500	10	12½%	24 10 0
Southern India Sugars	300	10	3 %	16 0 0
Vizag Sugars	120	10	Nil	12 10 0

The shares of some of the big Sugar Mills such as the Mysore, Buland, Raza and Cawnpore Sugars are all quoting at very high levels ranging from 5 to 6 times their paid-up value. Therefore, an investment in these shares should be very attractive both from the point of view of immediate returns and capital appreciation in the long run.

5. MANAGEMENT

Messrs. K. V. SUBBARAO & CO., are appointed as the Managing Agents for the Company for a period of 20 years. They will be paid an Office allowance of Rs. 750 per mensem plus 10% on the net profits of the Company.

6. MINIMUM SUBSCRIPTION

The minimum subscription upon which the Directors would proceed to allotment is shares of the face value of Rs. 3 lakhs.

7. AGREEMENTS.

The following agreements have been entered into:—
(1) An agreement between the Company of the one part and Messrs. K. V. SUBBARAO & CO., of the other part for the appointment of the said Messrs. K. V. SUBBARAO & CO., as Managing Agents for a period of 20 years on remunerations referred to in this prospectus under the head 'Management.'

(2) An agreement between the Kirlampudi Sugar Mills represented by the Sole Proprietor, Mr. K. V. Subbarao and this Company for the sale of the Plant, Machinery, Laboratory, Stores, Electrical Plant, Building, Land, etc., of the Sugar Mills for a price of Rs. 3,25,000. A Sale Deed for the immovable property will be executed by the said Mr. K. V. Subbarao in favour of this Company.

(3) Underwriting agreement with Mr. P. R. Subramanyam of Bombay.

(4) Underwriting agreement with Messrs. B. V. Sarabhaiah and P. Kotaih of Bezwada.

8. DIRECTOR'S QUALIFICATION.

Under the Articles of Association, the qualification, of every Director other than an Ex-Officio Director shall be the holding of, in his own name or jointly with any other person whether beneficially or as trustee, shares in the Company to the face value of Rs. 5,000.

9. INTEREST OF DIRECTORS.

(1) Mr. K. V. Subbarao is interested as the Managing Partner of Messrs. K. V. Subbarao & Company who are the Promoters and Managing Agents of the Company. He is also interested as the Vendor to this Company.

(2) Rajah Ravu Sri Ramakrishna Rangarao Bahadur Varu, one of the Directors, is interested to the extent that he is the original owner and first Vendor of the property of the Sugar Mills, and he is still to receive from Mr. K. V. Subbarao Rs. 1,28,750. Under advice from Mr. K. V. Subbarao, the Board has agreed that out of the sale price of Rs. 3,25,000 due to Mr. K. V. Subbarao by the Company, they will pay the said Rs. 1,28,750 to the said Rajah Ravu Sri Ramakrishna Rangarao Bahadur Varu.

10. PRELIMINARY EXPENSES

The preliminary expenses, excluding any brokerage or commission or other underwriting charges payable for procuring subscriptions, are estimated not to exceed Rs. 15,000 and are payable by the Company.

11. VOTING RIGHTS.

On a show of hands every member present in person shall have one vote. Upon a poll every member present in person or by proxy shall have one vote for every share held by him. No member may vote, act as a proxy or be reckoned in a quorum whilst any call or other sum shall be due and payable to the Company in respect of any of the shares of such member.

12. RESTRICTION OF TRANSFERS

The Directors have the power to refuse to transfer shares without assigning any reason whatsoever, the same discretion being used as in the case of original application for shares.

13. DOCUMENTS

The Articles of Association and the Agreements mentioned under Clause 7 as also the Engineer's valuation report can be inspected at any time during business hours at the Registered Office of the Company at 99-A, Armenian Street, G. T., Madras. A copy of the Company's Memorandum of Association is attached to this Prospectus and forms part of it.

14. BROKERAGE AND UNDERWRITING

Out of the 3,000 shares now offered to the public, Mr. P. R. Subramanyam, M.A., of Bombay has underwritten 2,000 shares, and Messrs. B. V. Sarabhaiah and P. Kotaih of Bezwada have underwritten 1,000 shares for an underwriting commission of 4%. The underwriters have agreed to pay a brokerage of 2½% on allotments made on applications bearing the stamp of recognized Brokers or Bankers or other authorized Agents. The Directors are of opinion that the resources of the said underwriters are sufficient to discharge their above respective underwriting obligations.

15. APPLICATION FOR SHARES

Application for shares should be made on the form accompanying the Prospectus, or in a form similar to the same and be forwarded to the Registered Office of the Company, or to the Branch Office at Kirlampudi, or to the Brokers, or to any of the following Bank offices together with a remittance of Rs. 30 per share:—

THE CENTRAL BANK OF INDIA, LTD., Bombay, Delhi, Calcutta, Madras, Rajahmundry, Ellore, Bezwada, Guntur, Coimbatore and Madurai.

THE BANK OF JAIPUR, LTD., Madras and Bombay.

THE INDIAN BANK, LTD., All the offices of the Bank.

THE ANDHRA BANK, LTD., All the offices of the Bank.

Where no allotment is made, the deposit will be returned in full and when the number of shares allotted is less than the number applied for, the deposit amount paid on application will be appropriated towards the amount payable on allotment and any balance will be returned to the applicant.

Cheques drawn on Banks at places other than those stated above should include the necessary amount to cover collection charges at ¼%.

Copies of the Prospectus and forms of application for shares are available with and may be obtained from the Bankers, Brokers or the Registered Office of the Company.

(Sd.) C. S. RATNASABAPATHY MUDALIAR.

" R. R. RANGA RAO.

" M. HASON KHALEELI.

" R. SURYA RAO.

" P. V. RAGHAVA REDDI.

" THOTA RAMASWAMI.

" PANTHAM KAMARAJU.

" M. PADMANABHAM.

" K. V. SUBBARAO.

Dated this 27th day of September, 1944.

THE KIRLAMPUDI SUGAR MILLS, LTD. MADRAS.

To

THE BOARD OF DIRECTORS,

THE KIRLAMPUDI SUGAR MILLS, LIMITED.

99-A, Armenian St., G.T., MADRAS.

GENTLEMEN,

Having paid to yourselves, *your Bankers/Brokers/authorized representatives the sum of Rs. being a deposit of Rs. 30/- per share on Ordinary Shares of Rs. 100 each in the above named Company, I/we request you to allot me/us that number of shares in terms of the Company's Memorandum and Articles of Association, and I/we agree to accept the same, or any smaller number, that may be allotted to me/us, and to pay the balance when called upon to do so, and I/we authorize you to register me/us as the holders of the shares allotted to me/us as hereunder.

Name in full (in block letters).....

(Mr. Mrs or Miss)

Father's

Husband's

Name.....

Address.....

Occupation.....

Date.....

* Name: Mr/Messrs..... Signature

+ Cheque/Draft No..... on..... Bank

NOTE.—For cheques on Banks outside Madras, please add collection charges.

RECEIPT FOR AMOUNT PAID ON APPLICATION FOR SHARES

RECEIVED this day of 1944

from.....

the sum of Rs. being the deposit of

Rs. 30 per share on Ordinary Shares

of Rs. 100 each in THE KIRLAMPUDI SUGAR MILLS, LIMITED.

N.B.—Cheques subject to realisation.

Money Market**Huge Govt. Balances—Demand for long dated Bonds***(From Our Correspondents)*

BOMBAY, Oct. 8.

THE statement of the Reserve Bank for the week ended September 29 shows a large increase of Rs. 20 crores in Central Government balances, which now amount to the prodigious sum of Rs. 187.6 crores. This increase is derived from the sterling receipts during the week amounting to Rs. 14.7 crores, while the balance may conceivably have been got from subscriptions to Government loans as well as tax payments, both of which are known to have been on the high side latterly. The abnormally high level of Central Government balances also poses the question of how best the Central Government can utilize this comfortable cash position. As the drive for mopping up surplus purchasing power increases in tempo as it now seems to be doing, the cash balances of the Government of India are bound to swell by leaps and bounds, whereas the inroads into them will be on a very small scale. At this rate, the Central Government balances will touch the Rs. 200 crores mark within a very short time, and if it does, will the Central Government utilize the amount to embark on reconstruction schemes forthwith and also repay any maturing loans out of its cash balances? This remains to be seen.

Gilt-Edged

Reports of stiffening German resistance on the Western Front and Mr. Churchill's reluctance to envisage a quick end to the war in Europe have caused a thawing of investment tendencies which had been inclined to freeze in the earlier weeks when the Allies made rapid progress. The feeling that the Western war will be prolonged has dispelled, temporarily at least, the doubts about the future of money and money rates, and as the result substantial amounts are seeking investment in Central and Provincial Government Loans. A Press Note states that in the seven weeks ending September 23, Rs. 25¼ crores were invested in Central Government Loans of which Rs. 11¼ crores were invested in the Victory Loan and Rs. 14 crores in the other loans sold on tap by the Reserve Bank. In order to cash in on the prevailing demand for gilt-edgeds, Government have decided to create a fresh issue of the 3% 1966-68 Funding Loan to the tune of Rs. 35 crores. In contrast with the scramble for short and medium-dated loans noticeable last month, there is now a good demand for a long-term investment on the part of institutional investors. The fresh issue of the Funding Loan will meet this demand. Incidentally, it may be pointed out that this Loan now quoted at Rs. 98-4 is any day more profitable for investment than 3% 1963-65 quoted at Rs. 99-2. Investors will realize that for only three years later maturity, the Funding Loan is quoted 14 annas lower. The price should improve in the near future. The Reserve Bank is, however, selling this Loan at Rs. 98-4 only.

Three and a half per cent. Paper was also in good demand and was quoted as high as Rs. 99-12-6 in mid-week, and is closing at Rs. 99-11-6 fully steady. The 3% 1946 Loan, 3% 1953-55 Loan and others improved by an anna each as a result of the enquiry. There is good demand for the 3% 1958 U.P. and Punjab Loans in which business was done at Rs. 99-3. The 3% 1957 Victory Loan which was quoted at Rs. 99-12 last week has improved by an anna and more (apart from accrued interest). In fact, all the Defence Loans are in good demand. Mention may also be made of the improvement in the 5% 1945-55 T.F. Loan which was quoted an anna higher at Rs. 103-13 compared to last

week. On the basis of the current price, the yield at maturity will be 1.35% which must be said to be a very attractive return for purposes of short-term investment, which this Loan admittedly is in view of the likelihood of its redemption at an early date. Furthermore, the investor who puts his money in this security and keeps it till maturity will have also the advantage that the loss represented by the difference in the quoted rate and Rs. 100 (the maturing price) will be allowed as such for purposes of tax assessment.

Treasury Bills

There was a slight improvement in total applications for the Rs. 6 crores Central Treasury Bills over last week. The average rate is glued to Re. 0-7-11% per annum at which it has been remaining for a long time. A higher rate is definitely improbable, and banks must be thankful to Government that the tender limit is not reduced. The weekly maturities throughout October and until the middle of November are only Rs. 4 crores. The excess of Rs. 2 crores which will be withdrawn from the market every week will not make any difference to the state of the money market. Money rates are unchanged and the market is easy as ever.

Bullion

The possibility of a longer war has naturally stimulated speculative activity in the precious metals. A bull syndicate has been formed in silver also as in gold last week, and its operations have tended to steady the market. Thus, the silver 7 days' settlement rate which was quoted at Rs. 121-8 on Saturday last week dropped to Rs. 118-4 on Wednesday. The market experienced a good deal of selling pressure on that day. But on Thursday, the purchase of 2,000 bars by a single bull choksey and the news of the formation of the syndicate induced frantic bear covering as a result of which the settlement price went up to Rs. 122. The bazar put in tenders varying from Rs. 123-8 to Rs. 125-4, all of which were rejected by the Reserve Bank. The tenders were, of course, for small quantities and were purely an attempt to sound whether the bank will lower its selling price limits. The rejection of the tenders naturally firmed up the market.

The gold market has been a shade more interesting than silver. The forward price was quoted at Rs. 68-8 in private dealings on Saturday. When the market opened on Tuesday, there was a premium of Re. 1-4 for American Gold, and dealers offered to buy from the Reserve Bank at Rs. 70 which was accepted. This had the effect of making the market easier and the new weekly settlement rate declined to Rs. 66-2 on Wednesday afternoon. The low level automatically evoked a strong up-country demand of about 40,000 tolas which coupled with speculative buying took up the rate to Rs. 68-3 on Thursday afternoon. The firmer tone was also based upon the rejection by the Reserve Bank of tenders around Rs. 68-6 put in by the bazar. The closing was somewhat quiet owing to slack demand and arrivals. The settlement price closed at Rs. 67-8. The trend of the market is uncertain. It was reported that about 22,000 tolas of Kolar Gold are about to be unloaded on the market.

Stock Exchange

In the share market, the textile shares received considerable stimulus, while steel shares went out of favour. Generally speaking, price variations were on a narrow range and activity was mostly accounted

for by jobbers. There was, however, investment buying in some of the selected cotton mill shares, banks, and public utilities. The turnover, on the whole, was fair sized.

In the Iron and Steel section, Tata deferreds ruled firm at Rs. 2,132½ early in the week, but closed easy at Rs. 2,100 on account of substantial selling by some of the influential operators on reports that the Company's production has been suffering a marked fall on account of scarcity of coal. Ordinaries were on offer throughout the week, the closing rate at Rs. 374.8 showing a loss of about Rs. 6. Indian Irons and Steel Corporations, however, were fully steady and in fact wound up the week with a fractional gain of as. 4 at Rs. 39.3 and Rs. 31.4 respectively. This was due to some bear covering.

Cotton mill shares received good support early in the week and prices improved but some profit-taking was noticeable at the close in the more speculative scrips, which, in consequence, showed no worthwhile

gain over the week. Bombay Dyeings, which were quoted at Rs. 1,759 during the week, closed at Rs. 1,741-4; Centuries after improving to Rs. 840 on Tuesday, gradually lost ground to Rs. 825, whereas Kohinoors moved down from Rs. 570 to Rs. 564 at the close. Central Indias, on the other hand, were maintained in the vicinity of Rs. 386 and New Greats around Rs. 380. Swedeshis showed small variations in the neighbourhood of Rs. 507.

There was some enquiry for public utility and bank shares. Andhra Valleys were booked at Rs. 1,830 and Tata Powers at 1,887.8, as compared with the opening levels of Rs. 1,807.8 and Rs. 1,880 respectively. Bombay Trams were about 3 points higher at Rs. 150, whilst business in Tata Hydros took place at rates varying between Rs. 202.8 and Rs. 207. Amongst banks, Central Banks jumped up from Rs. 74.12 to Rs. 77.4 and Bank of Indias from Rs. 175.8 to Rs. 179. Reserve Banks were quoted slightly higher at Rs. 132 and Imperial Bank Partly Paid at Rs. 481.4, as against Rs. 476-4 a week ago.

Final Forecast of Jute Crop—Buoyancy of Coal Shares

CALCUTTA, Oct. 9.

ACCORDING to the Final Forecast of the jute crop for 1944, jute acreage is given as 21 lakhs. This figure represents a reduction of as much as 8 lakhs acres, the preliminary forecast showing actually 29,22,970 acres. The area for Bengal is now shown as 17 lakhs acres against 26 lakhs acres. The difference between the preliminary and the final forecast figures is mainly therefore on account of Bengal. Such discrepancy has arisen as a result of the preliminary figures not being checked at all, as the area according to the licences only was taken into account. The present checked figure for Bengal at 17 lakhs acres is actually a reduction to 12½ annas of the area sown in 1943. But since the area last year was underestimated, it is expected that the current year's acreage will only be slightly short of the last year's figure. The Bengal crop is estimated to be in the neighbourhood of 48.9 lakhs bales. Transport problems and difficulties in the movement of the jute in the B. and A. Rly. have affected the jute districts of Assam where, both area shown and the quantity of jute crop available show a reduction over the previous year's level. Outturn for all the provinces and the states is expected to be 54.9 lakhs bales against 70.0 lakhs bales estimated in 1943. The current year's estimated outturn is approximately the same as the quantity consumed by the Mills in 1943-44. If consumption therefore continues at this level throughout this year, the whole of the 1944 crop will only be sufficient for the mills, leaving 10 lakhs bales for export and 3 lakhs bales for consumption by mills outside Calcutta to be drawn up on the stocks. A squeeze could therefore be expected before the crop for season 1944-45 becomes available.

The meeting of the Indian Jute Mills Association, held on 3rd October, reached an agreement regarding the Jute Mills Industrial Pool and an agreement was reached giving retrospective effect to the working of the Pool from 1st July, 1944.

The Jute markets were again dull during the week and uninteresting conditions were witnessed. The Pucca Bales section was quiet with business reporting in Dundee Daisee 2/3 at Rs. 76-80 for October shipment. Small business was also put through in short Group Daisee 2/3 and Tossa Fours at Rs. 85 less raw jute tax. Mills had to pay Rs. 79 for new crop Firsts. In the loose jute section, *European Jat* was done at Rs. 17 and Rs. 14 for low assortment and *Supervised Jat* at Rs. 16-8 and Rs. 13-8.

The Hessian market has been steady. Buying at maximum rates for all deliveries upto June was re-

ported, but mill sellers are very reserved. Business in 9 Porters is done for delivery upto September at maximum rates.

The Heavy goods section was also been quiet and unchanged. Little business is reported apart from inter-bazar transactions. B. Twills are quoted at Rs. 62-8 for Ready. Cornsacks have been done from second hands at Rs. 64-8 for Ready.

Stock Exchange

The Calcutta Stock Exchange re-opened on Tuesday, October 3, after the long Id—and the Puja holidays. The opening was cheerful, operators and investors alike have now adopted a more liberal attitude in view of the fact that immediate peace prospects have moved very far away. The Prime Minister's reference in the Commons that the war will see bitter fighting in 1945, has also given opportunity to operators to re-shape their views. The general impression now is that there is possibility for further appreciation of share values. Meanwhile coal companies under the managing agency of Messrs. Macneill & Co., have published their balance sheets and the results are very encouraging. All the companies of that group with the exception of Mundulpoor Coal Co., Ltd. have increased their dividends. Dhemo Main is paying 3½ per cent., Equitable 15 per cent., Hurriladih 7½ per cent., Mundulpoor 2½ per cent., and West Jamuria 15 per cent. According to the reports, raisings have improved during the six months ended 30th June, 1944, tremendously and it is hoped that other coal companies will follow this trend. Coal shares have therefore taken the note and have registered notable increases in the quotations during the week. Equitable is now quoting at Rs. 65, Dhemo Main at Rs. 25-8, Hurriladih at Rs. 34-2, Mundulpoor at Rs. 23-12 and West Jamuria at Rs. 60 *cum* dividend. Among the coal shares, Bokaro and Ramgur was greatly sought upto Rs. 42-6 though towards the close the quotation eased to Rs. 42 on profit-taking. Burrakur continues to be prominent, but as a result of the disappointment in the dividend, it is now quoting at Rs. 39-7 after being higher at Rs. 41. New Beerbhooms are Rs. 35-8 and Talchers are at Rs. 10-8.

Jute

The Jute section has also been prominent, but next only to coals. With the prospects of coal supplies to mills improving, the outlook is considered bright. *Howrah*s had buyers at Rs. 83-4 at which rate it has closed steady. Closing quotations for other important scrips are, *Anglo India* Rs. 450, *Champdany* Rs. 247-8, *Kanknarrah* Rs. 551, *Nudda* Rs. 127.

THE BUSINESS WORLD

"THE DOZEN RETARDED INDUSTRIES"

SIR M. VISVESVARAYA in his latest booklet on *Reconstruction in Post-War India* has again reverted to the important question of the formulation of an adequate "heavy industry" policy for our country. Sir Visvesvaraya gives a list of what he calls "the dozen retarded heavy industries" and the preliminary five-year plan which he adumbrates is charged with the task, *inter alia*, of taking "immediate steps to help business men to establish these industries." These dozen retarded industries which he lists include the following: automobile; aeroplane; Diesel engine; railway locomotives and power machinery generally; machine tools and machinery; iron and steel; heavy electrical industries; ship-building; special defence machinery (armaments and industrial plant); heavy chemicals such as sulphuric acid, chlorine, caustic soda, soda ash, nitric acid, etc.; dyestuffs; rayon; and plastics.

Sir Visvesvaraya has indeed a grievous charge-sheet against the Government of India with regard to its consistently obstructive attitude to the establishment in India of these industries. He points out that in the case of at least half of these dozen industries, the Government have deliberately used their power of control to prevent their establishment or growth and that they have not vouchsafed any explanation to assure the public that that was not done in the interests of British exports. In point of fact, he cites specific instances where the power of Government control and influence has definitely arrayed itself against efforts to strengthen the basic economic structure of India, even though such a policy directly and definitely militated against the fullest development of the country's economic war effort. Thus it appears that while some enterprising engineering firms wanted to manufacture tools for use in their own factories, under the Machine Tool Control Order, attempts were made not to grant licences on the ground that the Government feared over-production of machine tools in the country. Again it would be an education for the public to know that, although at the beginning of the war Australia was no better equipped than India for shipbuilding work, expansion of shipbuilding facilities in Australia was deliberately preferred to that in India and the Viceroy of India personally congratulated an Australian shipbuilding company on the completion of certain works. In the name of war exigencies the contents of the reports submitted by the Roger Mission and the Grady Mission have been kept away from the public. Only when they at last come to light one day, we shall know the full extent of our missed opportunities in the direction of full strengthening of our basic economic structure such as has taken place in other countries in the course of mobilization of economic war effort.

Nevertheless, however unsatisfactory be our record of economic achievements during the war, there could be no doubt that at a time when we are contemplating a definite economic programme at the end of the war, there is posed the question of formulating a specific heavy industry policy with its manifold economic, social and strategic bearings—both in their short-term and long-term aspects. To take the strategic aspects first, heavy industries have a special bearing on the military potential of a country in the context of modern mechanized warfare. Some have even argued that for a country strategically situated like India, the strategic considerations would, willy-nilly, be of co-ordinate importance with the primary economic considerations, so that we have to lay greater emphasis on

heavy industries relatively to that on consumers' goods industries than would be strictly necessary having regard to the optimum rate of economic development that we may envisage. At any rate, certainly for specific industries like aircraft or shipbuilding among others of our "dozen retarded industries," we may choose to keep in being, at least in nuclear form, a larger industrial organization than would be warranted by the peace-time requirements of civil aviation or mercantile shipping.

Apart, however, from strategic considerations, a national heavy industry policy would have primary bearing on the over-all tempo of economic development. The proportion of investments in heavy industries and consumers' good industries respectively during the first five-year is put at 1.6 in the Bombay Plan as against 6.0 in the Russian plan. This signifies not only that the Russians envisaged a much higher tempo but also that they were anxious to get rid of their dependence on external finance as rapidly as possible and it betokens also their preoccupation with their pressing defence requirements. Our heavy industry policy must be related not only to the tempo of development we envisage but also to the rate of availability of external finance that we can command, i.e., the rate at which we can transfer the sterling balances or secure foreign loans.

There are also other economic considerations, like that of direction of national industrial localization, pump priming as a monetary technique or again, say, possibilities of rapid "skilling of labour" or minimizing the strains of occupational readjustment. Sir Visvesvaraya has for long been known as campaigning for the establishment of at least two important key industries in each province. Certainly the present inter-provincial localization of industries is too lopsided and far from satisfactory. But as the lineaments of the localization of heavy industries become the decisive determinants of the general localization pattern, a national heavy industry policy has to revolve on a national localization policy. Thus we may recall how the Russians evolved a policy of decentralization of light and consumers' goods industries coupled with a heavy industry policy with a characteristically easterly movement. Or, again, during the transition period at the end of the war, when the war-time monetary expansion would suddenly stop and tend to set up a spiral of deflationary pressure, a heavy industry policy may provide, in a measure, an effective substitute for a public works policy, with the additional advantage of possibility of integration with long-term economic policy. Again very much more than in the case of the light industries, heavy industries require the intensive "skilling" of a highly technical labour force. It is true that under mass production technique even the most complex engineered product directly comes out of the hands of comparatively unskilled labourers. But before the comparatively unskilled labour force can take up actual production, pre-production designing and tooling up of jigs, fixtures and general set-up can only be done by a corpus of intensively trained technical workers. On the other hand, light industries require no such intensive "skilling," and during the transition period, cottage industries also could do much to relieve the strains of massive occupational planning. A heavy industry policy has, therefore, to be supported by a commensurate policy of labour "skilling".

But this "skilling" can only be done on an adequate scale by the State. It is never profitable for a private entrepreneur to invest in training labour, for there are no mortgages on workers: an entrepreneur who invests in training workers may lose capital if these workers contract with another firm. An energetic heavy industry policy, therefore, can be successfully pursued only with the active participation of the State. This consideration is further reinforced by another strong economic argument. An energetic heavy industry policy implies not an exploitation of pre-existing investment opportunities, but a systematic and consecutive opening up of all-round investment avenues. Under the "principle of complementary investment," it is only under comprehensive State planning that "external economies can be converted into internal profits" and, as in Prof. Allyn Young's famous case of extension of a Tube Line, consequential but external capital gains can enter as an item in the calculus of profitability. Further, without overriding State control over the capital goods industries, it would be impossible to control violent trade cycles.

NOTES

SUBSIDISING COTTON

The recent offer of the War Food Administration to purchase through the Commodity Credit Corporation the current cotton crop at parity prices may be a mere manoeuvre of the Roosevelt regime to spread some jam on the electoral bread to attract Southern votes. In that case, it need cause no headache to other raw cotton exporting countries. If, on the other hand, it is all part of a settled policy of pushing subsidised American cotton into the world markets, as it is feared it may be, then it becomes a matter of some concern to other surplus producers. Recent American opinion has been reported to be in favour of inter-governmental commodity control agreements to regulate the production of and the international trade in articles, such as wheat, cotton, sugar, coffee, rubber, etc. We had occasion previously to comment on American proposals for an international agreement over cotton and pointed out that, honestly worked, they may contribute to stabilise prices, particularly of agricultural commodities and may thus prove beneficial to agricultural exporters such as India. The emphasis in this is on honesty. The control schemes, like Caesar's wife, should be above suspicion and should not degenerate into a means of perpetuating inefficient production. To take the specific instance of cotton, American producers cannot compete with their South American rivals in the world markets, as the former's costs are higher and so they want a subsidy. It is because of this background, that the War Food Administration's offer to buy up current crop at parity has caused alarm and misgiving in other cotton countries. These fears may turn out to be liars; on the other hand, they may not. At any rate, more light on American intentions is needed. The Administration's spokesmen, including its Head, have recently said hard things on cartels. It will not do for the American Government to try to play the cartel game. If they elect to plump for any deliberate policy of dumping cotton on the world markets, their advocacy of international commodity control agreements will become automatically suspect. The United States should realize that if their cultivators cannot grow cotton at world prices, the only clean way is to make them grow less.

PLANNING THE RETAIL TRADE

The province of retail distribution was at one time thought to be the exclusive preserve of the small man. But the modern tendency to integration, so

There are, therefore, special and overwhelming economic reasons why the relation of the State to a heavy industry policy must be intimate and comprehensive, both in the planning and the actual working stage. There are also special reasons of social policy. An adequate national heavy industry policy requires the widest social, economic and strategic considerations and, in the context of a realistic and comprehensive plan, involves more considerations than just "to help business men to establish the dozen retarded heavy industries," as Sir Visvesvaraya would have it. However, as the case of the fertilizer industry and the obscure relation thereto of the I.C.I. shows, until we have a democratic and national Government, a national heavy industry policy under State aegis could be easily perverted and made subservient not to a national but to an imperial planning. This only emphasizes the fact that there is (with added force in the case of heavy industries) an inherent contradiction in having a national economic plan while the Government itself is not national or democratically amenable.

marked in industry and finance, has not left retail trading altogether untouched. The departmental stores and chain stores in the western countries account for a not negligible volume of retail distribution. Indeed, there are even cases of international expansion in this field. Thus, F. W. Woolworth and Company have about 2,000 branches in the United States, Canada and Cuba, over 80 in Germany and about 550 in Great Britain, while Debenhams, Ltd., the well-known drapery business, directly or indirectly controls or is "associated with" some forty subsidiary companies in Great Britain, and has branches in France, Belgium, United States, Australia and Canada. Even in this country, cases of large-scale retail trading are quite a few; to mention some, there are the Army and Navy Stores, the Spencer establishments and the Wheeler bookshops. Nevertheless, it is true to say that the bulk of retail trading, the world over, is in the hands of the small man. From the consumer's point of view, it is quite possible that centralized retailing may render better service at less cost in the case of standardized commodities that enter into general consumption. But that does not mean that the wholesale elimination of the small man from retail trading will be in the larger interests of the community. For one thing, certain services connected with retail trading can be performed efficiently only by the small man and whether these services are absolutely necessary or not, they satisfy expressed consumer preferences and are therefore entitled to an economic payment. This apart, there are sociological considerations, which may recommend as desirable the existence of independent retailers as of peasant farmers, but it is needless to discuss them here. But there can be no two opinions on the point that there is room for greater efficiency and economy in the performance of the retailer's functions. It is possible that there are too many of them, and it is certain that many of them are inefficient and not a few dishonest. It is, therefore, not surprising that society has revolted against this too heavy burden of retailing costs. Consumers' co-operation is, to some extent, an expression of that revolt. But consumers' co-operation, like large-scale retail distribution, aims to cut out the small retailers, but there is another way of approach, which is to keep the retailers but make them perform their functions better. The bulk of retail trading is in the hands of people who are uneducated, unenterprising, financially unsound and often inexperienced. Any attempt at rationalizing the retail trade should therefore begin with efforts to

raise the quality of the human material. Unfortunately, the economics of retail distribution has not received as much attention as it should have, but there are signs that in the future at least attempts will be made to study its problems scientifically. Thus, in the United States, the national income after the war is expected to be 140,000,000,000 dollars, which means, according to Dr. Paul Nystrom of the Columbia University, a retail trade of 75,000,000,000 dollars, compared with the all-time high in the U.S. retail trade of 62,000,000,000 dollars last year. It is reported that retail trade organizations are busy studying how this huge business is to be put through most economically. Their conclusions should provide interesting material for students in other countries as well.

WAR ALLOYS FOR PEACE USES

In their search for better weapons of war, metallurgists have discovered new possibilities of rare metals, which were mere laboratory curiosities before the war. They are now being increasingly used in turning out new alloys, capable of answering to every call and all the tests of the armament industry. Used in minute quantities, they impart special properties to commonplace materials, such as steel, copper and nickel, enabling them to bear more satisfactorily special strains and stresses. But what should interest us primarily is the peace-time possibilities of these metals, which are said to be many and far-reaching. Thus, columbium acts as a binding agent preventing the normal deterioration, which sets in when steels

are subjected to very high temperatures; vessels made of columbium steel alloy are, therefore, preferred in the chemical industry. Cobalt imparts toughness to the metal with which it is alloyed and renders the latter specially suitable for superhard cutting tools. Beryllium is the lightest metal in use and beryllium copper alloys are used to make springs, which withstand greater tension for foreign periods than any other substance yet discovered. Tantalum, stronger than steel and as non-corrosive as glass, has been hailed as a vital factor in the functioning of electronic tubes. Zirconium, used to provide light-giving rays in flood lamps and flash bulbs, has been employed to impart strength to steel at a low temperature. Experts agree in predicting an expanding industrial future for these and other rare metals and the new alloys, which they help to constitute.

THE NEW BANK OF INDIA LIMITED

ESTABLISHED: 1937

AUTHORISED CAPITAL Rs. 1,00,00,000
ISSUED AND SUBSCRIBED CAPITAL 25,00,000
PAID-UP CAPITAL 15,00,000

WORKING CAPITAL EXCEEDS 5 CRORES

Head Office:

THE MALL, LAHORE

Branches:

Agra	Jammu
Amritsar	Lucknow
Bombay	Ludhiana
Chamberlain Road (Lahore)	Mall Road (Lahore)
Delhi	Multan City
Gujranwala	New Delhi
Gujarat	Rawalpindi City
Hoshiarpur	Shahalmi Gate (Lahore)
Jullundur City	Sialkot City.

M. R. KOHLI, M.A., E.I.B. (Lon.),
Managing Director.

INDO COMMERCIAL BANK LTD.

Registered Office:
MAYAVARAM.

Central Office:
MADRAS.

Authorised Capital Rs. 25,00,000
Issued and Subscribed Capital 21,25,000
Paid-up Capital 18,75,000
Reserves 3,25,000
(Total Resources Exceed Rs. 2.5 Crores)

Madras Offices:

Mambalam, Mylapore, China Bazaar Road,
Periamet and Triplicane.

Branches:

Amadalavalasam	Salur
Anakapalle	Shiyali
Chidambaram	Tadepalligudem
Chittur (Cochin)	Tanjore
Conjeevaram	Tinnevely Town
Erode	Tinnevely Junction
Karaikudi	Trichinopoly
Kumbakonam	Vellore
Madura	Vijayapuram
Maruteru	Virudhunagar
Palghat	And
Parvathipuram	Vizianagram.
Pudukottah	

Banking Business of every description transacted.

S. N. N. SANKARALINGA IYER,

Managing Director,
107, Armenian Street, Madras.

THE UNITED COMMERCIAL BANK LIMITED NOTICE

Issue of New Shares and Closing of Transfer Books.

The Directors of the United Commercial Bank, Ltd., have decided to issue two lacs shares of Rs. 100 each of the Bank. On these shares Rs. 50 per share will be called up with application.

These shares in the first instance will be offered at par to the shareholders of the Bank on the register of members on 1st of December, 1944, in the proportion of one new share for every one existing share held by them. Any shares not taken up by the shareholders will be issued and allotted by the Directors on such terms and such conditions as they may decide in due course.

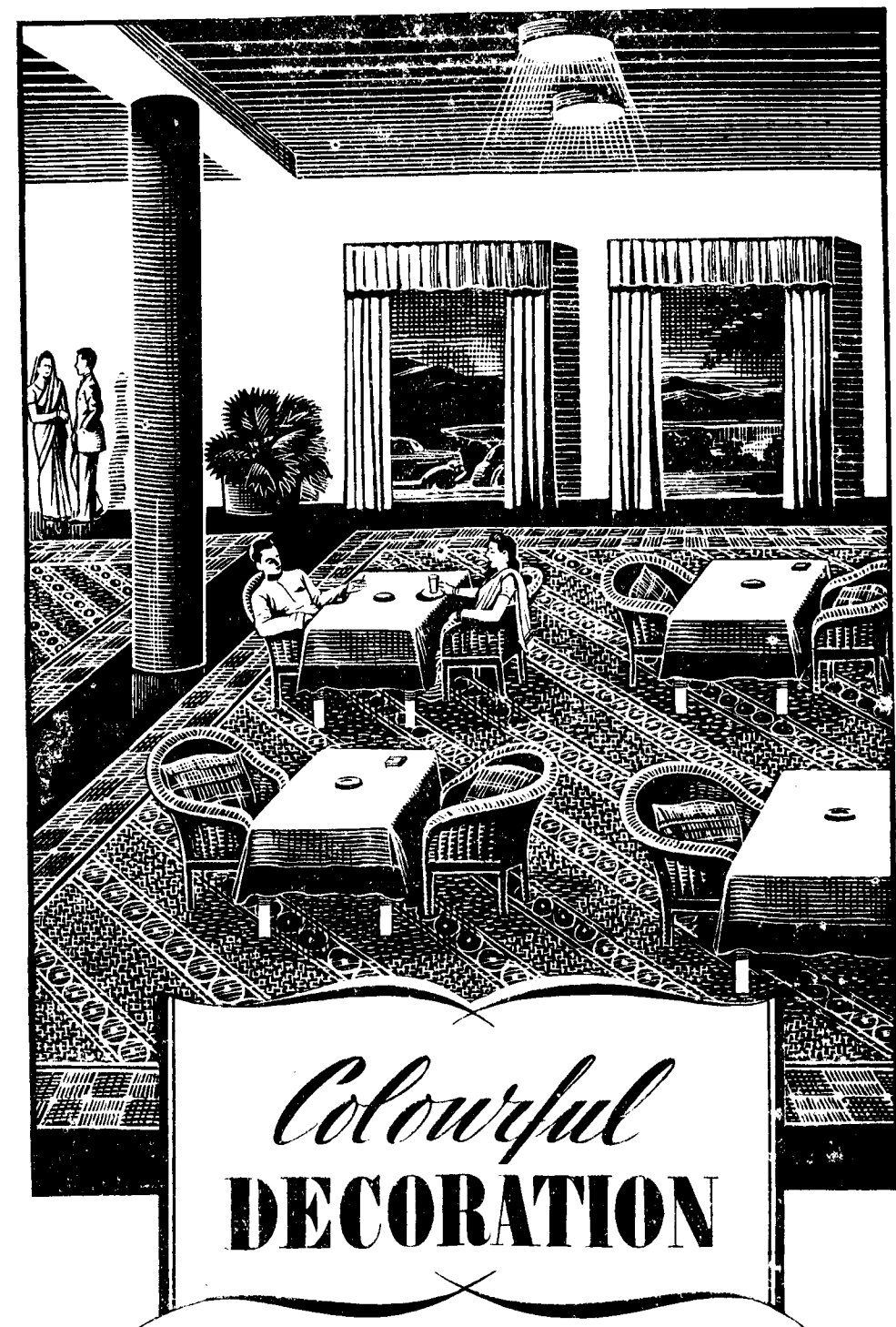
Full particulars of this issue and application forms for the same will be sent to the shareholders as soon as possible after 1st December, 1944.

The consent of the Central Government has been obtained to this issue under Defence of India Rules 94 (a). It must be distinctly understood that in giving this consent the Government of India do not take any responsibility for the financial soundness of any scheme or for the correctness of the statement made on opinions expressed with regard to them.

The Share Transfer Books and Register of Members of the Bank will be closed from Wednesday, 15th November, 1944 to Friday, 1st December, 1944, both days inclusive.

By Order of the Board,
B. T. THAKUR,
General Manager.

Calcutta,
7th October, 1944.



Colourful DECORATION

Colour and decoration form an essential part of ceremonial functions and of centres of entertainment and recreation, such as cinemas, clubs and restaurants.

Jute Carpets in plain, colourful, light and dark shades offer the most economical means of decorating places of social gathering. Their strong weave ensures long, carefree service.

We manufacture a wide range of carpets in Jacquard and Dobby weaves, and tapestry carpets—all invaluable as floor rugs, stair runners, asans, etc.

BIRLA JUTE MANUFACTURING Co., Ltd.

The only manufacturers of Jute Carpets in Jacquard and Dobby weaves.

MANAGING AGENTS: BIRLA BROTHERS LIMITED.
8, Royal Exchange Place, Calcutta.



For the Nation's Granary..

Obtaining an increased yield of crops from the land is a major item in the plans for the economic development of India.

By furnishing the essential modern implements of agriculture, transport communication and irrigation services the steel industry will help to transform arid deserts into smiling wheat and rice fields.

TATA STEEL

ISSUED BY THE TATA IRON & STEEL CO., LTD. HEAD SALES OFFICE: 102A, CLIVE STREET, CALCUTTA.

TN. 3658

AGRICULTURE

Some Factors of Agricultural Development

By B. K. Goswami

OUR agriculture is beset with manifold maladies which manifest themselves in the low yield of crops per acre, which in its turn, has, of late, been made unctuously conspicuous by an odious comparison with the yields of other countries. Odious, because, of all sources of production the success of agriculture is dependent upon, or more precisely, the outturn of particular crops is primarily determined by the inherent qualities of soil and the specific influences of climate. Both these agents signify a horde of natural conditions, such as help in making the different countries unrivalled in the quantitative or qualitative output of, or conduce to the regional specialization and even monopolization of the various crops, e.g., Sea-islands and Egypt in cotton, Pacific islands in sugar-cane, cinchona and rubber, and Bengal in jute. When comparing the yield of our crops with that of other countries, we must not lose sight of all these natural factors, especially soil, by far the main portion of which in India is more sterile and superannuated than that of most other countries. No amount of manuring or chemical fertilization can restore to it its original fecundity or enable it to acquire the vigour of the virgin soils of the newly colonised lands. While, therefore, it is idle to base our target on the performances of other countries in crop production, it is more useful and desirable to look for inland standards, especially when a marked disparity is noticeable in the maximum and average yields of the country. The maximum yield of crops obtainable in some parts of the country is not very inferior to the world average or even maximum.

The chief factor responsible for effecting this disparity and ultimately for bringing down the all-India average is the lack of moisture or, in plain words, the absence of irrigation in vast areas. The following table shows the glaring extent of disparity in the outturn of principal crops on irrigated and unirrigated areas*:

Crop	Outturn per Acre		
	Irrigated Area Older Districts	Canal Colonies	Unirrigated Area
	Mds.	Mds.	Mds.
Cotton Desi (Kapas) ..	4.29	6.83	0.34
" American (Kapas) ..	4.60	8.92	0.80
Wheat (Grain) ..	13.84	20.94	5.59
" (Bhusa) ..	22.96	30.16	7.92
Wheat-gram (Grain) ..	15.36	..	3.79
" (Bhusa) ..	25.07	..	4.05
Gram (Grain) ..	2.53	9.94	2.13
Sugarcane (Gur) ..	28.27	27.72	14.93
Maize (Grain) ..	19.69	20.95	7.65

The enormous prospects of increasing our primary production by extension of the means of irrigation stand out in bold relief when we view the above figures against the background of our total irrigated area, which forms only 25 per cent. of the total cultivated area. A major part of the area shown as unirrigated may not be amenable to or capable of being irrigated for one reason or other, while some tracts may not be in need of it on account of adequate and timely rainfall; but surely there are vast areas where the

demand for irrigation has been clamant and its engineering possibilities bright. Again, canal-irrigation leaves out many odd intervening spaces which are not served by it but which can be served by well or tank irrigation. Yet again in areas irrigated by wells there are similar spaces, where owing to lack of capital it has not been possible to extend well-irrigation, and large areas are kept for extensive *barani* cultivation. Considering all the pros and cons, it may be estimated that the proportion of irrigated land can be safely doubled. So this single means can help in *more than* doubling our output as much of the land returned as "cultivable waste" will not only be irrigated but will also be freshly brought under the plough. The initiative for exploiting this potentiality devolves largely upon the State—wholly in respect of major works like canals and barrages, and partially in regard to the expansion of tanks and wells. The hitherto tardy and tedious progress in the latter domain is chiefly due to the shyness of capital consequent upon low returns, and it can only be accelerated by means of a substantial subsidy or bounty on the part of the State.

The most remarkably beneficial achievement of agricultural research has been in the realm of plant-breeding. Past experience has brought out the rich harvest that attends upon the introduction of improved varieties. The quantitative increase in the case of cotton is apparent from the above table, and the reports of the various Agricultural Departments testify to the higher comparative outturn of the improved varieties of different crops. The qualitative supremacy is evident from the high premium which the price, for example, of wheats 591 and 8A and cottons L.S.S., 43F, 289F and 4F obtain over ordinary types. The amount of increased wealth accruing to the Punjab annually on account of these improved varieties has been estimated by the Director of Agriculture, Punjab, at some crores of rupees. Despite such demonstrable superiority of improved varieties, large areas continue to be put under ordinary types. This is due not merely to the apathy of our illiterate farmers but also to the fact that the particular varieties evolved prove successful only in particular areas and consequently research in this direction demands a more extensive scope. Above all, more effective propaganda accompanied by a vigorous literacy campaign is called for in order to ensure success in any field of agricultural improvement.

Another major device by which the outturn can be positively and appreciably augmented is the use of manures and chemical fertilizers. Here again the specific nature of our soils and climate restrains a heavy or intensive use of chemical fertilizers, the extensive use of which has, in the past, been restricted due to the heavy cost of the imported stuff. But the expansion of this industry at home and its ownership by the State for assuring a low price will now go a long way in popularizing these on a wide scale. The deleterious after-effects of this class of manures on the soil limits their intensive application. For securing the recuperation and replenishment of soil, we have to rely upon farmyard manure an adequate supply of which can be obtained by mixed farming. The remarkable extent to which manuring can help in increasing the productivity is evident enough and it could be amply substantiated by means of reference to numerous conclusive results of the many manurial

* Farm Accounts in the Punjab—1938-39, Publication No. 75 of the Board of Economic Inquiry, Punjab, Page 12.

tests conducted by the Agricultural Departments all over India.

Prophylactic and combative measures evolved by entomological, mycological and bacteriological research can also contribute their mite, insignificant though, in the improvement of the yields. It was mainly by relying on these three factors, namely, the introduction of improved varieties, use of more and better manures, and protection from pests and diseases that Dr. Burns, late Agricultural Commissioner to the Government of India, estimated an increase of 25 to 50 per cent. in cereals, millets and other food crops, 75 to 100 per cent. in oilseeds and 25 per cent. in fibrous crops.

Another potent cause undermining our productivity is soil-erosion. The major combative measure against it, such as afforestation, bund-making or effective and wholesale field-terracing are such as can only be undertaken by the Government or substantially helped and guided by it.

More comprehensive, direct and stringent measures are essential for the scientific improvement of our livestock than have so far been adopted. The possibilities of a consistent policy of selective breeding, scientific feeding and management may be judged from the progress made by the Punjab Agricultural College Dairy Farm, where the average daily yield of the herd as a whole has risen from 5.6 lbs. in 1914-15 when the herd was founded to 18.7 lbs. in 1939-40. Some of the cereals and millets are the common food of men and animals, while considerable portion of the land is kept under fodders and pastures; a part of these resources could be easily diverted to human use if the number of animals is to be reasonably reduced. Some of the ways for attaining this end are to mechanize some minor appliances and functions such as the Persian-wheel, cane-crusher, bullock-driven grain-grinders and, above all, carting. Some of these reforms are conditional upon a cheap supply of motive power in the countryside and the last one upon the expansion of road and rail transport, the responsibility for both of which devolves upon the State.

The development of inland and marine fisheries and pisciculture is full of enormous promise, capable not only of easing our food problem but also of ensuring greater employment and thereby diverting population pressure from land. The prospects of success to be achieved in this field depend on a scientific approach involving the use of steam trawlers and modern equipment for catching, packing, storage and transport. The tropical island climate requires an air-conditioned transport for widening the market for not only fish but other perishable products of farming such as eggs, fruits, vegetables, cream, butter and milk. The rapid advance of air-conditioned transport and refrigerating apparatus during the war will no doubt come into play in this field, but the object will only be served by the readiness with which the railways can be made to co-operate. On the whole, cheap, efficient and scientifically equipped transport by rail and road can work wonders in the sphere of marketing.

Lelah (Punjab).

OFFICE OF THE CHIEF CONTROLLER OF IMPORTS PUBLIC NOTICE

Importers should now submit to the licensing authorities concerned their applications for import licences for their requirements in the period January—June, 1945 of goods falling in Parts II, III, IV and V of the Import Trade Control Schedule with the exceptions noted below. Licences will be issued as soon as practicable and will be marked valid for shipment at any time from date of issue up to the end of June, 1945.

Exceptions:—Panel items in Part II; Dyestuffs and Textile Chemicals in Part III; Foodstuffs.

Commodity Markets

(From Our Correspondent)

HAPUR, Oct. 11, 1944.

The following are the latest quotations: Wheat: Dara Rs. 9-12; Stock 144 *khattis*. Gram: Rs. 6-15-3; Stock 37 *khattis*. Barley: Rs. 5-6-9; Stock 98 *khattis*. Peas: Rs. 5; Stock 140 *khattis*. Arhar: Rs. 5-14-6; Stock 133 *khattis*. Urad: Rs. 8-14-6. Moong: Rs. 7-9-9. Gur: Rs. 8-2. Guwar: Magh Rs. 6.



THE FLOATING FORTRESS

In 1943 an unusual monsoon caused floods, devastated rich fields and drove the people to destitution in the various parts of India. Even dry regions like Ajmer did not escape this calamity. Bengal and South India are frequently scenes of such visitations.

While science and engineering can prevent a recurrence of this terrible havoc only an Insurance policy on an established company can mitigate the suffering of the individual and his family. In times of flood the Insurance policy is a floating fortress for the policy-holder.

When you buy Insurance from Ruby General you assure yourself of all these advantages and an addition the unique benefits this company offers its clients.

RUBY GENERAL INSURANCE CO., LTD.

TRANSACT BUSINESS COVERING LIFE, FIRE,
MARINE, ACCIDENT RISKS

Chairman: B. M. BIRLA, Esq.

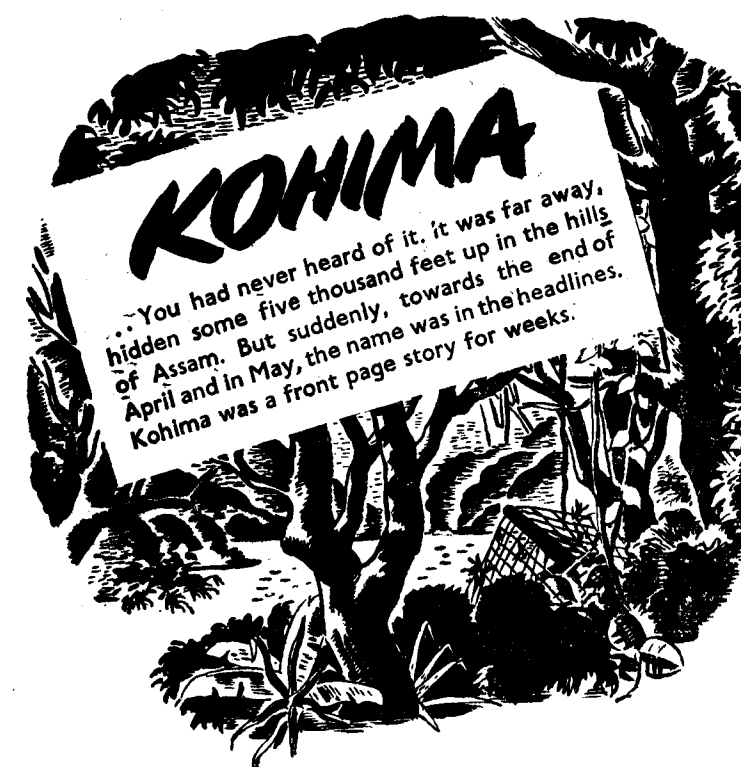
Registered Office: 8, Royal Exchange Place, Calcutta.

Principal Office: 21, Darayaganj, Delhi.

Cawnpore Office: Pioneer Building, Meston Road.

R.G. 3594

EPIC OF KOHIMA



TOJO'S MEN had crossed the Chindwin. Slowly, stealthily, they had reached the slopes of Mt. Japvo and the Naga Hills. They took the few ridges and hills around Kohima. The Nagas had been driven out of their villages. Their houses were burnt, their huts were razed to the ground, their pigs, poultry and crops looted and plundered. "INVASION OF INDIA" the Japanese called it.

Events moved rapidly. You remember the names: the Jail Hill, the GPT Ridge, FSD Ridge, the Pimple and lastly the D.C.'s Bungalow. It was a bitter battle.

BUT OUR MEN, GREATLY OUTNUMBERED, NOT ONLY HELD OFF THE ATTACK, BUT ULTIMATELY SMASHED THE FOE AND WON A GREAT VICTORY.

This was the epic of Kohima. Here our men proved that...

"WE CAN BEAT THE JAPS and we ARE BEATING THEM BACK"



AAA 1306

ISSUED BY THE NATIONAL WAR FRONT



NO PROPHECY REQUIRED

You don't need a prophet to tell you whether prices are going to rise or fall in the near future. The experience of 1943 is enough to convince all that the trend of prices is definitely downwards. All around us there is evidence of falling prices. Introduction of control on prices and vigorous prosecution of the profiteers have ensured it. Do not be caught by falling prices.

This is no time to lock your money in manufactured goods, commodities, land, buildings or jewels. Their prices are sure to fall as time goes by and Rs. 100 invested now might easily dwindle to Rs. 70 or less within a year.

Today's best investments are Insurance, Co-operative Societies, Savings Bank Account, Post-Office Savings Bank, Government Loans and National Savings Certificates.

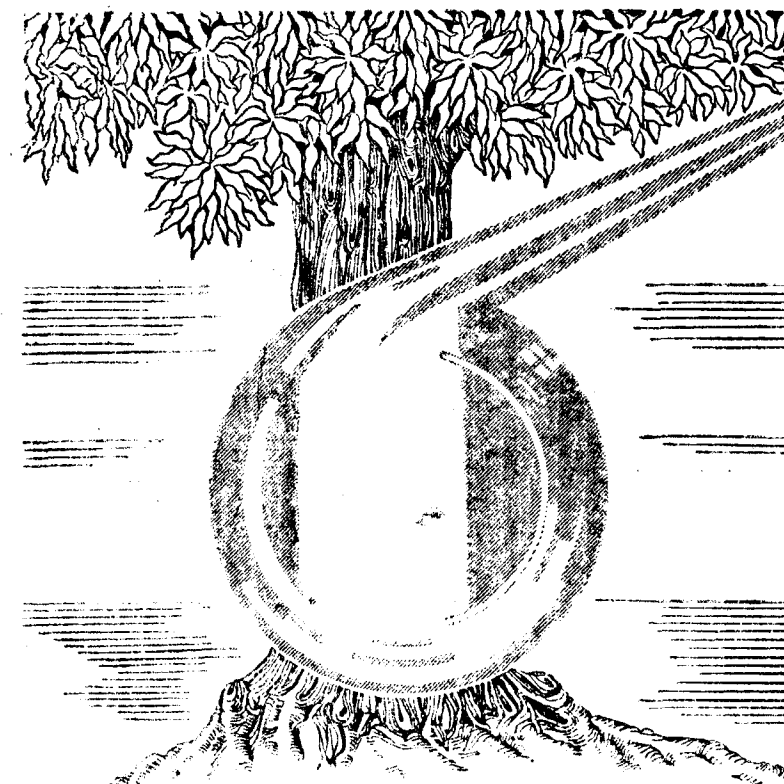
Prices of cloth, leather goods, drugs, medicines, food-grains, etc. are falling. Control measures are being extended and rigorously enforced. Be sure, prices will come down further.

Save

ALL YOU CAN AND INVEST ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1115



Honoured by time — PERFECTED BY SCIENCE

The essence of Asoka as an excellent curative for functional disorders peculiar to women has been known to Indian medicine for ages.

This preparation honoured by time has been perfected by the application of modern science. The inclusion of gland extracts of fresh ovary, thyroid and pituitary makes Hormosoka an ideal specification with tonic values for disorders peculiar to women.

Other preparations include :—
Lecose!: A tonic for women, with curative properties for low grade infections of leucorrhoea and general debility.
Gastroso!: For chronic Dyspepsia, Indigestion, Gastralgia.
Cholotone: An efficient liver tonic.
Casoren: An ideal remedy for headaches, backaches, rheumatic and neuralgic pains, colds and influenza.



HORMOSOKA

BIRLA LABORATORIES

(Proprietors: The Upper Ganges Sugar Mills Ltd.)

Head Office: 8, Royal Exchange Place, Calcutta.

Delhi Distributors: Asiatic Agencies, Katra Baryan, Delhi.

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT
(Rs. in lakhs)

	29-9-44	22-9-44	1-10-43	1-9-39	29-9-44 compared with 1-9-39
Notes held in the Banking Dept.	9.58	9.87	10.57	30.04	-25.46
In circulation	941.25	940.57	766.86	132.13	+759.12
Total Notes	950.83	950.44	777.45	162.17	+733.65
A. Gold coin and bullion*	44.41	44.41	44.41	44.41	—
Sterling Securities	834.33	834.33	646.77	30.50	+774.33
Total of A	878.74	878.74	691.19	103.92	+774.82
B. Rupee coin	14.25	13.85	14.89	75.87	-61.62
Rupee Securities	57.84	57.84	63.39	37.38	-120.46
Silver bullion under coinage	—	—	—	—	—
C. of Reserve to Liabilities	92.418	92.452	89.246	63.149	+29.269

IMPERIAL BANK
(Rs. in lakhs)

	29-9-44	22-9-44	1-10-43	1-9-39	29-9-44 compared with 1-9-39
Fixed Deposits	227.93	229.61	192.67	87.26	+140.67
Savings Bank, Current and other Accounts	133.94	131.06	123.39	51.03	+82.91
Govt. Securities	3.63	3.64	2.29	9.62	-5.98
Other Investments	9.48	9.48	12.23	7.65	-1.82
Loans	44.52	43.20	20.69	19.76	+24.76
Cash Credit Overdrafts	2.12	2.64	2.67	2.65	—
Bills discounted	—	—	—	—	—
Cash in hand with R.B.I. and other Banks	41.24	49.44	11.20	14.69	+29.55

BANK OF ENGLAND
(£ 000)

	4-10-44	27-9-44	6-10-43	20-9-39
Total Bullion	2,338	2,252	1,682	263,700
Public Deposits	8,600	806	7,800	31,100
Other Deposits	236,100	276,800	205,400	291,900
Of which Bankers' Deposits	177,800	221,500	150,200	90,100
Government Securities	196,900	229,200	152,200	113,100
Other Securities	14,200	22,400	16,200	31,000
Of which Discount and Advances	7,500	4,300	1,900	6,400
Notes and Coins	43,700	47,700	60,600	34,200
Notes in circulation	1,138,700	1,153,600	931,200	529,500
Net Reserve to Liabilities	17.85	16.65	28.42	21.38

TREASURY BILLS SALES
(3 Months' Tenure)
(Rs. '000)

Date of issue	Amount tendered	Amount accepted	Average rate	Interest rate	Sold in favour of Dept.
June	50,62.50	30,00.00	0 7 3	—	8,52.50
July	37,36.75	16,00.00	0 7 9	—	13,76.00
Aug.	12,97.00	4,00.00	0 7 9	—	60.00
11	14,91.25	1,00.00	0 7 7	—	3,30.00
12	19,25.00	8,00.00	0 7 9	—	2,97.00
24	13,32.50	6,00.00	0 7 10	—	2,05.50
Sept	14,52.50	6,00.00	0 7 7	—	61.25
8	14,57.50	6,00.00	0 7 10	—	2,00.00
15	14,61.50	6,00.00	0 7 10	—	2,00.50
22	—	6,00.00	0 7 11	—	1,46.50
29	10,00.50	6,00.00	0 7 11	—	—
Oct.	—	6,00.00	0 7 11	—	—

CLEARING HOUSE RETURNS
(Rs. in lakhs)

	1943-44	1944	1944	1944	1944	29-9-44
Bombay	20,43.21	6,91.78	1,53.30	1,96.21	41.12	—
Calcutta	17,40.12	7,01.92	1,97.27	2,24.41	33.91	—
Cawnpore	1,02.41	37.55	7.52	—	—	—
Delhi	1,21.08	39.35	3.40	—	—	—
Karachi	1,02.84	32.28	7.90	—	—	—
Lahore	78.82	30.36	7.11	—	—	—
Madras	2,00.02	76.25	16.50	22.37	5.34	—
Total	43,45.50	16,07.49	3,98.27	4,42.99	70.37	—

CASH POSITION
(Rs. in lakhs)

	22-9-44	15-9-44	24-9-43	1-9-39	22-9-44 compared with 1-9-39
Reserve Bank of India	10.13	9.45	14.34	35.15	-25.02
Scheduled Banks	126.77	125.40	92.91	31.81	+94.90

BANKING DEPARTMENT
(Rs. in lakhs)

	29-9-44	22-9-44	1-10-43	1-9-39	29-9-44 compared with 1-9-39
Cash	9.55	10.13	10.80	35.15	-25.30
Balances held abroad	304.85	290.10	103.24	10.08	+294.77
Investments	11.57	11.57	7.59	6.81	+4.76
Bills discounted—	—	—	—	—	—
(a) Internal and External	39	37	1.90	1.16	+77
(b) Treasury Bills	—	—	—	—	—
Loans and Advances to Government	68	70	28	31	+37
Deposits—	—	—	—	—	—
(a) All Govts	203.14	182.93	35.16	14.89	+188.25
Of which G. of I.	167.60	163.70	22.47	14.89	+172.71
(b) Banks	97.98	101.25	73.94	26.91	+71.07
(c) Others	13.61	13.22	6.54	1.24	+12.37

* Including Cash and Short-term Securities.

SCHEDULED BANKS
(Rs. in lakhs)

	29-9-44	22-9-44	1-10-43	1-9-39	29-9-44 compared with 1-9-39
Demand liabilities in India	587.61	586.84	560.20	134.36	+453.25
Time liabilities in India	190.89	192.53	134.81	102.24	+88.65
Cash in India	27.57	26.68	30.42	6.70	+20.87
Balances with Reserve Bank	94.72	100.09	72.78	25.17	+69.55
Advances in India	204.60	202.35	146.44	101.52	+103.08
Bills discounted in India	9.03	9.04	3.98	3.57	+5.46

U. S. FEDERAL RESERVE BOARD
(million dollars)

	5-10-44	25-9-44	7-10-43	31-8-39
Reserves—	—	—	—	—
Total Reserves	18,906	18,914	20,341	14,660
Total Bills discounted	33	66	12	(8,190)
Bills bought in open market	—	—	—	(553)
Total U.S. Govt. Securities	16,660	16,501	9,387	2,426
Liabilities—	—	—	—	—
F.R. Notes in actual circulation	20,297	20,087	15,309	4,609
Service Account	13,433	13,355	11,903	10,931
Total Reserve to Deposit	53.0	53.2	48.15	36.9
F.R. Note Liabilities	—	—	—	—

TREASURY BILLS MATURITIES
(3 Months' Tenure)
(Rs. '000)

Date of maturity	Amount	Date of maturity	Amount
August 1944	16,00.00	October 28	4,00.00
September	30,00.00	November 4	4,00.00
October	16,00.00	10	4,00.00
November	30,00.00	18	6,00.00
October 7	4,00.00	25	6,00.00
14	4,00.00	December 1	6,00.00
21	4,00.00	8	6,00.00
—	—	15	6,00.00
—	—	22	6,00.00
—	—	29	6,00.00
—	—	16	6,00.00

STERLING PURCHASES BY RESERVE BANK OF INDIA
Apr.-July 1944

	1943-44	1944	1944	1944	1943	1943
Amount (000s)	105,309	32,862	10,218	12,400	8,546	7,006
Average rate of purchases remained 80-1-6 all along.	—	—	—	—	—	—
EXCHANGE RATES (T.T.) (000's omitted)	—	—	—	—	—	—
Bombay on London (s.)	1-5 31/32	—	—	—	—	—
" " New York (Rs.)	332 3/4	—	—	—	—	—
London on Bombay (s.)	1-6	—	—	—	—	—
on New York (s.)	4.02 1/2—4.08 1/2	—	—	—	—	—
New York on London (s.)	4.03	—	—	—	—	—

BANK RATES

	Date of last change	Previous rate	Present rate
Bombay	28th Nov. 1935	3 1/2%	3%
London	28th Oct. 1939	3%	2%
U.S.A.—New York	28th Oct. 1942	1%	1 1/2%
Fed. Res. 27th Oct. 1942	—	1 1/2%	1%

B—General

LEAGUE OF NATIONS STATISTICS—POPULATION

Name of Country	Area km. ('000)	population, latest census (*) or latest official estimates or estimation estimates (†)	Birth-rate (Latest figures)	Death-rate (Latest figures)	Infant mortality (per 1,000 live births) (Latest figures)	Expectation of life at birth. (Latest estimates) Males Age	Females Age
Africa	30,300	157,900† (1939—xii)	—	—	—	—	—
Egypt	1,000	16,773 (1940—vi)	41.6 (1940)	26.5 (1940)	182 (1940)	55.51	50.18
Union of South Africa	1,224	10,522 (1941—vi)	25.2 (1941)	9.9 (1941)	52 (1941)	57.78	61.48
America	40,410	272,990† (1939—xii)	—	—	—	—	—
North America	14,178†	143,178† (1939—xii)	23.3 (1942)	9.7 (1942)	54 (1942)	57.70	59.74
Canada	11,654	11,654 (1942—xii)	18.9 (1941)	10.4 (1942)	40 (1942)	59.12	62.04
U.S.A.	9,570	135,804 (1942—i)	42.9 (1941)	—	—	—	—
Mexico	1,969	19,546 (1940—vi)	—	—	—	—	—
South America	17,968	88,080† (1939—xii)	23.3 (1942)	10.7 (1942)	84 (1942)	—	—
Argentina	13,709	13,709 (1942—xii)	32.6 (1941)	19.8 (1941)	195 (1942)	—	—
Chile	5,094	5,094 (1941—xii)	—	—	—	—	—
Asia excluding U.S.S.R.	26,809	1,154,000† (1939—xii)	—	—	—	—	—
China and dep.	11,103	450,000† (1939—xii)	33.0 (1939)	21.8 (1939)	167 (1939)	24.91	26.54
India (Br. and I. States)	4,066	388,988* (1941—iii)	—	—	—	—	—
British Provinces	2,241	295,809* (1941—iii)	32.3 (1939)	22.9 (1939)	204 (1939)	—	—
Indian States	1,854	93,189* (1941—iii)	—	—	—	—	—
Burma	605	16,824* (1941—iii)	—	—	—	—	—
Iraq	302	3,700† (1939—xi)	—	—	—	—	—
Iran	1,644	15,000 (1939—xi)	28.9 (1940)	16.1 (1940)	114 (1939)	46.92	46.63
Japan	382	73,114* (1940—i)	—	—	—	—	—
Turkey (Asiatic & European)	787	17,612* (1940—xii)	—	—	—	41.93	46.79
U.S.S.R. (In Europe and Asia)	21,176	170,487* (1939—d)	—	—	—	—	—
Europe	5,420	402,550† (1939—xii)	—	—	—	—	—
Germany (Reich, Austria and Sudetan)	586	79,700† (1939—xii)	14.9 (1942)	12.0 (1942)	66 (1942)	59.86	62.81
Belgium	30	8,238 (1942—xii)	12.9 (1942)	12.0 (1942)	78 (1942)	56.02	59.79
Denmark	43	3,903 (1942—vi)	20.5 (1942)	9.7 (1942)	55 (1941)	63.5	65.8
Spain	505	25,878 (1940—xii)	19.5 (1941)	18.8 (1942)	143 (1941)	—	—
France	551	41,950† (1939—vi)	13.0 (1941)	17.4 (1941)	70 (1942)	54.30	59.02
Greece	130	7,336† (1940—x)	23.5 (1939)	13.0 (1939)	39 (1938)	49.09	50.89
Hungary	171.8	14,843 (1942—xii)	19.8 (1942)	13.0 (1942)	134 (1942)	48.27	51.34
Ireland	69	2,943 (1942—vi)	22.3 (1942)	14.0 (1942)	73 (1941)	57.37	57.93
Italy	310	44,533 (1941—vi)	20.2 (1942)	14.1 (1942)	108 (1942)	52.76	57.49
Portugal	92	7,761 (1941—vi)	23.8 (1942)	16.1 (1942)	132 (1942)	—	—
Romania	185	16,743 (1941—vi)	25.7 (1941)	19.1 (1940)	169 (1941)	—	—
United Kingdom	244	47,786 (1940—vi)	16.2 (1942)	11.8 (1942)	52 (1942)	60.18	64.40
Switzerland	41	4,284 (1942—vi)	18.5 (1942)	11.0 (1942)	38 (1942)	69.7	64.6
Oceania—Australia	7,704	7,137 (1941—xii)	18.9 (1941)	10.5 (1942)	40 (1941)	63.46	67.14
New Zealand	268	1,639 (1942—vi)	24.1 (1941)	10.5 (1941)	40 (1941)	65.46	68.46
Total world	132,700	2,170,000† (1939—xii)	—	—	—	—	—

INDEX NUMBERS OF WHOLESALE PRICES IN CALCUTTA 1944
(PRICES IN JULY 1914=100)

	Mar.	Apr.	May	June	July	Aug.
FOODGRAINS—	—	—	—	—	—	—
(a) Cereals	(8) 247	243	241	241	241	241
(b) Pulses	(6) 333	319	296	308	305	294
Sugar	(5) 424	352	306	311	319	321
Tea	(3) 109	126	112	113	115	104
Other food articles	(9) 570	563	568	579	579	580
Oil seeds	(3) 301	317	312	301	285	273

C—Prices

INDIAN STOCKS AND SHARES

	3-10-1944	25-9-1944		3-10-1944	25-9-1944		3-10-1944	25-9-1944
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
SECURITIES: Bombay								
23½% (1938-52) ..	99 12 0*	99 12 0	Nuddia ..	127 0 0	127 8 0	India ..	178 0 0†	175 12 0
3% (1945) Defence ..	102 6 0*	102 5 0	Presidency ..	10 8 0	10 10 0	Reserve ..	132 0 0†	131 8 0
3½% G.P. Notes ..	99 10 6*	99 10 6	TATA SHARES: Bombay			New India ..	77 0 0†	77 12 0
4% (1955-60) ..	116 2 0*	116 2 0	Tata Chemical ..	21 0 0†	..	Lahore		
4½% (1955-60) ..	116 2 0*	116 2 0	" Oil ..	72 0 0†	..	United Com. ..	84 4 0	80 12 0
5% (1945-50) ..	103 13 0*	103 14 0	" Power ..	1,880 0 0†	1,885 0 0	Hindustan Com. ..	54 12 0	58 8 0
Calcutta			" Hydro ..	203 0 0†	204 0 0	Bharat Bank Defd. ..	1 10 0	..
5% Loan (1945-55) ..	104 2 0	..	" Steel D. Rd. ..	2,068 0 0†	2,125 0 0	New Bank ..	33 0 0	32 8 0
3% Loan (1949-52) ..	101 4 0	101 4 0	" Ordy. ..	371 0 0†	381 0 0	Jup. In. Trust ..	..	..
TEXTILES: Bombay			" Pref. I ..	225 0 0†	223 12 0	Pun. N. Bank F.P. ..	..	..
Ahmedabad ..	410 0 0	413 0 0	" II ..	180 8 0†	160 8 0	" P.P. ..	..	225 0 0
Bombay Dyeing ..	1,723 12 0	1,755 0 0	STEEL ENG.: Calcutta			New Asiatic ..	..	..
Central India ..	378 0 0	389 0 0	Bhar. Elec. Steel ..	20 10 0	18 1 0	MISCELLANEOUS: Bombay		
Century ..	812 8 0	830 0 0	Braithwait ..	10 12 0	11 4 0	Ajmer ..	15 0 0†	..
Colaba ..	211 0 0	219 8 0	National Iron ..	..	13 13 0	Bom. Suburban ..	220 0 0†	..
Gokak ..	300 0 0	308 0 0	Indian Iron ..	39 2 0	39 6 0	Alcock ..	438 4 0	430 0 0
Inda Bleaching ..	172 0 0	177 0 0	Steel Cor. Pref. ..	131 3 0	141 8 0	B.I.C. ..	6 4 0	..
Kohlnor ..	554 0 0	569 0 0	Jessop Ordy. ..	84 2 0	..	Belapur Sugar ..	228 0 0	230 0 0
Phoenix ..	580 0 0	552 8 0	Kumardhubi ..	11 4 0	11 5 0	Bom.-Burma ..	483 12 0	477 8 0
Sholapur ..	7,200 0 0	7,100 0 0	COALS: Calcutta			" New ..	180 0 0	180 0 0
Simpex ..	234 8 0	242 8 0	Amalgamated ..	..	..	Bombay Steam ..	526 4 0	630 0 0
Swadeshi ..	496 0 0	509 0 0	Bengal ..	633 0 0	624 0 0	" Tram ..	150 0 0	151 8 0
Vishnu ..	470 0 0	475 0 0	S. Karanpara ..	22 0 0	20 15 0	" Petrol ..	4 1 3	4 2 0
Fenlay ..	276 8 0	..	Bhalgora ..	15 13 0	..	Scindia Steam ..	29 14 0	30 2 0
Moraji ..	617 8 0	..	Burrakur ..	39 6 0	40 0 0	Shivrajpur ..	..	51 0 0
Apollo ..	3 13 0*	..	East India ..	32 14 0	..	Andhra Valley ..	1,830 0 0	1,815 0 0
Calcutta			Equitable ..	65 0 0	65 4 0	Perm. Cons. ..	191 0 0	193 0 0
Banar ..	..	12 12 0	North Damuda ..	11 4 0	..	Indian Iron ..	38 8 0	39 2 0
Bengal Nagpur ..	..	..	Standard ..	..	33 4 0	Indian Copper ..	3 0 6	3 0 6
Cawnpore Textile ..	..	13 0 0	Telcher ..	10 5 0	9 4 0	Buma Co-pn. ..	4 11 6	4 13 6
Dunbar ..	..	..	SUGAR: Calcutta			Assd. Cement ..	222 4 0	..
Elgin Mills ..	67 8 0	65 8 0	Buland ..	39 9 0	39 2 0	Calcutta		
Kesoram ..	16 2 0	16 2 0	Balrampur ..	..	..	Shree Gopal ..	16 10 0	18 1 0
Mulr Mill ..	..	384 0 0	Samastipur ..	..	..	I.P.C. ..	206 0 0	..
New Victoria ..	8 4 0	8 2 0	Belsund ..	16 8 0	16 4 0	Orient (ex-div.) ..	..	..
" Pref. ..	10 0 0	..	Carew ..	19 6 0	27 12 0	Titagar ..	26 2 0	26 2 0
Madras			Murree Brewery ..	..	..	Dalmia Cement ..	16 0 0	16 3 0
Buckingham ..	..	..	New Savan ..	21 3 0	20 8 0	Burma Corp. ..	4 10 0	4 14 0
Bangalore Wool ..	453 0 0	450 0 0	Cawnpore ..	..	..	Indian Copper ..	3 2 0	3 2 0
Cambodia ..	..	30 8 0	Lahore			Con. Tin ..	3 8 0	3 8 0
Coim. Pioneer ..	..	320 0 0	Gokulnagar ..	45 4 0	..	Madras		
Pankaja ..	295 0 0	..	Jagjit ..	..	280 0 0†	Andhra Cement ..	115 8 0	115 8 0
Sataram Spg. ..	173 0 0	162 0 0	Murree Brewery ..	25 12 0	..	Bruntons ..	12 8 0	12 6 0
Vasanth ..	302 8 0	..	Jaswant ..	11 2 0	11 8 0†	Mysore Chem. ..	..	38 6 0
Madura ..	..	67 0 0	Madras			India Steel Roll ..	8 2 0	7 14 0
Lahore			Mysore ..	60 0 0	60 0 0	Mysore Paper ..	25 12 0	24 12 0
Ajudhia Textile ..	6 4 6	..	Deccan (10) ..	37 0 0	37 0 0	Mettur Ch. Ordy. ..	17 12 0	17 10 0
Cawnpore Textile ..	13 14 0	13 10 0†	S. India (24) ..	16 9 0	16 0 0	Spencer ..	13 0 0	..
New Vic. Ord. ..	8 10 6	8 6 6	PLANTINGS: Madras			Lahore		
JUTE: Calcutta			Cochin Malabar ..	17 2 0	17 4 0	Rampur Distillery ..	11 3 0	..
Alliance ..	628 0 0	629 0 0	Chembra Peaks ..	10 5 0	10 10 0	National Saltpetre ..	..	..
Anglo-India ..	450 0 0	440 0 0	Woodlands ..	11 8 0	..	N. India Oil ..	23 2 0	..
Birla Pref. ..	..	..	Thurmbadi ..	4 14 0	4 13 0	S. G. Paper Mills ..	..	..
Barnagore ..	212 0 0	..	Travancore ..	..	..	Star ..	..	..
Champdany ..	247 8 0	248 0 0	TEA: Calcutta			Delhi Share Market		
Ganges ..	..	..	Bisnath ..	40 12 0	..	Apollo ..	..	8 10 0*
India ..	680 0 0	..	Sapa (ex-div.) ..	..	..	New Victorial ..	..	75 0 0*
Howrah ..	..	82 14 0	Tezpor ..	18 4 0	..	Raza Textiles ..	..	..
Kamharatty ..	653 0 0	645 0 0	BANKS & INS.: Bombay			Ajudhia Textile ..	..	12 6 0*
Kankarrah ..	551 0 0	541 0 0	Central ..	77 4 0†	76 0 0	Rampur Disty. ..	..	116 8 0*
Calcutta and Madras quotations are for 6-10-44.	Imperial F.P. .. 1,973 12 0† 1,972 8 0							
	Imperial P.P. .. 481 4 0† 478 12 0							
	Lahore quotations are for 7-10-44.							
	Prices marked (†) for 10-10-1944.							

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity and unit	Quality	Market	Latest Quotations	Rs. a. p.										
*Rice (per md.)	Basmati Old Sela	Amritsar			†Jute—Raw (per bale of 400 lbs.)	(1) Firsts	Calcutta	81 0 0						
	Common rice	Cawnpore	16 0 0		†Bags (per 100 bags) B. Twills (Ready)	(2) Lightnings		77 0 0						
	Medium grade	Calcutta	13 8 0		†Cloth (per 100 yds., Hesslan Cloth) 8 oz.			63 0 0						
*Wheat (per md.)	Average	Amritsar	7 0 0		†Tea (per lb.)	Indian market		22 2 0						
	Ready	Lyallpur	9 12 0		†Coffee (per cwt.)	Nilgiri—Peaberry	Bangalore	29 0 0						
	Dara	Hapur	9 12 0		†Sugar (per md. ex-factory)	First Crystals	Cawnpore	0 9 5						
*Linseed (per md.)	Ready B. Bold	Calcutta	10 7 0		†Indian Trade Journal, 5th October 1944.			148 0 0						
	Ready B. Small	Bombay	10 3 10		* Agricultural Marketing Adviser to G. of India Weekly Bulletin, dated 3rd October, 1944.			15 6 0						
	Ready B. Small	Calcutta	9 13 2											
*Mustard (per md.)	Yellow	Cawnpore	13 4 0											
Groundnuts (per md.)	Ready Bold	Bombay	9 11 10											
	Karnels (Coro-mandel)	Madras												
*Potatoes (per md.)	Dagi	Cawnpore												
	Pahari		19 4 0											
*Oils (per qr.)														
Linseed	Ready	Bombay	10 0 0											
Castor	Ready		10 10 0											
†Cotton—Raw (per 100 Mar. 45)			9 2 0											
†Peecegoods (per candy) IOC Sep. (Standard qty)			47 0 0											
			1 6 3											

GOLD AND SILVER PRICES

GOLD						SILVER					
(Rs. per fine tola)			(Rs.)			(Rs. per 100 fine tolas)					
Spot	Forward		Sovereign			Spot	Forward				
68 8 0	67 8 0	0				121 8 0	120 0 0	0	0		
68 1 0	67 8 0	0				123 4 0	121 8 0	0	0		
67 5 0	67 4 0	0				133 1 0	121 13 0	0	0		
67 6 0	67 0 0	0	45 12 0	0		123 4 0	122 0 0	0	0		
65 8 0	65 6 0	0	45 0 0	0		121 4 0	120 0 0	0	0		
65 6 0	65 0 0	0				121 4 0	119 8 0	0	0		
0 Oct. '44 per std. oz. £8-8-0. Ready 23½d. K 10 Oct. '44 per std. oz. 443½ cent. Ready- 23½d.											

impracticability of maintaining the present high levels of prices and the desirability of bringing them into parity with those prevailing elsewhere. True, any level of prices can be kept up by control of exports, imports and exchanges. But if prices are to be brought down to competitive levels, the present abnormal disparities must be narrowed down, while if controls are to be relaxed gradually, too disparate price-levels will be even more untenable.

An adjustment of the price-level is thus necessary. But this cannot be brought about by removing all controls and letting India's prices collapse to the levels in the U.S.A. and U.K. That way lies disaster. But some adjustment of costs is possible and necessary. Also is possible and necessary the speeding up of productive efficiency. The methods of doing this were indicated in our article 'Price and Cost Structure.'

But making every allowance for them it cannot be said that costs could be adjusted to prices. Some decline in prices should be allowed for. But the decline should be within bounds. Somewhere between the pre-war level and the present one should the after-war level of prices be fixed. In such a case, a slight depreciation of the exchange rate is inevitable.

But the extent of this inevitable depreciation will depend upon the levels of prices prevalent abroad. Prices have been fairly rigidly held down in the U.S.A., U.K. and Canada, although in varying degrees, and it is often assumed that U.S. prices are more inflationary than U.K. Whatever be the matter, there is an enormous amount of mopped up money in those countries and when the special measures of price control such as subsidization prove less efficacious after the war, and purchasing power is released and on top of that development policies are pursued, an advance in their price-levels is almost unavoidable whatever controls might be operated. In such a case the necessity of a considerable reduction in Indian prices may not arise. Thus the price-levels in the major countries of the world after the war, of which we can have at present only the haziest notions, are a relevant, and may prove to be the determining factor. The present gap between external and Indian prices may be adjusted, partly by letting our prices fall, and then seeking to stabilize them at a pre-determined level, partly by expecting world prices to go up and partly, if necessary by devaluing the rupee.

The second consideration is the necessity of planning for an expansionist economy. This again points to a high-level of income and prices, which would indicate the need for some devaluation; because a rising level of incomes and prices will encourage imports, check exports and tend to create an adverse balance; in no case, however, is appreciation desirable.

In the third place, India cannot decide the rupee rate in terms of sterling without knowing whether she proposes to join the I.M.F., and if so, she proposes to continue the sterling link or will have a dollar link. If the sterling area arrangements are to remain undisturbed and so will our link with sterling, India must know the dollar-sterling rate, the future of which is so very uncertain. Whether it is the dollar that is going to depreciate or pound sterling, and at what rate sterling will be stabilized in terms of dollar are questions on which expert opinions diverge in an unusual degree. India cannot fix the rupee rate in terms of sterling, without knowing the dollar rate of sterling and without ascertaining whether any future depreciation of the sterling *vis-a-vis* the dollar will mean an automatic depreciation of the rupee too or whether it will be avoided by an alternative link of the rupee with the dollar.

In the circumstances the case for the appreciation of the rupee, it will be seen, hardly exists. Yet some have argued in its favour. The implication contained in the Reserve Bank Governor's statement that since the speedy liquidation of the sterling balances is conditioned by a large import surplus from Britain a higher rupee rate may be desirable is wholly wrong.

The fact of a large sterling reserve which India owns and Britain must repay constitutes in itself a powerful stimulus to an import surplus which needs no additional strengthening by a manipulation of the exchange. No doubt, in considering the question of the exchange rate, two sets of circumstances should be borne in mind, *viz.*, (1) the steeper rise in internal prices and decline in domestic purchasing power than abroad, and (2) the improvement in the balance of payments, and accumulation of external reserves. The two are different manifestations of the same forces, but their effects on the exchange are in contrary directions; the former indicates depreciation and the latter, appreciation.

But to argue that because of the improved external balance-sheet, the rate of exchange should be raised is both to misconceive the nature of sterling assets and to have fallacious ideas of the right parity. The sterling reserve, though achieved at the cost of depreciation of domestic purchasing power, nevertheless represents a capital asset which should not be frittered away by means of a high rate of exchange. On the other hand, the rate of exchange is concerned primarily with the equilibrium on current account and should not be raised because of capital assets abroad.

This fallacy apart, the apologists of exchange appreciation seem to be unaware that unlike in advanced countries, in India the underlying deflationary forces at the end of the war consequent on the cessation of war-time expenditure and expansion will be so strong that the problem will be not controlling a rise of prices, but anticipating a slump and holding it in check. In such a context a high rate of exchange will only accentuate deflation and that should be avoided.

The argument that with a high exchange rate a given volume of sterling will secure us larger quantities of imports than otherwise is not very weighty. It may be that the business community can get for a smaller volume of rupee finance a given amount of capital goods or a larger amount of capital goods for a given amount of rupee finance. But if sterling prices were to go up, this advantage would be offset. Even assuming this gain to be available, consider the cost. The competitive power of Indian industries and agriculture will be weakened. A high rate will certainly hit our staple agricultural exports as they did in 1929-33, while it will injure domestic industries by cheapening imports, especially in certain lines of consumption goods in which already there are signs there will be keen post-war competition. The machinery and plant which may be got down here will produce goods which cannot be sold in the market because imports will be at an advantage. Considering the totality of our interests, a higher exchange is altogether undesirable.

In the abnormal and complex conditions of today the right parity is extremely difficult to decide. Speaking broadly, that rate is just about right which secures equality in the balance of payments on current account, which neither tends to bring about a chronic deficit nor a chronic surplus. Even if the initial rate is properly fixed, there might emerge conditions which make it untenable. If history is any guide, countries like India, largely agricultural in character, have been susceptible to greater fluctuations in the balance of trade than industrial countries. As has been pointed out by the League of Nations study entitled *International Currency Experience*, the relative range of variations in the balance of trade for agricultural exporting countries has been much wider. Thus India's range has been about 33 per cent. as against 10 per cent. of the U.K., and 15 per cent. of the U.S.A. Thus even if the initial parity were rightly fixed, India will have to retain the right to alter it by more than the 20 per cent. which the Monetary Fund would seem to permit without a frown. In any case, judging by whatever criterion, an appreciation of the rupee is out of the question; and the Governor of the Reserve Bank cannot be unaware of it.

Poised for the Scramble

WHILE the war both in the European and the Asiatic theatres, appears to be rapidly approaching a climax, signs begin to accumulate that the restoration of the international economy at the end of the war would be attended with strains of mutual adjustments and rivalries on a massive scale. Certainly even today before the actual end of the war or its more permanent effects on world economy can be clearly envisaged, both the United States and the British Governments have actively interested themselves in the problems of safeguarding and advancing vigorously their own respective commercial position in the post-war period. The new White Paper issued by the British Board of Trade last week, is not only a useful retrospect of Britain's foreign trade since March, 1941, when for security reasons, an almost unrelieved statistical black-out was imposed, but is also a serious effort at prognosis and an earnest plea by the British Government. The White Paper after an analysis of the British export trade during the war, states that British exports are still decreasing this year although no figures have yet been issued and declares that immediately man-power and resources can be released, a great effort to increase British export trade to 50 per cent. above the present war level would be imperative if Britain is to maintain its liabilities and maintain its standard of living. Dr. Dalton, President of the Board of Trade, elucidated the point in the White Paper further by warning that Britain must after the war export fully 50 per cent. more than before the war. Britain, he added, must aim at an aggregate value of exports of well over twice the pre-war value or "somewhere around 1,200 million pounds." Meanwhile the United States Government is also ready with plans for partial demobilization and re-conversion to peace purposes of her vastly expanded industrial capacity at the earliest opportunity. In the United States also, competent students estimate that the tremendously increased production cannot be absorbed by normal home and foreign markets and full employment would depend on having 12 or 14 billion dollars of exports annually instead of 7 billion. The Inter-Agency Committee set up to develop plans for the utilization of Government-owned war plants worth more than 15 billion dollars in the post-war period, is naturally looking round for market possibilities throughout the world. The prospect of acute Anglo-American trade rivalries after the war, is agitating the Governments and the commercial interests on either side of the Atlantic and it is today hardly possible to conceal open clashes of interests between Britain and America, as for example in Latin America or in enemy-occupied territories which are being or about to be liberated.

Both Britain and America are thus to all appearances, earnestly poised for a renewed scramble for world markets as soon as military success in Europe and following partial demobilization allow a margin of resources to be released from the grim demands of total war-effort. At a time when all their competitors like Japan, Germany, France and other industrial European countries would be down and out or otherwise pre-occupied, Britain and the United States would have initially a comparatively free hand in carving out commercial empires for themselves. Consequently, Anglo-American trade rivalry would constitute the salient feature of the new scramble for markets which is being foreshadowed. But it would be useful to recall the significant difference between the position of Britain and that of the United States, both during the war and after it. The resources at the disposal of Britain are barely a third of those at the disposal of

the United States. Yet Britain ranks co-equal in status as a Great Power with the United States. Britain's commitments thus have been very much larger in relation to her resources. Thus we see the contrast: on the hand, the United States in spite of her prodigious war effort, has not only been able to render great lease-lend aid to other Allied countries, but has withal been left with sufficient resources to maintain a substantial and increasing level of exports and even improve her general standard of living; Great Britain, on the other hand, has been forced not only to reduce her standard of living as well as export, but also to incur large-scale overseas disinvestment in spite of the large-scale lease-lend help she has been receiving. The value of British exports which was £470 million in 1938, fell to £439 million in 1939, £411 million in 1940, £365 million in 1941, £269 million in 1942, and £232 million in 1943. The figures for 1939, 1940 and 1941, however, include export of munitions, so that we can see the drastic way in which Britain had to cut down her exports on account of the inexorable demands on her man-power and resources made by the requirements of war effort. On the contrary, thanks not only to lease-lend aid and increasing level of exports to countries all over the world, the United States has greatly strengthened her commercial contacts. American goods and equipments have been popularized in various countries; during the period of relief and rehabilitation of the war-torn countries again, American goods, would have a chance of establishing a 'good will' probably unequalled in the course of ordinary commercial dealings. In addition there would be a vital difference in the technical position of Britain and the United States. Due to the large-scale erosion, during the war, of the basis of Britain's overseas income, her ability to increase her export trade would be a necessary pre-condition of her ability to secure the essential imports in order to maintain her level of production and consumption. To the United States, on the other hand, her ability to secure foreign market would be necessary only to maintain full employment for her greatly expanded productive facilities, specially in relation to the sector of capital goods. Whatever may be the disparate movements in the money price-cost structures in the two countries, it is 'real' productive power which is the ultimate determinant of international competitive power and especially if the United States can adjust herself to the requirements and psychology of a mature creditor country, the United States can invest herself with irresistible competitive power in the post-war scramble for world market.

With such enormous technical advantages, the United States is already in earnest in the game. Realizing the tremendous potentialities of the Russian market, she early turned her attention to it and has, reportedly, already granted her post-war medium term credits running into billions of dollars. She is also actively assessing market possibilities in China, India, Latin America and other comparatively backward countries with rich potentiality. Again, the American Government has taken good care to assess in good time the commercial possibilities of the extending area of the liberated territories in the wake of the advancing Allied armies. Thus early this month the State Department announced a move to acquaint American businessmen and Government officials with the latest economic developments and opportunities in liberated countries. Indeed certain quarters in Britain have recently made acrimonious allegations against 'American Big Business' exploiting for purely commercial purposes agreements into which Britain entered for

first American units to land in France took with purely military reasons. Thus, allegedly, one of the first American units to land in France took with it a Red Cross officer who represented a very powerful American financial corporation and who opened a business office in Paris immediately on arrival there. On the other hand, the United States by attaching suitable conditions to lease-lend aid to Britain, exercise not an inconsiderable influence over Britain's export. Thus Britain could not export any article containing more than 10 per cent. steel—whether lease-lend or home produced. The effect in fact had become so pervasive that according to a report, the British Government might soon depute a strong delegation, headed probably by Lord Keynes to Washington to take up the vexed question of British exports of goods containing lease-lend or similar materials. According to reports also proposals now under discussion in Washington provide for partial resumption of commercial exports in "forbidden" goods. Some increase in civilian production in Britain is obviously intended and an agreement with America is sought for gradual release both of British and American exports under certain safeguards. But if the operation of beneficial lease-lend aid offers the United States a powerful leverage in her post-war export drive, Great Britain seems to find in her accumulation of sterling debts during the war an equally powerful weapon of almost Schachtian potency. Apart from the war-time and post-war differential rates of industrial development

of the various countries, the commercial alignment of competitive forces after the war will in a large measure be decided by the comparative pulls exerted respectively by lease-lend operations, by international lending mainly by the United States, by the 'abnormal' sterling balances, and by whatever reparation payments may be imposed and made.

In the matrix of this terrible quadrilateral of forces, the world economy may very easily slide back into the old grooves of competitive dumping, exchange depreciation and restrictionism, if the big industrial powers—mainly Great Britain and the United States—regard world markets as an area with a defined perimeter to be fought over, so that what one country gets can only be at the expense of another. World markets are nothing, but the mutual relationships of indivisible world prosperity and the technical possibilities of an expansionist world, in which reconstruction and intensive development of the devastated territories and backward areas would constitute an essential programme, can comfortably accommodate the trade requirements of all nations simultaneously. It is by a clear recognition of the essential requirements of an expanding world economy and not by unrestricted exhibition of commercial rivalries for which particularly Britain and the United States seem headed, that the conditions of prosperity for all countries can be spelt out.

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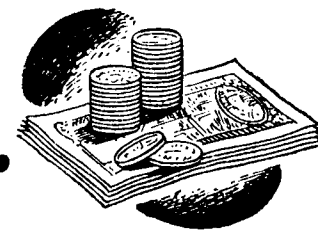
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A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

The Week's Notes

AGRICULTURAL PRICE SPREADS

An interesting question arises whether the centralized distribution of food grains, which has come in the wake of the procurement and rationing activities of the Provincial Governments, has so worked as to increase the cultivator's share of the consumer's price, and if so whether the system has any lessons of permanent value for the post-war reorganization of agricultural marketing. Taking the case of rice produced in Tanjore and sold at Coimbatore, which is about 180 miles from Tanjore, we find that the price paid to cultivator at village for 1.5 maunds of paddy (required to produce one maund of rice) is Rs. 7-1-8, whereas one maund of rice is retailed at destination at Rs. 9-13-8. In other words, the cultivator gets annas 11½ in the rupee or about 72 per cent. of the price paid by the consumer. In another case, to wit, of Bezwada rice sold at Calicut, the retail price of one maund of rice at Calicut is Rs. 9-7-10, whereas the cultivator near Bezwada gets Rs. 6-14-1. Here, the cultivator's share is a little higher, about annas 0-11-7 in the rupee or 72.4 per cent. If these cases, which are typical enough, may be taken as a reliable general guide, it will not be incorrect to conclude that marketing costs have gone down under Government control, as before the war it was estimated that the producer got, on average, only about eight and a quarter annas for every rupee paid by the consumer. It may be that part of the economies is due to the avoidance of unnecessary transport, but this is negligible as, even in normal times foodgrains were not transported over long distances, were generally consumed within the producing or adjacent areas and only rarely crossed provincial boundaries. On the other hand, some allowance will have to be made in the opposite direction for the fact that the marketing costs have been cut down in a period of rising prices for goods and services. There can be little doubt that the economies have been achieved mainly by eliminating superfluous middlemen and reducing the margins of the remaining. It is, of course, true that under normal conditions the draconian control of commercial activity, which is now tolerated only as a war measure, would be neither desirable nor justified, but even then there is little doubt that under a more economic and efficient system of agricultural marketing, there will be room only for fewer and less expensive intermediaries.

An interesting fact is that in the case of *jowar*, (*cholam*), the cultivator in Bellary district is now able to get as much as Rs. 5-13-0 per maund, while the retail price in the district is Rs. 6-10-4. The cultivator's share is thus as high as 14 annas in the rupee or 87.5 per cent. Of course, even normally the cultivator's share of the retail price of millets and other inferior foodgrains has always been high, as these commodities are generally consumed within the producing area, with the result that even inter-district trade is limited. Consequently, the marketing process is very often completed in one single transaction or in a couple of them. All these comments, it is needless to mention, are based only on control prices, and do not take into account black market prices.

ROUND AND ROUND

Speaking at a meeting of the East India Association held at Caxton Hall, Westminster, last week Mr. Amery again indulged in his wonted trick of moving round and round the essential issue in an effort to cover it up with platitudes which may pass as principles. He said that politically and still more industrially, relations between India and Britain are coloured by the 'superstition' that Britain or at any rate

British industrialists would wish to restrict the progress of Indian industry in the interest of British export trade. While admitting that in the last century British authority was exercised in preventing protection of India's industry as against British imports, he asserted that this was only because of their 'fanatic' intellectual conviction in those days that free trade was good for *all* concerned and consequently "we were bound in duty and under obligation of our trusteeship to the policy of free trade." The method of adjusting the conscience or even intellect to the requirements of material interests, is indeed a tricky business, but even an economic authority as eminent as Lord Keynes who is the author of the far-reaching plan for the multilateral clearing union, could adduce reasons why the sterling-balances *should* be liquidated not multilaterally but by bilateral arrangements. Mr. Amery asserted: "I can say that the Government of this country only wants to see Indian industry developed to the fullest and the last thing industrialists of this country have in mind is the idea that the British exports industry can best prosper by India being held back in the course of industrial development." But the "collaboration between British and Indian industrialists" of which he speaks can have meaning only when Indian development is planned essentially in the interest of India herself and not merely as subservient to an imperial plan. Mr. Amery's view that "this co-operation might not displace political problems but might create the essential atmosphere that would go a long way in finding their solution" indeed confirms the suspicion that the economic development of India which Mr. Amery has in mind, would be carried under imperial aegis as part of an imperial plan in the most formative and decisive stage and political freedom for India is contemplated only after a damning time-lag. Mr. Fenner Brockway's comment on Mr. Amery's speech, is therefore very much apt and to the point: "The British Government and British industrialists may now be recognizing that in postwar circumstances with foreign investments lost, it may be necessary to co-operate with Indian industrialists. But all their policy in the past has been to prevent the development of Indian industrialization. There is no alternative for India: only by being independent could she work out her economic salvation."

THE BANKERS' ASSOCIATION

It is reported that three important Indian banks which were elected to the sub-committee to draft the constitution of the proposed All-India Bank's Association, have intimated their decision not to join the Association. If this were true, it is a regrettable reflection on the lack of common purpose and united action among Indian banks. Already the Imperial Bank has refused to offer its co-operation to the move, and though this decision is in keeping with the tradition and outlook of the Bank, one would have expected its Indian directors at least to come out with an explanation. The unwillingness of other Indian banks to make a success of the effort is difficult to understand, especially when regard is had to the difficult problems to face banks after the war and to the prestige the Association is bound to enjoy, if it gets started. It is to be hoped that the sponsors will spare no efforts to bring their scheme to fruition, and in doing so, will show all spirit of reasonable accommodation so as to make it as representative as possible of all the interests concerned.

KEYNES' ASSURANCE

If the Bretton Woods Conference and Britain's reactions to its decisions have any lesson for India,

it is that complacency on our part as to the security of our sterling balances will be altogether unjustified, and indeed dangerous. To date there has not been any official assurance from H.M.G. that there will be no whittling down of the size of our assets, while the recent speech of the British Chancellor of the Exchequer only emphasized the necessity of creditors being "reasonable". Seeing that the disingenuous suggestion of a retrospective revision of the Financial Settlement between India and Britain with reference to price indices was seen through in India and elsewhere, British interests are now seeking other methods of covert whittling down of honourable obligations. The latest, the one with an ethical and altruistic ring about it, is that the principles of Lease-Lend mutual aid should be applied to the allocation of war expenditure between India and Britain. Mr. Daniel Lipson has suggested in the Parliament that it is not too late yet to see that Britain's financial relations with India are placed "in at least as generous a footing and in as fair a position as they are with the U.S.A., and that lend-lease should be extended to apply to them." The *Reuter* report significantly enough, omits the text of the Government reply, but just states that it did not refer to these points. Nor is this the only indication that non-repayment in full will be attempted through the phraseology of Lease-Lend. The Whaley-Eaton Service Foreign Letter, Washington, says that it is yet to be established that Britain will recognize a debt of \$12 billion to the "Empire" and concludes that Britain may be making ready to invoke the principles of Lend-Lease in final determination of her indebtedness. Even Lord Keynes seems to have hinted at a readjustment of the assets. Meanwhile, even when the full text of his speech at Bretton Woods is not available, we are being advised by Sir C. D. Deshmukh not to "be unduly depressed", because Lord Keynes' "unambiguous" assurance "should give the quietus to all fears and suspicions". Lest there should be misunderstanding, we give below the said assurance of Lord Keynes: "We appreciate the moderate, friendly and realistic statement of the problem which Mr. Shroff has put before you today. Nevertheless, the settlement of these debts must be, in our clear and settled judgment, a matter between those directly concerned. When the end is reached and we can see our way into the daylight, we shall take it, without any delay, to settle honourably what was honourably and generously given." The meanest intelligence can see that this is no assurance at all, and that it is extremely vague and ambiguous and couched in terms too general to involve definite commitment or preclude unfair readjustment. Further, what official status has Lord Keynes to bind H.M.G.? Sir Jeremy Raisman has returned after consultations in London. He owes it to this country to state what has happened thus far and how the matter is going to be dealt with. Most important of all, he should give an assurance that the Government of India will firmly set its face against any proposal, which, however worded, will have the effect of reducing our sterling assets already earned and to be earned. The burden India bears at present is far in excess of her capacity, judged by the most generous application of mutual aid or any other principle.

SURPLUS U.S. VEHICLES

Reports issued by the U.S. Department of Commerce and Trade reveal that about 20,000 surplus American motor vehicles will be made available to India before the end of December and an even bigger number next year, but of them only a small proportion can be reconditioned to serve as motor vehicles, the rest will be converted into bullock carts and trailers. It is now quite clear that the Government of India are disposing of not only their own battered vehicles, but those of the U.S.A. as well. What is

important to recall in this connection is the Supply Member's statement in May last that trucks received under Lend-Lease and Canadian Aid had been excluded and the surplus materials belonging to the Government of India only were disposed of. If so, how did American vehicles come up for disposal? If the Government of India have taken over the American vehicles, on what terms? Have they already fixed a price or will the U.S. Government be credited only with the amount realized by sales? Will the same procedure apply to plant and machinery received under Lend-Lease? How are surplus stores and trucks of H.M.G. being dealt with? All these important questions require an answer from the Government. Their bearing on domestic industries, import policy and sterling assets is only too obvious.

THE HYDERABAD BUDGET

The Hyderabad budget for 1944-45, exhibits in ample measure that buoyancy, which has become a feature of war-time public finance. The estimated revenue is Rs. 16.64 crores and expenditure Rs. 14.25 crores; these estimates are the highest in the history of the State and mark an increase of about 82 per cent. over the budget estimates of the year preceding the war. Excise and Customs are mainly responsible for the big increase in the estimated revenues, their expected yields being Rs. 4.24 crores and Rs. 2.10 crores, respectively. Land revenue is expected to fetch Rs. 3.15 crores and the State Railways Rs. 2.37 crores. The State is to devote over Rs. 2 crores to war expenditure, while education is to get about Rs. 1.5 crores, buildings and communications Rs. 97 lakhs, the medical services Rs. 54.75 lakhs, irrigation Rs. 28.75 lakhs, and expenditure in the form of dearness allowances Rs. 79 lakhs. Provision has also been made for a Central Research Laboratory with a now-recurring grant of Rs. 15 lakhs and a recurring grant of Rs. 2 lakhs. A Department for Geology and Mining Engineering will be set up at the Osmania University. It is also proposed to establish a College of Agriculture and Animal Husbandry at a cost of Rs. 15 lakhs. The 'Grow More Food Campaign' is allotted Rs. 33.5 lakhs. The total funded debt of the Government is about Rs. 15.75 crores, borrowed entirely for protective purposes. The various Reserves (excluding the currency Reserve) amount to an aggregate of Rs. 29.5 crores, while the Paper Currency Reserve has a total of Rs. 37 crores to its credit invested in gilt-edged securities. Out of all these Reserves, over Rs. 50 crores have been invested in Government of India securities.

THE BATTLE OF OIL

Almost as soon as the direct military threat to the Middle East was removed, commercial rivalries among the Great Powers began to rear their ugly heads in this region in which have traditionally met and clashed disparate economic and strategic interests. The rich oil resources in this region are valuable both economically and strategically and it has been increasingly apparent that, unlike after the last war, this time the United States is determined to exert herself as forcefully as possible in this regard. Without waiting for tardy processes of direct inter-governmental negotiations, the U.S.A. Petroleum Reserves Corporation and the Navy Department deliberately forced the issue by direct approach to the Saudi Arabian Government towards the fall of last year. This approach proved inconclusive, but when the American project of a pipe-line was published early this year, it caused a terrific flutter in British dovescotes and hastened the signature in Washington between the United States and British Governments of an interim oil agreement in August last. This agreement, after a declaration of certain pious principles, e.g., equal opportunity in the acquisition of concessions, development of petroleum re-

sources with a view to the sound economic advancement of producing countries, assuring the extension to all peaceable countries of adequate petroleum supplies at fair prices, and so on, comes to brass tacks by setting up an Anglo-American Petroleum Commission to control world trade in petroleum. The assumption throughout had been that if only Britain could purchase American co-operation with some practical appeasement, the two countries together could manage the whole show. With the entry of Russia into the hunt for oil concessions in the Middle East, is introduced a novel and powerful factor. Under her planned economy, oil production in the Soviet Union has greatly increased recently but consumption has increased even faster, so that her export surplus has rather fallen, in spite of the opening up new and rich oil regions. As for the United States, she indeed is known to possess petroleum reserve of 20 billion barrels out of the known world reserve of 51 billion, but in view of her large consumption, a rapid exhaustion of her known resources is feared by leading American authorities, and this has impelled the United States to seek to acquire as much as possible of the world's oil resources. With the prospective rapid economic development of Russia after the war, naturally she also is alert lest her own claims go by default. With the entry of Russia into the arena, (which marks an important departure from the policy which the Soviet Government has pursued in the Middle East ever since the Russian revolution), the royal battle is joined in earnest. Confronted with this formidable triangle of superior forces, the Persian Government has for the present refused to grant any fresh oil concessions to foreign undertakings and has decided to postpone negotiations concerning them until after the war. After the war no doubt the proximate pressure of Soviet power and influence would tell decisively. It is time for the British and the United States Governments to act under the provision of the interim oil agreement of August last and move for the negotiation of a multilateral petroleum agreement by all producing and consuming countries and take immediate steps to convene a world petroleum conference. It is not by an Anglo-American cornering of the world's marketable petroleum resources that "equal access to raw materials" can be assured.

LABOUR SUPPLY

A directorate of unskilled labour is going to be set up under the Labour Department of the Government of India to secure a better co-ordination of the demand and supply for such labour. Thanks to haphazard location of war orders and industries which have accentuated the trend towards industrial concentration, labour is in short supply at a number of local points throughout the country. Paradoxical as it may appear in a country with starving millions, the scarcity of labour is one of the most serious problems facing some of our vital industries like coal mining. The lack of co-ordination in recruitment of labour for essential purposes diverted skilled miners to more highly paid unskilled jobs, thus entailing serious waste. The work of co-ordination ought to have been started much earlier, as it would have rendered unnecessary the heroic feats of replenishing the labour in the collieries in these days of transport shortage from distances as far off as Kolar. Yet, however belated, the measure may still help to retrieve the difficult situation in some centres and should be welcomed. Provincial Labour Committees and Supply Depots have been working for some time. They can not be fully effective for the problem requires inter-provincial treatment, which the directorate may be expected to give it now. The excess demand in most centres is of a temporary nature and will present problems of demobilization. Further in the schemes of Committees and Depots working now

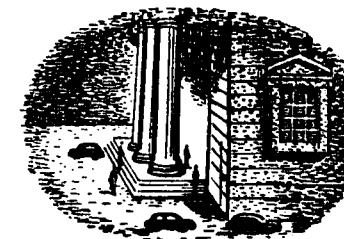
in the provinces there is no representation of labour interests. The Committees have to perform the important function of advising on the standardization of wage rates, and dearness allowances, and provision of health and sanitation facilities in the centres. The supply and scarcity of labour in many centres is intimately related to these problems. When an All-India plan to overcome the problem is considered this aspect of the question will demand special attention. There may be cases of dilution of some skilled trades in the working of the plan. It is necessary that labour should be consulted and properly represented at all stages of planning and policy forming.

COLONIAL WELFARE

The International Labour Office has sought to declare a new principle in colonialism, *viz.*, the welfare of the people—a principle which it is asserted is in advance of old applications of the principle of trusteeship based on the dual mandate of indigenous and world interests. There is now reported to be a wide measure of current agreement that "the main purpose of colonial government is the advancement of the peoples of dependent territories." The principle of 'trusteeship' which has ruled so long, has decidedly not led to the best dispensation of things, either politically or economically, and even by the criterion of gradualism, the rate of progress, politically and economically, has been disappointing. Poverty, squalor, disease and illiteracy have been the lot of the colonies and it is often only through the agency of occasional labour riots that the mother country has been forced to take cognizance of and an enhanced interest in the problems of the colony. The Colonial Development and Welfare Act, passed during the war, was the first significant gesture by the British Government in the direction of the mother country taking active and direct financial responsibility for the economic development of the colonies. If the aid in grant was inadequate for the purpose in view, it at least broke away from the principle that the colonies must be left on their own unaided resources. Nevertheless, mere economic development under a paternal supervision or pre-occupation with colonial welfare in its economic connotation alone as such cannot make the 'new' principle a preferred substitute for the old cant of 'trusteeship.' With the best of intentions, an enlightened paternalism, unless accompanied by rapid political advance, can easily shade off into imperial planning indistinguishable, except in vigour and method, from the old scheme of things. For the British Empire, the thirties had been a period of constitutional set-back: Newfoundland lost its Dominion Status; Malta lost internal autonomy; Cyprus lost its Legislative Council. The present I.L.O. report is more anxious to assure all that the new economic policy towards the colonies will not clash with the economic interests of the mother countries. As it puts it, the practical lessons of the period from 1930 to the present day show that, as in any independent country, in dependent territory "primary consideration to the welfare and development of the people is good business for all, but certain sectional interests." When colonial welfare is good business for the mother country, it is excellent; but over a wide sector they may clash, at any rate, in the short period, and in the final analysis, no foreign country can truly manage the affairs of another country and continuously serve the latter's real interests. Even our London contemporary which speaks of a new colonial policy after the war with a "purposive, positive planning in the preparation of the different peoples for full self-government," cannot forget that for Britain, France and Holland, "the Far East is a necessity of their greatness and wealth."

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Post-War International Trade Policies

(Contributed)

THE problems of post-war international trade and commercial policies are attracting serious attention in the West and a mass of useful historical and analytical literature has begun to gather round the subject. There is hardly an issue of the *Economic Journal* which does not deal with one of the aspects of post-war trade policy and the League of Nations, the I.L.O. and the Institute of International Affairs are among the many organizations which have encouraged and undertaken research in this field.*

In his *Industrialization and Trade*, Prof. Brown reminds us that the doctrine of Comparative Costs is as fundamental to day as ever before and that all international and world development must be related to it. It will be as futile for Madras to carry coals to New Castle as it will be for Manchester to grow cotton. For world prosperity, cotton must be grown where climatic conditions are suitable and where the comparative costs are low, just as coal must be obtained from the most economic mines in the world. Starting from this assumption which no economist can dispute, he proceeds to analyse the raw material resources of the various countries. He comes to the conclusion that although the industrialization of most of the existing countries is accounted for by the abundance of their natural resources, the comparative backwardness of some other countries is not justified by the potential wealth of their resources. The causes of such backwardness arise from factors which can be altered and are often to be found in lack of capital, satisfactory political and economic organization, trained labour, etc. His table I gives the following interesting results which cannot be regarded as disappointing from the Indian viewpoint:—

	Coal and reserves	Potential water power	Iron ore metal content	Arable and cultivated land	Population
	(Million tons)	(Million H.P.)	(Million tons)	(Million acres)	(Millions)
U.K.	175,000	0.7	1,800	13,400	47.3
Germany	292,000	2.0	900	47,100	68.0
U.S.A.	2,300,000	33.5	6,500	360,000	135.0
Japan	16,400	7.2	30	16,500	72.0
China	246,000	23.0	650	250,000	450.0
India	20,600	39.0	2,330	504,000	390.0

Assuming that countries develop those industries in which their comparative costs are the lowest, Prof. Brown proceeds to examine the effect of the industrialization of the backward countries on the more advanced industrial nations of the world. His analysis is clear and objective and he deduces from pure theory that the backward countries aiming at industrialization must pass through the following stages of economic evolution:—

First Stage: The effect of industrialization in the earlier stages will be to increase the imports of machinery without greatly affecting the normal level of imports of other goods into the country.

Second Stage: Imported machinery will create additional employment, raise wages, and increase the national income. This will generate a

large volume of secondary employment in the form of services, transport, public utilities, etc., and the rate of increase in national income will be greater than the rate at which additional goods would be created to absorb the whole of the increased purchasing power. This must increase the imports over the normal level at the beginning of the first stage.

Third Stage: National income in this stage will not increase as rapidly as in the earlier stages, because of the comparative decline in the productivity of labour and capital equipment owing to a better utilization of the most remunerative and partially employed resources in the earlier stages. Unless policies of undue and injurious restriction in normal consumption are adopted, it is likely that in this stage the volume of imports will be at the same level as in Stage II, and, in any case, much larger than at the beginning of Stage I.

Fourth Stage: In this stage, which will begin to operate after about 15 to 20 years, the national income will have increased greatly as also the capacity of the country to specialize in articles for which it enjoys the lowest comparative costs. The tendency will now be to import in greater quantities the goods and equipment for which the country has no special aptitude and to make up for increased imports by the increased exports of the goods for which it has special aptitude, or, in respect of which its comparative costs are the lowest.

Given a steady rise in national incomes and assuming that no "beggar-my-neighbour" policies are pursued, the net result of the industrialization of backward countries will not be to reduce the economic prosperity of the more advanced countries, but to increase it along with those of the backward countries. *The League of Nations Commercial Policy in the Inter-War Period* shows how each of the successive international "conferences and committees consistently emphasised the special responsibility of the richer and the creditor countries vis-a-vis those that were impoverished and indebted," and how "national planning" and regulation of foreign trade proceeded on lines injurious not only to the countries pursuing them, but to whole of the world in general.

Prof. Eugene Staley's *World Economic Development* takes Prof. Brown's argument a step further and puts forward a strong plea for the establishment of a central world organization to foster and regulate the economic development of the backward countries. Prof. Staley and Prof. Brown both show from historical data that there is no conflict, real or apparent, between a developing and a developed country. The following figures taken from Prof. Brown show that industrialization must lead to increased imports as in the case of all the industrialized countries of the world. For example:

	U. S. A. 1900 Millions of dollars	1926-30 Millions of dollars
National income	19,360	78,700
Industrial production	6,800	35,000
Total imports	850	4,033
Total exports	485	2,788

	JAPAN 1913 Millions of yens	1934 Millions of yens
National Income	2,700	12,500
Value of industrial production	1,250	6,100
Total imports	729	2,277
Total exports	443	1,845

Prof. Staley argues that the old attitude of suspicion towards industrially developing countries is fast disappearing and quotes a mass of representative American opinion taking the view that the economic expansion of backward countries is one of the best methods of world economic development. He, however, emphasises that such development must be planned and must proceed on lines which would benefit all nations at the same time. The machine-tool industry, for example, has expanded greatly during the war and it is necessary that regular supplies should be forthcoming for the benefit of countries devastated by the war and those seeking to reconstruct their economies. It will not create much good-will to dole out obsolete and cast-off machinery to these countries and he suggests the immediate establishment of an international organization to collect information regarding the needs of the various countries, the kind of equipment required by each and the possible sources through which they could be supplied. This would greatly facilitate the transition from war to peace condition in the U.K. and the U.S.A., and also benefit other backward countries. With proper timing, this organization could be utilized for checking an incipient depression.

The crux of the problem will, however, be the volume of investment required for the development of backward countries. The estimate of the investment required by various countries will naturally be difficult to form, but Prof. Staley attempts to approximate the order of magnitude on the basis of the published figures for Japan. His table shows the volume of capital investment in Japan during 1900-36:

Period	Total investment millions of 1936 dollars.	Average per year millions of 1936 dollars.	Investment per cent. of national income.
1900-09	783	78	12
1910-19	1,658	166	17
1919-29	3,128	313	12
1929-36	2,476	354	10

Taking Japanese figures for population and area as a basis, Prof. Staley estimates the investment requirements of the Asiatic countries as follows:—

Investment per decade in thousand millions of 1936 U.S.A. dollars.*

	1st Decade	2nd Decade	3rd Decade	4th Decade
China	13.6	23.1	44.9	51.6
India	7.2	14.6	27.7	31.4
Neth. E. Indies	2.2	3.7	7.2	8.3
Other areas in Asia not including Japan	3.5	6.0	11.7	13.3
Total	26.5	47.4	91.5	104.6

No accuracy is claimed for these figures, but they illustrate the magnitude of the investment which will be necessary. Prof. Staley argues that capital movement on this scale would not be possible if world economy relapsed to the conditions prevailing in the inter-war period. It is also clear that much of the

* A thousand million 1936 dollars will be about Rs. 335 crores.

required investment must come from the wealthier or industrialised countries. These countries will be unwilling to lend unless there is a strong system of multilateral conversion of currencies and unless confidence is induced in them. He therefore suggests the establishment of an international development authority based on a broad multi-national character.

This organisation will undertake the following functions:—

- conduct a world survey of resources, national specialisation, etc.
- raise capital by selling its securities to governments, investment trusts, etc., and distribute it on a planned basis among the various countries.
- regulate, control and supervise the operations of world capital markets.

This organisation will also have other specialised branches dealing with (a) the regulation and supervision of investment to ensure reasonableness of contracts and performance, (b) the provision of capital on a regional or national basis, and (c) the establishment of an international fund for pooling the risks of loss involved in national development schemes.

It is gratifying to note that some of the proposals made by Prof. Staley have now been incorporated in the Draft Agreement for the International Bank for Reconstruction and Development accepted by the United Nations at Bretton Woods. Section 4 of Article III lays down specifically that a country may borrow for development purposes and the Bank will scrutinise each application on its own merits. This provision ought to establish some systematic expansion and development of the borrowing countries, and ensure at the same time that national policies proceed in a co-ordinated manner.

The time has come for the backward countries like India to return the compliment paid to them by the Western economists. Whatever the motives underlying the political underworld, it is clear that responsible economists—and they have much influence now—would welcome a rational organisation of world resources and world commerce. They would encourage a steady flow of investment into the backward countries and would recommend a drastic readjustment of economies in the industrialised countries to suit the development ambitions of Asia, Africa and South America. With India undeveloped, Asia has little chance of industrialisation and with India willing to help and be helped, there is much hope for the future. She is more than a fifth of the human population, her natural resource, still untapped and unsurveyed, are probably limitless, her geographical position in regard to markets is unique and all that is needed is to shake off that feeling of 'defeatism' and frustration which for one reason or another still overpowers her.

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* "Commercial Policy in the Inter-War Period" by the League of Nations.
 "Industrialization and Trade" by A. J. Brown, published by the Institute of International Affairs.
 "World Economic Development" by Eugene Staley, published by the International Labour Office.
 "United Nations Monetary and Financial Conference, Final Act," published by the Manager Government of India Press.

Food Statistics And Grain Imports

(Contributed)

A CASUAL remark the other day that "Statistics are a snare and a delusion in matters of food", set me to the unusual task of making a calculation. I found that in 1943-44 according to production figures, everyone in India had eaten about 32 seers of wheat and about two maunds of rice! Figures are dull; even worse, figures are wanton. Those which are used here will doubtless please any one who cares to dally with them, but no one should try to prove from them as some have been attempting to do, that India is self-sufficient in her grain requirements.

In theory India's requirement of food is easy to establish. Only two factors are needed to complete the calculation; the population and the ration of food required by the individual. In practice, however, these factors are more of an embarrassment than a help. The per capita consumption calculated from the figures of the country's population, gives no more than the average quantity of wheat or rice which there is for the people to eat. This word, 'average', however, is revolting to anyone who has to translate precept into practice. There are many things wrong with the calculation in the first paragraph. There are for example millions of people who eat rice and not wheat, others who eat only wheat and not rice, and yet many others for whom neither is the staple diet. Further, the total quantity of 24.5 million tons of rice and 11 million tons of wheat produced last year includes the consumption figures for men, women and children, all of whom require varying quantities of food, even assuming that the average Pathan in the N.W.F.P. eats the same amount of food as the South Indian. And finally, it takes no account of the increase in population since the last census. If on the other hand, we try to be scientific about the nutritional aspect of foodgrains, we find that even in times of stress people did not eat what they ought to have eaten even when it was provided. The example given will suffice to show what unhappy results can be achieved by averages.

Much play has been made about the unreliability of food production figures in India. The machinery by which these are compiled varies in precision in the different provinces and states, because agricultural statistics in India are not in the main compiled for commercial purposes, but for revenue purposes. They have been designed to give a picture of the comparative condition of the agriculturist rather than a mathematically exact computation of the tonnage produced. For the purpose for which they were intended, they are far more adequate than is generally supposed. For the purposes of food planning they give a comparative picture of the general position in any one year, against the average position over a number of years. This is how they should be used. They cannot by themselves indicate how many tons of imports are needed, by a single process of addition and subtraction.

Imports have to be planned far in advance. People cannot wait for food; either it is there when they want it or they starve. Forecasts of production can and should be used as guidance as to what the position is likely to be, but they are forecasts and not final facts, however, accurate their preparation may be. Ten days' unseasonal rain at the very end of the last *rabi* harvest for instance, cost the country 500,000 tons of wheat. The above argument is no reason why India should not seek to improve her agricultural statistics. Sound information is the basis of sound administration, but it is no use relying on calculations

which conceal incalculable variants and ineradicable fallacies.

It is a much more difficult task to establish the needs of the country on the basis of consumption figures. While figures of production have a much greater approach to accuracy, consumption figures, even if they can be precisely calculated, cannot give a final answer to the requirements of the country. There are various reasons for this. In the past bad harvests may have been followed by good harvests and heavy imports; considerable stocks may or may not have been carried over from one year to another, and in years of bad harvest and low imports, other foods might have been grown and used. Further, the sum total of food supply available for rural non-producers and urban non-producers is made up of millions of small parcels of grain which the producer decides to bring to market. And if producers as a class are at present not in need of money, and decide to hold on to a little more of their grain, what becomes of the statistical surplus based on previous consumption figures and forecasts of production? The Gregory Committee for instance computed that an increase of one ounce per head would add about 40,00,000 tons to India's annual food bill! It may be possible to ascertain what the Indian people ate in a given period of time, but from that it is not a simpler matter to calculate what is the present requirement of the population. Consumption might also be affected by distribution or by prices or by transport. One might argue for instance that because India produced 11 million tons of wheat last year, satisfactory provision to that extent had been made towards her requirements of wheat, but if the country as a whole was to benefit from a bumper wheat crop, something had also to be done about organizing its distribution, which meant that the wheat crop had to be brought under some sort of control. If this were not done, it would be poor consolation to the needy consumer to be told that adequate provision had been made to meet his requirements of wheat. The point can be elaborated to show that there are many factors which all have the effect of reducing consumption statistics to the level of guess estimates. It is hoped that the extension of rationing to urban areas will give fairly accurate estimates of the needs of rationed areas, but the consumption of the rural population which forms the bulk of the population in India, must for a long time present incalculable factors. When people argue therefore, that imports are not necessary it only shows how extremely easy it is to advocate policies without a knowledge of facts. It is most misleading to work on an average figure for consumption, derived from the total figure for any previous year's consumption in India, as this may result in the conclusion that supplies are adequate when in fact they are not.

The dangers of generalization are proverbial as are those of mixed metaphors, but it is time that the theory trotted out that on the basis of statistics—or lack of them—India needs no imports is given a decent burial. The psychological as well as practical effect of imports is incalculable. Procurement, rationing and enforcement of control orders are all part of a single, coherent and co-ordinated food plan, the key point of which is an assurance of imports. A word of caution is necessary. There is an overall shortage of rice in the country, and even with large imports of wheat—the only imports we can expect—rice consuming areas cannot for a long time, hope to reach normalcy in the matter of their staple diet. The shortage in rice must be made up by other foodgrains.

America Wants More Markets

(From Our Washington Correspondent)

WASHINGTON, Oct. 22, 1944 (By Cable).

TO achieve internal economic stability and promote the welfare of wide areas abroad, the United States must assume a new role in world economy in the post-war period is the view that prevails here among economists, foreign traders and a considerable segment of Government itself. Discussing this belief last week these experts concentrated on, firstly, the degree of control that Government will exercise over trade and the position that the United States should take; secondly, the need for the United States to promote a rapid and intensive development of its exports because her tremendously increased production cannot be absorbed by catering to her normal home and foreign markets only. Granting the need to push exports upwards, it is suggested that it would be essential to augment exports up to 12 or 14 billion dollars annually instead of seven billion. Economists also were considering the question of the character of exports. Business men and traders reflected less optimism than characterized these sections during the past two years in respect of post-war trade outlook complaining that Government were, firstly, divided on how to meet situation abroad where trade will be Government-controlled and, secondly, kept industry ignorant of its plans for Lend-Lease settlement.

Many experts have held that Lend-Lease provides the United States with a spring-board from which to launch a foreign trade programme in the post-war period. But the National Association of Manufacturers has contended that there is a struggle going on in Government circles "between one group of officials working for a businesslike settlement of Lend-Lease material that has a peace-time use and another group which wants to cancel all Lend-Lease accounts and even to continue the Lend-Lease system under another name in the post-war period as well. . . . Officials charged with the task of drawing up the lines of policy in regard to Lend-Lease loans and credits as a part of the nation's trade programme have made no attempt to obtain the views of private industry."

Those who attended the National Foreign Trade Convention recently held in New York evinced much concern over the fact that Government have not yet determined how to meet the prevailing trend abroad towards increasing control of foreign trade. They cited the Convention Address by Mr Charles P. Taft, Director, State Department Office of Wartime Economic Affairs, in which he said that trade controls should be diminished rapidly and warned listeners against following a business men who sought the continuation of such controls while Mr. B. F. Haley, Director of the State Department's Office of Economic Affairs, states that "even final victory will not necessarily mean the immediate end of all import and export operations by Government." One proposal that has been made in this connection is for the setting up of a United States Commercial Corpo-

ration which should be a Government company to be used as one means of meeting foreign trade controls. One official said that the company could function when private industry cannot accomplish some objectives without Government aid. It was noted that the Russian Government would control imports and exports while Britain is likely to continue Government purchasing for several years to come. Likewise, many other countries, with purchasing missions in the United States, probably will want to continue this method of buying.

One of the most persuasive arguments for the development of exports came last week from Dr Fritz Sternberg in an article on "The United States in Future World Economy" written for a new school for social research. He points out that a full use of the United States' productive capacity would produce about 60 per cent. more than in the prosperity year 1929 and joins issue with the Department of Commerce's recent study which has described the home market as the decisive factor in the U.S.A.'s economy. —Dr. Sternberg characterizes it as a conservative estimate and expresses his doubts as to whether it is economically possible. He argues that U.S.A.'s internal economy would be vastly injured by a large-scale contraction in her production capacity, making full employment impossible. Dr. Sternberg foresees capital exports as an important means to insure economic stability at home and assure the United States' leading place in the industrialization of the less developed regions abroad. He concludes that "thus the world market may well assume a completely new function for American economy: the function of absorbing during the next decade the increasing amounts of domestic surplus savings or, to put it differently, capital exports of a dimension that would exceed all past experience may well become the basic condition for the establishment of Full Employment at home, at least, if the framework of free enterprise is to be maintained." Dr. Sternberg apparently feels that the U.S.A.'s participation in the world's capital exports can be larger than ever simply because other countries' capital exports will, of necessity, be smaller. He argues that to use the country's productive capacity, however, it will be necessary to have a close tie between capital exports and exports of industrial products and believes that a large percentage of exports will have to be mainly investment goods for industrialization such as locomotives, rail-way cars, railroad equipment, ships, planes, machine-tools, electrical supplies, supplies of optical and chemical products, automobiles and tractors. He feels that in future direct investments will have a larger share in total American capital exports than in the past. He contends that systematic preparation is required immediately for preventing ill-timed capital exports which might be too late to avert depression in the U.S.A. and might adversely affect world economy.

A Policy for Cartels

WASHINGTON, Oct. 16 (By Cable).

PRESIDENT ROOSEVELT'S anti-cartel statements made recently continue to bear fruit in the form of discussions by various business groups, banks, private research organizations, etc. The presidential stimulus has given rise to considerable public opinion on the question of cartels. Although the stage of

what might be called definite proposals has not been reached, certain conclusions seem to be widespread. It is generally agreed that the restriction of cartels in the post-war period is a matter for international governmental agreement and that the United States should not undertake unilateral action in this field. It appears, moreover, that the United States for its

part will recommend the regulation of cartels only as one item in a comprehensive programme designed to promote world trade expansion. This latter question, doubtless, provoked concern in other major trading nations which would look askance at American anti-cartel pronouncements, which do not include a promise of parallel action to adjust tariff barriers. Public opinion also appears to be agreed that the complete elimination of cartels is out of the question and that the most advisable course would be to make international cartel agreements matters of public record, which, it is believed, might go far to correct abuses. As to commodity agreements among governments, it appears likely that these would be invoked increasingly. For example, it is pointed out, the regulation of production and distribution of wheat, sugar, rubber, tea, tin, coffee and cotton, although originally undertaken by private enterprises, have either been already put under control by inter-governmental agreements or are likely to be so controlled hereafter. There appears little doubt here, however, that German cartels, which in practice were weapons of political and economic warfare, will be completely uprooted. This will be one of the complex questions involved in the restoration of Germany's economy, which is virtually certain to be undertaken by international action. Latest statements dealing with cartels are those of the Private and Independent Foreign Policy Association and the 31st National Foreign Trade Convention which met at New York last week. The former proposed "at the very least" that an international economic tribunal be established with which would be registered "any agreement—inter-governmental or private—undertaking the organization of the production and distribution of the world's commodities or processed goods." This is described as a "paramount necessity" for protecting the consumers' interests. The same body further declares: "Monopolistic practices which control world trade in basic commodities and their resultant manufactures or which may be subject to political direction present one of the most crucial and complex post-war issues facing all nations. It is essential therefore that in so far as cartels exhibit anti-social monopoly practices, they must be adequately regulated." This regulation, it is said, must be accomplished if national economies are to function at high-level employment and guarantee expanding trade.

The Foreign Policy Association also stressed that the United Nations have pledged themselves to ensure

equal access to the world's raw materials and that such a programme might be nullified unless cartels are adequately regulated. Noting that Secretary Hull recently wrote to President Roosevelt forecasting discussions with the other United Nations on "the whole subject of commercial policy," the Association state that "should lack of foresight in matters of trade policy force the leading industrial countries into the pursuit of self-sufficiency again.....in the 'dog-eat-dog' atmosphere that would result, private interests and the Government alike would be compelled to enter into agreements of the most restrictive nature in order to secure advantageous positions from the point of view of economic gain or national security.....It is essential above all to avoid future struggles among powers conducted in the first instance with the economic potentials of war." The Foreign Trade Convention passed a resolution in favour of a Government policy which would allow "the standard of competition between Americans and foreigners and thus also between competing American firms to be determined by the requirements of applicable foreign law." The logic here was that it "appears impractical" to endeavour persuade other nations to adopt American methods; thus the "question concerning cartels in foreign trade is not whether American business favours or opposes them" but to find the best methods in the national interest for Americans "to play an active and effective part in a world in which a substantial portion of trading business is conducted by either government or private cartels." The Convention agreed, however, that there must be "neither private agreements nor government monopolies operating in restraint of trade" and said that registration of international business agreements would not be opposed. They also agreed that uniform international regulations governing trade "can be helpful," where common ground can be found. Cartels are expected to occupy a prominent place in the discussions of the International Business Conference, which is to meet at Rye, New York, on November 10, to discuss post-war trade and commerce. The Conference is being sponsored by the American section of the International Chamber of Commerce, the United States Chamber of Commerce, the National Association of Manufacturers and the National Foreign Trade Council. Mr. Eric Johnston, President of the Chamber of Commerce and member of the sponsoring committee for the Business Conference, is aggressively anti-cartel.

Plans to Control World Oil Production

LONDON, Sept. 19, 1944, (By Airgraph).

THE American oil interests are, according to reports reaching this country from the U.S.A. in disagreement on the issue of developing plans for oil production and marketing. It is alleged that such plans have been drawn up since the Anglo-U.S. oil pact was signed last month. This agreement, as may be remembered was drawn up with a view to providing a basis for bringing oil production in line with world demand. Reports say that oil executives and Federal officials have been working on the plans now submitted for two years.

The *Financial News* reports that one plan involves minimum production rates for countries based upon domestic requirements, and the need for revenue both from exports and home production. Oil produced beyond these needs would enter world markets on a freely competitive basis and no maximum rates would be established "apart from conservation and other reasons." Estimates of world demand, stocks and production would be used to avoid "wasteful over-production." The second plan would establish

minimum and maximum output rates. It would involve an estimate of total world demand and quotas for the various producing countries which would equal this figure. The International Petroleum Commission would supervise the flow of oil from producing to consuming zones.

It is contended that, under the first plan, the guarantee for oil producing nations of sufficient withdrawals to maintain national economy from oil revenue would provide a method whereby companies would be relieved from the pressure to increase output to a point of over-production, it is held that this danger is a very persisting and important one. Companies freed from that problem would be able to release supply in a more orderly manner guided on an international basis in the same way as United States companies are now guided by the Bureau of Mines. Their own interests would ensure the industry against excessive production above minimum rates and a balance between supply and demand would be ensured. Opposition is centered to the second plan of which it is said that it is no more than a cartel arrangement

which would destroy the prospects of lower prices and would no doubt impede technological progress derived from free competition. Further it is alleged that existing statistics available are entirely insufficient and that maximum quotas for various zones decided on insufficient and incorrect statistics would have grave results. Such quotas should be based on production costs and distance to markets, in which case a freely competitive market would give the same results.

Arbitrary control, the *Financial News* points out, of the flow of oil to various zones, too, would immediately bring up the question of price fixing. An example given is that if Europe should demand 600,000 barrels daily, of which the Middle East would supply 400,000 barrels and Venezuela 200,000 then the European price would have to be maintained at a rate high enough to admit Venezuela's products against the cheaper Middle East product. Further, quotas would have to be assigned not only for areas but for specific countries, and that in the end each individual unit would find itself restricted.

The *New York Journal of Commerce* writes that there is "no historical base for projecting production rates—the aim being, in fact, to upset statistical history and bring production more nearly in proportion with proved underground reserves—International Petroleum Commission must find new criteria by which to solve the most important problem before it. That problem is to suggest a manner in which, over the long term, this estimated world demand may best be satisfied by production equitably distributed among the various producing countries."

Comments on the \$100,000,000 loan by an American banking syndicate to the Dutch Government point out the fact that even before the Bretton Woods Agreement has been ratified normal peace-time methods of banking beyond the frontiers is again starting. The loan, as reported, is to the Dutch

Government and is secured by gold as collateral security. But the dollar funds thus made available will be made available to the Dutch banks by their Government for financing immediately necessary imports. The Dutch, or rather the Netherlands Bank, have a gold reserve of about \$500,000,000 according to the Federal Reserve Bulletin. The National Bank of Belgium also has gold reserves in America and has a claim on the Bank of France for the gold the latter surrendered, to Germany on the instructions of the Vichy Government. Its total gold holding, including its claim on the Bank of France, is given as \$734,000,000. The French gold reserve is given as \$2,000,000,000. But much of this was seized by the Germans and the Belgian claim has to be deducted too. Still France must still have a fair gold reserve earmarked in America and holding at Martini-que. Thus these three countries will be able to make a start with buying foreign currency without waiting for the World Bank to open. But it would be foolish to expect that their gold will be sufficient for them to reconstruct their countries without the aid of U.N.R.R.A.

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A DELHI DIARY

PROFESSOR B. P. ADARKAR'S report on Health Insurance for industrial workers in India is now out. But it may be mere addition to those already on the Central Secretariat shelves. The Government are not committed to the scheme and will take their own time considering the recommendations. The learned professor, who was assisted by a panel of advisers representing employers' and workers' associations, found his task unenviable. The general attitude of employers was that the proposal was a fad and would increase the cost of production; labourers said they were too poor to make any contribution to the proposed insurance fund, and the Provincial Governments declared they could not assume burdens for benefiting only a special section of the community. Prof. Adarkar has done his best to produce a scheme which provides for compulsory contribution to the insurance fund by all the three parties and which is estimated to cost annually Rs. 2½ crores.

The scheme, which is both compulsory and contributory, will apply, to begin with, to textiles, engineering, and mineral and metal industries, covering about 60 per cent. of the workers. The State is to contribute eight annas per worker, employers fourteen annas and workers (divided into three categories) ten, six or two annas each. The burden of the Government's contribution, it is suggested, should be shared between the Central and Provincial Governments in the proportion of two annas and six annas per worker respectively. This will involve an expenditure of Rs. 18 lakhs per annum by the Central Government and Rs. 54 lakhs by the Provinces on a *pro rata* basis, according to the number of insured workers.

Prof. Adarkar finds that both the Maternity Benefits Act and the Workmen's Compensation Act have been comparative failures. He suggests that the former be worked in conjunction with the Health Insurance scheme and the latter be scrapped and replaced by a scheme of insurance against industrial disability. His contention is that as only 2 per cent. of workers have benefited from the compensation scheme as against the average of 15 per cent. in other countries the Indian law is now proving effective.

The professor would have the Government of India Act amended with a view to centralizing the scheme and setting up a central statutory corporation to run the scheme. He could not avoid incursions into politics and has pointed out that the Health Insurance Scheme would work better if there is a national health drive, unemployment insurance and old age pension schemes and better enforcement of laws for protection of workers. He has recommended reciprocity or retaliation against countries which do not include Indian workers in their health insurance schemes. For instance, Indian seamen do not get the advantage of the British health insurance schemes, even though their valour in the service of the Empire Navy has been praised in season and out of season. The Health Insurance scheme includes employees receiving salaries up to Rs. 200 per month and aged 60 at the one end and 12 at the other. It is said that 42.5 per cent. of the total collections in the health insurance fund will go towards medical benefit, 12.5 per cent. to administration charges and the remaining 45 per cent. to cash benefit and reserve.

The autumn session of the Central Assembly which meets on November 1 will voice this country's feeling against burdening India with heavy defence expenditure. The fact that Sir Edward Benthall told his radio listeners the other day that the strain which India's transport system would undergo hereafter would be much greater than she has hitherto experienced is indication of the further sacrifices which

India is to be called upon to make. The so-called Financial Settlement between the British Government and the Government of India is not a cast-iron arrangement. The allocation of defence expenditure is dependent on the ceiling for India's defence as fixed by the Commander-in-Chief. A variable factor, this ceiling will be according to the judgment of military authorities. A country whose normal defence budget has been only Rs. 45 crores a year has already been saddled with Rs. 1,096 crores for defence in six years, and when the revised figures for the current year are out there will be a substantial increase in the budget estimate. Several questions tabled for the autumn session of the Assembly suggest that legislators are alive to the dangers involved in the present financial arrangements. It is doubtful whether the Finance Member will take the House into confidence. The various Standing Committees of the Assembly are loaded with pro-Government members elected on the strength of official votes. They are not acting as the watch-dogs of public finances. A persistent agitation, however, may curb the tendency of increasing India's bill for the so-called defence expenditure.

British officials thinking along traditional lines have no thought of promoting Indian interests when they clash with those of the British. An instance of this has occurred under the very nose of the Government of India and the Central Legislature. The Delhi Electricity Company's contract is due to expire before long and the notice terminating it must be given before February next. The Madras Corporation's vigilance has made the local Government promise termination of the electricity company's contract in that town, but the local authorities in Delhi are keeping mum and the Government of India is not making a move in the matter. The Delhi Electricity Company's balance-sheets will show how they have profiteered. They would not like to part with this milch cow. It is expected that this matter, too, will be ventilated during the autumn session to rouse Dr. Ambedkar from his sleep.

The news from Durban regarding amendments made in the Natal Occupation Ordinance has caused consternation even in official circles. It was not expected that General Smuts would so shamefully go back on his word. The demand for application of economic sanctions will now become irresistible and it is not unlikely that such an ultimatum will be sent to the Union Government after the Central Assembly debates the Ordinance within the next fortnight.

ARGUS.

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MANAGER.

Money Market

Increase in currency—The Stock Market livelier.

(From Our Correspondents)

BOMBAY, Oct. 21.

THE turn of the Hindu year has had no effect on the short-term money market and the trend is as easy as ever. Since the Diwali and new year holidays, the banks have been experiencing slightly better demand for funds. Nevertheless, the rates remain unchanged at ¼% for day-to-day funds and ½% for three months deposits. Six months deposits have been meeting with better response than before as the period from now covers the busiest part of the season, but the rate is practically unaltered at ¾%. One year deposits, however, are taken up at the usual rate of 1½%.

The average rate at which Central Government Treasury Bills were discounted on October 19 (the auctions having been put off owing to Tuesday and Wednesday being public holidays) showed a small rise at Re. 0.80 per cent. per annum. Not much significance need be attached to this small rise since the total applications for the Rs. 6 crores Treasury Bills were actually higher at Rs. 12.81 crores over the previous week. The bulk of the tenders were at Rs. 99-14-3 and the Reserve Bank had to allot only 46 per cent. of the tenders at Rs. 99-14-0 in order to obtain Rs. 6 crores. The tender limit is still kept at the same level, and weekly maturities will continue to be Rs. 4 crores until November 18, when they rise to Rs. 6 crores. Naturally, the slight excess of Rs. 2 crores of the weekly offerings over maturities does not make any difference to the state of the market, which is having a glut of money. The Assam Government will be on the market next week with its Treasury Bills, and bankers will have the all too rare opportunity of obtaining perhaps a higher rate than is available on Central Treasury Bills.

Reserve Bank

The fortnight ended October 13 for which the latest Reserve Bank figures are available is notable for an increase in currency in active circulation to the tune of Rs. 16 crores effected against a transfer of sterling securities from the Banking to the Issue Departments. So the car of Juggernaut has started again on its merry career, as was foreseen. During that period, the total of sterling balances abroad declined only by Rs. 6 crores. The sterling receipts for that fortnight worked out to Rs. 10 crores. It is interesting to note that the Central Government Balances with the Reserve Bank declined by nearly Rs. 14 crores in the first week of October, possibly owing to month-early disbursements coinciding with other expenditure. On October 13 however, the upward trend of Government deposits had been resumed, as may be seen in the rise of over Rs. 10 crores in the balances in the week ended October 13. The very high level of investment in gilt-edged should clearly have been a major factor in augmenting the government's cash balances. Among other features may be mentioned the rise in bank deposits to the extent of Rs. 10 crores in the earlier week followed by a fall of Rs. 5 crores as on October 13. The high level of scheduled banks' balances with the Reserve Bank furnishes the clue to the extremely easy state of the money market on the one hand and the inflationary factor behind the increasing bank deposits. In the absence of other outlets for money, banks have perforce to resort to extensive buying of gilt-edged securities.

Gilt edged

The gilt-edged market has been displaying considerable strength since I wrote last. There have hardly been enough offerings to meet the steady flow of inquiries from individual and institutional investors. This has resulted in a fractional improvement in

almost all the securities, the only exceptions being those which are offered by the Reserve Bank of India on tap. These, as readers must be aware, are 3 per cent. Victory Loan, 2¾ per cent. 1948-52 Loan, and 3 per cent. 1966-68 Funding Loan. Among the rest 3½ per cent. G.P. Notes are still popular, which now stand at Rs. 99-13, after touching Rs. 99-15 at one time during the week. Three per cent. 1946 Bonds and 5 per cent. 1945-55 tax-free Loan have been the favourites among banks during the week and their rates have gone up by As. 3 to Rs. 102-8 and Rs. 113-15 respectively. Among the medium dated loans, 4½ per cent. 1955-60 Loan has been an outstanding feature, having gone up in value by As. 4 to Rs. 116-6. The underlying trend of the market is still firm. With some of the local municipal loans maturing in the next few weeks and with the continued expansion in the business of insurance and banking companies, a large flow of investment demand for Government loans is well assured.

Bullion

Speculative activity in bullion has once again assumed large proportions. In the past fifteen days, there has been such a marked increase in short sales that the bulls have been able to collect about Rs. 2-8 for silver and Re. 1-4 for gold by way of *budla* charges on two occasions. Considering the fact that the outstandings have to be either squared up or carried forward once in every week, these rates are unduly high. Until recently, the *budla* charges used to be only about a rupee for silver and As. 4 to As. 6 for gold. Genuine investment demand has been at a very low level. There was no marked increase in the off-take even on the Diwali and the Hindu new year days, the purchases on the *Moorat* day being only nominal. The floating stocks in the local market, however, are on the low side, the estimates for gold and silver being 1,00,000 tolas and 500 bars respectively.

The following table will enable readers to get a fairly approximate idea of the fluctuations in bullion prices since writing last:

	Opening 6-10-44	Highest	Lowest	Closing 21-10-44
READY				
Gold	67 6 0	68 8 0	64 9 0	67 2 0
Silver	123 1 0	125 4 0	119 12 0	124 0 0
Sovereign	45 12 0	46 8 0	44 8 0	46 8 0
FORWARD				
Gold	67 0 0	67 12 0	64 1 0	66 8 0
Silver	121 13 0	123 0 0	119 2 0	122 4 0

A noteworthy feature has been the sale of some 60 bars by the Reserve Bank at Rs. 125, a rate which is Rs. 5 lower than the one at which it sold in the past. This action on the part of the Bank put an end to the upward tendency which became quite evident on Thursday (19-10-44) last, when the bulls, taking advantage of the low stocks in the market, tried to squeeze the bears. The trend of the market at the time of writing is rather quiet, as it is expected that the Bank will resume its sales after the week-end.

Stock Exchange

Before the share market closed for the Diwali and Hindu New Year holidays, a distinctively quiet undertone was noticeable. Pre-holiday liquidation by professional operators in the absence of investment support led to an all-round fall in values, with some exceptions in banks, textiles and miscellaneous shares.

Trading on the *Moorat* day was meagre, with the trend being quiet. After the holidays, however, the market presented livelier appearance. Professionals were active, confining their attention to the leading scrips in textiles, steels and miscellaneous industries. Among the investors, banks and public utilities and a few of the selected shares in textiles were popular. The turnover, on the whole, was satisfactory and it would appear that, for the present, the market has turned the corner and that equity values might easily gain a rise of 5 to 10 per cent. in the next few days.

In recent days, the shares of the Tata Iron and

Firm condition in the Stock Market—Decline in Raw Jute Prices.

(From Our Correspondent)

CALCUTTA, October 23.

THE Stock Exchange has opened firm after the holidays. Operators feel there will not be any appreciable decline in prices. There has been a rush for covering in the latter half of the week and Indian Irons were done as high as Rs. 40-12 against only Rs. 38-14 a few days back. There has been good demand for giltedged securities, 3½ per cent. Paper being done at par. Business in short and medium-dated loans is restricted only by the scarcity of sellers. Owing to the unsatisfied demand even long-dated loans are in good request and some buying on behalf of insurance companies has been reported.

Cotton shares were uninteresting, the late rally in Bombay having no effect on the local market. *Cawnpore Textiles* were Rs. 13-8, *Elgin* Rs. 66-8 and *New Victoria* Rs. 8-4.

Coal

Coal shares on the other hand, were very firm in spite of the unsatisfactory showing of the Bird and Heilgers group of coal companies. There is an increase in raisings and consequently of earnings in the half-year ended June, 1944, but the same improvement as in the case of the MacNeill group is not noticeable. The bulk of the increase in earnings is taken up by additional tax provision. Thus *Burrakur* is increasing its distribution for the half-year to only 6¼ per cent. by the payment of a bonus of 1¼ per cent. The accounts of *Bokaro* and *Ramgur Ltd.* are expected to make good showing. There has been a rise in the quotation for this share to Rs. 41-8 from Rs. 39-14. *Equitable* were Rs. 63-6 while *Burrakur* improved by a point in spite of the disappointing dividend. *Ranee-gunge* were in good favour with a rise of more than two points to Rs. 51-12. *Talcher*, *New Beerbhoom* and *South Karanpura* were uninteresting.

Jute

Jute shares have been very firm shares of mills which continue to work being in great demand. *Alliance* increased the ordinary dividend to Rs. 17-8 per share for the half-year ended July, 1944 against Rs. 12-8 per share for the previous half-year. *Howrah* improved on expectations of a higher dividend from Rs. 84-4 to Rs. 86-2. The quotation at the time of writing is not very much lower at Rs. 85-12.

Engineering shares were very active with *Indian Iron* and *Steel Corporations* done up to Rs. 40-12 and Rs. 32 respectively. The ex-dividend quotation for *Indian Iron* is expected to be higher. *Burn & Co.* were steady at Rs. 402 of the approach of the dividend. *Jessop* had some enquiry at Rs. 24.

Sugar shares were not active though *Carew* were two points better at Rs. 31-8. The announcement of an increase in the ex-factory price for sugar so as to

Steel Co., Ltd., have come to be neglected owing to the exaggerated reports about scarcity of coal and its effect on the Company's production. The general belief in market circles is that the supplies of coal to the Company have been reduced by 30 per cent. and that the earnings for the current year must have fallen proportionately. My inquiries in well informed circles reveal that market estimates are highly exaggerated on the bearish side. It would appear that the earnings of the Company to date have been well maintained and that, with the coal situation gradually improving, the prospects for the remaining months of the current year are encouraging.

allow for the payment of a higher price for sugar-cane must have an encouraging effect on this section. *Bal-rampore* were Rs. 17-8 against Rs. 16-12.

Tea shares had good investment demand, *Bish-nauth* being noted at Rs. 39-8, *Hasimara* at Rs. 73-12 and *Tezpor* at Rs. 19-10.

Among miscellaneous shares, *Burma Corporation* were sticky at Rs. 4-10 for the most part of the week but towards the close there has been a rise to Rs. 4-13. *Britannia Biscuits* were higher at Rs. 25-2. Paper shares have been firmer with *India Paper Pulp* at Rs. 220 and *Titagur Paper* at Rs. 27-4. *Dalmia Cement* is paying an interim dividend of six annas per share, it is not mentioned in respect of which accounting period. The quotation, on the announcement of the dividend, is higher at Rs. 17-14.

Raw Jute

In the past fortnight the raw jute market has been definitely easier, quotations for loose jute have been marked lower by eight to 12 annas per maund. In the pussa bales section rates are at the minima, due to the glut of arrivals in upcountry centres and the unwillingness of mills to buy for immediate consumption. A loss of 20,000 tons in production means a reduction in jute consumption by nearly a lakh bales. The Committee of the Indian Jute Mills' Association seems to have come to the decision that a crop of 100 lakh bales is necessary to meet full demand next season. There will have to be an increase in the acreage under the crop to 12 annas of the basic area from eight annas for the current season. The Jute Production Advisory Board considered this question on Saturday, but no decision appears to have been reached.

Export business has been poor with only small interest taken by shippers in *Long Group Daisee* at minimum rates. Mills bought *First* and *Lightnings* at minimum rates. Only *Cuttings* which are still not freely available are fetching slightly higher rates. *Cuttings N.C.* and *M.C.* sold at Rs. 43 and Rs. 42 per bale respectively.

Total stocks at the end of September were 1,72,534 tons against 1,73,536 at the end of the previous month. Sacking stocks cloth and bags on commercial account showed a decline of 1,446 tons to 92,102 tons while hessian showed an increase of 2,247 tons to 35,156 tons. Government stocks sacking and hessian were lower at 45,176 tons against 47,079 tons.

The production figures for the same month show a reduction of nearly 20,000 tons to 71,641 tons so that the offtake was only about 72,500 tons, much below the average for the current year and very much lower than the figures for the last three months. The output of hessian was 28,865 tons and sacking 39,917 tons. Other manufactures were 2,759 tons.

THE BUSINESS WORLD

PROGRESS IN THE CEMENT INDUSTRY

IN 1925, the Tariff Board commented on the growth of the cement industry thus: "In few industries has development been equally rapid. In 1914, a small quantity of cement was produced at Madras in one factory, while in 1924 there were ten factories at work with a possible output of 550,000 tons." The three stages of this progress are shown below:

Year	Number of factories in production	Output	Imports†	Total Consumption
1914 ..	2	0.9*	165.7	166.6
1919 ..	4	86.8	92.8	179.6
1924 ..	10	263.7	124.2	387.9

A number of inferences may be readily drawn from the above figures; some of them are, perhaps, obvious. The Indian cement industry, like many others, owes its initial momentum to the war conditions of supply and demand that obtained during the years 1914-18. By the end of that period, production increased from a meagre start to over half of the amount imported in the pre-war period and served to meet nearly half of the country's requirements. Secondly, the cement industry responded as readily as any other to the stimulus of the post-war boom. The number of factories increased from 4 to 10 during the first four years of the twenties and the older companies added greatly to their equipment so that their capacity was almost doubled. Thirdly, imports also had recovered during 1919-24, although in the later year, they amounted to only three-fourths of the pre-war figure. This meant consumption also had increased, in fact it had doubled during the five years following the war. Some of the increase was no doubt due to postponed demand, but very significant was the fact that the country was taking more and more to cement as a building material and was finding increasing uses for it in public works construction and in the building of factories and residential structures.

Nevertheless, all was not well with the cement industry in 1924. It is true that the industry possesses all the advantages postulated by the triple formula of the Fiscal Commission. In respect of raw material resources, it is well placed; limestone of excellent quality exists in abundance in many parts of the country and near the railway lines, so that it has usually been found possible to set up factories close to the quarries while ample supplies of suitable clay are also generally found in the neighbourhood of the works. Gypsum, the only other raw material needed, is also produced in India, although it has to be brought from long distances. In the years, the supervisory appointments were almost exclusively held by the European experts, but there has never been any difficulty in recruiting the labour force, from whom the process of manufacture does not demand any very high degree of skill. Thus, raw material costs and labour costs do not place any undue burden on the industry, while the home market for its product has always been considerable and potentially very great. Still, the first half of the twenties was a dangerous period for the industry. Its chief difficulties were distance from the ports and from the coal-fields. Of the ten companies, none were under a distance of 250 miles from Bombay or Calcutta, while as many as seven were over 600 miles distant. While this localization would confer a competitive advantage in the matter

* The output of only one of the factories is given; that of the other is not known, but it was very small.

† The figures are for the financial, not calendar, years, except for 1924.

of transport costs on the Indian as against the foreign manufacturer so far as the market up-country was concerned, it was in sum overwhelmingly to the disadvantage of the former owing to the fact that more than half the cement used in India was consumed in Calcutta and Bombay and the areas in their vicinity. The heavy transport costs from the factories to the ports had the effect of reserving the principal Indian market for cement to the foreign manufacturers. The competitive position of the Indian factories was further impaired by an adventitious factor. Exports came chiefly from Great Britain, while much smaller quantities came also from Germany, Belgium and Japan. By virtue of its long standing in the market and also of other factors, which need not be dwelt upon, British cement enjoyed a consumers' preference, entirely unjustified on grounds of quality alone, with the result that Indian cement of an equally good quality had to be offered at a much lower price if the preference was to be overcome. Added to these handicaps was the fact that with one exception, all the factories are situated at such a distance from the coalfields that the freight on coal was a very serious item in the cost of production. Thus, the pull of the principal raw materials had drawn the industry away from its source of fuel and from the principal markets for its product. It was because of these reasons that the industry was in a bad way at the time of the Tariff Board enquiry. The principal market at the ports was dominated by British cement, while the production capacity of the Indian factories was potentially some 550,000 tons as against the total Indian consumption of 388,000 tons. Given these conditions, an orgy of price-cutting was inevitable and cut-throat competition was, in fact, the order of the day; prices were so low that they did not even cover work costs and it seemed as if a promising industry would go down under the stress of foreign as well as domestic competition.

The recommendations of the Tariff Board and the action which the Government took on them are a measure alike of the inadequacy of the policy of discriminating protection and the thinly veiled hostility of the Government towards the country's industrialization. The position of the cement industry was, at that time, unique among industries seeking protection. Here was the case not of an infant industry feeling its way, but an "over-developed" industry, which found itself in difficulties precisely because it was "over-developed," because its capacity had outstripped consumption. Relief could be provided for it only in two ways—by eliminating foreign competition and assisting the industry to develop the home market. Given the general importance of the industry, there could be no doubt that it should have been done by positive measures, such as the prohibition or at least severe quantitative restriction of imports and a government-sponsored scheme of reorganization of the industry, which would involve rationalization and the elimination of uneconomic price-cutting. Instead of recommending some such adequately strong action, the Tariff Board proposed a scheme of conditional bounties, which went nowhere near meeting the requirements of the case. The Government, of course, could be depended upon to take advantage of the diffident attitude of the Board to turn down their proposals. Thus, between the Tariff Board's doubts and fears and the Governments callousness, it seemed as if the industry was to be thrown to the wolves. In fact, the very announcement of the Government's decision drove three new companies into liquidation, while many others threatened to follow suit. That the industry ultimately managed to pull through was due

solely to the courage and foresight of its leaders, and particularly to Sir F. E. Dinshaw, "who was the one man responsible for saving the Indian cement industry from a series of calamities." The years 1926-29 saw heroic efforts on the part of the industry to save itself. The Indian Cement Manufacturers' Association was formed primarily to eliminate cut-throat competition and was completely successful in achieving this object as may be judged from the fact that not a single case of price-cutting was reported during the four years of its career. The Association also set up a joint "sales service" in the form of the Concrete Association of India for popularising the use of cement. The next step in the reorganization of the industry was taken in 1930, when the Cement Marketing Company of India was formed to take over the control of the sales and distribution of almost all the manufacturing companies, on the basis of an agreed system of quotas, the aggregate tonnage adopted as the datum figure being 722,000 tons. Between 1933-34, two new companies, the Coimbatore and the Dwar-khand Cement Company were floated by the member companies, which increased the datum tonnage to 922,000 tons. Although the system of centralized marketing achieved a considerable measure of success in expanding the consumption of cement through education and propaganda and above all by means of a wise price policy, there were practical difficulties right from the start and it became evident that a complete fusion of sales and manufacture would be necessary. Thus, in 1935, the merger of the ten principal cement companies was brought about and the Associated Cement Companies Ltd., disposing of a total annual capacity of 1,165,000 tons, was born. By the end of 1936, the Associated Cement Companies possessed a total capacity of 1,265,000 tons, while the Sone Valley Company, the chief outsider, had a capacity of 200,000 tons. As striking as the internal reorganization of the industry was the other factor equally responsible for setting it on its feet, viz., the rapid expansion of cement consumption in India, accompanied by a decline in the importance of imported cement. Thus, whereas in 1924, consumption stood at 388,000 tons, it was over a million in 1936-37, while imports had declined during the same period from 124,000 tons to 38,000 tons. Stimulated by this improved demand for Indian cement, new manufacturing ventures were ushered in, the most notable of them being the Dalmia Cement Limited. During 1939, despatches from the factories, totalled 1,533,000 tons and this production was controlled by five companies: The Associated Cement Companies Limited, Bombay, Dalmia Cement Limited, Dalmianagar, the Assam-Bengal Cement Company Limited, Calcutta; the Sone Valley Portland Cement Company, Limited, Calcutta; and the Andhra Cement Company, Limited, Bezwada.

During the present war, with the increased demand for cement for military construction, production has been stepped up with the result that 2,058,000 tons were despatched from the factories in 1943. The in-

crease of production by a third was secured by the expansion of plant and equipment and not by working more shifts, as the factories were already working on a 24-hour basis for an average of 350 days in the year. The additional production was of the Portland cement quality according to the British standard specification. Since August, 1942, the distribution of cement has been taken over by the Supply Department. In the early stages of control, when aerodrome construction was proceeding apace, 90 per cent. of the output was reserved for defence purposes, while the balance was available for the Provincial Governments, Central P.W.D., Railways, Port Trusts and other essential consumers. Later on, about 20 per cent. has been released for civilian consumption, although the public are still unable to get any cement. It is difficult to understand why it has become impossible to expand production by installing more machinery. Can there be any other explanation than the obvious one that in this country civilian needs stand invariably at the bottom of the list of priorities?

An allied line, which has been kept busy during the war, is the manufacture of asbestos cement goods. Even before the war, the Asbestos Cement Limited, Bombay, had a factory in each of the three provinces of C.P., Bombay and Bengal. Indian cement has always been used in all the factories, but asbestos fibre has to come from Africa, Cyprus and Canada, as the deposits found in Madras, Mysore or Bihar do not yield fibre of suitable quality. The main products were roofing and building sheets and building pipes, accessories and gutters. On the eve of the war, due to the competition of imports, the Bombay and C.P. factories were not working to full capacity, while the Calcutta factory remained closed. But the cessation of imports and the war demand have led to an increase in Indian production and the total output of the three factories has been raised to 6,500 tons monthly, of which 75 per cent. is taken up by the Government Departments, including the Defence Services.

The cement industry is one of those few industries which may look forward to the period after the war with complete confidence in its continuing prosperity. Imports are not likely to be a serious problem, while the present capacity of 200,000 tons a month will be readily absorbed by the market. Indeed, in the years immediately following the war, there is likely to be a scarcity of cement. Pent-up civilian demand and the requirements of the Far Eastern countries for reconstruction purposes should account for a big off-take, which any quickening of the pulse of industrialization would lead to an increase in cement consumption, as more factories and buildings of all sorts are put up. Above all, the extension of social services, involving the erection of many medical and educational institutions and the carrying out of projects of irrigation, hydro-electric development and road transport should help to sustain the war-time increase in the productive capacity of the cement industry.

NOTES

INTERNATIONAL IN INDUSTRY

In the course of an article in the September issue of the *Journal of Scientific and Industrial Research* on post-war industrial development, Sir S. S. Bhatnagar envisages seven ways in which international co-operation in industrial development may be both possible and desirable. They are:—

- (i) Share in capital;
- (ii) Share in royalties and premia on processes of industrial interest;
- (iii) Pooling together of scientific knowledge through societies and Government Departments;
- (iv) Research associations;
- (v) Exchange or employment of technical talent;

- (vi) Training of apprentices for scientific, commercial and social work related to industry;
- (vii) Co-operation in the regional allocation for the distribution of an industrial product; and
- (viii) Co-operation in the matter of transport.

Sir Shanti Swarup goes on to detail the advantages, which he, as a scientist, expects from such collaboration, but, in our opinion, he does not seem to be as alertly aware of the very serious dangers to which it is prone, especially for a politically subject and economically under-developed country such as India.

Nobody denies that foreign capital and foreign technical skill may, under certain conditions, play a valuable part in our industrial

development. Indeed, our leading industrialists have put on record our willingness to take such help, provided it can be had without in anyway compromising our vital national interests. Thus, while speaking of foreign capital, the Bombay Plan says, "such capital, if it is not accompanied by political influence or interference of foreign vested interests, should not be unwelcome." Again, it is a well-known story how some of the early enthusiasts for an Indian automobile industry went to the United States to enlist American technical assistance. The fertilizer industry in Mysore State has, in fact, been set up with the aid of American equipment and technical assistance. The supervisory posts in the glass and cement industries were for a time exclusively held by European experts.

The question, therefore, is not whether India is prepared to take advantage of foreign capital and skill, but rather how far such assistance would be forthcoming on safe, and advantageous terms.

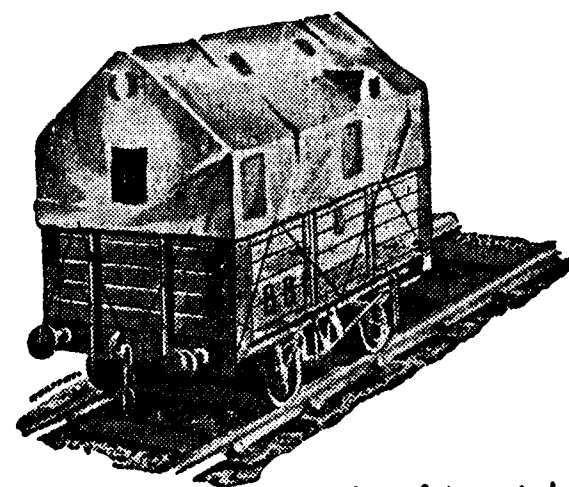
The seven ways of collaboration set out by Sir Shanti Swarup may look innocent on paper, but surely he cannot be wholly unaware that some of the most powerful and restrictive international combines and cartels have been built up through the devices of financial and technical collaboration. In all such cases, the dominant party has ended up by 'bossing' the whole show. From collaboration to penetration and from penetration to domination, it has not usually been a far cry. The position becomes much more dangerous potentially, if one of the countries concerned is politically subject, with a Government irresponsible to its people and liable to be dictated to by outside interests on vital matters of commercial, monetary and fiscal policies. We may, therefore, be excused if we refuse to go into ecstasies over "common money...like common blood" leading "to a cementing of good relations when it is shed in a common cause." For our part, we would prefer to judge every specific offer of foreign financial and technical assistance on its own merits and would plead for the rejection of any that involves a

surrender, on our part, of effective control over vital industries.

CLOTH DISTRIBUTION

At the recent meeting of the Textile Control Board, Mr. Krishna Raj Thackersey not only announced that prices of cloth would be further reduced at the rate of one anna and yarn from one to three annas per rupee over those that prevailed in the quarter ending August 1944, but also outlined a new scheme of cloth distribution. The scheme envisages the allotment of a pre-determined quota from the available supply for each province and State, based on consumption in normal years, adjusted as may be necessary to the total quantities now available. The number of wagons to be made available for the transport of cloth from the producing to the consuming centres will also be decided in the light of the quotas. Transport permits will be necessary, and issued to those who were in the trade in 1940-42. Thus normal trade channels are to be employed as far as possible. The controlling authorities are charged with the duty and responsibility of ensuring that the cloth received is properly distributed throughout the zone and sold at control prices. It is here that difficulties are going to arise, as ever before. The standards of enforcement of control vary from province to province and State to State. Thus many States are still offering good scope for black markets, in which even Princes are said to be involved, while in Bengal cloth received is said to be smuggled out to Nepal and China to be sold at fancy prices. Unless stricter measures are taken to curb such transactions, the full benefits of continued price reductions will not accrue to the consumers. The stage was long ago reached when the Control Board sitting at Bombay could assume responsibility for the enforcement of the difficult distribution provisions, without the fullest co-operation of provinces and States. A higher degree of success for cloth control must come only from a better sense of responsibility and efficiency on the part of the latter.

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...



FROM THE PROVINCIAL ANGLE

Bombay Letter

(From Our Correspondents)

BOMBAY, Oct. 21, 1944.

BOMBAY'S road and irrigation development plans were outlined at a Press Conference by Mr. G. F. S. Collins, Adviser to the Government of Bombay. According to the road plan, Bombay will have 2,700 miles of national and 5,600 miles of provincial highways, and 16,000 miles of district and 14,000 miles of village roads when the development scheme is completed. It will be based on the Nagpur scheme for the all-India road plan. There will be four main kinds of roads. The first will be national highways connecting the ports and capitals of all provinces and States, these roads being financed by the Centre. Secondly the provincial highways which will connect district headquarters and important cities with the national highways. Thirdly, there will be district roads which will cover each district and serve areas of production and markets and link up with the national and provincial highways. Lastly, there will be village roads. Regarding the cost, as against the previous expectation of Rs. 44 crores, Mr. Collins said that the first actual estimate had come to a figure far in excess of this due to higher standard of living and the consequent higher provincial wages, the greater length of proposed village roads, greater value of land, etc. In view of this, the Government were considering the various methods of expenditure. Mr. Collins then dealt with the proposed irrigation projects. He gave details of projects provisionally selected for the first phase of development. Poona, Sholapur, East and West Khandesh and Ahmednagar districts will be the first to get the benefits of these irrigation projects.

When the Government first announced its post-war development plan, it was particularly emphasized that the Plan was by no means an unalterable blue print. One would expect that the correct thing would be to appoint an expert committee consisting of competent non-official personnel who would discuss such technical subjects as those mentioned above threadbare, and then advise the Government. Instead, the Government seems to be taking the sole responsibility of deciding upon huge projects costing the Province lakhs of rupees, upon itself.

Grain Levy System

It will be recalled that in March last, the Government of Bombay introduced a system of levy on producers in the three *rabi* districts namely, Ahmednagar, Bijapur and Sholapur. The object of the Levy System is to tell every cultivator the exact quantity of grain which he has to sell to the Government. The Government have now decided to extend this system to all the dry crop areas of the Province. The advantage of the Levy System is that the cultivator is told the exact quantity which he has to sell to the Government and, therefore, no interference is possible from the subordinate districts officials. The method of estimation of the levy has been evolved in the light of experience of the three districts during the last three months. The total acreage of holding under food crops, the average yield of food crops in the area and the comparative quality of the land in the holding, are the three factors taken into consideration in estimating the levy. The amount to be levied is graded according to production with a minimum of 27½ maunds per year below which no levy is applicable.

Yarn and Cloth Distribution

The chronic complaint of inequitable distribution of yarn and cloth have at last moved the authorities into evolving an all-India plan of distribution on a provincial quota basis. Sir Akbar Hydari during a visit to the Surat Weaving Association announced that a plan bringing about an equitable distribution of yarn throughout India has been evolved by the Department of Industries and Civil Supplies. This Plan would be enforced within five or six weeks. Under the plan no surplus yarn producing province would be able to take advantage of its position to the detriment of other provinces. The Plan is also expected to do away with the complaint of the handloom weaving industry of shortage of yarn supply. Incidentally, it may be mentioned here that Sir Akbar Hydari was candid enough to say that both cloth and yarn were not in sufficient quantities in the country. Regarding cloth distribution a new plan was outlined by the Chairman of the Textile Control Board, at a meeting of the Board in Bombay. The object of the new scheme is to ensure an equitable distribution of cloth to the various surplus and deficit zones as defined under the Cotton Cloth Movement Control Order. A quota will be worked out for each Province and State according to its consumption in normal years, and adjusted to the cloth supplies available. On this basis each province and State will be allotted the amount of cloth which it can get. This system will be enforced by limiting the number of wagons available for each area to those required for transporting the quantity of cloth fixed according to the quota. Transport permits will be issued to regulate the movement of cloth according to quota and no movement by rail, road or sea will be possible except under these permits.

Cultivable Waste Land

The Government of Bombay have made a beginning in a small way in putting under cultivation land which has so far not been cultivated. For this purpose, they have appointed a special officer to study the problem of reclaiming waste land. The findings and recommendations of this officer after a year's study make very interesting and encouraging reading. If his recommendations are accepted and executed by the Government it is possible that in the Thana district alone the annual rice output will be increased by 300,000 Bengali maunds. Rice will be grown on vast areas which are at present lying practically waste in the Thana and the Bombay suburban districts, most of which are in a spoilt condition due to inroads of tidal waters from the sea. The scheme of reclaiming these lands for rice cultivation will require construction of bunds in these areas. Regarding the cost of the *bunds*, the special officer believes that a quarter of the cost can be borne by the Government as a subsidy under the Land Improvement Schemes Act. A new source of income will also be available to the Government through sale of fishing rights near the sluice gates of the *bunds*. Similar possibility of reclaiming waste land in the Bassein Taluka has also been pointed out by the special officer, where an addition to the rice crop of about 100,000 maunds, can be brought about. For this purpose a sum of Rs. 38 lakhs would be required, while the sale of fishing rights would realize annually about Rs. 2 lakhs. The cost per acre has been worked out at Rs. 268, of which the cultivator's share would be Rs. 141.

Bengal Letter

CALCUTTA, Oct 21, 1944.

THE question of the purchase of the Calcutta Tramways by the Corporation of Calcutta has begun to arouse considerable interest of late. The Calcutta Tramways Company Ltd. which is at present running the tramway system of Calcutta is a British company incorporated in England. It is by virtue of a concession obtained from the Corporation that the company has been enjoying the right to conduct this transport system which is the most important transport available in the city and its suburbs. In terms of the agreement in respect of this matter the Corporation can purchase the Tramways from the company on January 1, 1945 or in any seventh year thereafter. The Corporation of Calcutta has already given notice of their intention to purchase the undertaking. This has brought to the fore several issues involved in the purchase of this undertaking. There is the question of the financial implications of this move. How is the Corporation going to finance such an enormous business deal? Secondly, there is the problem of efficiency in management. It is being debated whether or not the quality of the transport service will deteriorate under the management of the public body. In this connection a suggestion has been made that the management should be handed over to a Transport Board on the lines of the London Transport Board.

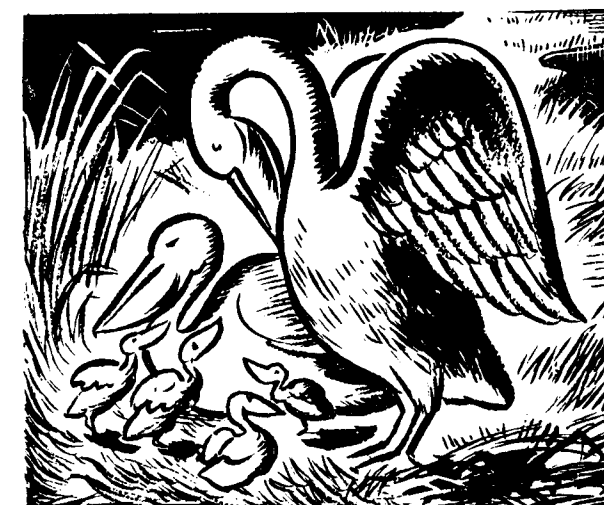
GROW MORE FOOD

The Government of Bengal are engaged in making a new experiment with a view to revitalise the Grow-More-Food campaign. The Government have decided to train up primary school teachers in vegetable gardening under two different schemes. According to the first scheme, a start will be made with ten selected schools which will be provided with seeds and other implements by the Government. Three prizes of Rs. 100, Rs. 60 and Rs. 40 each will be awarded to three teachers showing the best results in vegetable gardening. Under the second scheme five schools will be selected which will be provided with staff, implements, seeds etc. If the experiment proves successful it will be extended to other schools.

A DISQUIETING HINT

There is considerable anxiety here over the disquieting hint thrown out by Sir J. P. Srivastava at Cochin that next year Bengal will be able to stand on her own legs in regard to her food requirements which will ease the food position for the rest of India. How Sir Jwala Prasad could make a complacent observation like this it is difficult to understand. Even with a bumper crop last winter Bengal has needed the help of the Central Government for feeding the

population of Calcutta and Greater Calcutta. In spite of this Bengal is only just managing to get through; there is no sign of what may be considered to be a really satisfactory food position. Local shortages continue to occur from time to time. The price of rice is not yet low enough to be within the easy reach of the poorer sections of the community. What is more there is no likelihood of Bengal having a bumper rice crop next year. At the most Bengal may have just an average normal crop. In these circumstances it is positively dangerous to talk of stopping the central help to Bengal in the matter of food. One can only wish that the Food Member of the Government of India had shown a better appreciation of the realities of the food situation in Bengal than he did in his recent speech at Cochin.



THE PELICAN WAY

According to ancient belief, in time of adversity the pelican fed its young on blood drawn from its own breast.

That is the pelican way of self-denial worthy of emulation by us humans. Self-denial of a few rupees of your regular present income will go a long way to make you face the future with confidence and courage.

Those who pay their premiums to the Ruby General Insurance Co., Ltd. have the additional satisfaction of knowing that they have insured with a company with unique advantages.

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Quick Facts About the Loan.

1. The Loan is issued at par and will be redeemed on the 1st September, 1957.
2. The Loan will be on tap until further notice.
3. Interest is paid half-yearly, on the 1st of March and the 1st of September.
4. It is easy to purchase. Apply to your Bankers, or to the Reserve Bank of India in Bombay, Calcutta, Madras, Delhi, Cawnpore or to Branches of the Imperial Bank of India in other places or any Government Treasury.

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AAA 1150

BOOK REVIEW

FOOD RATIONING AND SUPPLY 1943-44: League of Nations' Publication 1944: II A. 3. Pages 101, Price Rs. 3-6-0.

It is a study of the food situation throughout the world at the end of the fourth year of war. Particular attention has been devoted to the position in Europe in this respect, for which unofficial estimates have also been taken into account. Based on official information generally as it is, the portion on India is not very illuminating. It gives firstly, a picture of the amount, composition and nutritive value of the legal rations in Europe and elsewhere, secondly, the conditions of civilian health and mortality and closes with an estimate of available food supplies in various areas. Conditions in occupied Europe appear to vary widely, from Germany and Bulgaria, when the colorific consumption appears to be as great and greater than before the war, to Poland, Yugoslavia, Greece and occupied Russia in parts of which actual famine is said to have occurred. Everywhere the privation has fallen primarily on the poorer people in the towns and cities. It is pointed out that in general, the food situation in Europe improved in 1943, the colorific content of the rations in most countries having been raised, while the desperate conditions in Greece are said to have been alleviated with the arrival of international relief. The study describes also the rationing systems of United Kingdom, Switzerland and Sweden. There being no limitations on total colorific consumption on account of the existence of many ration-free articles of food general comparisons have not been made in respect of these countries.

Reliable statistics are lacking in respect of mortality and mortidity for most countries, nevertheless estimates have been made which go to show that great increase in deaths has occurred in the worst-fed countries. The increase in deficiency diseases and general prevalence of loss of weight in most countries have been noted. In the better-fed countries other than Germany death rates seem to have actually declined. The improvement in food position in the occupied Europe is attributed to better harvests, that are said to have been 90 per cent. of the pre-war average. The animal food supply declined further. Europe is said to be short of the necessary fertilizers, draught power and man-power and increasingly difficult food problem for occupied Europe has been forecast. With the speedy extension of cultivation to the areas recovered, the food supply of U.S.S.R. is expected to be materially augmented. In Americas and Australia the 1943 wheat harvest declined substantially, yet the carry over from the previous year of nearly 1,700 bushels had been unprecedented, and even after increased utilization for feed and power alcohol the last year's carry-over together with the surplus this year is expected to leave stock of a billion bushels for relief purposes.

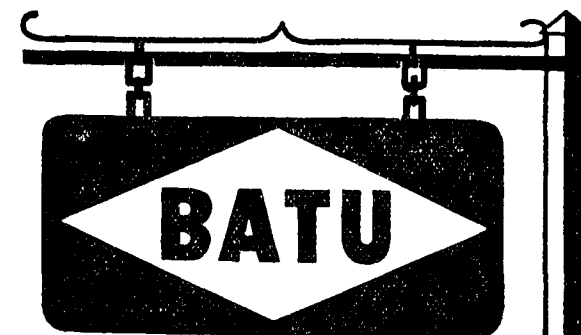
SOIL EROSION: Oxford Pamphlets on Indian Affairs, No. 23, by Sir Harold Glover. Pages 32. Price As. 6.

Soil Erosion is seriously lowering the productivity of over half the cultivated area of India and is rendering more of the cultivable area uncultivable. Destruction of forests in the hills, over-grazing in the pastures and faulty methods and imperfect bounding of the cultivated land cause devastating floods, washing away of the all important top soil which contains humus, and the formation of ravines which cut back into and destroy arable fields. Thus running water which could be utilized for irrigation and hydro-

electric power leads to progressive deterioration of national assets. Prevention of soil erosion is therefore a task of national importance, and the pamphlet is a lucid and useful exposition of the problem. The writer describes how the problem has been tackled in some areas and suggests remedy which consists of long range planning and management of forests, pastures and cultivated land.

AN INTRODUCTION TO BANKING PRINCIPLES, PRACTICE AND LAW: By Bimal C. Ghose. Oxford University Press, 1944. Pp. 361. Price Rs. 5-8.

This book is intended as a text-book for B. Com. students and will be useful as such. It is divided into four parts, viz., general principles of banking, foreign monetary systems, Indian banking and money market, and banking practice and law. In a 1944 publication banking statistics given seem to be out of date.



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Industry

Starch Industry in India

By S. R. C. Poti

EXTRACTED from different materials, such as maize, potatoes, tapioca, sago, etc., starch is consumed in large quantities in a wide range of industries, the chief of which are the textiles, paper, leather, laundry, food products and the manufacture of dextrines and adhesives. Starch Conversion products find wide use in foods, the fermentation industries, the production of rayon, tanning, pharmaceuticals, and in confectionaries. Before the outbreak of the present war India used to import different varieties of starch from the Straits Settlements, Netherlands, U.S.A., etc. The import figures for the year 1939-40 are given below:—

Maize and other cereal starches ..	14,000 tons.
Farina and potato starches ..	4,000 tons.
Sago flour ..	17,000 tons.

Total of all starches .. 35,000 tons.
The above total of imports was mainly distributed from the provinces of Bombay and Bengal.

The present demand in India for starches is well above the 45 to 50 thousand ton mark and indigenous manufacture does not meet more than half the above demand and due to restrictions imposed by the Starch Control Order, the production is actually below 20,000 tons a year. The field for the use of starch has yet to be worked up more intensively and this coupled with the increasing needs of expanding industries assures a demand for starch in post-war India well above 50,000 tons a year. Indian industrialists should devote more attention to the expansion of this industry and bring it up to a stage where home production can meet the internal demand fully.

The raw materials available for the industrial manufacture of starch are maize, potatoes, tapioca and to a limited extent, sweet potatoes. Other raw materials, such as rice, wheat, etc., have only a limited application in starch manufacture owing to their being staple foodgrains and the higher cost of starches made from them. U.P., Punjab and Bihar offer facilities for the manufacture of starch from maize; Bihar and the Nilgiris District in the South, from potatoes; Travancore State and Malabar from tapioca, and North Malabar, South Canara and certain parts of the Andhra Districts, from sweet potatoes. Bengal would offer some scope for starch manufacture from maize, tapioca and some varieties of roots similar to the arrow-root. At the present moment maize forms the chief raw material for starch manufacture in India; potato and tapioca have not been worked up commercially as yet. Just after the outbreak of the war, tapioca available in Travancore came in for a limited exploitation but, even the little that was then done, was not at all in an organised way. Crude tapioca meal was made by cottage methods and put on the market, which was prepared to absorb any starch owing to the failure of imports. Future developments in starch industry should be more along the lines of commercial utilization of potatoes and tapioca.

Starch made from different raw materials has varying properties and starches from the same

material could again be varied in their properties to suit specific purposes. Maize starch paste, though not as viscous as potato starch paste, possesses advantages for use in sizing of textiles, as its viscosity is maintained over a long period of boiling. The potato starch paste starts with a high viscosity but this falls off rapidly, unless its inherent properties are modified by the addition of dextrines or by chemical treatment. The tapioca starch behaves very similar to that of the potato. It has been found that sweet potato starch has a high viscosity, comparable to that of potato starch, and in its constancy of this viscosity it resembles the maize starch. The limited availability of this material for industrial starch manufacture would tend to make this starch costlier than other starches but it would pay to make special quality starches from this. Slight modifications in all the starches, to make them suitable for the different uses of starch, could be effected by simple chemical treatment and also by the addition of small quantities of dextrines and pectin. To establish the industry on a firm footing it is not enough if the factory itself is well laid out and run on economical lines. Scientific thought should be given to the production of different grades and brands of starch for use in the different industries and for different purposes. Starch users should be educated to be more discriminating in their requirements and the industry should be organised to meet their specific requirements. This will not only be of mutual benefit to the manufacturers and the consumers, but also serve as an effective weapon with which to fight competition from foreign manufacturers, whose products, we have to admit, are the result of more scientific planning both in regard to manufacture and to marketing.

A further point that needs stressing for the benefit of this industry is that we should concentrate more on the manufacture of starch products than is done now. We have a virgin field before us for modified starches and starch products for use in the manufacture of various food preparations and in the fermentation industries. Glucose is one of the most paying starch products and it is indeed a pity that only two or three of the existing starch factories manufacture this. Even then only liquid glucose is manufactured by them. We should go on to make dry glucose powder and using vitamins A and D extracts from shark liver oil, available in India, put glucose A and D on the market. This is being done in a small way by a few pharmaceutical concerns. Even here there is much room for improvement and the starch industry itself should take on the manufacture of such starch products as a profitable side-line.

Then again a little more decentralisation of this industry than obtains at present seems to be indicated. All the existing factories use maize as the raw material and are consequently huddled together in the Indo-Gangetic plain, with the exception of one or two. The textile industry being the main consumer, the centres for starch consumption may, more or less, be said to lie with the various textile centres, such as Bombay, Ahmedabad, Surat, Sholapur, Nagpur, Cawnpore, Calcutta, Madras, Coimbatore and Tuticorin. It would thus be seen that the centres of starch consumption are distributed relatively widely,

whereas starch manufacture itself has tended to concentrate in a few provinces. This fact coupled with the necessity to work up starch manufacture from tubers would give a definite pointer for a dispersion of this industry.

It is important that the manufacturers should aim at having assured supplies of the raw materials at reasonable prices. In the case of tubers, such as potatoes and especially tapioca the raw material should be specially picked for starch manufacture. Taking tapioca for example the tubers usually put on the market, being mainly for edible purposes, are harvested in about 8 to 9 months. For starch manufacture tapioca should not be harvested in less than 10 to 12 months, if the optimum yield of starch is to be obtained. Starch factories should of necessity be located in the centre of the raw materials growing area to keep transport costs down to a minimum. This is specially so in the case of tubers where the raw material would be 5 to 6 times the weight of the starch extracted. Also if such areas are selected near the consuming centres, wherever this is possible, transport costs would be further cut down. In the case of tapioca and potatoes a greater economy could be effected by producing 'green' starch on cottage industry lines in the growing areas. Such green starch could be used for the manufacture of glucose or starch syrup by the main industry. This would not only effect a saving in freight but provide remunerative part-time work for the agriculturists. It would also solve, to a certain extent, the problem of disposal of waste products, viz., exhausted pulp and effluent; the former may be used as cattle fodder and the latter for irrigation of land.

There is every reason to hope that this industry would not only exist but flourish in post-war India, even in the face of foreign competition. In this

connection the move on the part of the Government in having promised post-war protection to this industry is indeed a very welcome one and this should further stimulate the industrialists to build up the manufacture of starch and starch products on efficient lines.

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Managing Director MR. M. K. GUHA

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TO-DAY, Fighters, Dive-bombers and Reconnaissance squadrons of the **INDIAN AIR FORCE** are operating in strength over enemy occupied territory in Arakan and Burma.

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-AND WE ARE BEATING THEM BACK

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AAA 1308

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA					
ISSUE DEPARTMENT (Rs. in lakhs)			BANKING DEPARTMENT (Rs. in lakhs)		
12-10-44	6-10-44	15-10-43	1-9-39	13-10-44 compared with 1-9-39	13-10-44 compared with 1-9-39
Notes held in the Banking Dept. ..	8.92	10.44	14.28	9.87	— 95
In circulation ..	957.50	949.97	776.52	182.13	+775.37
Total Notes ..	966.42	960.42	790.81	217.18	+748.97
A. Gold coin and bullion* ..	44.41	44.41	44.41	44.41	Nil
Sterling Securities ..	850.33	844.33	674.75	59.50	+790.83
Total of A ..	894.74	888.74	719.16	103.92	+790.82
B. Rupee coin ..	13.38	13.83	13.23	75.87	— 62.49
Rupee Securities ..	57.84	57.84	58.41	37.39	+ 20.45
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to Liabilities ..	92.627	92.537	90.94	63.149	+29.478

IMPERIAL BANK (Rs. in lakhs)					
13-10-44	6-10-44	15-10-43	1-9-39	13-10-44 compared with 1-9-39	
Fixed Deposits, Savings Bank, Current and other Accounts ..	231.64	232.17	195.48	67.26	+144.38
Govt. Securities ..	136.97	131.69	129.72	51.03	+ 85.94
Other Investments ..	3.64	3.64	23.91	96	+ 2.68
Loans ..	9.17	9.39	12.39	7.66	+ 1.51
Cash Credit Overdrafts ..	42.30	44.52	21.23	19.76	+ 22.54
Bills discounted ..	2.73	2.22	2.17	2.95	+ 22
Cash in hand, with R.B.I. and other Banks ..	46.83	50.66	37.59	14.69	+ 32.14

BANK OF ENGLAND (£ 000)					
18-10-44	11-10-44	20-10-43	30-8-39		
Total Bullion ..	2,507	2,500	1,983	263,700	
Public Deposits ..	7,600	8,700	23,600	31,100	
Other Deposits ..	238,200	233,800	194,800	129,100	
Of which Bankers' Deposits ..	182,300	177,900	140,700	90,100	
Govt. Securities ..	197,400	195,900	158,800	113,100	
Other Securities ..	14,900	14,500	17,300	31,000	
Of which Discounts and Advances ..	10,900	7,500	1,400	6,400	
Notes and Coins ..	40,300	42,100	58,800	34,200	
Notes in circulation ..	1,162,300	1,160,400	993,400	529,500	
Liabilities ..	16.38	17.34	29.81	21.38	

TREASURY BILLS SALES (3 Months' Tenure) (Rs. '000)					
Date of issue 1944	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Dept.
June ..	50,62.50	30,00.00	0 7 3	..	8,52.50
July ..	37,36.75	16,00.00	0 7 9	..	13,76.00
August 4 ..	12,97.00	4,00.00	0 7 9	..	60.00
" 11 ..	14,91.25	4,00.00	0 7 7	..	3,30.00
" 18 ..	19,25.00	6,00.00	0 7 9	..	2,97.00
" 24 ..	13,32.50	6,00.00	0 7 10	..	2,05.50
September 1 ..	14,52.50	6,00.00	0 7 7	..	61.25
" 8 ..	14,57.50	6,00.00	0 7 10	..	2,00.00
" 15 ..	14,61.50	6,00.00	0 7 10	..	2,00.50
" 22 ..	..	6,00.00	0 7 11	..	1,46.50
" 29 ..	10,00.50	6,00.00	0 7 11	..	2,70.00
October 6 ..	..	6,00.00	0 7 11	..	6,83.25
" 13 ..	..	6,00.00	0 7 11	..	2,71.00
" 20 ..	..	6,00.00	0 8 0	..	..

CASH POSITION (Rs. in lakhs)					
13-10-44	6-10-44	15-10-43	1-9-39	13-10-44 compared with 1-9-39	
Reserve Bank of India ..	9.17	10.68	14.41	35.15	— 25.98
Scheduled Banks ..	125.46	130.06	87.92	31.87	+ 93.59

SCHEDULED BANKS (Rs. in lakhs)					
13-10-44	6-10-44	15-10-43	1-9-39	13-10-44 compared with 1-9-39	
Demand Liabilities in India ..	591.99	587.50	466.33	136.35	+465.63
Time Liabilities in India ..	193.81	192.36	136.62	102.24	+ 91.57
Cash in India ..	25.58	26.21	22.11	6.70	+ 18.86
Balances with Reserve Bank ..	99.90	103.85	65.81	25.17	+ 74.73
Advances in India ..	198.38	202.80	152.32	101.52	+ 96.86
Bills discounted in India ..	9.11	8.91	4.03	3.57	+ 5.54

U. S. FEDERAL RESERVE BOARD (million dollars)					
12-10-44	5-10-44	14-10-43	31-8-39		
Resources:—					
Total Reserves ..	18,802	18,908	20,308	14,661	
Total Bills discounted ..	148	33	18	(6,190)	
Bills bought in open market ..	..	..	..	(550)	
Total U.S. Govt. Securities ..	17,016	16,660	9,061	2,426	
Liabilities:—					
F.R. Notes in actual circulation ..	20,499	20,297	15,386	4,609	
Reserve Account ..	13,708	13,433	12,021	4,609	
Total Reserve to Deposit F.R. Note Liabilities ..	52.2	53.0	69.1	86.9	

TREASURY BILLS MATURITIES (3 Months' Tenure) (Rs. '000)					
Date of maturity 1944	Amount	Date of maturity 1944	Amount		
August ..	16,00.00	November 16 1944 ..	6,00.00		
September ..	30,00.00	" 25 ..	6,00.00		
October ..	16,00.00	December 1 ..	6,00.00		
November ..	20,00.00	" 8 ..	6,00.00		
October 7 ..	4,00.00	" 15 ..	6,00.00		
" 14 ..	4,00.00	" 22 ..	6,00.00		
" 21 ..	4,00.00	" 29 ..	6,00.00		
" 28 ..	4,00.00	January 6 1945 ..	6,00.00		
November 4 ..	4,00.00	" 13 ..	6,00.00		
" 10 ..	4,00.00	" 20 ..	6,00.00		

STERLING PURCHASES BY RESERVE BANK OF INDIA (£ in '000)					
1943-44	April-Aug.	Sept.	Aug. Sept.	Aug.	
Amount ..	103,309	43,080	7,037	10,218	8,371
Average rate of purchases remained £0-1-6 all along.					8,546

EXCHANGE RATES (T.T.) (000's omitted)					
	Oct. 4, '44.	Aug. 29, '44.			
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—4.08 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%		

CLEARING HOUSE RETURNS (Rs. in lakhs)					
1944	1944	1944	1944	1944	1944
Centres ..	1943-44	6,91.78	1,53.30	1,96.21	80.63
Bombay ..	20,43.21	7,01.92	1,97.27	2,24.41	1,00.04
Calcutta ..	17,40.12	..	..	..	..
Lawnpore ..	1,02.41	37.55	7.52	8.76	..
Delhi ..	1,21.08	39.35	8.40	10.69	..
Varanasi ..	1,02.64	38.28	7.90	11.32	..
Allahabad ..	78.82	30.36	7.11	8.25	..
Madras ..	2,00.02	78.25	16.59	22.37	8.44
Total ..	43,48.50	16,07.49	3,98.27	4,82.01	1,89.11

CASH POSITION (Rs. in lakhs)					
13-10-44	6-10-44	15-10-43	1-9-39	13-10-44 compared with 1-9-39	
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1943-44	April-Aug.	Sept.	Aug. Sept.	Aug.	
Amount ..	103,309	43,080	7,037	10,218	8,371
Average rate of purchases remained £0-1-6 all along.					8,546

EXCHANGE RATES (T.T.) (000's omitted)					
	Oct. 4, '44.	Aug. 29, '44.			
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—4.08 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%		

CLEARING HOUSE RETURNS (Rs. in lakhs)	
--	--

B—General

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

Commodities	IMPORTS			EXPORTS		
	June 1944	May 1944	1943-44 (Apr. to Mar.)	June 1944	May 1944	1943-44 (Apr. to Mar.)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Grains, pulses and flour ..	30,64,519	16,00,241	1,47,83,664	2,03,628	8,07,325	2,30,81,647
Provisions and oilman's stores ..	6,21,225	4,51,635	53,45,123	2,55,551	1,92,943	58,48,387
Sugar ..	16	1,844	12,931	4,00,697	380	42,27,140
Tea ..	5,017	16,247	2,17,233	1,24,17,795	2,54,25,193	37,51,01,139
Hides and skins (raw or undressed) ..	5,94,02,435	7,26,09,170	36,32,58,018	10,59,423	77,11,392	4,12,26,932
Oils—vegetable, mineral and animal ..	4,93,494	3,34,315	1,23,10,949	15,59,210	3,44,408	82,84,077
Seeds (including nuts) ..	1,44,72,794	3,31,43,816	17,52,77,527	61,56,933	20,52,425	11,15,80,433
Cotton, raw and waste ..	..	..	..	83,69,931	74,16,961	7,48,71,369
Jute raw ..	..	..	..	44,74,118	45,74,634	8,32,12,355
Chemicals, drugs and medicines ..	83,00,595	87,91,912	7,25,94,119	4,35,998	2,58,531	66,83,183
Cutlery, hardwares and implements, etc. ..	30,66,422	29,81,944	2,77,06,270	3,11,666	1,68,777	22,53,149
Dyes and colours ..	65,47,036	46,97,684	8,37,55,849	2,00,540	1,02,191	33,74,982
Machinery of all kinds including beltings ..	1,27,53,421	1,09,69,832	11,39,08,700	18,950	7,893	7,51,838
Metals—iron and steel ..	24,39,225	15,93,813	2,03,28,162	5,61,052	8,42,207	1,05,40,307
Metals—other than iron and steel ..	6,69,301	16,50,996	2,09,38,365	5,21,419	2,55,389	20,47,253
Paper and stationery ..	22,88,223	25,08,319	1,93,69,647	18,03,285	26,632	5,30,470
Vehicles (excluding locomotives, etc., for Rly.) ..	9,44,483	10,13,104	1,26,72,714	30,580	12,340	1,16,643
Cotton yarn and goods ..	7,11,861	20,11,501	1,33,63,218	5,31,76,208	3,73,41,286	42,47,99,562
Jute yarn and goods ..	35,838	18,822	5,34,476	6,27,54,291	4,93,24,253	49,48,25,470
Grand Totals*	14,35,87,729	17,08,10,661	1,18,85,35,243	18,90,21,688	16,03,36,936	99,20,36,904

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

ABSORPTION AND RETURN OF CURRENCY*

(In lakhs of Rupees)

Month	Increase or decrease in Note circulation†		Increase or decrease of Rupee coin* in circulation†		Continued progressive increase or decrease of notes and coin in circulation.
	During month	Progressive	During month	Progressive	
1941-42 ..	..	+152.40	..	+ 7.17	+159.57
1942-43 ..	..	+252.33	..	+46.09	+308.42
1943-44 ..	..	+238.91	..	+23.14	+262.05
1944-45 ..	..	..	..	..	..
April-June ..	+79.77	+79.77	+9.36	+9.36	+89.13
July-Sept. ..	+36.33	+116.10	+1.32	+10.68	+128.78
Oct.-Dec. ..	+80.92	+197.22	+7.02	+17.70	+214.92
Jan.-March ..	+71.69	+238.91	+5.44	+23.14	+265.05
1944-45 ..	..	..	..	..	..
April ..	+14.31	+14.31	+1.50	+1.50	+15.81
May ..	+13.52	+27.83	+2.09	+3.59	+31.42
June ..	+21.05	+48.88	+88	+4.47	+53.35
July ..	+9.41	+39.47	+1.58	+2.89	+42.36
August ..	+5.05	+44.52	+62	+2.27	+48.79
September ..	+14.24	+58.76	+79	+3.06	+61.82

† Excluding figures for Burma from June 1942.

‡ As on last Friday of the month.

* Including G.I. one-rupee notes from July 1940.

SUGAR POSITION

SEASON 1943-44
(Figures in Tons)

Producing areas.	Production up to 7-10-44.	Despatches during the period 1-10-44 to 7-10-44.	Progressive total of despatches up to 7-10-44.	Percentage of progressive despatches to production.	Physical stock as on 7-10-44.
U.P. ..	7,27,404	13,116	5,09,899	70.1	2,17,505
Bihar ..	2,12,809	3,323	1,54,862	72.8	57,947
Bombay ..	81,684	2,170	61,439	75.2	20,245
Madras ..	7 43,768	934	34,067	77.8	9,701
Punjab ..	11,162	223	8,920	79.9	2,242
Bengal ..	13,648	541	12,017	88.0	1,631
N.-W.F.P. ..	6,253	152	4,937	79.0	1,316
Orissa ..	1,690	65	1,402	83.0	283
Indian States ..	1,22,792	2,164	1,02,614	83.6	20,178
Total ..	12,21,210	22,680	8,90,157	72.9	3,31,653

Balance stock of 1942-43 sugar as on 7-10-44 was 1,539 tons.

FOOD INDEX (WHOLESALE PRICES)*

(Base: Last week of Aug. 1939=100)

Week ending	Increase or decrease	
	(1)	(2)
Average for July ..	236.9	+4.8
" " August ..	237.3	+0.4
2nd September 1944 ..	237.3	+1.5
9th " " ..	235.4	-1.9
16th " " ..	235.5	+0.1
23rd " " ..	232.4	-3.1
30th " " ..	230.4	-2.0
7th October ..	233.7	+3.3

† Issued by the office of the Economic Adviser to the Government of India.

LEAGUE OF NATIONS STATISTICS

Wholesale Prices and Cost of Living

Countries	I. N. of whole-sale prices		I. N. of cost of living	
	1941	Latest figure	1941	Latest figure
Union of S. Africa ..	123	156 (1944-I)	108	127 (1944-II)
Egypt ..	160	296 (1944-II)	137	261 (1944-II)
Canada ..	123	141 (1944-IV)	112	119 (1944-IV)
U.S.A. ..	117	142 (1944-IV)	106†	124 (1944-IV)
Argentina ..	141	201 (1944-II)	106	109 (1944-II)
Chile ..	133	196 (1944-II)	133	193 (1944-II)
Mexico ..	109	183 (1944-IV)	106	183 (1944-III)
China-Manchuria* ..	145	176 (1943-X)	172	221 (1943-X)
India (Calcutta) ..	141	304 (1944-II)	119*	238 (1943-XI)
Japan (Tokio) ..	124	149 (1944-I)	126	143 (1943-XI)
Germany ..	105	110 (1944-III)	106	111 (1944-III)
Spain ..	147	188 (1944-I)	157	170 (1944-I)
Ireland ..	..	..	131	171 (1944-II)
U.K. ..	..	..	..	..
Board of Trade ..	157	170 (1944-IV)	129	130 (1944-XI)
Statistics ..	159	173 (1944-III)	129	130 (1944-XI)
Economist ..	152	169 (1944-IV)	138	143 (1943-XII)
Turkey ..	170	619 (1943-X)	138	340 (1943-XII)
Australia ..	117	137 (1944-III)	110	122 (1944-II)
New Zealand ..	125	149 (1944-II)	110	100 (1944-XI)

INDEX NUMBERS OF PRICES

(Declared values of Exports and Imports)

Months	Declared values of Exports		Declared values of Imports	
	1942-43	1943-44	1942-43	1943-44
April ..	86	118	111	164
May ..	87	125	128	117
June ..	95	128	130	137
July ..	88	142	110	105
August ..	98	126	140	159
September ..	99	132	132	136
October ..	101	124	133	145
November ..	108	126	119	134
December ..	111	126	120	150
January ..	115	132	151	119
February ..	120	..	120	..
March ..	120	..	135	..

FINANCIAL STATISTICS

Notes in circulation	1943-44		1944-45		Central Govt. Treasury Bills sold to public	
	(1)	(2)	(1)	(2)	(1)	(2)
Notes in circulation	(Crores)	(over 1)	(Rs.)	(over 1)	(Rs. in lakhs)	(over 1)
April ..	667	896	+229	40.08	5.93	-36.15
May ..	698	909	+219	43.75	16.00	-27.75
June ..	720	926	+206	47.11	30.00	-17.11
July ..	738	923	+193	35.19	16.00	-19.19
August ..	754	929	+175	32.00	20.00	-12.00
September ..	763	937	+177	39.97	30.00	-9.97
October ..	774	..	..	32.04	..	..
November ..	794	..	..	26.00	..	..
December ..	822	..	..	24.00	..	..
January ..	832	..	..	28.00	..	..
February ..	858	..	..	24.90	..	..
March ..	888	..	..	23.17	..	..

C—Prices

INDIAN STOCKS AND SHARES

Commodities	23-10-44		19-10-44		Commodities	23-10-44		19-10-44	
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
SECURITIES: Bombay	..	..	..	..	Nuddia	..	..	..	..
3½% (1948-52) ..	99 12 0	99 12 0	..	..	Presidency ..	..	..	..	..
3% (1948) Defence ..	102 1 0	102 8 0	..	..	TATA SHARES: Bombay	..	..	..	..
3½% G.P. Notes ..	99 12 0	99 13 0	..	..	Total Chemical ..	21 0 0	..	..	..
3½% (1947-50) ..	103 14 0	103 12 0	..	..	" Oil ..	73 0 0	..	..	..
3½% (1955-60) ..	116 4 0	116 4 0	..	..	" Power ..	1,910 0 0	1,897 8 0	..	..
5% (1945-50) ..	103 13 0	103 14 0	..	..	" Hydro ..	203 1 0	203 8 0	..	..
Calcutta	..	..	..	..	" Steel Defd. ..	2,087 1 0	2,067 8 0	..	..
2½% Loan ('48-52) ..	99 13 0	..	..	..	" Ordy ..	383 0 0	380 0 0	..	..
2½% Loan ('48-52) ..	47 5 0	..	..	..	" Pref. I ..	225 0 0	225 0 0	..	..
3% G.P. ..	90 9 0	..	..	..	" II ..	161 4 0	161 0 0	..	..
TEXTILES: Bombay	..	..	..	..	STEEL ENG.: Calcutta	..	..	..	..
Ahmedabad ..	411 4 0	410 0 0	..	..	Bhar. Elec. Steel ..	20 6 0	..	..	..
Bombay Dyeing ..	1,745 0 0	1,737 8 0	..	..	Braithwait ..	11 4 0	..	..	..
Central India ..	381 0 0	390 8 0	..	..	National Iron ..	13 2 0	..	..	..
Century ..	837 1 0	835 0 0	..	..	Indian Iron ..	39 7 0	..	..	..
Colaba ..	211 0 0	214 0 0	..	..	Steel Cor. Pref. ..	31 2 0	31 4 0	..	..
Gokak ..	311 0 0	308 0 0	..	..	Jessop Ordy. ..	..	..	..	..
India Bleaching ..	174 0 0	..	..	..	Kumardhubi ..	..	..	..	..
Kohinoor ..	573 0 0	564 0 0	..	..	COALS: Calcutta	..	..	..	..
Poonik ..	560 0 0	560 0 0	..	..	Amalgamated ..	..	46 6 0	..	..
Sholapur ..	7,195 0 0	7,195 0 0	..	..	Bengal ..	651 0 0	632 0 0	..	..
Simplex ..	245 0 0	244 0 0	..	..	S. Karanpara ..	21 7 0	..	..	..
Swadeshi ..	511 0 0	507 0 0	..	..	Bhalgora ..	..	..	..	..
Vishnu ..	471 4 0	468 12 0	..	..	Burrakur ..	..	39 11 0	..	..
Pinlay ..	291 0 0	286 8 0	..	..	East India ..	..	..	..	..
Monarji ..	632 1 0	612 8 0	..	..	Equitable ..	64 4 0	63 0 0	..	..
Apollo ..	4 10 9	..	..	..	North Damuda ..	..	..	..	..
Calcutta	..	..	..	..	Standard ..	..	35 8 0	..	..
Benares ..	13 8 0	..	..	..	Telcher ..	..	..	..	..
Bengal Nagpur ..	..	36 12 0	..	..	SUGAR: Calcutta	..	..	..	..
Cawnpore Textile ..	13 7 0	13 5 0	..	..	Buland ..	..	16 12 0	..	..
Dunbar ..	..	..	..	..	Balrampur ..	..	..	..	..
Eglin Mills ..	66 0 0	..	..	..	Samastipur ..	..	..	..	..
Kesoram ..	..	..	..	..	Belsund ..	16 8 0	18 0 0	..	..
Muir Mill ..	..	..	..	..	Carew ..	30 14 0	30 12 0	..	..
New Victoria ..	8 5 0	8 3 0	..	..	Murree Brewery ..	26 2 0	..	..	



THE EASTERN ECONOMIST

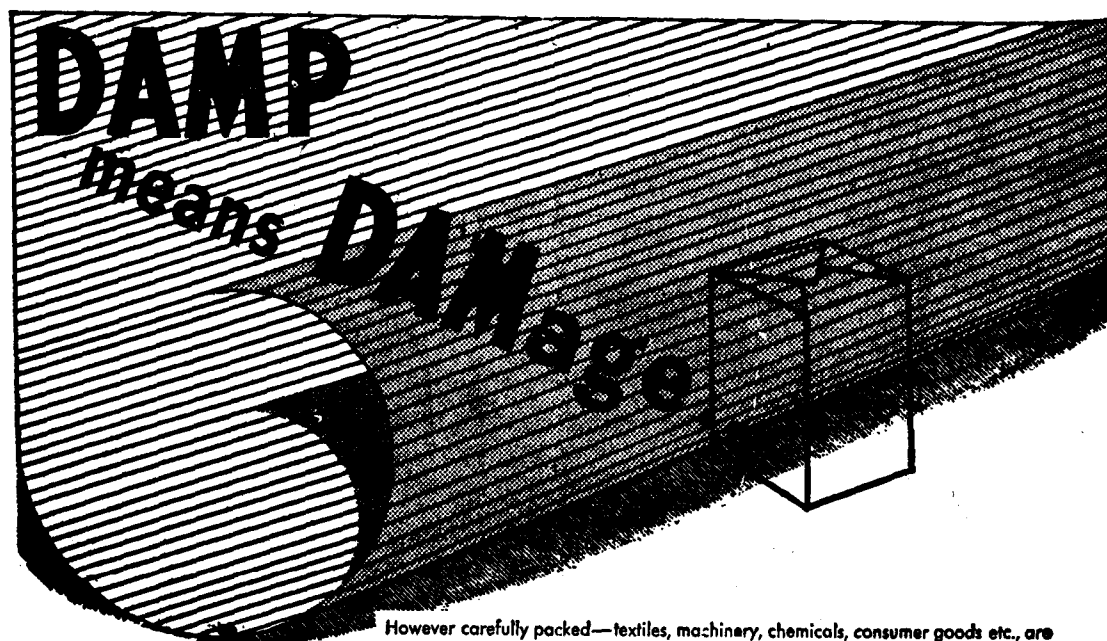
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ONE RUPEE

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Policy-Making For Planning

LAST week-end at Bombay Sir Ardeshir Dalal presided over the General Policy Committee (Post-War Reconstruction) and also at the first meeting of the Industries Policy Committee of his Department. Full proceedings of the meetings are not yet available to the public, but the opening speeches by Sir Ardeshir convey some idea of the general trend of governmental thinking at the level of policy making, although they give the public no more than the haziest notions of the extent of useful spade work already done by the various authorities and also how far these several schemes could fall into the coherent patterns of a general plan. For, let it be admitted at once, frankly and fully, that the Government has not yet in all its labours for planning and policy-making taken the public into that measure of confidence which is warranted by the very nature of successful planning, viz., the necessity of eliciting and evolving massive popular support, which would be impossible if the people are conceived merely as passive beneficiaries. It is true that the essential framework of general policy can only be formulated by an expertise, but even here unless the expert discussions are carried out in open, the essential atmosphere of successful planning cannot evolve. Although Sir Ardeshir himself, who is part author of the Bombay Plan, is the Member-in-charge, there are already suggestions, no doubt

unproven, in some quarters, about powerful forces, not always above board, bearing on policy-making decisions and mellowing the enthusiasm of many radicals.

However, it is not by such covert suggestions or even insinuations that we can properly judge the good work which has so far been done by Sir Ardeshir, but we must look to the account given by himself. Speaking at the Industries Policy Committee, Sir Ardeshir said emphatically, "We are determined to foster an intensive development of industries in this country, both because such development is essential if the national wealth is to be increased and also because a country without highly developed industries has, under modern conditions, no political future," and he quoted Mr. Amery to the effect that British vested interests would not be taking up any obstructionist attitude. We can properly judge only by concrete evidences in the present, and Mr. Amery's assurances by themselves cannot allay public misgivings regarding the obscure objects of, for example, the Fertilizer or the Machine Tool Missions now in the country. If, however, there is a full awareness of the importance of rapid industrialization both from the point of view of national well-being and political survival and further if there is no apprehension on account of obstruction by British vested interests, there would

hardly be any excuse for halting planning. We are told that the Government of India are contemplating a liberalization of the existing protection policy and the elimination of some of the conditions attaching to the grant of protection to industries. With this end in view they contemplate a permanent Tariff Board "on a very high level" which would deal not only with questions of protection to industries, but also with all questions of industrial development, investment, licensing of factories, etc. If we are not mistaken, does not this mean that what the Government has in mind is, in essence, only the substitution of the limping "discriminating protection" policy of the inter-war period by a policy which would differ from the old one mainly in the vigour with which ~~it~~ would be pursued. One nearly gets the uneasy feeling that in spite of himself Sir Ardeshir is on the point of moving from the fundamental conceptual basis of planning to that of liberal promotion of industries. We would like to be assured that such a feeling is unwarranted. There could be no doubt that in the post-war period, an integrated fiscal policy would be an important weapon in the armoury of the State in its efforts for rapid industrialization and, in particular, we must take adequate measures to counter economic aggression by powerful international combines. But if our economic history during the inter-war period has any lesson for us, it is the basic one that no fiscal policy could be even remotely equal to the giant economic problem which faces us, particularly in relation to the overpowering demographic pressure. In a planned economy, the fiscal problem would be of secondary importance, not in the sense that it is an unhelpful buffer in a period of dynamic adjustment, but in the sense that the competitive power of our industries would in the main be rapidly built up by a concerted all-round developmental drive, so that under the "principle of complementary investment," our industries may enjoy a rapid accrual of "external economies" such as are enjoyed by the established industries in the more advanced countries.

This indeed is the crux of the difference between the theory of planning and the theory of protection. Sir Ardeshir's Tariff Board is either properly so called or it is a full-fledged Planning Commission. It is nothing short of burking the central issue to set up a Tariff Board and charge it as suggested, with the additional responsibilities relating to "all questions of industrial development, investment, licensing of factories, etc." That at certain points at a high level in policy-making and planning, there is imperfect appreciation of the essentials of this principle of complementary investment, is also suggested by the procedure adopted by Sir Ardeshir's planners of "first ascertaining the definite increases which *could* be brought about in the individual output of goods and services which constituted a normal national income and then formulate the target in respect of the income as a whole." No study of "technological possibilities" can be woven into the framework of a general plan, for "technological possibilities" in any specific industry is meaningless except in the context of the general rate of development envisaged. It is only when the general rate of development has been definitely fixed and the structures of consumers' and producers' demand for various goods and services at successive stages in development have been mapped out, that the detailed framework of the Plan can be envisaged. Then the further problem is not the so-called study of "technological possibilities" but the problems of "deepening" and "widening" of capital, localization or, in short, the allocation of resources. To put it differently, the problem which Sir Ardeshir

faces is, in the first instance, not an "engineering problem" but the "*economic* problem," i.e., the determination of the order of priority. The procedure which Sir Ardeshir outlines in regard to the registration of post-war demand for capital goods reinforces the impression that Sir Ardeshir's Department has not yet grappled with the principles that should govern the determination of the order of economic priority. In the case of the plan for the registration of post-war demand for capital goods and the setting up of purchasing organizations in Great Britain and the United States, Sir Ardeshir indeed excuses himself regarding ~~the charge~~ that such negative control is inconsistent with ordered planning, by saying that "in the beginning" and before an industrial plan is ready, it is not advisable to hold up development. The volume of industrial development is so large that no great harm can be done by the booking of orders at this stage when the volume of capital goods available in many categories is not likely to be equal to the demand." Such an argument can have validity only if we can be sure that any structural economic maladjustment which might emerge in the absence of determination of order of priorities on correct principles, would be rapidly assimilated by the surging tempo of a planned economy.

Sir Ardeshir indeed proposes to set up a number of panels to investigate the problems of the development of individual industries or groups of industries and sending 500 students, in the first instance, abroad for technical training, but the primal determinants of general policy, *viz.*, over-all target and enunciation of principles governing order of priority and allocation of resources, still remain the conspicuous desideratum. The only place where he comes near to defining the over-all target is where he quotes the Finance Member's estimate that the Government could raise Rs. 1,000 crores and private enterprise an equivalent sum during the first effective quinquennium. But this would clearly call for a fiscal system somewhat unorthodox in character. But instead of outlining the features of such a fiscal system, Sir Ardeshir contents himself by saying that *if* such sums are forthcoming, "the real bottleneck would be not finance but the availability of capital goods and trained personnel." A conspicuous example of the way in which the Government's planning work is proceeding in a rambling fashion without the aid of guiding principles of priority, is Sir Ardeshir's confession that the Government has been unable to elicit and gather together sufficient data regarding industrial matters, except in the case of electrical development, for which alone it has been possible to make any provisional reservation for capital equipment. The dominant impression conveyed is that the General Policy Committee is still wallowing in a mass of unco-ordinated facts and divergent schemes which cannot be fitted together into a general plan in the absence of formulated principles of economic priority and allocation of resources. Without such a formulation, it is impossible even to outline any clear structure of over-all State control simply from the stray ideas about State participation in industries which Sir Ardeshir has thrown out; nor does the mere reference to the rationing of scarce dollar resources, to the making of machinery as far as possible within the country, or to the T.V.A., add up to a well-defined policy for regionalization or for heavy industry. First thing still remains first and untackled. After nearly three months of stewardship, Sir Ardeshir has merely succeeded in gathering together his somewhat unwieldy paraphernalia. The primal economic task of formulation of clear principles of priority and allocation is still ahead.

The Sterling Area

ALTHOUGH the Bretton Woods Conference must be regarded as a triumph for the U.S.A., it was no less a triumph for Britain. On three vital issues which cover practically the entire field of her external economic relationships, *viz.*, blocked sterling assets, Imperial Preference and Sterling area arrangements, she was given the freedom to take the way of her choice. The last one in particular, the continuance of the sterling area during the transition and thereafter, cuts at the very root of the multilateral exchange system that the Fund aims at establishing, and yet it has been sanctified by the international conference.

The great danger about permitting a currency grouping like the sterling bloc to function under international sanction is that the system is going to work very definitely in a restrictive, anti-multilateral, preferential and discriminatory manner after the war in the difficult circumstances in which Britain will be called upon to pilot it. Those who visualize the sterling area of the future in terms of the past, when it represented a wide area of interchangeable currencies, obviously overlook the fundamental change in Britain's status wrought by the war.

Strictly speaking, the so-called sterling area is only thirteen years old. It was only after Britain abandoned gold in September 1931, and other countries which had kept their currencies stable in terms of gold, linked them to sterling that the sterling bloc as such emerged. Prior to that it had been merged in the international gold standard with which sterling had its century old link. In reality, however, the stability of sterling in relation to gold had become so much a part of contemporary monetary doctrine that a draft on London was indeed international currency. Britain had remained the biggest creditor with investments in every corner of the globe, was the biggest importer and free trader and was also the largest caterer of 'invisible' services. And, London was perhaps the truest centre of international clearing.

This state continued unchanged in its essentials even during and after the depression in the 30's. The emergence of the U.S.A. as the premier creditor and of New York as the superior rival to London did not upset the international character of sterling. In fact, even in the thick of the depression when it became evident that the major factor in world recovery was a right economic policy on the part of the U.S.A., confidence in sterling did not weaken. But the sterling area drew not only Empire countries, but even others within its fold. Thus Portugal, the Scandinavian countries, Iran, Latvia, and several other countries including Japan and Argentine kept their currencies fixed in sterling for many years, though many of them were not regarded as members of the sterling bloc.

But the war has wrecked the international character of the system. At the beginning of the war, when the pound was allowed to depreciate by 14 per cent. in relation to the dollar, most of the non-empire members of the sterling group, such as Sweden, Norway, Denmark, Finland, Estonia, Latvia, Portugal, cut their link with sterling and took to dollar. Canada, and New Foundland remained outside the sterling group. The mandated territories, Egypt and Iraq were, of course, members: In March 1941, the sterling area was widened by the addition of Belgian Congo, the Free French colonies and certain other areas, but lately the French territories have been excluded, and it is

now correct to say that the sterling area is practically co-extensive with the British Empire, with exceptions such as Egypt and Iraq. The damage consists not so much in restricting the geographical area of the sterling bloc; that, Britain is already trying with all her age-long diplomacy to remedy. By pacts with France and other European countries, she has been trying to build up her sterling regime in Western Europe in which she, by her part in the present war, feels entitled to an especial interest and role to play. It is too early to assess the success of the efforts, but even should it achieve a geographical extension of the sterling area, would it make sterling an international currency? Hardly, in our opinion.

The damage caused really lies in the external debts which Britain has piled up during this war, and the exchange control restrictions especially between the sterling bloc on the one hand and the hard currencies on the other, which these war-time debts will not allow to remove. In the first place Britain before the war was a creditor and the recipient of investment income and was in a position to lend at least on short-term. After the war, her external income will be much diminished and she will herself stand in bad need of short or long credits for some years. In the second place, before the war, there were no restrictions on the multilateral convertibility of foreigners' balances held in London. After the war this will cease to be the case. Thus the war has impugned the international character of sterling in two ways, first by rendering further sterling credits unavailable and second, by blocking foreigners' assets already accumulated.

The essential merit of the sterling area arrangements before the war was generally said to be that the sterling countries kept their currencies stable in relation to sterling and therefore enjoyed the advantage of exchange stability. Yet this was, but a very inconsiderable part of the advantage, if it was at all a special merit of the sterling bloc. Of all the countries that belonged to the bloc, only dependent countries such as India, Egypt and Iraq kept their pre-1931 parity with sterling and had to remain content with the degree of depreciation involved in sterling going off gold; Others like Australia and New Zealand chose a lower parity, while countries outside the bloc, which still kept sterling rates for their currencies, depreciated in a much greater degree. In truth, for all the politically independent countries which had the choice, the right to devalue and choose the proper parity was the vital yet implicit and unspecified condition of joining the sterling bloc. Outside the sterling bloc, the exchanges were not fluctuating violently or from minute to minute as they did during the German inflation and rendered commerce impossible, but were also relatively stable. The dollar has stood firm like a rock ever since the initial devaluation. Thus the dangers of fluctuating exchanges so luridly painted by apologists of the sterling bloc, are so much a matter of past history and primitive monetary technique that they were unreal in the 30's and would be ludicrously fanciful in the post-war era of controls, and therefore exchange stability within the sterling area neither was nor is going to be a particular gain.

The real advantage was that the sterling countries kept their exchange reserves predominantly in sterling in the form of bank balances or short-term investments in London and that they were able to draw on them without restriction for payment within or without the sterling area. India's case typically re-

presented the multilateral utility of the system. India had until 1936, a passive balance with Britain, but her active balance with the continent could be transferred to London. Other sterling countries had perhaps a greater part of their imports from Britain and derived less good from the triangularity of the system, but after the war when they want to utilize their balances in London, this factor will assume the greatest importance with them also. Thus without the automatic and unlimited convertibility of balances, so far accumulated and yet to be accumulated now and after the war, into non-sterling currencies, the international character of sterling would be effectually killed. The war has more clearly established the clearing character of the sterling area arrangement vis-à-vis the outside world, but it has also emphasized its restrictive and anti-multilateral character. Before the war, the creditor status of Britain and convertibility of sterling gave cohesion to the system. After the war, her accumulated debts and their inconvertibility are going to enforce a kind of cohesion on her creditors (pre-eminent among them being weak and dependent India) which will be the worst kind of coercion. The cost to the creditors within the sterling area will be very heavy indeed. It is to be measured by the excess of the real cost of their wartime privations over their financial assessment; by the loss of national income which would attend on delayed economic development due to blocking and by the loss of making relatively long-term loans at treasury bill rates of $\frac{1}{2}$ per cent.

There is at present one advantage even in this difficult situation, but it is doubtful if it will be available after the war viz., free convertibility of currencies within the sterling area. That will depend on the export surplus which Britain can effect with the rest of the sterling bloc and if, as is likely, it is inadequate to meet the needs of creditors, inter-sterling area restrictions will also be cropping up. If the problem of sterling balances is going to be settled by means of bilateral pacts between the debtor and each creditor separately, without integrating them all into

a multilateral whole, even the smallest shred of justification for the sterling bloc vanishes.

Lord Catto, Governor of the Bank of England, is hopeful that Britain will regain her financial leadership. He says that London's unique position in the world of finance "comes not from wealth, but from the city of London's generations of accumulated experience, integrity of her intentions and reputation for fair dealing. That is a precious heritage." To many this would seem rather a slender foundation for the material prosperity of Imperial Britain. Nevertheless, weak creditors caught in the sterling area and faced with blocking, discrimination, bilateralism, and Empire Preference are hoping for the early translation of good intentions into economic reality.



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The Week's Notes

THE RUPEE RATIO

The full text of the Finance Member's speech at the General Policy Committee is not available. He is reported as having categorically denied that there was any proposal under contemplation to change the present exchange value of the rupee. While this is welcome in so far as it removes the apprehensions about an appreciation of the rupee to which Sir Chintaman Deshmukh's rather incautious utterance gave rise, it carries also a definite suggestion that the Government intend maintaining the present ratio even after the war, and devaluation is ruled out. If this were so, it implies that Government think that all is well with the present ratio and that a further consideration of the question is not very essential. This would be a very wrong conclusion for Government to come to. As we pointed out last week, the only conclusion to which all facts unmistakably point at present is that an appreciation of the rupee is altogether uncalled for. Some degree of devaluation may become necessary, but that would depend on a complex of internal and external factors indeterminate at this stage. What is, above all, important is that Government should keep an open mind on the question and be ready to adopt that rate which a thorough study of the question determines as desirable in the nation's interest. It is needless to remind the Reserve Bank of its statutory obligation in the matter under Section 55 (2) of the Reserve Bank of India Act, 1934.

THE AVIATION CONFERENCE

Britain is consistently adopting a policy of United Empire Front in all the international conferences. At Bretton Woods she did so and secured the sterling bloc undisturbed. Likewise, for the 50-nation conference on international airways at Chicago she has got ready an Empire point of view and policy. The "Commonwealth" Aviation Conference at Montreal, which is just concluded and whose decisions have been announced, is a clever forestalling measure to the Chicago Conference to begin now. It is no doubt announced that nothing done at the Commonwealth Conference impairs the freedom of action of the respective Governments at the Chicago Conference. Nevertheless, Britain knows she can take her place at Chicago with the confidence that a united Empire policy has given her considerable bargaining power in facing the U.S.A., who is her superior rival in the field. The Empire Conference has come to three important decisions: (1) the paramount importance of the immediate creation of an effective International Air Authority through the medium of an international air convention; (2) the desirability of establishing air services on routes connecting different parts of the Empire, which would provide a complete system of air communications, and (3) establishing a Standing Commonwealth Air Transport Council to provide for consultation and exchange of information among the Empire countries. The British Government have already issued a White Paper on the subject of aviation and also the draft of a new international air convention in place of the Paris and Havana conventions. To what extent Empire air self-sufficiency can be reconciled with the free and competitive operation of international air services, which seems to be so much in favour in the U.S.A., the Chicago Conference will shortly reveal. There will, obviously, be not much controversy over technical matters such as ground organization, radio communication, traffic and operational rules and the like. But keen conflict is bound

to arise in the matter of sharing the quantum of external air services.

INDIA'S PART

In such a context of bargaining by superior powers, India has not the smallest chance of getting her share of international air services to which she is entitled by virtue of her size, strategic situation and status as potentially the most important aviation power in Asia. And, the policy of the Government of India from the very beginning of the aviation talks could only have the effect of preventing India from securing that share. That part of the Government's civil aviation plan which pertains to external services is wholly unacceptable to this country. The principle of reciprocity, which is suggestive of a deal to mutual advantage, can do only grave harm to India which has no aircraft industry and which will have to import the necessary planes even for internal aviation. The establishment of an aircraft industry in this country is no matter for debate and her share in foreign services also follows from it. We are afraid that the Indian delegates to the Montreal and Chicago conferences are unlikely to press this point of view. All of them are officials. Demands for non-official representation have not been considered. Of the three official delegates, at least one, Sir Fredrick Tymms, Director of Civil Aviation, openly expressed himself against aircraft manufacture in India and would have lost his job, had he been in any other country. Not much can therefore be expected of such men. But the duty of the Government is clear. Already the routes to be operated within the Empire have been chalked out and the U.S.A. is presumably planning the other airways of the world. The Government of India should state in what routes India is vitally concerned, specify her due share in them and press for its acceptance before the final decisions are taken.

THE RICE MUDDLE

Recently too much has been heard of the argument that because there is no outside rice producing area to come to the rescue of this country and relieve the serious shortage, people whose staple diet is rice should reconcile themselves to the situation as something which cannot be helped and supplement their rice consumption with the intake of other foodgrains. There is nothing inherently unjustified in such an appeal being made to the public and the Government may be entitled, in the abnormal conditions of war, to impose on the people the burden of making essential adjustments. But the pertinent question is whether in this particular case, the necessity for calling upon large masses of people to change their habits of a life-time at short notice could not possibly have been avoided. In other words, can it be claimed that the rice shortage, at least in its present magnitude, is in any sense inevitable? Ruling out imports—and imports were never of considerable importance relative to domestic production and were wont to oscillate before the war about the two million mark—what exactly have the authorities achieved by way of increasing the country's output? It may be made clear at the outset that not much can be blamed on that mute and much-enduring scapegoat, the weather. In spite of the proverbial vagaries, there has generally been a rough correspondence between acreage and production, if allowance is made for statistical deficiencies. Nor can it be claimed by the Grow More Food campaigners that the weather has been particularly malignant to them. In 1938-39, the acreage and production of rice in British India were 69.9 million

acres and 22.9 million tons respectively. Can the authorities claim that they have improved upon the above figures to any extent that may be called appreciable in the context of the colossal need for improvement? They cannot, for the relevant figures are as follows:

Year	Acreage (Million acres)	Production (Million tons)
1939-40	70.1	24.6
1940-41	68.8	21.0
1941-42	69.6	24.3
1942-43	70.4	23.0

In the light of these facts, it is impossible to deny that the Grow More Food campaign has been insincere, inefficient and altogether inadequate. In fact, there has never been a planned drive to expand cultivation or increase yield through the optimum utilization of the country's resources. The gravity of this lapse becomes all the more pronounced, when considered against the background of what has been achieved in a country such as Great Britain, whose resources of agricultural land are very limited. In that fortunate country, the total area, devoted to foodgrain has been raised from 4 million acres in 1939 to 7.6 million in 1943. In this country, however, in an important rice-producing area, such as the Madras Presidency, which normally accounts for 13.3 per cent. of the all-India average, the area under paddy may actually record a decline (although slight) during 1943-44 without the Government doing anything about it but letting the Board of Revenue record the fact. If this achievement does not reflect credit on the Department of Education, Health and Lands, nor does the recent press report from Sind of 500,000 maunds of rice from the previous year's crop lying idle in that province redound to the glory of the Central Food Department.

RATIONING AFTER THE WAR

In our issue of August 11 last we commented on the necessity of the continuance of rationing in our country for a long time after the end of the war in order to assure the effective enforcement of a national minimum of nutritional requirements. It required the intervention of a war and calamitous famine conditions to bring home to us the elementary economic fact that our food production for a long time has been lagging alarmingly behind our rapidly growing population. Even in regard to staple food, even before the war, at least 40 per cent. of the population were chronically underfed by any standard of bare subsistence. It would take quite a long time before our food production can be sufficiently stepped up to provide the national minimum standard to our growing population. If we take such essential nutritional requirements as milk, our position is even worse. According to the 1931 human and 1935 cattle census, our per capita consumption in terms of fluid milk works out to 6.6 oz. per head per day, while that for 1940-41 is reduced to 5.8 oz. only per head per day. It is clear therefore the production of even the staple nutritional requirements have to be increased many times before they may be assured to the masses. Even under any ambitious economic plan, this would take ten or fifteen years at the least, during which period the enforcement of a national minimum with regard to nutrition will require not only a continuance and extension of rationing but also planned subsidization—in respect of special categories of consumers like children and mothers—of essential nutritional requirements so that these may actually reach the poorer and needier classes. During the war rationing has made considerable progress until it covers to-day, however inadequately, 40 million persons. The Gov-

ernment would be right in proceeding on the assumption that it would not be socially and economically desirable for us to revert to free trade in regard to food for at least a decade after the war. The Government is, therefore, well advised in not regarding the rationing machinery which it has set up after so much delay and bungling, as merely a war measure, and addressing itself to the task of rationalizing the machinery and making it more comprehensive to subserve better our basic social demands. There could be no doubt that in spite of the serious complaints about quality, price and general efficiency, there is a growing demand for the extension and rationalization of rationing and it is satisfactory to know that the authorities are alive to the issue, particularly in making special provision for the "vulnerable" sections of the community such as mothers, young children and certain classes of industrial employees with special needs.

SOIL EROSION

Is the soil in India getting exhausted? This question has been frequently asked in the past and is being asked now. But definite information is not yet available. In 1893 Dr. Voelcker said that positive evidence of soil deterioration was not readily available, but he emphasized the desirability of obtaining accurate data. About half a century has elapsed since then, and "definite information" is not yet available. The Royal Agricultural Commission were "of opinion that the strong presumption is that an overwhelming proportion of the agricultural lands of India long ago reached" a stabilized condition and that "a balance has been established, and no further deterioration is likely to take place under existing conditions of cultivation." And Dr. Bal, Agricultural Chemist to the Government of C.P. and Berar, also said in 1939 that in the case of Indian soils which have been under cultivation for many centuries, the history of crop yields does not indicate any progressive decline. He contended that "the soils of our province have now reached a stationary state of fertility at a low level." Colonel Brayne, on the other hand, observed about a year ago that "India is literally drying up in front of our eyes." That, however, the problem has assumed dangerous proportions in particular regions can hardly be disputed. The Bengal Banking Enquiry Committee observed in 1930: "The fertility of agricultural land is deteriorating steadily on account of the absence of manure. The yield of the different crops has become less and less," while an Irrigation Department Committee expressed the view that the deterioration of land has already reached a stage where it cannot be checked and "the tract is doomed to revert gradually to swamp and jungle." "Soil erosion is responsible for 8 million acres of ravine land in the U.P., for the man-made desert between Rajputana and the U.P. . . . and for the partial filling of reservoirs and choking of irrigation courses in the Punjab and the U.P." In the Punjab it has been estimated that one-third of the arable area has already been eroded or is in the clutches of this destructive process. In the Hoshiarpur district, for instance, 100,000 acres of extremely fertile and alluvial land were destroyed by *chhos*. The Jhelum district has lost 50,000 acres of cultivable land during the past 30 years, and more than 300,000 acres of rich alluvial soil in the Rawalpindi district is in the deadly grips of erosion. In the aggregate, the loss is said to amount to one-tenth of the area under the plough during the past 30 years. Yet not much has been done to combat the calamity. Only the Punjab has become alive to this menace and has created a Soil Conservation Circle, under the Forest Department, in 1939. With the assistance of a special trained staff an ambitious programme has been sought to be put into operation.

Large areas were gradually made inaccessible for grazing purposes, and reafforestation in the bare hills has been resorted to at a rapid pace, while felling of trees for firewood, etc., has been strictly controlled. Efforts at reclaiming eroded land have also been made through gulley-plugging, planting of rows of bushes and trees on the damaged land and raising of loose stone walls to arrest the soil loss. The catchment areas have been sought to be more effectively protected. And the special staff has undertaken the task of educating the rural areas in this regard. But both reclamation activity and the task of combating must be increased manifold before they can meet the province's needs. Further, the problem being an all-India one, must be solved on a country-wide basis. It is a task preeminently for the Centre, at least the work of laying down the general lines of policy, the carrying out of an extensive soil survey to determine the extent of the land disease in the various parts of the country. The financial resources of the provinces being meagre, a subvention from the Centre may have to be given, if the task is to be performed at a rapid pace and to the adequate extent. Co-operation on the part of the Indian States is also necessary for success.

UNSCRAMBLING THE EGG

During the last four years Germany had inexorably spread the tentacles of her economic domination throughout the continent of Europe. It is not merely the physical realities of mobilization of total war effort and the forced migration of industries towards the east under intensive Allied bombings which had caused an amazing degree of interpenetration of German and non-German economic interests, but not unoften subtle and complex devices, seemingly legal, have been employed to cover systematic looting and spoliation of private and public properties in occupied Europe. It would be a hopeless task to follow in detail the amazing network of ramifications of financial control which binds together the occupied countries or to straighten out the complex and entangled skein of intra-European economic relationship after the eventual defeat of Germany. The Bretton Woods Conference took cognizance of the problems which would be raised at the end of the war and passed a special resolution in this regard. In anticipation of defeat, many German interests would no doubt try to transfer their assets through neutral agencies, and "run the chain of their ownership and control through occupied and neutral countries, thus making the problem of disclosure and disentanglement one of international character." The United Nations' Monetary and Financial Conference fully supported steps taken by the United Nations for the purpose of uncovering, segregating, controlling and making appropriate disposition of enemy assets and preventing the liquidation of property looted by the enemy, locating and tracing ownership and control of such looted property and taking appropriate measures with a view to restoration to its lawful owners. One of the most interesting cases which has arisen in this connection is the case of the Suez Canal shares—which are of both financial and strategic importance. It is believed that out of the effective 800,000 shares, the British Government holds 353,024. Nobody, not even the management of the Canal, knows how the remaining shares are distributed and held: this is because there has been no meeting of the stockholders since June 3, 1940. During the war, it is reported, active dealings went on in France despite lack of for-

mal contact with the Canal management in Egypt, and it is believed that during occupation, the Germans had cornered the working majority of these shares, through purchases by French agents out of occupation costs paid by the French Government itself. In view of the lucrative nature of these shares as well as the immense strategic importance of control of the Suez Canal, no doubt every effort would be made to re-assemble the ownership of these shares into 'safer' hands.

REGIONAL DEVELOPMENT

The achievements of the Tennessee Valley Authority have brought into clear relief the possibilities of planning on a regional basis, and Senator Truman revealed the other day that the development of other river regions, such as the Missouri, Arkansas and Columbia river areas, on the T. V. A. lines is in the offing. According to the T. V. A. officials themselves, what was found possible in the Tennessee Valley could happen "in almost any of a thousand other valleys where rivers run from the hills to sea. In Brazil, Argentina, Australia, China and India, there are just such rivers—rivers that in the violence of flood menace land and people, then sulk in idleness and drought." Julian Huxley was not exaggerating when he said that the idea exemplified by the T.V.A. has "already found its way into the world's general thinking." Thus, at the recent Premiers' (of the States and the Commonwealth) Conference in Canberra, Mr. Curtin declared that the Commonwealth Government believed that planning on a regional basis offered a better approach to examining and organizing the development of resources than methods followed in the past. He even mentioned three areas in Australia—the Murray Valley, Newcastle and its coal-mining neighbourhood, and the northern territory, especially areas ranging from the Ord River region in West Australia through the Barclay Tableland into Queensland—the regional planning of which is likely to be an important feature of post-war industrial and agricultural development in Australia. Nearer home, it appears that the powers that be are not altogether unaware of the very great advantages of regional planning, which would permit a closer study of the problems and potentialities of various areas and enable a more intensive development. For instance, Sir Ardeshir Dalal recently revealed that the U.P. Government are thinking of a Sone Valley Authority. But it does not appear that the Central Government have so far taken up for serious consideration the planning of agriculture and auxiliary industries on the basis of the great river valleys. It is time they do so. Already, some of the Provinces and States have come out with their own plans. These plans may or may not fall in with planning on the basis of natural regions, which generally cut across administrative and political boundaries. It is, therefore, imperative that before action is actually taken by the Provinces and States to implement their plans, an expert body should be constituted to go thoroughly into the possibilities and implications of planning agriculture and allied industries on a regional basis and make recommendations for the setting up of regional development authorities. It may, then, be necessary to persuade the Provinces and the States to modify, if necessary, their own projects so as to conform to the requirements of regional planning and secure their full and free co-operation for the regional authorities. We hope this subject will receive a very high priority at the hands of the Department of Planning and Development, as it is one of the fundamental issues underlying all planning.



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SPECIAL ARTICLES

Post-War Monetary Policy

BY S. KESAVA IYENGAR

AN article by Prof. S. K. Muranjan in the *Eastern Economist* dated the 8th and the 15th September, 1944, and an editorial article in the same journal dated the 8th September, 1944, entitled "Price and Cost Structure" deal with matters of very great importance, and some points are presented here as a further contribution to the discussions that must precede any final decision.

Stability of exchange, of internal prices, even of parities relating to costs, wages and prices, is this of as much importance as social stability, considered as an objective of policy? Prof. Muranjan appears to attach the greatest importance to an automatic adjustment of internal costs, prices and incomes to external movements. Again, much of his ground is lost when he himself says that with controls and subsidies, there should be little meaning in parities. And, all round we find that controls and subsidies are the rule, except in India where a runaway inflation has set in and promises to become worse in the coming months. But the *Eastern Economist* leading article dated the 8th September, 1944, has rightly pointed out that even after the armistice, controls will continue in all leading belligerent countries for several years, and "the inflationary forces will be held in check." At any rate, for the first five or ten years after this war, a policy of checks and controls should be safer for India than one of radical exchange adjustment.

Again, exchange depreciation does not always lead to good. We have already depreciated to 48.7 per cent. of the 1929 parity, mainly on account of the sterling link, and the case will have to be proved before we resort to further devaluation. China devaluated to 7.4 per cent. by July, 1941, compared to the 1929 level of exchange, but what is the economic condition of China today? Vice President Wallace's report is by no means encouraging. Also, we must remember that exchange devaluation has always a high potential for economic warfare in peace time, and before inviting such troubles the weaker party should chew the issues very carefully.

India is no longer a debtor country. The fears Prof. Muranjan envisages about shipping, banking, insurance and profits items as weighing against India in the post-war world, appear to be unfounded. Annexure I shows that uniformly, even with present "disequilibrium", India has been having decent favourable balances of trade, and the diversion of the mammoth war material to peace purposes by the U.S.A. in regard to all invisible items, and the far-reaching post-war economic development plans in India itself, should have no meaning if our balance of payments should prove unfavourable normally even after this war. The plea for exchange devaluation on this score is therefore not justified.

Another substantial item which should determine our position in the international sphere is the non-monetary gold in this country. If and when this huge amount of gold is mobilized (under the auspices of a national government), the creditor strength of India should rise still higher.

What is the importance of external trade to Indian economy? Prof. Muranjan seems to regard a stimulation of India's external trade as an integral part of a progressive Indian economy. Annexure II shows how in the case of Germany and the U.S.S.R., internal development of a high order went hand in hand with progressive decline in external trade. To draw

inspiration from Britain should prove calamitous: that country has passed the possibility of living mainly on its own products, and it is only a high export trade that could enable that country even to maintain its standard of living, leave alone further raising it. But here in India, conditions are such that any external trade should be *supplementary and not complementary*.

The call for devaluation is somewhat like "heads I win: tails you lose." In the depression, devaluation was demanded in order to raise prices. At the present boom condition, the same exchange devaluation is demanded in order to maintain prices. The only possible explanation for this loyalty to a high price policy is that this is how the trader looks at it—not from the country's viewpoint, but from his own: he wants his profits to be assured through tuning exchange rates—whatever might be the other consequences thereof.

Granting for the sake of argument that an exchange devaluation encourages our exports, the other question to be examined is: what are you going to do with foreign balances, long term as well as short term? Mr. A. D. Shroff's revelations after his pilgrimage to the U.S.A. show that capital goods might not come to India like the south-western monsoon rains, even granting that such goods should be beneficial to India. Dependence on foreign supplies of consumption goods has been proved to be dangerous by the Bengal famine. Foreign investments are not liked by a country like the U.S.A. for patent reasons, and with the huge demand for capital outlay within the country itself, the case for Indian investment abroad is very weak. The only other alternative possibilities are dissipation by ourselves (in this case, the accumulations should not be worth making) or repudiation virtual or formal. We are experiencing the sweets of this kind just now. Of course, we might also do some charity by making gifts abroad, but there is immense scope for charity at home. Thus, the objective with which the devaluation of the rupee is being advocated is not worth the risks, both internal and external.

Is there a move in the U.S.A. for a further devaluation of the dollar in terms of gold? If not, why not? We in India stand on grounds very similar to those holding sway in the U.S.A. Stability of the currency is of paramount importance both for internal confidence and external prestige. As Dr. Balogh puts it, the stable currency in Germany is sacrosanct and is considered part of the German capital which must on no account be used up for financing the war. The same policy was pursued in Britain and in the U.S.A. Then, why not in India? Better late than never.

Exchange devaluation is a back-door method. The really sound and honest means for adjusting parities is the reduction in the cost of living by means of adequate subsidies, on that basis a reduction in wages, on that a reduction in prices and on that a reduction in profits. This is the right procedure. Here in India, our natural resources (so frankly recognized by the Grady Mission), our labour potential, the modernization of plant and machinery and methods (compare the five-point programme for the revival of the British cotton industry), and subsidies, concessions, facilities, taxation and purchase policy, all these must reduce costs in an organic way, and this must enable the country to reach a lower price level

without any deflationary or depressing effects. The quantum of currency we have in this country is not at all disproportionate, and once production is stepped up, real incomes must increase, denoting a higher level of social welfare.

Thus, the proposal to devalue the Indian currency is akin to the psychology of the B.F.I. which tried to save British industry behind artificial barricades. The competitive power of Indian industry should be based, not on extraneous props like exchange devaluation, but on progressive stimulation of productive power and a watchful maintenance of the purchasing power of the rupee. Whether we agree to appreciate our rupee externally or not, it should be dangerous to devalue it either in sympathy with, or in anticipation of, other currencies devaluating. And for five or even ten years after the restoration of peace, the wise policy should be of controls and checks with a view to raising the national income, after which transitional period, it should be possible to review the position much more confidently.

ANNEXURE I

(Figures relate to merchandise only)
(In millions of national currency)

INDIA

Year	Imports	Exports
1929 ..	2,502.8	3,225.4
1933 ..	1,147.6	1,444.4
1934 ..	1,252.4	1,482.8
1935 ..	1,342.9	1,571.2
1936 ..	1,223.1	1,806.1
1937 ..	1,592.4	2,024.1
1938 ..	1,502.1	1,623.7
1939 ..	1,549.6	1,814.4
1940 ..	1,530.0	2,091.6
1941 ..	1,754.9	2,287.1
1942 ..	1,664.4	2,193.6
1943 ..	1,046.4	2,054.4

ANNEXURE II

(Figures relate to merchandise only)
(In millions of national currencies)

GERMANY

U.S.S.R.

Year	Imports	Exports	Imports	Exports
1929 ..	13,447	13,483	3,857.2	4,045.8
1933 ..	4,204	4,871	1,525.2	2,167.5
1934 ..	4,451	4,167	1,018.0	1,832.4
1935 ..	4,159	4,270	1,057.2	1,609.3
1936 ..	4,218	4,768	1,352.5	1,359.1
1937 ..	5,455	5,901	1,341.3	1,728.6
1938 ..	5,443	5,249	1,422.9	1,331.9
1939 ..	3,194	3,314	..	..

Source: Statistical Year Book of the League of Nations, 1941-42-43.

Hyderabad (Dn.).

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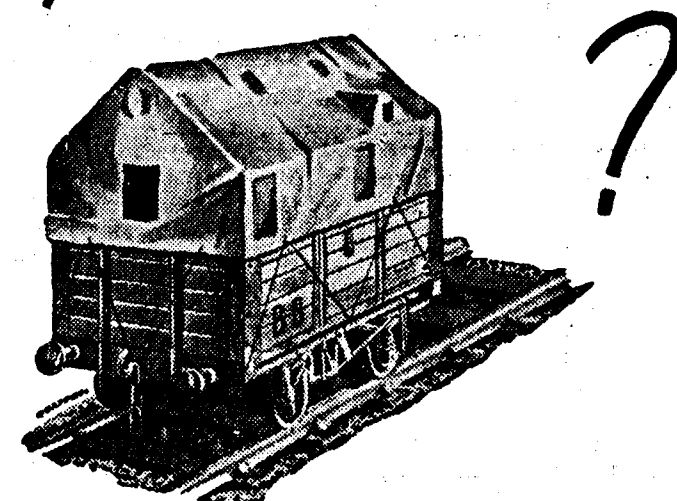
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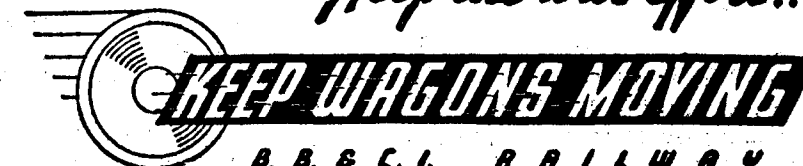
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THE WORLD ABROAD

Sterling Balances : An American View

(From Our Washington Correspondent)

WASHINGTON, Oct. 29, 1944. (By Cable).

BECAUSE of "keen interest and concern" that is being taken by the business and banking sections throughout the U.S.A. an official magazine the *Foreign Commerce Weekly* began last week a series of articles regarding the "fundamental changes" which have been taking place in Britain's external financial position. The Commerce Department publication which is widely studied by the commercial interests stresses that both in the United States and abroad there has been much interest in the United Kingdom's changing creditor position, "particularly with respect to the size of British financial obligations." It notes that the Bretton Woods Conference left the problem of the Sterling Balances in an "unsettled state open to further public discussion." Emphasizing these fundamental changes in Britain's external financial position the journal points out that these will play a vital role in the future financial position of the United Kingdom *vis-a-vis* the rest of the world. The article reviews wartime economic controls put into effect by Britain whose war chest in 1939 "was not nearly so well filled qualitatively if not quantitatively as it has been in 1913-14." The author devotes a considerable portion of his space to the United Kingdom's wartime financial relations with India and notes that "all told, the capital position of India has shifted by something over one billion pounds in less than five years." It says that Britain began the war with total overseas investments, including gold holdings and dollar balances of approximately 4 billion- and 400 million pounds and says that quite possibly the British overseas investment now sold out or pledged is over one billion pounds mark "with the end not yet in sight." It states that before the end of the year investments worth another 50 million pounds may be liquidated 'exclusive of any action that India may take toward repatriating business investments held by British interests in that country.' It gives the table demonstrating expended investments during 1939-43:

(In millions of pounds)

	Government investments	Business & Private investments
India	325	10
Canada	158	28
South Africa ..	75	50
Australia	5	Not known
Egypt	12	Not known
Argentina	22	3

The U.S. has sold and pledged to itself a total of all kinds of investment amounting to 300 million pounds. Thus outside the Empire and the U.S.A., Egypt and Argentina are the principal repatriating countries. The

article notes that Britain and India are bound by a Financial Agreement entered into by the two countries in 1939 to govern the conditions under which India's financial participation in the war was to be conducted. India was to pay for all land forces raised, trained and equipped from Indian resources, but only as long as they remained in India. Britain agreed to pay for all imported material and to meet all capital expenditures incurred in India. The article says, "It has since been pointed out that this agreement was sound under the conditions then prevailing, but the entry of Japan into the war has changed the situation." It says that the India Government caused the Agreement to remain in force, however, and "as a result the expenditures incurred by the British Government increased substantially and over the last four fiscal years have exceeded expenditures of the Indian Government by no less than 178 million pounds and have totalled approximately 73 millions pounds." It says India has thus accumulated vast Sterling Balances which on account of shipping shortages and restricted supplies she could not utilize. "What India has done, however, has been to repatriate virtually all its external Sterling Public Debt through agreement and co-operation with the British Treasury and in addition India has settled her obligations on account of the railway annuities by present debentures, etc." It says that it is unknown to what extent private businesses in India had their debt or ownership transferred from British to Indian hands. "Pre-war estimates of British investments in Indian enterprises were highly variable, but a conservative estimate has placed the amount at between 200-250 million pounds whereof probably not more than 10 or 15 million pounds changed hands." It says that official holdings of the Reserve Bank of India increased from 55, 700,000 pounds between August 1939 to £752 million in July this year. Large balances in the London market were also held by commercial Exchange Banks. The article goes on to review at length the repatriation by the United States, Canada, South Africa.

Colonel C. Warren Boulton, Managing Director Machine Tools Limited told the Export Manufacturers Club last week in New York that Asia will develop rapidly as a post-war export market before Europe returns to normal trading. He pointed out that the U.S.A. has good opportunities in India if it whips up the distribution difficulties with two types of goods namely those that can be sold more cheaply than Indian-made goods and those which "by reason of their superior excellence or performance will sell at the highest price." He predicted that "as soon as India attains independence in the post-war and if the rupee is divorced from Sterling it will appreciate considerably in relation to sterling with corresponding appreciation in relation to the dollar."

Anglo-Belgian Monetary Agreement

From Our London Correspondent

LONDON, Oct. 11, 1944. (By Airgraph).

THE Anglo-Belgian Monetary Agreement, signed a few days ago, is the first step towards monetary co-operation. Agreement in principle has been reached also with the Netherlands Government. This complements the agreement between the Belgian and the

Netherlands Governments. Here, then, is a nucleus for further monetary developments. The Anglo-Belgian Agreement is designed to fit in with the draft agreement reached at Bretton Woods. Indeed, there is a special article providing that, if an international agreement should come into force to which the two contracting parties wish to adhere, the present agree-

ment would be brought into line by appropriate amendments.

The rate of exchange between the two currencies is fixed at Belgian francs 176.625 to the pound. At first sight this rate puts the exchange value of the Belgian franc rather high. It is clear, however, from another report, that the Belgian Government indicated during the negotiations that they would pursue a policy of deflation to bring the level of the Belgian franc up to that required by this rate of exchange. It was announced two days ago that the National Bank of Belgium is to withdraw all its notes of fr. 100 and over and to freeze the larger part of the amount involved. Against the rest new notes are being issued. According to the Agreement the two national banks, the Bank of England as agent for the British Government, and the National Bank of Belgium acting for the Belgian Government, will supply their opposite with Pound Sterling and Belgian francs respectively up to a limit equivalent to £5,000,000. Requirements exceeding this limit will be supplied against gold. No gold price is laid down. Until there is such a thing as an effective gold parity the price would be arranged from case to case. Gold may either be ear-marked or, if desired by the other bank, held free to be withdrawn or otherwise disposed of by the bank owing it. There is also a provision, almost identical with Art. VIII, Section 4, of the Bretton Woods Agreement, that either of the two National Banks can sell to the other holdings of the other's currency or gold up to the other's balance with the former. That is, the National Bank of Belgium can sell to the Bank of England sterling or gold to the amount of the latter's balance of Belgian francs with the National Bank of Belgium while the Bank of England can sell Belgian francs or gold to the National Bank of Belgium up to the amount the latter holds sterling amounts with the Bank of England. in the agreement.

Special provision is made for dealings concerning the Belgian Congo, and the arrangement is intended to cover not only the two countries, but to extend to what is called Belgian franc and sterling areas. This, no doubt, means that in due course the Dutch Guilder and other currencies as well as Dominion currencies might come within the purview of the agreement. The initial Belgian franc area is, however, prescribed in the agreement.

There is provision for changing the rate of exchange in mutual consultation and the same is provided for any other amendments to the Agreement.

It is clear, to judge from the conclusion of this Agreement, that the British Government and some of the European Governments have the intention to pursue a policy of monetary co-operation, no matter whether the Bretton Woods Agreement will be ratified or not. And it is also clear that the idea of adjustable rates of exchange will be a principal point of monetary policy at least this side of the Atlantic.

The announcement of the Belgian Government referred to above, concerns new regulations and the withdrawal of currency notes now in circulation. All bank notes of fr. 100 and over are to be withdrawn. They have to be handed in between October 9 and 13. Each depositor will receive up to fr. 2,000 in new notes which were printed in London. The balance will be blocked. Thus anyone who has less than fr. 2,000 in all notes of the denominations mentioned will receive full exchange in new notes. But those who hold more have to leave the amounts over fr. 2,000 as blocked bank balance. Equally, all bank deposits

are blocked except for 10 per cent., for the owner's holding on bank account in May, 1940. Registered firms, however, are allowed to withdraw up to fr. 1,000 per employee for wage payments.

The Minister of Finance will decide within a month whether any further amounts shall be released immediately. His decision will be based on, partly, inquiries into the increased money holdings and, partly on the supply conditions in the country. Of the remainder of blocked balances and notes deposits 40 per cent. remains temporarily blocked and will be released progressively as and when the national economy can absorb them. The remaining 60 per cent. is to remain permanently blocked. A capital tax on proved undue war gains is also being introduced and it is expected that the proceeds of this tax will more or less swallow up the blocked 60 per cent. Securities will also remain unsaleable during the period of investigation. The Belgian Stock Exchange will be closed until the tangle of ownership and the claims caused by German activities have been cleared up.

This able and courageous action on the part of the Belgian Government raises one's hopes for the future handling of monetary affairs. There were three possible ways and they have chosen the best. Firstly, they could have left things as they are and simply exchanged new notes for old ones at the rate of, say, 1:2; and have the amounts of bank balance halved in the same way. It would have been the easiest way, but would have left the inequity caused by the inflation entirely uncorrected. It would also have made it more difficult to find out the sources of inequitous war gains. Secondly, they would have followed the old way of orthodox deflation. Thirdly, the method chosen, namely effective reduction of note circulation and of ambulation of bank balances instead of increasing the Government debt, which would have been the collateral action necessary to withdraw money by deflation, the gap is bridged by discriminatory taxation. Thus the people who have benefitted by the inflation are called upon to make good the difference. The result will be salutary in more ways than one. Firstly, the correction in the monetary circulation will in no way affect trade and employment adversely. The special capital tax will affect special gains only and thereby will not become a burden on industry or trade. And, thirdly, the psychological gain will be probably as important as the economic: internally it will give the people a feeling that justice is being done; externally it will create trust and confidence in the new regime and its policy.

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A DELHI DIARY

THE Central Assembly met here on Wednesday, November 1, and is scheduled to sit for three weeks. Considering non-official members' demand for more days for the food debate and for a special day to discuss the Natal Ordinance, the session may have to be extended. The most notable feature of the session is the Congress Party's decision to take part in its proceedings under the leadership of Mr. Bhulabhai Desai. This means a permanent accession of strength to the Opposition and a greater struggle between the Whips for the few unattached votes which turn the scales on critical occasions.

A Congress-League-Nationalist pact was entered on the eve of the session. It means that on all matters on which fundamental conflict of creeds is not involved the three parties will work in alliance to defeat the Government in the division lobbies. The Opposition, according to the experience of the first two sittings, is not yet properly organized. Few members study public questions with a desire to take constructive part in debates. Perhaps this defect will be removed as the session proceeds.

The question-hour is, as usual, proving interesting because of sharp exchanges. Unfortunately, men like Mr. Lalchand Navalrai and Dr. Sir Ziauddin take too much of time in putting unnecessary and unintelligible supplementaries. Veteran members such as Mr. K. C. Neogy succeed, however, in pressing their points home to the Government. The Bengal member was able, for instance, to show that one Mr. Young, who has been brought from England as Coal Commissioner for India on a salary higher than that paid to Executive Councillors, has been considering himself a super-member. He could not work with Sir Edward Benthall nor with Dr. Ambedkar and finally got himself transferred to the portfolio of Sir Ramaswami Mudaliar. He meets the Viceroy often because, it is said, Lord Wavell sends for him. This means either that the Viceroy is interfering too much with normal administration or that Mr. Young feels he is not responsible to his departmental chief. When Mr. Neogy clinched the issue asking whether the Government would refuse to employ this mighty man after his one year contract is over, the Supply Member could only promise consideration of the suggestion.

Dr. Ambedkar is apparently no friend of the M. N. Roy group. Last session he let out the secret that the Indian Labour Federation is receiving Rs. 13,000 a month for building up labour morale. Today he stated that it had been found that full and regular accounts had not been kept of how the money had been spent by the Labour Federation. From June onwards, he added, accounts would be kept by a trained accountant.

Adjournment motions are having a rough time: only two out of 40 were held in order. This method of arising debate on an urgent matter of public importance is abused by some members who give notice light-heartedly. The President, too, is ruthless in ruling them out of order and the Governor-General occasionally steps in to disallow some. The House, for instance was deprived of the chance of debating the Phillips episode because Lord Wavell held that it was not in public interest to discuss it. Since the author of the famous telegram declaring Mr. Phillips *persona non-grata* is a member of the House, a debate on the subject would have been most useful, but Sir Olaf Caroe went scot-free.

Some notable changes have occurred in the personnel of the House. Sir Francis Mudie has taken the place of Sir Reginald Maxwell and Sir Ardeshir Dalal is an addition to the overgrown Treasury Benches. Mr. Jamnadas Mehta has been silenced by appointment as Government Agent with the Burma Government. But he retains his seat in the House, so

that he will be free to attack the Congress! That a Government servant should retain an elective seat is an outrageous position and the Opposition jeers have left the Government in no doubt as to what they think of the deal.

Legislative business will come under critical review next week, but the Assembly got an early opportunity to debate the food situation. Sir J. P. Srivastava thinks he deserves a pat on the back for his stewardship of the past 12 months. He claims that local shortages of food have been prevented, that provinces have been made to toe the line of all-India policy and that confidence in Government's ability to control the situation has been restored. Firmly convinced that he was doing the job competently, the Food Member announced that he was now opening a food planning section. It meant, in other words, that he thinks that his Department has come to stay and that it will be a permanent feature of the Central administration. He significantly stated that the food situation had proved India's economic unity. The debate that followed his speech will be carried into the next week. It has already shown how defective the administrative machinery still is and how the stage for taking credit for achievements had not yet been reached. And some speakers asked why food and agriculture were not being combined. A lobby explanation of Sir J. P. Srivastava's round-up is that he is expecting to be deputed shortly to London as a member of the War Cabinet and that after he leaves the Food Department, there is a chance of some changes in the allotment of portfolios. Then, it may be possible for food and agriculture to be combined under one member.

The Muslim League Party has been particularly lucky in the field of adjournment motions. The President, while ruling out others, admitted two of this party's motions on two succeeding days. Nawabzada Liaquat Ali Khan's attempt to censure the Government for letting the Punjab Premier use the National War Front for promoting the Unionist and Zamindara League interests failed to secure support of other non-official parties. The general impression was that the League wished to score against the Unionist leader who had called Mr. Jinnah's bluff. But for this tactic the Congress Party would have participated in the debate and given numerous instances of how the National War Front was being used wholly to counteract the Congress movement. Apparently so long as this was the Front's plan the League had no quarrel with it!

The Consumers' Council has come and gone. Its second session was held here early this week. The general opinion is that the Council is not fulfilling any useful purpose. The Civil Supplies Department puts out a statement of how its control measures are functioning, but the members of the Council are not in a position to show from experience how the controls are proving disastrous to trade and ruinous to consumers. Perhaps the remedy lies in having regional consumers' councils consisting not of men and women drawn from the upper layer of society but from the middle, lower middle and poor classes. It is such regional bodies which should send up their representatives to a central council. Then alone would the machinery prove useful guide to the Government of India. It was alleged at the last meeting of the council that the very shops licensed by the Government to sell goods at control prices also stocked black market goods! Sir Azizul Haque pleaded that licences were given by the Provincial Governments, but the general public is not concerned with these administrative technicalities. They know where the shoe pinches and want the situation to be remedied.

ARGUS

Money Market

Vigorous Bullion Sales by Reserve Bank— Resumed Sales of 3½ G.P. Notes (From Our Correspondents)

BOMBAY, October 29, 1944.

QUITE a flutter has been caused in the bullion markets by the sudden *volte face* apparent in the Reserve Bank's bullion policy. In lieu of the severely aloof attitude which was noticeable hitherto in regard to bullion prices, the Bank authorities effected considerable sales of both the metals at progressively lower prices during the week, and have almost succeeded in damping the ardour of bullishly inclined speculators.

Shortage of stocks and heavy bear covering had taken up gold early in the week to the neighbourhood of Rs. 67 (towards delivery). On Monday, the Bank lowered its selling limit and accepted tenders at Rs. 67, against Rs. 70 the rate at which the Bank sold earlier. The rate was further reduced by stages on the following days and on Thursday the Bank accepted tenders at as low a rate as Rs. 61.8. Thus, in the space of four days, the Bank reduced its rate by no less than Rs. 8.8, the estimated quantity of gold sold being about one lakh tolas. The effect of this development on the market was that the arte for one week forward delivery dropped at one time on Thursday to as low as Rs. 50-140 and that for spot to Rs. 60-8-0. On Friday, the Bank sold no gold and rejected all tenders. This led to a revival of the upward trend and the market closed steady at Rs. 62-14-0 for forward, after moving up to Rs. 63-4-0. The rate for spot was higher by nearly a rupee at Rs. 63-12-0. Sovereign at one time declined to Rs. 43.8 but closed higher at Rs. 44.8.

In silver, the Bank commenced its sales only on Wednesday, the rate being lowered from Rs. 125 to Rs. 123. On Thursday, the rate was further reduced to Rs. 119-12-0 and again to Rs. 114-12-0 on Friday, the net fall in the Bank's rate being Rs. 10.4. The market rate for one week's delivery dropped from Rs. 122 to Rs. 113 but suddenly firmed up on Friday to Rs. 117 on bear covering and good demand from upcountry. The market closed a shade quiet at Rs. 115-13 owing to profit-taking by the bulls. In spite of sales of about 300 bars by the Bank, the spot rate continued to command a premium of Rs. 2, which is an indication of the extent of low stocks and heavy bear position.

Gilt-Edged

Another highlight of the week's trading Paper to par. The element of surprise was provided not by the rise in the quotation which had been generally anticipated, but by the fact that the Reserve Bank exploited the situation to sell a small lot of paper at that rate. Market circles are wondering why the authorities should have taken such a step, especially when they must have known full well that such an action can only depress the prices of gilt-edged securities as a whole. In point of fact, 3½ per cent. Paper promptly sagged to Rs. 99-13 when Reserve Bank sold at par. There is a fair measure of support in market circles for the view that if the Reserve Bank had not taken the peculiar course it did, the price of Paper would almost certainly have gone up further, and probably with it the prices of other securities also would have improved.

Among other Government Securities, business was hardly possible in the short and the medium dated loans owing to scarcity of sellers. Three per cent. 11949-52 loan was a shade better at Rs. 101.12 as also 3 per cent. 1953-55 at Rs. 100.11. Three per cent. 1963-65 loan was steady at Rs. 99.2, but 5 per cent.

1945-55 tax-free loan was quiet at Rs. 103.12 as against Rs. 103.14 early in the week.

Treasury Bills

In spite of the Assam Government stepping into the short-term money market for an accommodation of Rs. 2½ crores, the Central Government, it is noteworthy, has been able to borrow on slightly favourable terms than last week. Thus, on its Treasury Bills for Rs. 6 crores, the Government allowed only Re. 0-7-11 per cent. as against Re. 0-8-0 per cent. a week ago. Total offerings were higher at Rs. 14.14 crores as against Rs. 12.89 crores last week, which, together with the fall in the rate, clearly illustrates the keen bidding that must have prevailed for the Central Government Bills this week. The response to the Assam Government's (three months) Treasury Bills was satisfactory. As against an invitation of Rs. 2.5 crores, tenders aggregated Rs. 3.45 crores, the average rate of accepted tenders being Re. 0-9-0 per cent. which is only one anna higher than the rate for the Central Government's bills.

Reserve Bank

The Reserve Bank's statement dated 20th October, bears unmistakable testimony to the fact that frequent doses of currency expansion have come to be the order of the day. As on 20th October, there has been a fresh transfer of Rs. 6 crores to sterling securities in the Issue Department, and notes in circulation have risen by nearly a like amount. The reason is fairly obvious, and the arrivals of more and more troops make it clear that war expenditure is on a mounting scale. This probably explains why, of the Rs. 10 crores accruals of sterling in the particular week which must almost entirely have been to the credit of the Government of India, only Rs. 1.32 crores increase is noticeable in the deposits of the Government. In fact, when one makes allowance for the subscriptions to Government Loans, tax collections and sterling receipts, the meagre rise of Rs. 1.3 crores in Central Government balances must be deemed to mask a very high level of expenditure on the war during that week.

The abnormally high level at which the cash balances of the Central Government stand (Rs. 185.28 crores) poses the conundrum as to why these high cash balances are not utilized in any direction so far. In certain market circles the view is held that Government are probably intending to repay some of the series of the 3½ per cent. non-terminable loans. There are five of them, of which fairly small lots exist in the 1842-43 series comprising Rs. 25 crores and in 1854-55 series comprising Rs. 21 crores. Of course, this is in the nature of a pure guess, but there are many who feel that there is no better way of stimulating the money market than that of repaying some of these undated securities. In the 5 per cent. 1945-55 loans outstanding exist to the extent of Rs. 56 crores, and in accumulating its cash balances Government may probably have the intention of repaying the entire amount from its cash balances, although normally one would expect the expiring loan to be replaced with another issue of a cash and/or conversion character. A number of alternatives is before the Government, and it is hardly possible to say what precisely are their intentions in allowing their cash balances to accumulate when quite a lot of rupee securities in the Issue Department in the shape of *ad hoc* Treasury Bills must be held in the currency reserve,

Balances of Scheduled Banks continue to pile up, which is not surprising. Ways and means advances to provincial governments exist to the extent of Rs. 1.26 crores, which shows that provincial governments' cash balances with the Reserve Bank are not comfortable. In fact, the Assam Government floated Rs. 2.5 crores of Treasury Bills during this week. The border province should be faced with special expenditure on account of the military operations.

Stock Exchange

The share market passed through quite a dull week. Investment demand was very poor and even inter-bazar transactions were of a limited character. The trend was steady for the most part of the week, although, just before the close, a quiet feeling set in owing to the rapid drop in the prices of bullion. There was a slight setback in values on Thursday, but this

In the steel section, *Tata Deferreds* began the

Firm Condition in Stock Market Continues— Raw Jute Market Easier (From Our Correspondent)

CALCUTTA, October 30.

THE general tone of the Calcutta Stock Market was rather firm in the early days of the period under review, and a general improvement in prices was recorded with Indian Irons and Steel Corporations leading the market. The publication of encouraging jute mill earnings and the rumours regarding the possibility of a bonus issue by the Indian Iron and Steel Company were mainly responsible for the strength of the market. Indian Irons later on lost ground as rumours regarding the bonus issue were not confirmed.

Gilt-edged: Gilt-edged securities were very firm throughout the period. But for the selling by the Reserve Bank of large parcels of 3½ per cent Paper at par, the close would have been very steady. Three and a half per cent. Paper is now quoting Rs. 99.14. There is good demand for short and medium dated loans.

Cotton: Cotton shares are very uninteresting with little change in prices. The rally in textile issues in Bombay towards the close of the week had a steadying influence. *Cawnpore Textiles* were Rs. 13.8, *Elgin* Rs. 68 and *New Victoria* Rs. 8.4.

Coal: The disappointment over the results of the Bird and Heilgers group of companies has not been yet got over and the publication of the report of two more companies have confirmed the fears that very few companies would be able to take advantage of the conditions in the industry. It will not be possible to derive any benefit from the bonus scheme if the total raisings do not exceed the target which has been fixed sufficient—high in the case of most companies and may not be reached on account of the shortage of labour. Thus, the *Rewa* coalfields and *North Damuda* accounts for their last year show that the bulk of the increase in earnings has been taken away by additional provision for taxation and compulsory E.P.T. deposit. The *Rewa* coalfields alone effects a slight increase in dividend from 7½ per cent. to 8¾ per cent. Quotations have been fluctuating in narrow limits, *Bengal* at Rs. 650, *Bokaro* and *Ramgur* at Rs. 40.8, *Burrakur* at Rs. 40.3, and *South Karanpura* at Rs. 21.4.

Jute: Jute shares were steadier in the first two days of the week, but quotations are lower later, *Hourahs* being a point lower than the highest levels for the week at Rs. 84.10. There has been special enquiry for India and the quotation improved by 15 points to Rs. 750, *Anglo-India* were quietly steady at Rs. 457 and *North Brook* at Rs. 45.8.

Engineering: Engineering shares were active with *Indian Iron* marked earlier in the week at Rs. 41

week at Rs. 2,110 but closed at Rs. 2,075 after declining to Rs. 2,058-12.0. *Tata Ordinaries* moved between Rs. 387 and Rs. 380 but closed fully steady at Rs. 384.

Among Cotton Mill shares, fluctuations were very narrow and the turnover limited. *Bombay Dyeings* opened firm at Rs. 1,765 but were marked down to Rs. 1,725. The closing was a shade better at Rs. 1,734. *Centuries* lost Rs. 12½ to close at Rs. 825 and *Kohinoors* Rs. 19 to Rs. 563. A noteworthy feature in this section was *Simplex* which changed hands at hardening rates, the closing at Rs. 252.8 showing a gain of nearly Rs. 14.

Associated Cements were the brightest spot in the whole market. On large inquiries from Calcutta and on brisk short covering, these shares moved up by nearly Rs. 10 to Rs. 241.4. A further rise in this scrip is not improbable, as there is at present considerable short position. Bank and public utility scrips were remarkably steady.

cum-dividend. There was a drop to Rs. 38.10 *ex-dividend*. *Steel Corporations* likewise improved to Rs. 32.8 and came back to Rs. 31.10, but sharply rallied to Rs. 32.8 towards the close. *Britannia Engineering* were in good request and registered a rise of one point to Rs. 20.12 while *Burn & Co.*, on expectations of good dividend were well held at Rs. 418.8.

Sugar: Sugar shares were firmer on the announcement that the Government of India had decided to increase the ex-factory price of sugar in order to enable the Provincial Governments to pay a higher minimum price to sugarcane growers. It is expected that an increase of 2 annas in the price per maund of sugarcane would induce the cultivators to place a larger area under cane cultivation this season and assure large supplies to the factories. *Balrampur* were Rs. 17.9, *Champaran* Rs. 42.6 against Rs. 40.12. *Belsund* changed hands at Rs. 16.14 and *Buland* at Rs. 42.14.

The Raw Jute: The raw jute market has been further easier during the past week. The weakness of the goods market accentuated the decline in prices. Mills are not taking any interest and with arrivals coming in on a large-scale in the mofussil centres, sellers are very anxious to dispose of their holdings. There is also the fear that the Government of Bengal might decide on an increase in the area under the crop for the next year. The only development favourable from the market point of view is the announcement by the U. S. War Production Board that restrictions with regard to the import of jute into the U.S.A. have been removed and that private importers are now free to import as much jute as they want. In the absence of any large amount of shipping space, the removal of restrictions by itself would not be reflected in larger exports.

In loose jute, business has been negligible with *Supervised Jat Middles* and *Bottoms* done at Rs. 16 and Rs. 13 per maund. *Middles* alone were done at Rs. 5.8 per maund. *Indian District and Bottoms* were done at Rs. 15 and Rs. 12 per maund with sellers over. Business for export has been very small. Long group *Dundee Daisee* and short group were done at minimum prices. Mills purchased *Dundee Daisee* Rs. 2.3, and *Lightnings* at Rs. 77 and Rs. 74 per bale respectively. The withdrawal of official agencies from the hessian market has resulted in easier conditions. Secondhand sellers are offering a discount for 11 porters. Mills, however, are not prepared to discount rates as they are well sold for the next four or five months and they like to await further developments.

THE BUSINESS WORLD

THE HEAVY CHEMICALS

THE heavy chemicals occupy a key position in any modern economy. They are important as fertilizers in agriculture and indispensable at some stage or other of many manufacturing processes in industry. Their consumption increases as industrialization progresses and their domestic production will therefore assume increasing importance for this country in the future. In fact, far too little attention has been paid hitherto to development in this important field and the absence of a well-developed heavy chemicals industry has consequently constituted a serious lacuna in our industrial structure. Thus, before the war, apart from some 23 factories manufacturing sulphuric acid through the antiquated and uneconomic chamber process and generally working below capacity and the production of potassium nitrate on a cottage industry basis, there were not many signs of any activity at all. Particularly deplorable was the fact that the alkali industry was practically non-existent, with the result that some of our main industries, such as textiles, paper, soap, etc., had to depend upon imports for their requirements of important chemicals.

Some progress, however, has been made during this war as shown below:—

Material	(Figures in tons)		Imports in 1943	Additional Capacity Available in 1944
	Pre-war	In 1943		
Sulphuric Acid	26,000	73,500	25,000	7,500
Caustic Soda	..	17,500	6,900	..
Bleaching Powder	..	4,200*	..	..
Sodium Carbonate or Soda Ash	..	18,000	62,000(?)	23,000
Sodium Bicarbonate	..	1,500	3,300	..
Alums	..	7,000	6,000	..
Potassium Chlorate	..	150	100	1,500
Sodium Sulphide	..	1,200	600(?)	1,500
Bichromates	..	3,000	3,000	..
Chromic Acid	..	100	..	..
Salt Petre or Potassium Nitrate	11,000	11,000	..	..

* In addition to this, the Government factory at Bishra has a capacity of 3,000 tons Super Tropical Bleach per annum.

Thus, the production of sulphuric acid has been nearly trebled; this has been achieved both

Chief Consumers	(Figures in tons; those in brackets are percentages of the total consumption of the chemical.)							
	Sulphuric Acid	Caustic Soda	Bleaching Powder	Soda Ash	Alums	Potassium Chlorate	Sodium Sulphide	Bichromates
Chemicals	40,500 (55.1)	..	300 (2.7)	10,000 (12.5)	..	..	300 (20)	50 (0.9)
Steel	12,500 (17.0)	..	..	..	..	..	600 (40)	4,680 (78.1)
Textiles	7,000 (9.5)	14,000 (28)	3,600 (32.4)	9,000 (11.3)	1,000 (7.7)	..	..	..
Paper	750 (1.0)	6,000 (12)	5,400 (48.7)	10,000 (12.5)	8,400 (64.6)	..	600 (40)	600 (10.0)
Tanning	1,500 (2.0)	..	..	..	..	..	..	600 (10.0)
Paints and Pigments	2,000 (2.7)	..	..	..	..	..	..	..
Soap and Glycerine	..	25,000 (50)	..	..	..	..	..	..
Matches	700 (0.9)	5,000 (10)	..	..	..	1,500 (88.2)	..	60 (1.0)
Vegetable Oil	2,500 (3.4)	..	..	..	..	..	..	..
Mineral Oil	200 (0.3)	..	..	10,000 (12.5)	..	..	..	..
Glass and Enamel	..	..	..	38,000 (47.5)	..	..	..	..
Washing and Cleaning	..	..	1,800 (16.2)	..	3,600 (27.7)	..	..	..
Public Health	5,850 (8.1)	..	..	3,000 (3.7)	..	200 (11.8)	..	..
Other Consumers	..	..	..	..	..	..	..	..
Total Consumption	73,500 (100)	50,000 (100)	11,100 (100)	80,000 (100)	13,000 (100)	1,700 (100)	1,500 (100)	5,990 (100)

The progress during war-time might conceivably have been much better than what it actually is, but for the fact that the whole outlook of the Supply Department has been vitiated by two main inhibitions. Firstly, they evidently assumed that this country's requirements should be met mainly by imports and that indigenous production should be developed and expanded only when and to the extent necessary to bridge the gap between imports and domestic consumption. This explains the importance, which imports have continued to have and the subordinate role assigned to domestic production. Secondly, it is obvious that they took it for granted that their responsibilities would be over once the requirements of essential consumers (narrowly defined) were met. To this cause should be traced the severe shortage and high prices of many necessities of everyday life, such as soap. Taken together both factors have contributed to prevent the optimum development of a heavy chemicals industry through the full utilization of our raw material resources and the war-given opportunities. Further, many of the manufactures developed during war-time may not be able to maintain themselves when normal conditions return, because adequate attention has not been paid to secure their technical organization on efficient and economic lines. Thus, in the very important basic industry of sulphuric acid manufacture, the old and uneconomic chamber process still continues to be general. If, on the other hand, the Supply Department had approached the problem

from the right end, they would have been aware of the need for developing indigenous production, not as a supplementary to imports, but as a basic national industry in itself and a greater measure of success would have consequently attended their efforts. As it is, the progress achieved by them is, at best, patchy and piecemeal and directly because of their indifference to the national aspect of the industry, a foreign corporation has been enabled and encouraged to build up a dominating position within the industry. The Imperial Chemical Industries, it may be noted, are strongly entrenched in the alkali industry.

The Government of India have assured certain lines of production, such as the manufacture of bichromates, of post-war protection. But this is not all the assistance that is needed. In fact, the Government should plan a positive policy for the chemical industry as a whole. Tariff protection may be only one of the features of such a policy. Equally important are a survey of raw material resources, assistance in the import of machinery and engagement of foreign technical experts, the training of technicians for service in the industry, a proper railway rates policy, and some effective check on non-Indian penetration. The aim should be two-fold: to build up a well-rounded national chemicals industry, fully exploiting our raw material resources and to ensure sufficient and satisfactory supplies of chemicals to the industries at as low a price as possible.

NOTES

TARIFF BOARD OR TRADE BOARD?

The Planning Member's Bombay announcement of the Government's intentions in the field of post-war fiscal policy is interesting only for the welcome light it throws on a dark corner of official psychology and its significance consists in the revelation it has made of the total inadequacy of any fiscal action, which the present Government may be capable of contemplating. It is not surprising, that the idea of a permanent Tariff Board has failed to rouse much enthusiasm in business circles. The hard truth is that the time for half-hearted measures and namby-pamby encouragement of Indian industries is past. The Government are either sincere about planning (with a capital P) or, they are not. We take it they are; otherwise Sir Ardeshir may not be in it. But, then, we must emphasize that a permanent Tariff Commission is no great improvement on *ad hoc* Tariff Boards, or liberal protection over discriminating protection in the context of a large scale industrialization drive of the magnitude, which the country has been led to expect. In fact, the whole attitude of pronouncing a judgment on the suitability of each industry for protection after a rather academic inquisition into its past and assessment of its future is antiquated and out of place and may even prove dangerous. Let us be clear about the ends so that we may be clear about the means. We do not want the development of individual industries on a narrow view of their prospective profitability. We have had much of that sort of thing in the past and cannot afford to have more. What we want is industrialization, whole and true—planned and rounded development of all our industrial potentialities within a general framework, in which each industry will have its due place as part of an organic whole. A Tariff Board, it needs hardly to be argued, is not by any means the best agency for achieving such a comprehensive purpose. There is, therefore, force in the contention that what is needed is not a Tariff Board, but a Trade Board, with authority to determine what steps should be taken to build up industries, which the Planning Authority has decided to set up or expand. The scope of such a Trade Board may well spread over a wider field than

tariffs and cover a complex of situations and measures. Already the advanced industrial countries have begun to air their new-fangled enthusiasm for a liberal international commercial policy, now that the latter is very much in their interests. The situation is pregnant with grave possibilities for India, whose vital interests will be irretrievably damaged if, through clever manœuvring or just frank dictation, she is made to surrender, in the name of some international convention or other, her right to be free to fight poverty through essential industrialization. The need for being emphatic and definite in our demands cannot, therefore, be too much emphasized.

MACHINE TOOL INDUSTRY IN INDIA

Speaking at a luncheon given in honour of the Machine Tools Mission by the All-India Manufacturers' Organization, Bombay, Mr. Trimming, the Machine Tool Controller, vouchsafed the information that at present there were 260 manufacturers in the country licensed to manufacture machine tools. He felt satisfied with the war-time progress of the industry which is now producing 3,600 machine tools as compared with only about 100 produced in the pre-war period. This claim has been contested in certain quarters and it is held that there are hardly ten or twelve firms which can produce items of machine tools worth mentioning and that most of the remaining are too ill-equipped and ill-organized to serve as a satisfactory foundation for a healthy tool industry. Further the increase in output seems mainly to be in a few lines and these not the most important. A glaring contrast to this doubtful progress of our machine tool industry is afforded by Australia, where from a meagre pre-war start of not more than half a dozen shops capable of manufacturing machine tools, the industry became capable, by October 1942, of supplying 3,000 lathes of various kinds, more than 2,000 presses upto 3,000 tons capacity, about 2,000 each of drillers and grinding machines, and 1,000 milling machines. The industry is now capable of turning out a wide variety of machine tools, factory equipment, electrical equipment, ball bearings, hand tools, etc., and can also produce high quality precision tools. And

through the training of a large staff of technicians well-versed in the manufacture of machine tools and efficient organization the industry has succeeded in building for itself a secure place in the post-war competitive world by having brought down its cost of production to a satisfactory level. The Indian industry cannot stand a moment's comparison. Worse still, it appears that even the poor progress of this key industry in India cannot now be maintained as essential Government assistance has steadily dwindled or ceased altogether. Government have begun to depend more and more on foreign sources of supply and although Sir Ardeshir, during his visit to Lahore, promised that every kind of help and encouragement will be afforded to the industry, something more concrete than a verbal assurance is indicated. The prime need of the industry as Sir William Stanier, Chairman of the Machine Tools Mission, pointed out, is that of creating a class of craftsmen capable of looking after highly specialized machines. The Labour Member would have done a great service if, instead of expressing smug self-satisfaction at the growth of a doubtfully trained personnel as a result of his Training Scheme, he were to set about, with energy and determination, on the task of building-up an efficient and adequate personnel to staff essential industries.

AN INTERESTING CHARGE-SHEET

In the course of an article on post-war industrial development, appearing in the September issue of the *Journal of Scientific and Industrial Research*, Sir S. S. Bhatnagar indulges in some very refreshing plain-speaking of a kind of which one would like to have more. The relevant passage, which deserves to be reproduced in full, runs as follows:

"No raw material has been so abused in the past by industry and Government as coal. The railways have consumed in the most uneconomic manner the best available coal which should have been used for better industrial purposes. The indigenous soft coke processes are extremely defective and should not be permitted. All the valuable chemicals and by-products are lost into the air in these primitive methods. It is regrettable that even the steel industry is not using satisfactorily all the gases and by-products of the coke-oven industry. The valuable by-products are used up as fuel while they are really worth their weight in gold if suitably employed for making valuable organic chemicals, plastics, drugs and solvents. So many industries in India depend upon coal, and yet the coal situation is so dark that a thorough scientific study of this industry is urgently desirable. The criminal negligence of those who have ruined our coal resources can be condoned only if they will now that the problem is known to them, spare no effort to set this industry right. Coal grading and coal standardization are as necessary as more coal production. Fear has been publicly expressed that more coal is going to be exported from this country and that the drive for increased production is not entirely in the national interest. The Government will have to satisfy the nation on this account. They can do so only by adopting methods by which coal preservation and coal utilization will be perfectly and scientifically correlated."

WHAT SAYS GOVERNMENT?

Sir Shanti Swarup has marshalled a formidable array of charges against the coal criminals. But, why couple industry with the Government as partners in guilt? In no country in the world has private enterprise been looked to for conserving vital national assets. This pre-eminently is a field, where the duty is the Government's and the responsibility for failure theirs alone. In this particular case, the lapse on the part of the Government becomes particularly grave as the chief wasteful consumers of coal are the Railways, over which the Government have always

had the powers of control and supervision. We are, however, in agreement with Sir Shanti Swarup's complaint that the steel industry is not utilizing valuable by-products satisfactorily. Surely, we have a right to expect that our premier national industry should set up a better standard of technical efficiency than that. Nevertheless, it is true to say that the blame for permitting the wasteful mining of coal and the employment of scarce coking coal for inferior purposes should attach itself entirely to the Government. One more charge-sheet, however eminent the author and emphatic the wording, is not going to cause much of a headache to a Government, which should have become thoroughly accustomed by now to being charged with sins of commission and omission. But, even then, is it too much to hope that some stirring of uneasy conscience may be occasioned by Sir Shanti Swarup's stern warning, "The criminal negligence of those who have ruined our coal resources can be condoned only if they will, now that the problem is known to them, spare no effort to set this industry right?"

WAR-TIME FALL IN BRITISH EXPORTS

A White Paper issued by the British Board of Trade narrates the story of the war-time decline in Britain's exports. Europe was overrun in 1940 and this adversely affected British exports. Bombing of British ports, especially the firing of London docks in September 1940, had similar adverse consequences. But exports had to be kept up, to earn the necessary foreign exchange to get materials of war and other goods from the United States, which as yet only parted with its goods on the basis of "cash and carry." But in 1941 the American Government adopted Lend Lease arrangements and this obviated the necessity of keeping exports at a high pitch. The shortages of raw materials which were beginning to be felt at about the same time, together with the increased diversion of manpower to the armed forces and the munitions factories, drastically curtailed Britain's capacity to export and she was forced to scrutinize strictly any foreign demands satisfying only those which were proved to be very essential. The result of all this has been that by 1943, Britain had had to sacrifice three-quarters of her foreign trade to the needs of the war effort. Since 1938 British export trade has fallen in value to less than half the pre-war figure. And even this includes a considerable proportion of exports which are not, strictly speaking, commercial. Thus the contribution to the annual national income made by the export trade has fallen very considerably. Last year, for instance, British exports represented only a small proportion of 2.8 per cent. of the national income as compared with 10.2 per cent. in 1938. As early as 1941 raw material exports had shrunk to one-fifth of the 1938 figure. In 1942-43 they further declined to one-tenth of the pre-war amount. Exports of raw materials shrank of a negligible extent, while that of manufactured goods declined in 1943 to 31 per cent. of the 1938 volume. The volume of cotton goods exported fell from £49,680,714 in 1938 to £40,085,975 in 1942 and £34,173,372 in 1943. Textiles indeed suffered very heavily, and the fall of nearly one quarter in exports between 1942-43 was in the main due to the decline in textile exports, cotton goods exports having fallen by two-thirds as compared with the pre-war period, woollen and worsted goods by three-fifths and clothes and miscellaneous textiles by four-fifths. Among the recipients of British exports, India lost the biggest quantity, her share falling from £33,765,000 in 1938 to £17,549,000 in 1943. Australia came next, having lost imports worth £11,232,000. Exports to Eire fell by £8,685,000 while Canada increased her off-take of British exports by £620,000 during the same period.

SALUTE THE SOLDIER



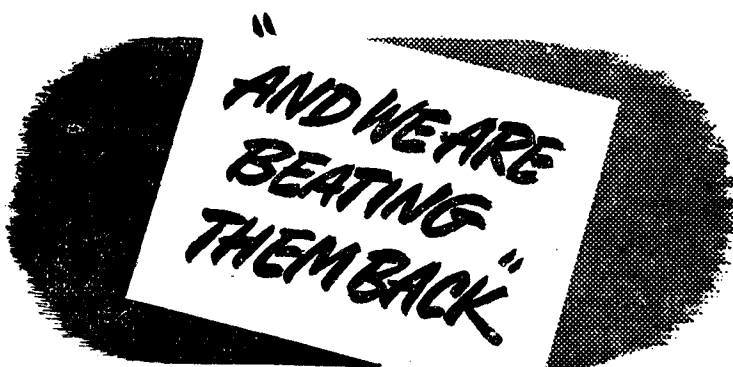
LET US SALUTE THE SOLDIERS WHO DEFENDED INDIA

NOW that Japan's defences are crumbling and their armies are being pushed back, let us thank those who have done it... let us salute those who are fighting for our freedom. Theirs was a difficult task magnificently performed.

THE jungles of Kohima, slopes of Palel, tracks of Ukhrul—day these names are no longer in the news but they will long remain in the memory of those gallant men who were there, who fought for them and recaptured them.

ON trackless paths our men advanced, mud-bespattered, clammy with sweat, wet with incessant rain and loaded with their guns and equipment. HOW DID THEY ENDURE IT? No words can tell. *But they did endure it.* It was a war of endurance. It was under such conditions that our men fought and defeated Japan's fanatical forces.

LET US SALUTE OUR SOLDIERS WHO PROVED THAT WE CAN BEAT THE JAPANESE...



ISSUED BY THE NATIONAL WAR FRONT.

AAA 1309

FROM THE PROVINCIAL ANGLE

Madras Letter

(From Our Correspondents)

MADRAS, Oct. 28.

Gigantic Hydro-Electric Project

THE general food situation in the province has not shown any great improvement. Recently, there have been rains which have helped the withering crops. But the unseasonal rains and the restricted water supply for irrigation are expected to reduce the outturn of the short crop, known as *kuruwai* in the South, by 10,000 tons compared with last year. Despite the Grow-More-Food campaign and the earlier official reports of increased acreage under food crops, the latest official crop returns show that the area sown with paddy up to the end of September has been estimated at 6,355,000 acres, representing a decrease of 3.4 per cent. over the past year. It would be relevant to mention here that the acreage under groundnuts during the same period has risen by 12.1 per cent. to 3,264,000 acres, thus showing a tendency for a diversion from food to cash crops. The only bright side of the picture is the offer of the Government of India to supply rice to the extent of 27,000 ton. The Government's procurement policy has come in for a good deal of criticism both by the ryots and the landholders, and official reports monotonously chronicle that "procurement in the surplus districts was difficult and could not keep pace with the quotas fixed." It would appear that there have been serious inroads into the reserves. The Government's purchase price seems to have been the chief factor in the ryots' and landowners' showing a disinclination to part with stocks, but it is now understood that the price will be raised. However, it is not known whether it would be commensurate with the steeply rising trend in the cost of cultivation.

Municipalising Public Utility

The need for municipalising public utility concerns and the transport system was stressed at the special meeting of the Madras Corporation when a resolution was adopted requesting the Government to acquire the Madras Electric Supply Corporation and the Tramways and vest them in the Corporation. The Government have the right to acquire the Electric Supply Corporation in 1947, and preliminary work in connection with the valuation seems to have already been begun by the Government. It is stated that the present policy of the Government is to own the electrical undertakings and leave the distribution to either local bodies or private enterprise. Even then the Madras Corporation, if entrusted with the task of distribution, is bound to augment its slender resources. Regarding the tramways, the current agreement expires only in 1955, but it may be compulsorily acquired anytime by paying the normal capital plus 25 per cent. of such amount by way of compensation. Under the present rules of black-out on statistics, up-to-date figures are not available, but according to a recent estimate, the assets of the company amount to £463,000. It is stated that the company is redeeming about £2,000 debentures annually so that by 1935, the issued capital would be very much reduced so that it would seem to be more advantageous to acquire it then.

Punjab Letter

LAHORE, Oct. 30.

A CONFERENCE with Sir Ardeshir Dalal gave an opportunity to some of the members of the Indian

If the preliminary investigations now being conducted succeed, Madras Presidency will have the biggest hydro-electric project nearly equalling the capacity of the Tennessee Valley project. This gigantic plan is to explore the possibilities of erecting a dam across the Godavari River in the hilly agency tracts and harness the waters to agriculture and power production. The special staff after exploratory borings and geo-physical investigation have selected two sites for the dam. In the meantime, the services of Dr. K. L. Rao, Assistant Engineer, who is now in America on study leave are being utilized in obtaining knowledge on the engineering and technical aspects *vis-a-vis* the Tennessee Valley Scheme.

Weavers' Conference

Besides considering the immediate problems facing the handloom industry in this Province, the post-war problems were debated at length at the conference of Weavers' Co-operative Societies recently held in the up-country. It was realized that when the existing control orders and special facilities now offered were withdrawn, the future was bound to be uncertain unless Government came forward to treat the industry as complementary to the mills and gave special facilities for its encouragement. In this connection, it was suggested that a cess should be imposed on mill yarn used by the mills that produced it or a cess should be levied on mill-made cloth.

Stock Exchange

Since the re-opening after the *Divali* holidays, the Stock Exchange was marking time and the volume of business dwindled to meagre proportions. There were inquiries for scattered favourites. Operators were unwilling to enlarge their commitments and the quotations moved within a narrow range. Further details of the Rubber Bonus Scheme have been published and the position has been considerably elucidated. It is expected that every effort will be made by the planters to deliver every pound of rubber before the end of the year with a view to obtaining the highest possible rate of bonus. Crop returns received during the period showed good production and the position is bound to improve in the next few months which are the best production months of the year. Textile shares were listless. Select shares like *Mettur Industries*, *Buckingham*, *Coimbatore Spinnings* and *Lakshmis* were sought for at slightly higher rates. In plantings, *Cochin Malabars* were steady at Rs. 17. Other shares were practically unchanged or were higher by two to four annas. Banks were steady and almost all the local shares came in for business at current rates. In the Miscellaneous group, Mysore shares were active. Chemicals were extremely strong. *Andhra Cements* and *Singarenis* were popular. The gilt-edged market was very firm with good support. Three and a half per cent. Paper after touching Rs. 100 closed two annas lower. The dated loans were all fractionally higher. There was good support for 3 per cent. Travancore Loans which rose to Rs. 103.8.

Chamber of Commerce (Lahore Branch) and the members of the Board of Economic Enquiry, to indulge in some plain speaking. It was pointed out by them to the Planning and Development Member

that the Punjab Government had no industrial policy; even the flour mill industry essential for rationed cities, was suffering. The industries, particularly the small-scale, the steel and iron industries and the iron industries, which were started during the war, were being neglected. It seemed, they said, that they (the industries) would die out as soon as the war was over. The agricultural prices were not being maintained at a remunerative level. There was no co-operation between the Centre and the provinces. Sir Ardeshir agreed that the Punjab was among those regions where industrial development was not satisfactory. For instance, he asked, why should not cotton be processed here when the raw material and other facilities were easily available? He made it clear that no individual interests would weigh with the Government, but industries would receive protection as the interests of the country as a whole demanded. Every mushroom industry could not get protection. As regards the supply of steel and iron, he added, there were general restrictions because coal supply had to be cut down. Every kind of encouragement, the Planning Member assured, would be given to the total industry in the Punjab, which was a basic industry. He hoped that the province, which was rich in natural resources, would make a headway and come in the forefront in the promotion of post-war planning.

Steel and Iron Industry Dissatisfied

But Sir Ardeshir Dalal's assurance has, however, not satisfied the steel and iron industry. The Steel Re-rolling Mills' Association of northern India have written to the Central Government that their recent notification according to which all producers of iron and steel are required to obtain sanction from the Iron and Steel Controller, Calcutta, for erection, re-erection, construction or extension of any buildings or works, or installation of any plant or equipment, for the production of iron or steel, will stifle the growth of the industry. Many industries which applied for sanction in accordance with the notification were denied such sanction.

Subsidies for Cottage Industries

The Punjab Government is, however, going ahead with its policy of saving some of the cottage industries. At a meeting on October 25 the Board of Industries, Punjab, sanctioned Rs. 20,000 in the form of subsidies to cottage industries at different centres in the province. A further sum of Rs. 55,000 out of Rs. 70,000 is expected to be spent by the end of the year.

Fruit Industry Demands Protection

At the annual conference of the Indian Fruit Preservers' Association held at Lyallpur, a resolution was passed requesting the Government to render all possible help to this vital industry "to place it on equal footing with similar industry in other countries." Apprehension was expressed about the possibility of other countries "squeezing the Punjab food packers from their own markets."

Future Dealings in Rice Banned

The Punjab Government's recent ban on future dealings in rice and paddy has had a desirable effect on the market. Speculation was rife on the price of rice to be fixed by the Central Government. This led to an unstable market which hit hard the purchasers from other provinces. The tendency is, however, still

prevailing to raise the market artificially so as to compel the Government of India to fix a considerably high price for rice.

Consumers' Demand for Good Wheat

The consumers in the rationed towns are still clamouring for cleaned and good quality wheat. So far no visible improvement in that respect is discernible. The Punjab Government has warned the Lahore Grain Syndicate saying that "the Syndicate organization has been defective and has displayed inefficiency to a degree which justifies action against it."

Meanwhile the Provincial Government has completed its plans to make rationing effective in Simla, Ludhiana, Jullundur, Multan, Sialkot and Lyallpur, "through the Government's own agency to carry out the work of wholesale distribution" as the Syndicate experiment in the already rationed towns has failed.

Military Farms

The military authorities, well aware of dislocation in the local markets, have started their own farms near Lahore to be self-sufficient in the matter of vegetables, meat, milk and milk products. The dairy, poultry and rabbit farms have been started. The Farms Factory alone handles 58,000 lbs. of milk and produces 5,000 lbs. of evaporated milk, 850 lbs. of cheese and 8,000 lbs. of canned butter daily. The poultry farms yield 350,000 table birds a year.

It may be added that the Government has, by a new order, prevented the military contractors from making purchases of ravine cattle, sheep and goat mutton including goat flesh and beef, poultry and eggs, fish, vegetables (including onions and potatoes), fruits (fresh and dry), without first securing a licence for the same purpose. This may bring some relief to the civilian consumer.

NOTICE

Complaints regarding non-receipt of copies of our journal are on the increase. It may be due to three reasons, viz., change in address, wrong postal delivery or expiry of subscription. In the above cases the rectification can be done by the subscribers themselves instead of their writing to us. We take every care that the address registered with us is correctly pasted on the wrappers and we would entreat the co-operation of the subscribers in ensuring their regular and timely supply of our journal. We have, however, to announce that if we make it a point to supply all missing copies free of cost, it will entail an unnecessary financial loss to us. Unless, therefore, complaint about non-receipt of any particular issue is received here within the following week all extra copies would be supplied only against extra payment.

MANAGER

Commodity Markets

MADRAS, October 28.

Groundnuts

After a lapse of four weeks, the British Ministry of Food again entered the market this week and bought about 18,000 tons at £30-5-0, being £1 less than the last purchase price. Sellers were restricted during the period and most of the business done was in the nature of covering operations against earlier sales. The quotation in the local market firmed up to Rs. 62. Crushers were interested in the market to some extent. According to the third official crop forecast, the area sown with groundnut has been estimated at 3,264,000 acres showing an increase of 12.1 per cent. over the previous year. The chief groundnut producing areas have shown increased acreage. Increased prices at the time of the sowing season have been the main reason for the increased acreage. With some demand from Bengal and internal requirements, the oil market also firmed up. The quotation improved to Rs. 145 for ready. Cake showed no change over the period.

Hides and Skins

Arrivals in the market and sales of hides to the buying organization of the Ministry of Supply were slightly better than for some time past. Tanners on the list of the Ministry have been in a better position to supply, but exporters have been in a disadvantage as it has not been paying to buy in the local market and tending the same for sale to the Ministry. The conference of raw hides interests held recently in New Delhi has formulated certain proposals in regard to the pool scheme. The raw market is to be controlled by the fixation of prices for the various types of hides. The country is to be divided into seven zones, each zone having a committee of resident honorary members with an official chairman. The committees are to sanction transactions between the buyer and the seller. Quotas are to be fixed for the various interests and distribution made on an equitable basis. The entire scheme is "based on the principle of not to dislocate the existing trade channels and is subject to modification in the light of further developments." It is not known when these proposals would be given effect to. In the skins market, there has been considerable activity in the sheeps section. Goats too ruled very firm. There were inquiries from America at the new schedule of prices, but dealers here were in no mood to do business as it has been found unprofitable.

HAPUR, October 28, 1944.

The wheat market position is steadily improving here as also in other U.P. Mandies. Another 25,000 tons of wheat is reported to have arrived in India from overseas during the week ending October 17. Market arrivals at Hapur, and in other centres are maintained at unusually fair level this week averaging 700 to 800 maunds daily at Hapur.

The Government of India have further allotted a quota of 37,500 tons to the U.P., in addition 20,000 tons already imported into the province and the two quantities bulked together would meet U.P. Government's needs in connection with the Rationing Scheme in the urban areas of the province till the fresh harvest is ready in 1945. The question of total rationing in ten U.P. towns was under the consideration of the Government and the quantity of wheat ration has been increased from 4 chattaks to 6 chattaks from November 1.

The rates, however, have not moved to any marked extent either way and are quoted at:—Hapur fine Rs. 10, Dara Rs. 9-12, Chandosi Rs. 9-8, Shanti Rs. 9-12, Sitapur Rs. 10, Kasgunj Rs. 9-12 and Gonda Rs. 9-14.

Gur market continues steady under brisk export demands. Old stuff is quoted at Rs. 7-12 to Rs. 8-4. New gur arrivals have also begun in small quantity at Rs. 9-4. Weeks export were 15,000 maunds and the balance is nearly 80,000 maunds. The arrivals averaged 400 maunds daily. It is anticipated that the prices will decline after a fortnight or so, as the exports of Gur by rail will be prohibited after 15th November 1944. The Government have fixed the price of sugarcane at 14 annas per maunds.

Other Foodgrains: The gram arrivals averaged 50 maunds daily in this mandi. Jowar has a higher outside demand, but the stocks are insufficient to meet the demand wholly. The following are the quotations at the week-end. Gram Rs. 6-8, Barley Rs. 5-6, Peas *khatti* Rs. 5-15, *Arhar* Rs. 6-10, *Bajra* Rs. 4-4. The stocks are Wheat 196, Gram 46, Barley 139, Peas 140, *Arhar* 133, and *Bajra* 31.

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The Eastern Economist

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Half-yearly	..	..	20 0	20 8
Quarterly	..	..	12 0	12 4

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FOREIGN

			Rs. a.
Yearly	..	..	66 0
Half-yearly	..	..	33 0
Quarterly	..	..	17 0

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CONNAUGHT CIRCUS,
NEW DELHI.

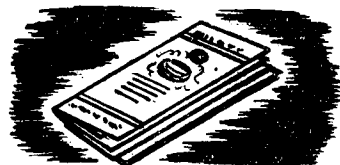
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ISSUED BY THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA

CURRENT STATISTICS

A—Finance and Banking

ISSUE DEPARTMENT (Rs. in lakhs)					
20-10-44	13-10-41	22-10-43	1-9-39	20-10-44 compared with 1-9-39	
Notes held in the Banking Dept. ..	9.54	8.92	14.92	9.87	33
In circulation ..	962.20	957.50	778.42	182.13	+780.07
Total Notes ..	971.74	966.42	793.34	217.18	+754.55
A. Gold coin and bullion* ..	44.41	44.41	44.41	44.41	Nil
Sterling Securities ..	855.33	850.33	674.84	59.50	+793.83
Total of A ..	900.74	894.74	719.25	103.91	+736.83
B. Rupee coin ..	13.6	13.38	13.76	75.87	+ 62.71
Rupee Securities ..	57.81	57.84	58.33	37.39	+ 20.45
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to liabilities ..	92.694	92.627	90.89	83.149	+29.545

IMPERIAL BANK (Rs. in lakhs)					
20-10-44	13-10-41	22-10-43	1-9-39	20-10-44 compared with 1-9-39	
Fixed Deposits, Savings Bank, Current and other Accounts ..	233.25	231.64	197.58	87.26	+143.92
Govt. Securities ..	133.42	138.97	126.43	51.03	+ 81.39
Other Investments ..	3.57	3.64	2.39	95	+ 2.61
Loans ..	9.25	9.17	12.46	7.66	+ 1.59
Cash Credit Overdrafts ..	42.13	42.30	21.10	19.76	+ 22.37
Bills discounted ..	4.65	2.73	3.50	2.95	+ 1.70
Cash in hand, with R.B.I. and other Banks ..	48.31	46.83	41.68	14.69	+ 33.62

BANK OF ENGLAND (£ '000)					
25-10-44	18-10-44	27-10-43	30-8-39		
Total Bullion ..	2,507	2,507	1,938	263,730	
Public Deposits ..	6,230	7,600	5,400	31,100	
Other Deposits ..	257,900	238,200	243,400	129,100	
Of which Bankers' Deposits ..	203,800	183,300	190,300	90,100	
Govt. Securities ..	220,200	197,400	186,900	113,100	
Other Securities ..	14,700	14,900	24,400	31,000	
Of which Discounts and Advances ..	8,800	10,900	1,660	6,400	
Notes and Coins ..	38,100	40,300	53,600	34,200	
Notes in circulation ..	1,164,400	1,162,300	993,500	529,500	
Rates of Reserve to liabilities ..	14.3%	16.38%	21.55%	21.38%	

TREASURY BILLS SALES (3 Months' Tenure) (Rs. '000)					
Date of issue 1944	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
June ..	50,82.50	30,00.00	0 7 3	..	8,52.50
July ..	37,33.75	16,00.00	0 7 9	..	13,76.00
August ..	60,45.75	20,00.00	0 7 8 1/2	..	8,92.50
September 1 ..	14,52.50	6,00.00	0 7 7	..	61.25
" 8 ..	14,57.50	6,00.00	0 7 10	..	2,00.00
" 15 ..	14,61.50	6,00.00	0 7 10	..	2,00.50
" 22 ..	..	6,00.00	0 7 11	..	1,45.50
" 29 ..	10,00.50	6,00.00	0 7 11	..	2,70.00
October 6 ..	12,80.75	6,00.00	0 7 11	..	6,83.25
" 13 ..	13,14.50	6,00.00	0 8 0	..	2,71.00
" 20 ..	15,00.50	6,00.00	0 7 11	..	2,21.50
" 27 ..	..	..	..	..	27.00

CLEARING HOUSE RETURNS (Rs. in lakhs)					
Centres	1943-44	1944	Sept.	Oct. 10*	Oct. 20
Bombay ..	20,42.31	6,91.78	1,53.30	1,96.21	1,11.08
Calcutta ..	17,40.12	7,01.92	1,97.27	2,24.41	1,32.49
Cawnpore ..	1,02.41	37.55	7.52	8.76	..
Delhi ..	1,21.08	39.25	8.40	10.69	..
Karachi ..	1,02.84	38.23	7.90	11.32	..
Lahore ..	78.82	30.36	7.11	8.25	..
Madras ..	2,00.02	78.25	15.59	22.37	12.03
Total ..	43,48.50	16,07.49	3,98.27	4,82.01	2,51.60†

* Progressively monthly total.
† For three centres only.

CASH POSITION (Rs. in lakhs)					
20-10-44	13-10-41	22-10-43	1-9-39	20-10-44 compared with 1-9-39	
Reserve Bank of India ..	7.83	9.17	15.03	35.15	- 25.32
Scheduled Banks ..	130.13	125.46	89.80	31.87	+ 98.23

RESERVE BANK OF INDIA

BANKING DEPARTMENT (Rs. in lakhs)					
20-10-44	13-10-41	22-10-43	1-9-39	20-10-44 compared with 1-9-39	
Cash ..	9.83	9.17	15.08	35.15	- 25.32
Balances held abroad* ..	302.35	298.74	119.20	10.08	+292.27
Investments ..	11.57	11.57	10.31	6.81	+ 5.76
Bills discounted—					
(a) Internal and External ..	8	8	50	1.16	- 1.08
(b) Treasury Bills ..	..	..	..	..	..
Loans and Advances to Govt. ..	1.26	1.24	2	31	+ 95
Deposits:—					
(a) All Govts.† ..	196.70	194.02	51.58	14.89	+181.81
Of which G. of I. ..	185.24	183.91	33.79	14.89	+170.35
(b) Banks ..	103.47	101.13	68.46	26.91	+ 76.56
(c) Others ..	9.53	9.87	10.28	1.24	+ 7.42

* Including Cash and Short-term Securities.
† Including Burma Government.

SCHEDULED BANKS (Rs. in lakhs)					
20-10-44	13-10-41	22-10-43	1-9-39	20-10-44 compared with 1-9-39	
Demand Liabilities in India ..	595.15	591.99	472.59	135.38	+458.79
Time Liabilities in India ..	194.83	193.81	137.88	102.24	+ 92.65
Cash in India ..	27.83	25.53	21.63	6.70	+ 21.16
Balances with Reserve Bank ..	102.27	99.80	68.20	25.17	+ 77.10
Advances in India ..	197.41	193.38	153.37	101.52	+ 95.89
Bills discounted in India ..	9.94	9.11	4.47	3.57	+ 6.37

U.S. FEDERAL RESERVE BOARD (million dollars)					
26-10-44	19-10-44	28-10-43	31-8-39		
Resources:—					
Total Reserves ..	28,820	13,814	29,293	14,631	
Total Bills discounted ..	322	186	13	(5,190)	
Bills bought in open market ..	..	..	..	(550)	
Total U.S. Govt. Securities ..	17,261	17,087	9,291	2,426	
Liabilities:—					
F.R. Notes in actual circulation ..	20,534	20,564	15,521	4,609	
Reserve Account ..	13,940	13,814	12,005	10,951	
Total Reserve to Deposit F.R. Note Liabilities ..	51.7%	51.8%	63.3%	36.9%	

TREASURY BILLS MATURITIES (3 Months' Tenure) (Rs. '000)					
Date of maturity 1944	Amount	Date of maturity 1944	Amount	Date of maturity 1944	Amount
August ..	16,00.00	November ..	16,00.00	16 1944 ..	6,00.00
September ..	30,00.00	" ..	25 ..	" ..	6,00.00
October ..	16,00.00	December ..	1 ..	" ..	6,00.00
November ..	20,00.00	" ..	8 ..	" ..	6,00.00
October 7 ..	4,00.00	" ..	15 ..	" ..	6,00.00
" 14 ..	4,00.00	" ..	22 ..	" ..	6,00.00
" 21 ..	4,00.00	" ..	29 ..	" ..	6,00.00
" 28 ..	4,00.00	January 6 1945 ..	6,00.00	" ..	6,00.00
November 4 ..	4,00.00	" ..	13 ..	" ..	6,00.00
" 10 ..	4,00.00	" ..	20 ..	" ..	6,00.00
		" ..	27 ..	" ..	6,00.00

STERLING PURCHASES BY RESERVE BANK OF INDIA (£ in '000)					
1943-44	April-Aug.	Sept.	Aug. Sept.	Aug.	
1944	43,083	7,037	10,218	8,371	8,546
Average rate of purchases remained 10-1-6 all along.					

EXCHANGE RATES (T.T.) (CO's omitted)					
	Nov. 3, '44.	Oct. 27 '44.			
Bombay on London (s.)	4.02 1/2—4.03 1/2	1-5 31/32			
Bombay on New York (Rs.)	33 3/4	33 3/4			
London on Bombay (s.)	1-6	1-6			
London on New York (\$)	4.02 1/2—4.08 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 1/4%	3%		
London ..	26th Oct. 1939	3%	2%		
U.S.A.—New York ..	28th Oct. 1942	1%	1 1/2%		
Fed. Res. ..	27th Oct. 1942	1 1/2%	1%		

EXPORTS† ('000)

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

Commercial Bank Deposits

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

† Issued by the office of the Economic Adviser to the Government of India.

INDUSTRIAL PRODUCTION IN INDIA†

		Jute Manufactures (Tons '000)		Paper (Cwts '000)	
		(Including twist and yarn)			
		1942-43	1943-44	1942-43	1943-44
		(1)	(2)	(1)	(2)
..	..	97.41	114.27	110.35	132.94
..	..	82.98	100.41	102.28	148.78
..	..	79.66	97.84	104.51	129.54
..	..	87.57	69.15	115.20	135.77
..	..	85.98	52.50	109.84	121.09
er	..	87.65	51.90	104.47	118.61
..	..	75.65	64.51	115.85	111.87
er	..	85.58	81.24	113.32	107.40
er	..	87.61	63.48	125.29	110.90
..	..	73.12	80.45	113.66	108.54
y	..	90.03	77.32	105.01	107.57
....	..	109.04	94.94	79.12	108.70
Total	..	1,042.29	833.07	1,300.90	1,327.03

INDEX NUMBERS OF WHOLESALE PRICES (CERTAIN ARTICLES ONLY)

CALCUTTA INDEX NO. OF WHOLESALE PRICES (CERTAIN ARTICLES ONLY) (Base Jul 1914=100)										ECONOMIC ADVISER'S INDEX NO. (Base: 17th Aug. 1939=100)					
(Economic Adverser's and Calcutta)															
		Cereals	Sugar	Tea	Oilseeds	Cotton Raw	Hides and skins	All Com- modities (72 in No.)	Rice	Sugar	Tea	Ground- nuts	Cotton Raw	Hides and skins (Raw)	All Com- modities (23 in No.)
1943	..	260	259	299	196	143	95	250	218	138	171	220	176	125	190.4
"	..	266	260	246	178	152	98	253	218	143	185	219	199	125	197.6
"	..	572	355	103	323	178	95	315	1034	143	268	294	238	112	238.0
"	..	530	375	137	341	188	95	349	847	143	269	302	233	112	236.4
"	..	424†	344	123	319	178	98	334	692	143	273	298	240	115	240.8
"	..	317†	319	120	310	161	101	314	602	149	272	266	193	124	240.1
"	..	262†	334	120	295	162	101	301	481	151	262	243	200	125	235.7
1944	..	234†	341	118	269	155	101	297	487	151	280	237	209	125	237.8
"	..	245†	413	100	288	151	103	300	456	151	257	232	211	126	236.7
"	..	247	424	109	301	141	103	238	376	151	261	243	204	123	236.3

WORKING CLASS COST OF LIVING INDICES IN INDIA.
(Base Aug. 1939=100)

INDIAN STOCKS AND SHARES

	30-10-44	23-10-44		30-10-44	23-10-44		30-10-44	23-10-44
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
SECURITIES: Bombay			Nuddia ..	130 0 0	..	India ..	182 0 0	..
23½% (1948-52) ..	99 12 0	99 12 0	Presidency ..	..	..	Reserve ..	134 0 0	133 12 0
3% (1946) Defence ..	102 8 0	102 1 0	TATA SHARES: Bombay			New India ..	79 12 0	..
3½% G.P. Notes ..	99 14 0	99 12 0	Tata Chemical ..	20 10 0	21 1 0	Lahore		
3% (1953-55) ..	100 10 0	..	" Oil ..	73 0 0	73 0 0	United Com. ..	83 4 0	..
3½% (1955-60) ..	..	116 4 0	" Power ..	1,885 0 0	1,910 0 0	Hindustan Com. ..	53 10 0	54 8 0
4% (1960-70) ..	112 13 0	..	" Hydro ..	202 8 0	203 1 0	Bharat (F.A.) ..	107 8 0	107 8 0
Calcutta ..	..	..	" Steel Defd. ..	2,087 8 0	2,087 1 0	New Bank ..	..	32 12 0
3% Loan (1953-65) ..	99 8 0	..	" Ordy. ..	384 0 0	383 0 0	Jup. In. Trust ..	10 6 0	..
3% Def. (1949-52) ..	101 4 0	..	" Pref. I ..	227 8 0	225 0 0	Jup. N. Bank F.P. ..	..	..
3½% G.P. ..	100 0 0	..	" " II ..	162 8 0	161 4 0	" " P.P. ..	..	..
TEXTILES: Bombay			STEEL ENG.: Calcutta			MISCELLANEOUS: Bombay		
Ahmedabad ..	411 4 0	411 4 0	Bhar. Elec. Steel ..	..	20 6 0	Ajmer ..	15 0 0	15 0 0
Bombay Dyeing ..	1,740 0 0	1,745 0 0	Brathwaite ..	11 15 0	11 4 0	Bom. Suburban ..	220 0	220 0 0
Central India ..	393 12 0	381 0 0	National Iron ..	..	13 2 0	Alcock ..	438 12 0	440 0 0
Century ..	830 0 0	837 1 0	Indian Iron ..	38 14 0	39 7 0	B. I. C. ..	6 8 0	6 1 0
Colaba ..	221 0 0	211 0 0	Steel Cor. Pref. ..	32 6 0	31 2 0	Belapur Sugar ..	238 0 0	238 0 0
Gokak ..	308 0 0	311 0 0	Jessop Ordy. ..	24 6 0	..	Bom.-Burma ..	495 0 0	495 0 0
India Beaching ..	173 8 0	174 0 0	Kumardhubi ..	..	..	" New ..	178 12 0	171 0 0
Kohinoor ..	573 0 0	573 0 0	COALS: Calcutta			Bombay Steam ..	500 0 0	520 0 0
Phoenix ..	585 0 0	560 0 0	Amalgamated ..	..	..	" Tram ..	150 0 0	148 1 0
Sholapur ..	7,375 0 0	7,195 0 0	Bengal ..	..	651 0 0	" Petrol ..	4 0 9	4 2 3
Simplex ..	252 8 0	245 0 0	S. Kanarpura ..	21 8 0	21 7 0	Scindia Steam ..	31 10 0	30 10 0
Swadesh ..	516 0 0	511 0 0	Bhailgona ..	..	..	Shivrajpur ..	52 8 0	53 1 0
Vishnu ..	472 8 0	471 4 0	Burrakur ..	41 8 0	..	Andhra Valley ..	1,805 0 0	1,810 0 0
Finlay ..	291 8 0	291 0 0	East India ..	..	..	Prem. Cons. ..	..	196 0 0
Morarji ..	627 8 0	632 1 0	Equitable ..	64 0 0	64 4 0	Indian Iron ..	..	40 14 0
Apollo ..	4 0 9	4 10 9	North Damuda ..	..	..	Indian Copper ..	..	3 1 0
Calcutta ..	..	..	Standard ..	..	..	Burma Corpn. ..	..	4 10 0
Benares ..	13 3 0	13 8 0	Telcher ..	10 2 0	..	Assctd. Cement ..	..	234 12 0
Bengal Nagpur ..	..	..	SUGAR: Calcutta			Calcutta		
Cawnpore Textile ..	13 9 0	13 7 0	Buland ..	..	..	Shree Gopal ..	19 4 0	19 6 0
Dunbar ..	..	..	Balrampur ..	..	..	I.P.P. ..	..	218 0 0
Elgin Mills ..	66 10 0	66 0 0	Samastipur ..	18 4 0	..	Star ..	16 6 0	..
Kesoram ..	..	..	Belsund ..	16 12 0	16 8 0	Orient (ex-div.) ..	..	..
Muir Mill ..	..	..	Carew ..	43 4 0	30 14 0	Titaghar ..	27 6 0	..
New Victoria ..	8 8 0	8 5 0	Murree Brewery ..	..	26 2 0	Dalmia Cement ..	..	49 0 0
" " Pref. ..	10 4 0	6 5 0	New Savan ..	..	..	Burma Corpn. ..	4 10 0	4 12 0
Madras			Cawnpore ..	32 12 0	39 2 0	Indian Copper ..	3 2 0	3 2 0
B. & C. Ordy. ..	304 8 0	305 0 0	Lahore			Con. Tin ..	..	3 7 0
Bangalore Wool ..	453 0 0	453 0 0	Gokulnagar ..	..	50 0 0	Madras		
Cambodia ..	..	30 4 0	Jagjit ..	..	270 0 0	Andhra Cement ..	117 0 0	117 8 0
Colm. Pioneer ..	..	340 0 0	Murree Brewery ..	..	..	Bruntons ..	12 8 0	12 8 0
Pankaja ..	280 0 0	..	Jaswant ..	11 0 0	11 7 0	Mysore Che. Fert. ..	27 4 0	27 12 0
Sitaram Spg. ..	170 0 0	..	Madras			India Steel Rol ..	..	..
Vasantha ..	300 0 0	..	Mysore ..	60 0 0	..	Mysore Paper ..	..	23 4 0
Madura ..	..	66 8 0	Decoan ..	30 0 0	37 0 0	Mettur Ch. Ord. ..	17 12 0	17 10 0
Lahore			South India ..	16 0 0	16 0 0	Spencer ..	13 6 0	..
Ajuddha Textile ..	6 5 0	..	PLANTINGS: Madras			Lahore		
Cawnpore Textile ..	..	13 8 0	Cochin Malabar ..	17 1 0	17 3 0	Rampur Distillery ..	21 1 0	..
New Vic. Ord. ..	8 13 6	..	Chembra Peaks ..	10 1 0	10 2 0	National Saltpetre ..	..	..
Raza ..	..	74 8 0	Woodlands ..	12 8 0	..	N. India Oil ..	..	21 1 0
JUTE: Calcutta			Thurnbadi ..	4 12 6	4 12 0	S. G. Paper Mill ..	..	20 0 0
Alliance ..	621 0 0	630 0 0	Travancore Rub. ..	18 0 0	..	Star ..	..	..
Anglo-Indian ..	460 0 0	..	TEA: Calcutta			Delhi		
Biria Pref. ..	..	..	Central Cachar ..	95 0 0	..	Apollo ..	..	..
Barnagore ..	214 8 0	..	Bisnath ..	40 0 0	..	New Victoria ..	..	8 4 0
Champdany ..	..	..	Sapa (ex.-div.) ..	..	..	Raza Textile ..	..	73 12 0
Ganges ..	..	..	Tezpore ..	..	19 0 0	Ajuddha Textile ..	..	..
India ..	..	700 0 0	BANKS & INS.: Bombay			Rampur Dist. ..	21 3 0	..
Howrah ..	64 6 0	..	Central ..	78 12 0	79 0 0	Rampur Maize ..	43 0 0	..
Kamarhaty ..	..	657 0 0	Imperial F.P. ..	1,887 8 0	1,915 0 0	Delhi Cloth ..	..	..
Kanknarrah ..	553 0 0	553 0 0	" P.P. ..	495 0 0	487 0 0			
			Calcutta and Delhi prices are for 24-10-44.					

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

WHOLESALE PRICES OF SEVERAL COMMODITIES									
Commodity and unit	Quality	Market	Latest Quotations Rs. a. p.	†Jute—Raw (per bale of 400 lbs.)	(1) Firsts	Calcutta	79 0 0		
*Wheat (per md.)	Average	Amritsar	7 12 0	†Bags (per 100)	(2) Lightnings	"	74 0 0		
	Ready	Lyallpur	8 7 0	†Cloth (per 100 yds.,	bags) B. Twills (Ready)	"	63 0 0		
	Dara	Hapur	9 12 0		10½ oz.	"	22 2 0		
	Dara	Calcutta	10 7 0*	†Tea (per lb.)	Indian market	"	29 0 0		
*Rice (per md.)	Dara	Cawnpore	11 4 0	†Coffee (per cwt.)	Nilgiri—Peaberry	Bangalore	0 9 8		
	Dara	Amritsar	20 8 0	†Sugar (per md. ex-factory)	First Crystals	Cawnpore	13 8 0		
	Basmati Old	"	20 0 0						
	Sela	"	17 12 0	†Indian Trade Journal, 18th October 1944.					
*Linseed (per md.)	Common rice	Cawnpore	13 6 0	* Agricultural Marketing Adviser to G. of India Weekly Bulletin dated 29th October, 1944.					
	Medium grade	Calcutta	8 0 0	†Times of India, dated 31st October 1944.					
	Read Bold	Cawnpore	7 10 0						
	Ready Small	"	10 4 0						
*Mustard (per md.)	Ready Small	Calcutta	14 4 0						
	Yellow	Cawnpore	25 8 9						
	Groundnuts (per md.)	Black seed	Bombay						
	Ready Bold	"							
*Potatoes (per md.)	Kernels (Coro-mandel)	Madras	9 8 6						
	Desi	Cawnpore	16 0 0						
	†Cotton—Raw per	"	23 0 0						
	**Oils (per qr.):	Ready	Bombay	9 14 0					
†Picegoods	Ready	"	10 8 0						
	Ready	"							
	Ready	"							
	†Cotton—Raw (per candy)	100 Mar. 45	"						
†Picegoods	(per yd. Std. quality)	"	1 6 3						
		"							
		"							
		"							

GOLD AND SILVER PRICES					
GOLD			SILVER		
(Rs. per fine tola)	(Rs.)	(Rs. per 100 fine tolas)	Spot	Forward	Sovereign
BOMBAY—					
Oct. 25, '44	64 4 0	62 12 0	44 8 0	121 0 0	119 8 0
" 26 "	60 14 0	60 4 0	43 0 0	117 12 0	115 12 0
" 27 "	62 8 0	61 12 0	..	115 8 0	114 8 0
" 28 "	63 14 0	62 14 0	..	117 12 0	115 12 0
" 29 "	..	..	..	..	..
" 30 "	63 5 0	63 3 0	..	117 12 0	117 8 0
" 31 "	62 0 0	61 0 0	..	116 8 0	113 8 0
LONDON (31st) Oct. '44 per std. oz. 48-0-0. Ready 23½d.					
NEW YORK (31st) Oct. " per std. oz. 44½ cent. 45-0-0					

THE EASTERN ECONOMIST

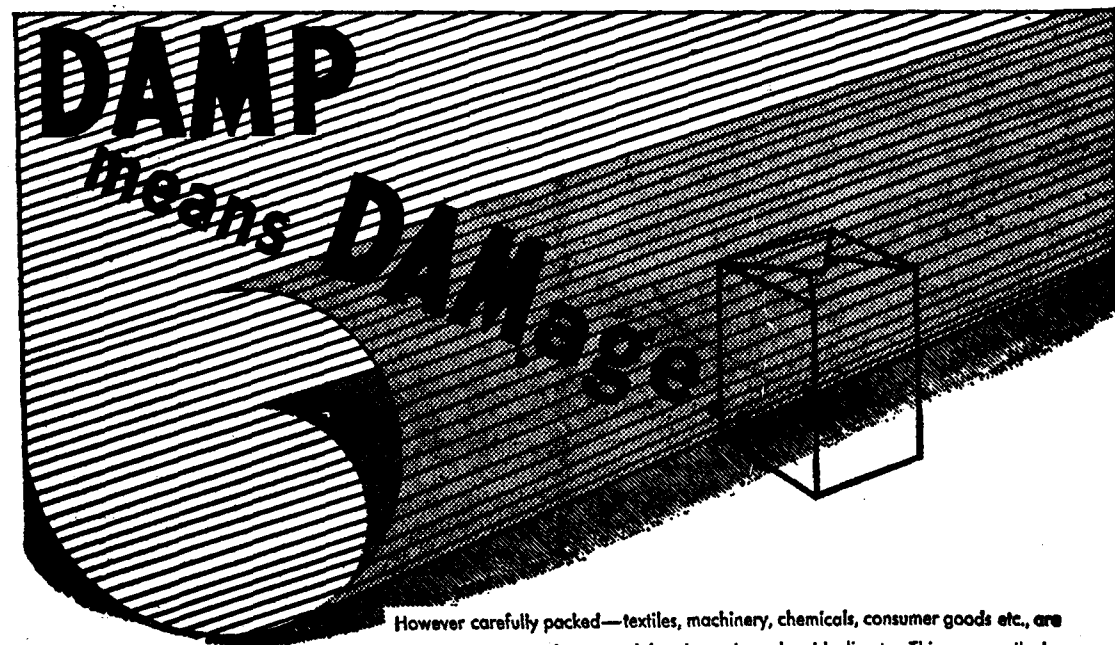
Vol. 3 No. 18

NEW DELHI, NOV. 10, 1944.

ONE RUPEE

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Economic Priorities

THE new Yellow Book embodying the second report on reconstruction planning by the Reconstruction Committee of Council leaves no doubt that while considerable progress has been made in the direction of sorting out of ideas and of gathering together of the nuclear organizations for planning work, not all the governing principles have been clearly set out to provide guidance to the planning departments at the Centre as well as to the Provinces, on the lines on which they should proceed. The correct principles for the determination of economic priorities, in particular, reach to the root of all, for on their formulation depends not only the soundness of the economic programme which we may envisage, but also because the very structure of State control would flow from the adequacies for the organization of those priorities. It is very easy to list the multiple directions along which positive economic action is necessary, e.g., in industries, agriculture, transport and communication, electricity, housing and so on. But the essence of planning consists not in indicating how much, in this direction or that direction could or remains to be achieved, but in formulating principles for determining the valid simultaneous rates of development in each direction which would be necessary for dynamic economic equilibrium i.e., balanced economic growth. The perfunctory manner in which the Yellow Book evades the primary task betokens a serious flaw at a high level of

governmental planning work and thinking. For without such clear governing principles, we run the danger that we may have grand, but unco-ordinated plans about roads, electricity or agriculture which only lead to massive structural economic maladjustments and thus counter the policy of economic expansionism on which we are embarked. Must vital questions such as whether we should have more of roads or more of electricity or more of agriculture be settled by means of political haggling behind the scene or naive sentimentalizings without reference to principles capable of clear technical formulation?

One dependable lodgement for valid policy would come from what has been called the "principle of complementary investment." Suppose that a closed economy starting from a state of economic equilibrium embarks on economic expansion. Assume that 10,000 unemployed workers having no source of income previously, are newly absorbed by the industrial drive. If the whole of the investment is in new textiles industries, the extra income disbursed per period by these new industries would be exactly equal to the value (counting all costs) of the additional textile products forthcoming simultaneously (i.e., neglecting the period of production and time lag). If the recipients of the additional incomes spend the whole of their new incomes on textile products, then a market for these

new products would arise automatically without disturbing pre-existing markets and there would be continued economic equilibrium. But if the recipients of the additional incomes spend, as they certainly would, only part of their income on textile products, part on more foot-wear, part on other goods and services, then there would result an 'over-production' of textile products. This would be not because the optimum requirements for textiles of these new consumers have been fully satisfied, but because under the equilibrium principle, even before the full satisfaction of optimum textiles requirements, other needs acquire economic priority. Thus economic equilibrium requires that the structure of rates of development in the various lines shall conform to the pattern of demand for the products in these various lines as given by a statistical study of income-elasticities of demand at successive levels of income generation. In the *laissez faire* economy, if there is 'over-investment' in a particular industry there is depression in that industry until factors of production move out to other lines to restore the pattern of complementarity. But in a planned economy where the general rate of development is very high, we cannot depend on this tardy and costly process of natural market adjustments and the structure of complementary demand has to be mapped out in advance by elaborate statistical methods which have been developed recently. This arranges the order of economic priority of wage-good industries and if it can be mapped out fairly correctly in advance, allocation of resources consistent with minimum central control would be feasible.

The second part relates to the determination of the order of priority of producers' goods (including raw materials) industries within the tempo of the general rate of economic development. In the above example we assumed that the whole of the additional income would be spent on consumption, but undoubtedly a part of the additional income (wages and profit) would be saved. In the *laissez faire* economy this propensity to save (assuming constant liquidity preference) would determine the general rate of economic development. But the decisive advantage enjoyed by a planned economy is that by an appropriate flexible fiscal and distributive machinery (as we shall see in a subsequent issue) after a preparatory period almost any fraction of national income can be devoted to capital investment and so speed up the rate of general development. Once as a matter of social policy we envisage any definite tempo, we know what part of the national income must be devoted to investment and the rest—residually, through the appropriate fiscal and distributive machinery—would be left as disposable consumers' income. The sector of producers' goods industries again, is divisible into two segments: the 'supporting segment' and the 'circumflex segment.' The 'supporting segment' would produce producers' goods to enable the execution of the concurrent rate of development of consumers' industries envisaged, while the 'circumflex segment' would, to put it generically, produce machines to make machines which would enable the Authority to increase the rate of general development at a later stage. Having given the method of costing and pricing of producers' goods, this again would enable us to forecast and map out the structure of producers' demand both in the 'supporting segment' and the 'circumflex segment' and thus we would get the total order of priority for producers' goods at successive stages of development. Unless the order of priority of producers' and consumers' are mapped out in advance and enforced in such a way, it would mean that productive capacities (e.g., in fertilizer industry

hydro-electricity, roads, agriculture and so on) would be set up which might prove 'economically surplus' in the short and medium period and which cannot be run without state subsidies from general resources for a large number of years.

But, of course, the order of economic priorities thus arrived at would be relevant only for goods which would pass through the market. But, e.g., for armaments industries, social services or para-economic goods like roads which lie outside or on the fringe of the market system, the order of priority would be determined by extra-economic considerations always having regard, of course, to the scarcity of resources in relation to total requirements and the competing demands on those resources by capital investment required for an envisaged rate of general development. Nevertheless, the general proposition remains unimpaired that a rational order of economic priorities can be formulated only after the general rate of economic development has been fixed and the allocation of investible resources as between consumers' goods and producers' goods industries have been made accordingly. The next step, would be the formulation of the fiscal and distributive machinery to conform to this allocation and the mapping out of the structure of producers' and consumers' demands for various goods and services at successive stages of development together with an assessment of developing foreign market possibilities. Only thus can the detailed framework of the Plan be evolved. Merely to lay down in general terms, without clear quantitative definition as the Yellow Book does, that power which is the basis of all development, should have priority over others; that in the beginning, important capital goods industries, considered essential for national purposes, should also have preference over consumption goods industries; that consumption goods industries should also be developed to allow outlet for additional purchasing power created; that small-scale and cottage industries should also be encouraged because they require less capital and give more employment; cannot add up to the formulation of economic priorities. Consequently the statement that "priorities between the different industries will have to be assigned, as the Plan develops on the above general principles and in conformity with the requirements of the different parts of the country" is jejune and indeterminate. To try to ascertain "the definite increases which could be brought about in the individual output of goods and services which constitute a normal national income" before the over-all target rate of general development has been fixed and the schedules of economic priorities have been properly quantified, is surely putting the cart before the horse.

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Banking Profits

TO what extent is the wartime progress of India's banks reflected in their earnings? The supposition of a general decline in bank earnings might be dismissed at once, because it is the buoyancy of funds and the prospect of remunerativeness which have been at the bottom of the banking extension of the last five years. And, despite the increasing number of restrictions which limit the field of activity, the banking system as a whole has made more, not less earnings. But high earnings are not necessarily or under all conditions an index of great efficiency. While, by normal commercial standards, absence of loss or positive gain means that banking extension has been economical and self-supporting, very high earnings might suggest, as in every other field of enterprise, that the cost of service to the community has been excessive. This will be specially true of the banking system for three reasons. In the first place, the business of banking, even in the relatively undeveloped context of Indian

on deposit liabilities, an average rate of 2 per cent. is allowed on all deposits (both time and demand) up till 1941-42, thereafter a flat rate of 1½ per cent.

The assumptions are not unrealistic; indeed they under-state the earnings and over-state the expenses. The Imperial Bank alone accounts for only less than a third of the deposits, and this and many other banks do not allow interest at all on current deposits and grant only 1 to 1½ per cent. on time deposits. It is important to remember that demand deposits are thrice the size of time deposits. A flat rate of 2 per cent. till 1941-42 and 1½ per cent. for later years may prove to be on the high side. Three and a half per cent. on advances is not too high, considering that in a similar calculation for Britain, the *Economist* assumes a rate of 3%. Six per cent. on non-Government investments is also modest enough. The results are set out in the tables below:—

(In lakhs of rupees)

TABLE I

	Investments	Govt. Bonds	Other Investments	Interest on 2 at 2½%	Interest on 3 at 6%	Advances and bills	Interest on 6 at 3½%	Total of 4, 5 & 7
	1	2	3	4	5	6	7	8
1938-39	94.54	75.63	18.91	189.0	113.46	1,20.62	422.17	724.63
1939-40	90.03	72.02	18.01	225.0	108.06	1,26.23	441.18	774.24
1940-41	98.08	78.46	19.62	245.2	117.72	1,21.54	425.39	788.31
1941-42	1,47.32	1,17.86	29.46	268.3	176.76	1,25.13	437.95	983.01
1942-43	2,43.93	1,95.14	48.79	609.8	292.74	97.86	342.51	1,245.05
1943-44	3,43.48	2,74.78	68.70	687.0	406.20	1,61.73	566.06	1,659.26

conditions, carries less risk and uncertainty than other lines of enterprise. Secondly, while in peace the banks act as the agencies for the collection of private savings, the war-time monetary expansion has deprived the banks of much of this character, and they are now largely the repositories of community-created money, on which they should not make excessive earnings. Thirdly, purveying of money is different from the purveying of goods and high cost of purveying of money will hamper trade and industry generally.

Statistics are not available in India, either of banks' earnings on a comprehensive scale or of the earnings of other industries and trades, for a comparison between them to point to a conclusion either way; nor is it possible for the same reason to compare the position of banks in India and those elsewhere and say which have gained more. Nevertheless an attempt might be made to estimate: (1) the total increase in earnings consequent on the phenomenal increase in assets, (2) the increase in interest allowed on the vastly expanded volume of deposit liabilities, and (3) derive from the two, gross profits. Figures only of scheduled banks are taken into account.

In estimating the earnings on assets, an over-all rate of 3½ per cent. is taken in regard to advances and bills; in respect of Government bonds held by the banks, a rate of 2½ per cent. is allowed, that being derived from the net interest payments of Government on their 'Ordinary Debt'; 6 per cent. is taken on other investments. The figure of investments is derived by deducting from the deposit liabilities of scheduled banks (as given by the Reserve Bank) the sum of advances and bills, cash and balances with the Reserve Bank. Of the investments, 80 per cent. is assumed to represent gilt-edged and the balance others. As for interest

TABLE II

(In lakhs of rupees)

	Deposits	Interest on deposits	
1938-39	2,37.87	475.74	} At 2%
1939-40	2,34.49	468.98	
1940-41	2,56.95	513.90	
1941-42	3,18.96	637.92	
1942-43	4,10.49	513.12	} At 1½%
1943-44	5,99.41	749.26	

It will be seen that the total earnings have risen from Rs. 725 lakhs in 1938-39 to Rs. 1,660 lakhs in 1943-44, recording also a continuous increase in the intervening years. The banks are now earning about Rs. 9 to 10 crores more than in 1938-39. Interest on deposits has not risen very much. Gross profits thus come to Rs. 919 lakhs in 1943-44; and these are bound to increase with the rise in the volume of resources.

But the net profits of the banks are, of course, considerably less. The managerial and administrative expenses have increased strikingly. The number of offices of scheduled banks alone has arisen from 1,252 in September, 1939 to 2,207 in September, 1944. The cost of materials and buildings has gone up, as also the salary bill of the greatly expanded staff. In the absence of the expense ratio for the base period, it is not possible to derive net profits from the gross profits.

But we may get some idea of the net profits of banks by another method. The net profits of scheduled banks are given in the *Statistical Tables* issued by the Reserve Bank and a totalling up of the figures will give us some idea, though these figures exclude the

exchange and certain other banks and are therefore not comparable with our estimates given above:

TABLE III
(In lakhs of rupees)

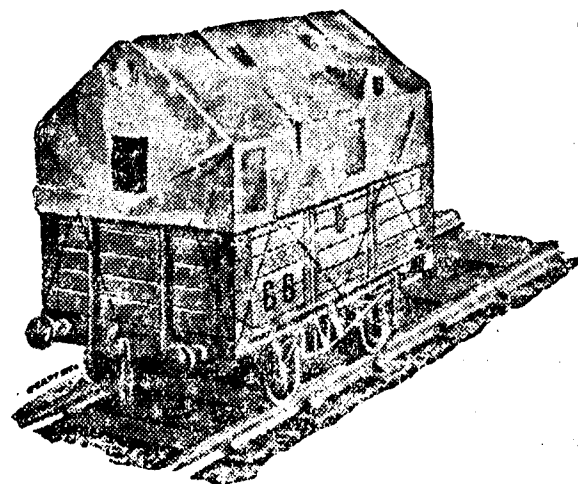
	1941	1942	1943
Deposits (Rs. crores)	237.9	352.8	534.2
Profits of all Banks	206.1	249.3	393.8
Capital and Reserve of Imperial Bank	11.25	11.38	11.48
Profits of Imperial Bank	76.7	91.1	89.9
Rate of return on capital and Reserve of Imperial Bank	6.8	8.0	7.8
Capital and Reserve of other banks	13.60	16.25	23.67
Profits of other banks	129.5	158.1	304.0
Rate of return on capital and Reserve of other banks	9.5	9.7	12.8

In respect of the class of banks under consideration, deposits have gone up from Rs. 238 crores to Rs. 534 crores, i.e., by 2¼ times, whereas if profits had grown in the same proportion, they should be Rs. 463 lakhs, instead of the Rs. 394 lakhs they are now. The rate of return on paid-up capital and reserves of other banks is seen to be higher than that of the Imperial Bank. The rate of return on paid-up capital alone (excluding reserve) is 13.6, 16.2 and 15.9 per cent. for 1941, 42 and 43 respectively for the Imperial Bank as against 15.4, 14.8, and 18.4 per cent. for other banks. From the point of view of declaration of dividend, the latter rate is important, since reserves do not carry dividends. Provision for taxation has also to be made out of net profits before dividends are declared.

The above analysis is statistically inconclusive and inadequate to answer the queries with

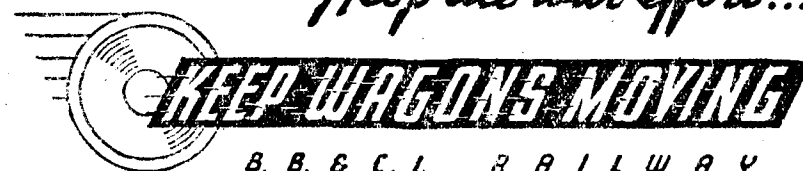
which this article started. Even in countries with the most elaborate statistical organization, answers to such questions are still matters of opinion and keen controversy on social grounds. But apart from figures given above, forces operative in India point at least to certain fairly reliable first approximations. Considering the degree of monetary expansion, the banks have not made undue profits. Profits have risen in a smaller proportion than deposits. Gross earnings of Rs. 16.6 crores on deposits of Rs. 600 crores and net profits of Rs. 394 lakhs on deposits of Rs. 534 crores do not seem excessive. Self-financing on the part of trade and industry, progress payments by Government, restrictions on advances against commodities and bullion and on internal movement of goods, the canalization of funds into Government bonds have all limited the opportunities of profit-making otherwise available in an expansionary situation; and abundance of money has brought about an all-round reduction in rates earned (and given). On the other hand, the number of offices has nearly doubled and this is a serious expense factor in India in contrast to other countries where branches have been closed down, while the rise in the cost of materials is undoubtedly higher in India than abroad. Moreover, as may be seen from the figures, the volume of paid-up capital has been enhanced, while of the profits earned, substantial amounts are segregated and (are to be segregated by law) to reserve, even though reserve is much less vital for banks than for industry. From the very nature of their task, banks have not been able to make the speculative and windfall gains which are given to certain trades and industries except, perhaps, by way of rise in capital values in some degree. But the basic factors of war economy and expansion are distinctly favourable to their security and strength.

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The Week's Notes

THE GOWING REPORT

According to a press report, the British Technical Mission on the manufacture of artificial fertilizers in India under Mr. G. S. Gowing of the Imperial Chemical Industries, which has been going all round the country, has submitted its report to the Government of India. The public have been seriously misgiven and agitated over the somewhat mysterious circumstances in which the Mission set to work, and from time to time disturbing reports about the relationship of the British cartel to the entire project have come out. Naturally, the Government owes a duty to publish the entire report at the earliest moment. It is reported that the Mission has concluded that sulphate of ammonia can be manufactured in India at competitive prices and the position as regards raw materials and other technical factors is also satisfactory. The present target for production is set at 350,000 tons per year, as against the estimated total requirements of 10 million tons which can be achieved only as part of the long-term post-war programme. On an investigation into cost conditions it finds that the most economic unit would be a single plant to be started at Harduagani in the U.P. producing the entire amount: the capital cost would be Rs. 10 crores and the output could be marketed at Rs. 126 per ton. The capital cost in the case of two factories—one producing 250,000 tons in the U.P. and another producing 100,000 tons in the Cauvery delta in Madras—would be Rs. 12.7 crores, but the cost of production at the distributing centre would come to Rs. 135 per ton. If six plants are installed in various parts of the country, the capital cost would increase to Rs. 20 crores and the cost of production would be Rs. 45 to Rs. 50 per ton above the cheapest. We cannot judge properly how far the calculations given by the Mission are correct. But we draw attention to a letter published in another page from Professor Dubey who knows his subject, in which he contends that the calculations are not correct and would entail serious burden on the agriculturists. Nevertheless, accepting the findings of the Mission, for argument's sake, the most economic unit would undoubtedly be the single plant, in which case, incidentally, the Ratio works out to be near 2.4 which was assumed in the Bombay Plan. The Mission is reported to have pointed out that equipment worth Rs. 6 crores can be bought domestically so that only Rs. 4 crores would have to be spent abroad, and the process of manufacture recommended is such that India need not be tied to obtaining the plant from one particular manufacturer. It is not clear whether the Mission thinks that the plant or plants can be set up before the end of the war, although it recommends that training of staff should commence forthwith. If the factory can start work before the wartime and aftermath strain on our railway system can be expected to ease, it would probably be better to set up at least two plants—one in the north and another in the south—even at some cost disadvantage. Nevertheless, if the 350,000-ton capacity is the optimum size, no doubt it would be eventually accepted in our full post-war programme. The Mission has also discussed the possibility of manufacture of alternative fertilizers such as ammonium nitrate, urea and ammonium chloride. These are all technical questions which are better discussed at expert level. Nevertheless, on one point at least there is complete unanimity. Under no pretext must direct or indirect technical and financial control pass into non-national hands and before any final commitment is made, the public and the Central Legislature must be taken into fullest confidence. Meanwhile, the Government must lose no moment in coming to a quick decision about the Report and proceeding to work.

RETALIATION AGAINST SOUTH AFRICA

South Africa has been discriminating against Indian immigration and settlement and India has so far ignored the affront. The anti-Indian Bill against which retaliation has been urged is part of a comprehensive measure of housing planning, calculated to segregate Indians in a manner which will not only brand them with a mark of racial inferiority but also interfere seriously with their normal economic activities. It is in clear violation of the agreement reached in April 1943 between the Union Government and the Natal Indian Congress known as the Pretoria Agreement, which sought to restrict and license through a mixed Board the dwelling only (and not acquisition of property) of Indians in particular localities in Durban only (and not in other parts of Natal or South Africa) in order to avoid racial differences. With a Nazi craze for racial domination and a Nazi indifference for their pledges, the South African whites are now going to impose a measure of segregation on Indians which will, according to our Commonwealth Relations Member, seal the fate of our countrymen for generations to come. For lesser causes wars have been fought. But the poor and meaningless measure of retaliation the Government has adopted can only humiliate India further, and South Africans are sure to laugh in their sleeves at the impotent rage of the Government of India; there are hardly 120 South Africans here, and no important South African business interests to suffer the rigours of retaliation. The continued maintenance of the accredited representative of the country in South Africa will further detract from the weight of retaliatory action. Is India really so incapable of protecting her interests abroad? Economic sanctions come easily to mind. There are reasons to think that South Africans will suffer more than Indians if such measures are taken. The South African trade is mostly in the hands of non-Indians at both ends. Ordinarily the important export from India to South Africa is jute and import from that country wattle bark. While India alone takes a third of South African wattle, South Africa is an insignificant importer of her jute. The paralysing effect of shortage of the material for packing in South Africa will be more widespread than that of wattle in this country. Indigenous substitutes of wattle have been discovered in India and stoppage of import will no longer seriously dislocate her tanning industry for any considerable length of time. There are always serious difficulties in enforcing economic sanctions as there are always possibilities of re-export from one or the other of the importing countries. Scrupulous export quotas of the relevant commodities would have to be enforced. South Africa's dependence on Indian textiles and tea besides jute, is much greater at the present moment than normally. From the point of view of sheer timeliness, so vital in any form of retaliation, it is only now that India should impose the economic sanctions. It does not involve any considerable strain on her economy, while there are chances of such a measure mobilizing the conscience of the United Nations whose war effort no less than the peace objectives have been jeopardized by the South African measure.

THE CHICAGO AIR CONFERENCE

Reports of proceedings of the International Civil Aviation Conference at Chicago, incomplete and tentative as they are, reveal sharp differences among the nations assembled. Indeed it is doubtful whether those sharp differences can be reconciled at all and an international body set up and acceptable decisions reached. At the Bretton Woods Monetary Conference a wide area of common ground was seen to exist among the nations as to the character and task of the international body. On the question of aviation there

is no such agreement either as to the jurisdiction or the constitution of the international body. Russia has refused to participate in the conference. The U.S.A. has submitted a proposal for an international body consisting of a committee of fifteen, on which the U.S.A., Russia and the British Empire will have two seats each, and Brazil, France and China, one each. Opposition to the proposal has already been voiced in Britain that it "demotes" her. The Canadian Delegation has proposed that an international air authority be established with more complete control than the U.S. Aeronautics Board for regulating traffic. Australia and New Zealand presented a proposal for international ownership and operation of international airways. The British Minister of Civil Aviation favoured an international body and a basic distribution of external air services "in proportion to the passenger, mail and freight traffic embarked in the respective countries," and wanted to avoid "disorderly competition." The U.S.A. is opposed to any international body in the field with other than primarily consultative, fact-gathering and fact-finding functions. The body it has suggested is for purely technical purposes. The Indian Delegate, Sir Gurunath Bewoor, supported the Empire proposal for an international air authority "with power to implement provisions for international air agreements." The concrete bargains for which the various nations are conferring are at present concealed in statements of what sound like general principles. It seems unlikely that any international convention as to the "freedom of the air" going much further than "innocent passage" will be agreed upon. All that is possible is an agreement among the stronger powers as to their shares in the international routes now operated or being chalked out, leaving the weaker fry to themselves.

"NOT A DIRECT OBLIGATION"

Sir John Anderson, British Chancellor of the Exchequer, said in the Commons: "Sterling balances held by overseas countries, though they represent a liability from the point of view of our national economy, are not a direct obligation of the Treasury; nor do balances themselves form part of the National Debt in the technical sense of the term." This statement is not only illogical and technically incorrect, but tantamount to suggesting that sterling balances are not imperative obligations to meet. Even in the technical sense of the term, the sterling balances are a direct obligation of H.M.G., because the greater part of them is invested in short-term securities, mainly treasury bills, and the Reserve Bank is the owner of those Government securities. The amount held in the form purely of cash is inconsiderable. Assuming that the sterling assets are held not in the form of Government bonds, but as so much sterling currency, does it absolve H.M.G. of their obligations? Not at all. The sterling assets have, in the main, accumulated as a result of defence expenditure recoverable from H.M.G. and nothing has so far taken place to enable H.M.G. to shove off the obligation so conveniently by pretending that they have paid us in cheque and they are innocent if the cheque is dishonoured. They may not pay interest on cash balances. But once they recognize, as they have done, that Britain owes to India an amount equal to those balances, the only problem is how the transfer can be effected. Under ordinary circumstances, by an export surplus through private channels. But since H.M.G. have blocked those channels by exchange control, the repayment can be effected only under positive regulation by Government. H.M.G. cannot rule out ordinary commercial methods of debt repayment and then pretend that the balances represent a net debt on the national economy and not a debt of the Government. Moreover, are not H.M.G. ultimately responsible for securing that sterling, their currency issued through the Bank of England, has external purchasing power and foreigners' sterling claims are so transfer-

able? And there is yet another point. The sterling balances are the reserve for India's currency and how can they be so regarded if they are deprived of their essential liquidity? Again, British quarters very often talk of long-term funding of these sterling obligations. Even granting currency reserves to be fundable, to whom will the long-term loans be lent, if the assets are funded? India's sterling assets now stand at Rs. 1,200 crores, and supposing them to be available at the rate of Rs. 100 crores per year, the long-term debt at the end of the first year will be Rs. 1,100 crores, second year Rs. 1,000 crores, and so on. Who will be bearing the interest burden on the debt? It is not right to say "British economy". It will be a loan only to the British Government, not to private individuals of Britain or to the Bank of England. The latter is only an agent of Government and the Government will have to bear the burden of debt uncleared by national economy as a whole. Thus even from the narrowest technical point of view, it is wrong for H.M.G. to disclaim responsibility for the sterling assets. It is this kind of subterfuge under technicalities that lends strength to the demand put forward in India that the war requirements of Britain should be met not through the Reserve Bank's currency mechanism, but rupee loans explicitly recognizable by H.M.G. The moral obligation for the repayment of sterling assets rests not only on Britain, the major debtor, but all the United Nations whose rupee needs have led to their piling up. No technical or pseudo-technical pleas can alter this fact.

THE BOMBAY PLAN IN THE ASSEMBLY

Moving in the Assembly that the Central Government should not "entertain the programme of the 15-year plan, prepared by the capitalists of India," Sir Ziauddin Ahmed said: "Our industrialists are not interested in the greater problems—in finding employment, or the development of cottage industries." This arraignment of the Bombay Plan represents a shift in the position of the learned doctor. At the outset, he is reported to have scented an unholy alliance on the part of Indian capitalists and their British confreres. And this unholy alliance, in his view, was the "surest way to Bolshevism". This quaint argument making confusion worse confounded has now been replaced by a simulacrum of economic considerations. It has been remarked that it was obvious from the fact that Sir Ziauddin Ahmed concentrated his attack on the postulates outlined in para two of the Plan, that the Muslim League objection which he voiced was more political than economic. Mere uncritical and sloganized attitudes, viz., that the Plan is calculated to "make the rich richer and the poor poorer" or headlong behaviouristic stampedes never help anybody. Distribution is surely a matter of social control. The Bombay Plan envisages an increase in industrial output to the extent of 500 per cent.; in agricultural output an increase of about 130 per cent. The desirable rate of mechanization of agriculture in a heavily populated old country should properly be a matter for expert enquiry, but is it open to doubt that the enormous expansion in production in so many directions contemplated by the Plan will not eliminate unemployment or create additional employment? That, for instance, the creation of massive engineering and machine industries will not be a step in the direction of drying up the sea of unemployment? Then there is nothing to show that the Bombay planners are oblivious to the importance of cottage industries. The precise role, however, that cottage industries will be allotted in any plan will depend on technical factors about which a final decision can only be taken when the detailed plan is being prepared. The Bombay planners have only offered an outline. They have not yet made public their views on the distribution of the national income. Any criticism on that score is therefore premature.

INTERNATIONAL INVESTMENT

In the course of mobilization for war, particularly in the United States, the productive capacity of capital goods industries has greatly expanded. The production of machinery, in U.S.A. for example, has increased 400 per cent. above the pre-war average and that of iron and steel has doubled itself. It is increasingly realized that these vastly expanded productive facilities can be utilized near full capacity after the war only if the United States actively helps in the rapid industrialization of vast backward regions like Eastern Asia and Latin America. With a view to this, influential quarters have urged, as the U.S. *Journal of Commerce* did three weeks ago, the grant of big U.S. loans to these countries "as a pump priming device." However, the question arises: what is the probable absorptive capacity of these regions? Recently a calculation has been made by Mr. Robert W. Tufts regarding the probable absorptive capacity of eastern Asiatic countries in respect of capital goods from abroad, on certain assumptions. He assumes that the development of these countries would be as rapid as that of Japan since the beginning of this century. He estimates the capital investment in Japan since 1900 and projects this rate upon other parts of eastern Asia on the basis that a part of the capital investment, e.g., in industry, commerce and local public works, would be proportional to population, and the rest, e.g., in agriculture, transportation and economic undertakings by central government, would be proportional to area. On this basis capital investment in China in four successive decades after the war would be, in terms of millions of 1936 U.S.A. dollar, respectively 13, 23, 45 and 51; in India 7, 14, 27 and 31; in the whole of eastern Asiatic countries 26, 47, 91 and 104 respectively or 26, 47, 91 and 104 per year in successive decades. If it is assumed that, as in the case of Japan, about 40 per cent. of aggregate investment would be imported and the rest produced domestically, this means that in the first post-war decade, eastern Asia alone, apart from rehabilitation and reconstruction demands from Russia, Europe and Latin America, would be able to absorb nearly a billion dollars per year of capital goods from abroad, mainly the U.S.A. and Britain, and nearly two billions per year in the next decade. And we must not forget that although in the context of the rate of industrial development obtaining in the 19th century, the economic development of Japan appeared rapid, it was relatively slow in the context of recent Soviet economic history. New countries with new social and economic techniques at their disposal, might find a much higher rate of development quite possible; whether or not such will be the case will no doubt depend, as Eugene Staley puts it, "on circumstances best labelled 'political' in the broadest sense." Nevertheless, there can be no doubt that even an extra market for half a billion dollars such as would be provided by rapid development of the backward regions may mean for the United States all the difference between a full-employment and an under-employment economy.

A CENTRAL COMMITTEE FOR RICE

A Government Bill, which will come up for discussion during the current session of the Central Legislature, provides for the creation of an Indian Central Rice Committee, on lines similar to those of many central commodity committees, which are already in existence. The proposed Committee will devote attention to all problems connected with the improvement and development of the cultivation and marketing of paddy and the production and marketing of rice and rice products and all matters incidental to them. Finance will be provided by the levy of an excise duty exceeding a rate of six annas a ton on all paddy hulled in power mills. It has been calculated

that about 11 million tons are annually so hulled, which means a revenue for the Committee of some 40 lakhs of rupees. The Committee will include representatives upto a maximum of 51 of all the important interests concerned and will be presided over by the Vice-Chairman of the Imperial Council of Agricultural Research. The only possible criticism that can be made against the Bill is that it has long been overdue. Rice is the greatest single factor in our agricultural economy. Taking the annual average for the decennium 1927-28/1936-37, the area under this cereal has been some 76 million acres, representing about 18 per cent. of the total cultivated area and about 36 per cent. of the entire acreage under foodgrains. During the same period, the annual average output amounted to 29 million tons, of which some 11.5 million tons (or roughly 40 per cent. of the total output) may be estimated to have come to the markets as a surplus over village retention for consumption and seed. Above all, it is the shortage of rice that constitutes the most refractory element in our food problem. We are, therefore, glad that the importance of an intensive study of rice problems through the agency of a special central agency has been recognised at this late hour at least. The sufferings of the famine areas have not been altogether in vain.

SOME RICE PROBLEM

One of the first tasks of the proposed Committee should be to put rice research on a comprehensive long-term basis. There is a plethora of varieties of the rice crop, which is indigenous to the Indian soil. Researchers have added to the number by evolving new strains, some of which are indeed very satisfactory. The line which progress should take now would lie in the direction of selecting a small number of good performers and assiduously pursuing their propagation at the expense of other less desirable varieties. In particular, greater attention should be paid to the multiplication and distribution of pedigreed seed. Judged by results, methods followed in the past have not been much of a success. Thus, the amount of improved seed distributed during 1938-39 amounted to less than 10,000 tons, whereas the country's aggregate requirements are 2.4 million tons. Departmental claims, themselves, have not put the acreage under improved varieties at more than 6 per cent. of the total rice area. It is obvious that the whole system should be reviewed and that there should be no hesitation on our part in adopting bolder methods; perhaps, useful lessons may be drawn from the practices of advanced agricultural countries. Much work also has to be done by the Agricultural Research Stations in investigating the optimum manurial and water requirements of the crop in the various rice-growing areas. Dr. Burns, it will be remembered, estimates a 20 per cent. increase in the total rice yield through more manure alone. On the marketing side, the multiplication of regulated markets, storage facilities, standardization and grading of produce, standardization of weights and measures, a favourable railway rates policy are some of the important problems, affecting all agricultural produce, which the Committee will have to tackle. They should also pay particular attention to the question of encouraging the agriculturists to market rice instead of paddy, as the cultivators can considerably increase their receipts by themselves seeing to the processing. Further in view of the serious nutritional deterioration, which power hulling causes, the commercial possibilities of other less objectionable means of dehulling should be investigated. The Committee may also set up a more satisfactory agency for the collection of reliable data on acreage and output.

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SPECIAL ARTICLES

Investment and Interest Rates After the War

By S. K. Muranjan

THE immediate and distant future of interest rates and investment is a matter of critical importance to individual and financial institutions. Banks, insurance companies, investment trusts, etc., have in particular a large and vital stake in investments which appreciate or depreciate in accordance with the trends of interest rates. Apart from individual or sectional interests, the whole economic system, the levels of investment, incomes and employment are dependent in a significant measure on the way these rates will behave in the near and distant future. True, economic thought is today not as optimistic about the aggregate and definitive influence of interest levels as it used to be a few years ago. Investment and profit prospects, or to put it more realistically, expectations about investment and profits are now felt to depend on some other factors besides these rates.

The regulating function of interest rates has been much obscured by the role assigned of necessity to money and finance during the present war. Many persons are now inclined to think, and speak as if the rate of interest is not the price of capital subject to the inescapable forces of demand and supply, but merely a minimum reward to inducement to be fixed arbitrarily by the public authority according to its own estimate of what the public will tolerate. Arguing on this basis, they take it for granted that the present rates can continue indefinitely and build up their post-war plans and policies accordingly. The more or less complete prohibition of private investment, the curtailment and rationing of the supply of several prime articles of consumption, the continuous issue of lawful money, etc., are either overlooked or forgotten. The situation is, however, bound to change materially when these controls and arbitrary interferences are progressively abandoned and the normal forces of consumers' choice and freedom of business enterprise are permitted to have freer play.

Whether we agree or disagree with the thesis of Colin Clark that economic progress consists of a regular succession of capital-gluttled and capital-hungry periods of about twenty to thirty years and that we are now in the midst of a more or less prolonged capital-hungry period, there can be no doubt that for many years after the war, there will be an intensified demand for capital from all sides. In the case of this country, three important sources of this demand deserve to be specially stressed. For years now, the capital quipment of existing business units has been exploited most intensively without any appreciable replacements. Not much new capital has been allowed to come into existence either, whether to meet the requirements of normal growth or to utilize the unusual opportunities of war or post-war years. In the second place, a special place must be accorded in our estimates to post-war housing and house-building on the ground of the magnitude and special character of the economic and social interests involved. While the present overcrowding of cities and towns may prove to an extent a temporary phase, the tendency to further industrialization and the complete suspension of residential construction during the last few years are bound to maintain an unwonted pressure on living space for years to come. Nor must we overlook the important fact that the investment requirements and proclivities of large classes of people in this country are sure to exploit, to the full the marked disparities in returns which must re-

veal themselves between this form of investment and other gilt-edged investments. Finally, we must take into account the formidable requirements of the governments in this country. The Indian Government like all other governments has piled up a large volume of short-term and medium-term indebtedness the funding, renewal or repayment of which will be a long and difficult process. If we add to indebtedness the demands of post-war schemes of repairs, reconstruction or development fathered by the government or public leaders, the pressure of public borrowing by itself is not likely to be easily appeased for many years to come.

In a former issue of this Journal,* we have estimated the annual pre-war visible savings of this country (and incidentally, their allocation) at about Rs. 100 crores. Taking visible and savings together, the total is unlikely to exceed Rs. 300 crores. If the present levels of prices and incomes are allowed for, the surplus out of which all our post-war ambitions are to be satisfied must fall grievously short of Rs. 1,000 crores. Restrictions, economies of public and private expenditure, etc., might however enable us to raise the disposable surplus to that level.

Leaving aside the investable part of our sterling balances which appear now almost past praying for, some relief might be sought in foreign loans. This is, however, a very slender possibility. The one country which could and in its own no less than world interests, should offer its capital surplus to others is the U.S.A. A global scarcity of dollars is one of the few certainties of post-war economics. It is still very doubtful whether the wisdom of the United States will rise equal to the logic of monetary and economic facts and necessities. And in the case of India, we have perforce to take into calculation the unavoidable difficulties of her doubtful and unenviable international status.

While all this pressure on post-war capital market is conceded, it is still possible to argue that a rise in interest rates cannot eventuate itself unless the pressure passes beyond the limits set by our national savings. So long as these demands on the market do not exceed available savings, interest rates can continue at the minimum levels at which the public is willing to save rather than consume. Such an argument clearly postulates the adequacy and suitability of some public authority to arbitrate between capital demands of various kinds. With war as the sole objective of national effort, a government has an index of priorities according to which it can restrict certain capital imports, prohibit certain kinds of factories and generally regulate capital issues. But when peace restores consumers' choice, it is difficult to make out how a government can exercise the regulating function of interest rates and profits correctly and efficiently.

These considerations do not and need not preclude some restrictions and prohibitions of a broad and general character on the creation of concerns of an unnecessary character. Apart from such minimum interference with investment activities, it would be more to the purpose if drastic powers were invoked to mitigate or prevent some of the rank abuses of joint-stock enterprise and the investment market. This is a large, but extremely urgent subject which cannot be

* May 26, 1944 "Banking During War" P. 824.

discussed in this article adequately. But two things must be recorded here as of immediate necessity. The Government should determine and announce here and now a list of public utility and other services which it will as a rule undertake in the future and which will therefore be removed outside the range of private control and management. Secondly, the whole field of company law should be subjected to a drastic and immediate overhaul with the object of eliminating monopoly or minority control of shares and stocks, financial manipulations by office-bearers, perversion and abuse of audit and accounts, the enormous losses of still-born promotion and fraudulent management and in general of bringing the whole field of public enterprise into conformity with our ideas of post-war economic ethics.

In assessing the post-war levels of interest rates, we must not omit to note the relative returns on investments of different kinds, now and in the near future. In spite of highly inflated values and unprecedented levels of taxation, the returns of most industrial scrips of status have rarely fallen below 5 to 6 per cent. In many individual cases, the returns are surprisingly higher. Although the return of peace must compel a revaluation of investments in all lines, it is unlikely that profits will deteriorate on any comparable scale. For a few years, profit percentages might even move on higher levels, particularly if present taxation is revised. The return on housing must similarly continue on a very attractive level. In contrast with these returns, the short-term rates are today on the lowest plane ever reached. Making the utmost allowance for elements of risks, liquidity, etc., the present gap between long-term and short-term rates is too wide to continue without re-adjustment. Such re-adjustment can only mean a higher trend in all sections of the capital market.

A critic academically inclined might be tempted to seek comfort in the thought that since every level of investment tends to create its own level of incomes and savings, the growing excess of investment over savings does not matter. Perhaps, a little reflection on the manner in which investment performs the alleged miracle of *post facto* equality of investment, incomes and savings might furnish the clue to what must happen in the circumstances under review. When investment outstrips savings, the excess must cause a growing diversion of factors from consumption and non-durable goods generally, creating a growing shortage in their supply. Taking all industries together, consumption goods no less than investment goods, an acute demand for working capital of all kinds must reveal itself. The short-term rates will tend to be first forced up—dragging in their wake the long-term rates in due course.

In India, war production has taken the shape very largely of an intense concentration of resources on consumption goods and non-durable goods generally. Capital equipment, even that suitable for war production, has not received appreciable augmentation comparable with the peace or war industrial needs of the country. When the war ends, the present scale of government expenditure will fall, releasing both money and real resources for investment and production for private use. All in all, the demand for working capital will reach an intensity unprecedented in the economic history of this country.

We cannot overlook also the large volume of savings which the war leaves behind in the form of hoarded currency and bank balances. The goods and real wealth represented by these have disappeared long ago in the smoke and destruction of the war. While these savings leave their hiding places, they will increase

the supply of capital in the monetary sense, but at the same time aggravate immensely the pressure on real factors of production.

Many people find encouragement for their belief in post-war low rates of interest in the avowed monetary policy of England for post-war years. This view overlooks the fundamental difference firstly, between the economic situation of the two countries and secondly, the ways in which the war economy has been managed, not to say manipulated, by the two governments.

In England, the pre-war problem consisted not of a shortage of savings and capital, but an alleged deficit of investment and investment opportunities within the country. Although the war is bound to make inroads on her saving capacity, England still continues to envisage her post-war situation in the pre-war context. Rightly or wrongly, the men at the head of thought and affairs there take the view that investment abroad does not conduce to increased production and employment at home and that control of exports of capital and purposively directed and stimulated investment at home are the necessary part of a policy of full employment. It is clear that this logic has no applicability to India whose fundamental problem is shortage of capital relatively to her immediate and prospective needs.

Besides, in the United Kingdom, the consumption of the public has been reduced to the lowest minimum and the resources thus saved have been applied to the creation of capital goods no less than destruction goods required for war. Although shortages of capital goods will be felt at the end of the war in this line or that, England will find herself on the whole in possession of quite a large capital equipment which can be turned over with greater or smaller adaptation to the purposes of peace—particularly for export purposes. In India, on the other hand, the concentration has been entirely on consumption and destruction goods such as could be extracted from existing capital equipment. The production of durable goods or their importation has been more or less discouraged directly or indirectly. India will thus find herself at the end of the war with sadly depleted capital equipment.

If the foregoing analysis is well-founded, it should also furnish the clue to the relevant long-term monetary policy for post-war years. Assuming that a proper parity is selected for the rupee the danger of a further inflation super-imposing itself on the inflation of war years arises from more than one-quarter—the unleashing of the pent-up forces of investment, the release of hoarded currency and bank balances, the super-normal level of cash reserves and sub-normal level of loans and advances of banks, foreign loans, if available, etc. As the community accustoms itself to long and stable views of the future, a larger growth of fixed deposits relatively to the growth of current deposits might also add to the incentive of banks to search for the more lucrative assets of loans and advances. In an all round sanguine environment like this a cheap money policy by the Reserve Bank can only aggravate the upward trend and make the ultimate crisis and collapse more certain. The skill and prudence of the central bank will be seen best in exercising a proper restraint on the tempo of growth and yet avoiding the other dangerous extreme of forcing the whole economic system into reverse gear. A difficult achievement of this kind means conformity to economic facts and forces not by the use of a particular weapon in the armoury of the Central Bank, but a dexterous and continuously adapted combination of all resources discount rate, open market operations, rationing, moral persuasion, joint and agreed action by commercial banks, etc.

University of Bombay.

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BIT 117

THE WORLD ABROAD

On the Eve of World Business Conference

(From Our Special Representative)

NEW YORK, Nov. 6, 1944 (By Cable).

TO an Indian used to conditions of poverty accelerated by war-time controls and restrictions, the evidence of plenty which on arrival he notices everywhere affords a striking contrast. True, many articles have been rationed, but there is no scarcity of foodstuffs or other consumers' goods. Hotels and restaurants serve food in bounteous quantities. Shops are well filled; bookstalls abound with books and magazines and other reading matter; theatres and pictures are crowded to overflowing capacity. Daily newspapers run into 24 to 28 pages. Some Sunday editions run into 200 pages—a fact which our paper controllers will do well to note. Yet the astonishing fact remains that America is doing more for war effort than any other country. Making every allowance for her more varied and adequate resources, the talents of her people to organize and their unbounded optimism and confidence explain in part the difference. India would have profited far more if her civilian administrators had been compelled to take their leaf out of America and had their complacency shaken a bit.

The International Business Conference, which opens its sessions at the Westchester Country Club, Rye, near New York, next Friday, is in many ways unique, being the first unofficial conference in the international field. Sponsored by some leading business organizations in the United States, the Conference promises success, judging from the number of delegates from all over the world who have arrived. Fifty-three nations have sent delegates, the only notable exception being Russia which has sent only an "observer". Expansion of trade between nations is the central theme of the Conference, whose main work will be done in meetings under different sections into which the Conference will divide itself after the opening session. The subjects are those already announced and there will be no resolutions recorded or voting taken, although fairly full report of the discussions on the eight subjects will be presented to the plenary session of which there will be four, each presided over by Presidents of the four sponsoring business associations of America. Mr. Eric Johnstone, President of the United States Chamber of Commerce, will preside over the closing plenary session, while Mr. Eliot Wadsworth of the American section of the International Chamber of Commerce opens the Conference. Since four sections meet in the mornings and four in the afternoons, no delegate or adviser can be a member of more than two sectional meetings. The purpose of the Conference, it may be said, is an effort on the part of American business men not only to establish contact with the people of other countries but to organize business opinion on some of the most vital post-war problems. Similarly delegations from other countries are attending for varied purposes of their own. By many the Conference is regarded as affording a rare opportunity of establishing valuable business contacts and for placing orders creating more business.

America is fully conscious of the post-war problems which are engaging the attention of both non-officials and the Government committees on a technical level. Much of the work of official committees is not given publicity for fear that this might create a mistaken feeling that the war will soon be at an end. But it is understood that several committees have been at work and have produced countless tentative recommendations. It is announced today that the Inter-

Departmental Executive Committee on Post-War Economic Policy, headed by Dean Acheson, the Assistant Secretary of State, has reported to the cabinet level on policies to be adopted regarding commodity agreements and cartels. Regarding the former, the Report is said to recommend that the commodity agreements should not be regarded as an end in themselves, that they should be temporary in character and subject to review at the end of every three years. It is also reported to have recommended that they should not be restrictive and should be accompanied by collateral agreements committing member-nations to diversify their economies to make them not dependent upon the production of a single commodity and that they should provide for representation of consumer countries as well as those of producers on the proposed organization. The Report is bound to produce a big debate, for the entire policy of American agricultural prices so far pursued is restrictive and the high level of domestic farm prices has made it necessary for the country to use either subsidies or commodity agreements if it would sell farm surpluses in international markets. The American policy of securing parity prices for farm products based on prosperous years preceding the first world war is highly protectionist and, if continued, will injure primary producers in the rest of the world, including India, Australia and New Zealand. On cartels also, the Acheson Committee is said to have taken a firm stand against restrictive international cartels, whether they be governmental or private, subject to defined exceptions, viz., where national defence interests are concerned or where there is the vital necessity to conserve scarce and vitally needed commodities. It is necessary to note that the American attitude against cartels is probably the result of long historical tradition based on belief in enterprise and initiative and partly the result of the feeling on the part of middle-sized business firms who strongly hold the view that the results of their venture and inventive facilities should have free and unrestricted field and not be scotched by restrictive environment and policies of cartels.

The American business man is optimistic about the future of his trade. America has become a giant among nations and feels she has wonderful opportunities to serve herself and the rest of the world in a way which no other nation can. She is, therefore, against all restrictions and is out to fight against every form of obstacle and hurdle. Britain is in a quite opposite position. She is consumed by fears for her future living standards. Between these two, therefore, there is a distinct cleavage of thought in every sphere. It emerged quite early and clearly in the International Civil Air Conference at Chicago, where the American representative, Mr. Adolf A. Berle, Jr., urged that bilateral agreements for immediate post-war flying should be consummated as soon as possible, while the British spokesmen expressed the conviction that only a far-reaching plan of international control would be acceptable to them. Certain sections among the American bankers interested in foreign investments would like the Government to guarantee loans as has been the practice in Britain. Paradoxically enough, they have not taken kindly to the proposal of World Bank which in effect gives this guarantee. Their lukewarmness to the scheme of World Bank is based on their fear that foreign investment under the proposed scheme will not bring them as much profit as they could earn independently. In the years immediately following the war while America's capacity to produce is unquestioned, her

capacity to sell is regarded in some quarters as doubtful due to inflationary price trends. The cost, income and price structure has been distorted already on account of the high level of domestic farm prices and rising wage costs; costs and prices may rise higher with the continuance of the war. It is said that the purchasing power in the hands of the public available for expenditure is nearly 80 per cent. of annual income and this will press increasingly upon consumable goods, immediately controls are relaxed. Any scaling down of wages will not be acceptable to workers and even if taxes are scaled down, thereby reducing industrial costs, high level of war time wages will be an adverse factor. On the other hand, in some quarters it is believed that the fear of high costs is exaggerated. For example, Charles Wilson, Chairman, General Electric Company, whose annual sales are valued at 500 to 800 million dollars, definitely indicated the policy of his company as planning for sales at 1941 prices, and roundly condemned "shallow and passive thinking" which is reflected in statements that consumer products and services will cost 25 to 30 per cent. more after the war. Similarly, the Chairman of the Continental Industries, Ltd., affirms that by better operative efficiency and closer contact with personnel, productive costs in the case of all small and medium-

sized business will be kept down. However, many economists whom I have met are more cautious in their conclusions. They hold the view that import surplus is probable in the post-war period in the light of America's high cost structure and that in some respects it will be altogether a desirable thing, as pressure on dollars will be reduced; but whether America will permit an import surplus is, according to them, doubtful. Devaluation of the dollar is quite conceivable as it may be found to be the only easy way of adjusting U.S. prices with those of Britain. But on all these there is a great deal of uncertainty. Hence economic opinion in this country is extremely critical of the outcome of the Bretton Woods Conference, suggesting the definite fixing of the dollar-sterling rate, before the middle of next year, when conditions would be still obscure and indefinite. There is also widespread belief here that the efforts of Britain to get the world stand on its head in order to solve the problems of 45 millions of her population are a little overdone. The presence of Lord Keynes at Washington to secure continuance of Lend-Lease goods after the war is also watched critically here, as America is not interested in continuing Lend-Lease goods if thereby she cannot get direct approach and contact with India and other parts of the British Empire.

Post-War Trade and Investment

(From Our Washington Correspondent)

WASHINGTON, Nov. 7, 1944 (By Cable).

TWO high treasury officials have again stressed the importance of the Bretton Woods proposals to the restoration and expansion of world trade and the United States participation in these, and have at the same time given the following estimated figures in respect of the prospective American position in the foreign markets after the war: The United States could grant two billion dollars credit annually, exporting 10 billion dollars worth of goods and importing 8 billion dollars worth of goods. The source for the figures is Mr. Edward M. Bernstein, Assistant Director of the Treasury in the monetary research division, who played an important part in framing the United States stabilization proposals. Mr. Bernstein said that Government policy will allow private enterprise to provide all or as much credit as it can, and only when that amount proves insufficient will the Government step in. Mr. Ansell Luxford, Treasury Assistant General Counsel, developed Mr. Bernstein's thesis with emphasis on Bretton Woods Fund and Bank proposals as essential portions of the foreign trade programme and said that whether Americans were prompted by motives of generosity or "on narrow plane of looking after our own self-interest the answer must be the same—America cannot afford economic isolationism. We in this country have got to do our part of getting the wartorn countries back to their economic feet." He said that capital for reconstruction was obviously not enough. "Prosperity here and throughout the world depends upon channels of trade and commerce being open and upon a high level profitable foreign trade for all countries. We must eliminate economic aggression just as we must outlaw war." He said that the Bretton Woods proposal of World Bank recognizes these facts and pointed out that the United States has to provide much of the capital and goods necessary, although other countries share any losses through default in gold or dollars. "This certainly was an improvement over some so-called counter plans that envisage the United States alone as putting up all the money loaned and also bearing one hundred per cent. of any possible losses. The World Bank is just plain Yankee common sense when evaluated in these terms." Meanwhile, the President of the United States Cham-

ber of Commerce, Mr. Eric Johnstone, outlining the agenda for the forthcoming Business Conference at Rye, New York, stated his opinion that increased interchange of goods and services go farther in assuring peace than all "grandiose" peace plans now in making. The Rye Conference, opening on November 10, will have representatives from 47 countries who seek means that must be used to broaden post-war trade. Russia has not yet answered the invitation to come, and Argentina is reported to have rejected the invitation after originally accepting it. The agenda for the Conference contains these major points: commercial policy of nations, currency regulations among nations, encouragement and protection of investments, industrialization of new areas, transportation and communications, raw materials and foodstuffs, cartels and private enterprise. One of the most recent comments from Mr. Clark H. Minor, President, International General Electric Company, which is quoted by the *New York Times* as telling the Committee of the House of Representatives is that cartels were the logical development of international trade and that he knew of no "bad" cartels.

Mr. Wallace B. Phillips, President, American Chamber of Commerce in London, recently gave business men in New York food for thought in respect of Britain's post-war trade position. In Mr. Phillips' view, Empire preferences, of necessity, must continue and multilateral trade must, moreover, "come to the rescue" through increased purchases from Empire countries by the U.S.A. and British exports to such markets. Mr. Phillips contended that Empire preferences and rigid import controls—the latter will be possibly necessary for three years in the post-war period—will be essential to meet British needs for "economic" reasons alone. He said Britain's short-term debt totals £3 billion and during the last few years Britain has been operating with an enormous deficit of £700 million exclusive of Lend-Lease Aid. Outlining the three major British objectives of a surplus in the balance of payments, maintenance of full employment and a high living standard, he said that, to achieve them, Britain will be forced to "continue for several years to come a fairly rigid control of imports.

In pursuit of these objectives we come across the bogey of Empire preferences. If they were abolished, there would take place a decline in British exports. Approximately, one half of British pre-war exports went to the British Commonwealth and if Empire preferences are abolished there is every fear that these exports may decline. I find no desire to maintain Empire preference solely for political prestige, but the British problem is based entirely on the country's economy. If they don't export, they don't eat. This thought

is perhaps lost sight of in some arguments propounded here. To balance the British balance of payments with the U.S.A., multilateral trade must come to rescue. The United States must buy more tea and jute from India, more rubber and tin from South Africa and Britain must in turn export to those countries. It is in American interest as well as the interest of the whole world to see a strong Britain. A weak State will be the source of endless embarrassment here. Mutual prosperity will equally aid both the countries."

The Platt Report

From Our London Correspondent

LONDON, Oct. 25, 1944 (By Airgraph).

IT was not only the Cotton Industry of this country, but all those who have an interest in the prosperity of the country, who got a real shock when they saw the contents of a report in which American and British methods and productivity of the Cotton Industry are compared. The report was submitted by a delegation of British employers and operatives who, under the Chairmanship of Sir Frank Platt, the Cotton Controller, had visited America and investigated the methods and output of the United States Cotton Industry. They found that the output per man-hour was very much higher in the States. Machinery and methods both of production and management were far in advance there as compared with Great Britain. There was much less loss of man-power (Wastage) in America and both marketing methods and scientific training of the managerial staff were on a much higher level there.

Just before the war it was estimated that the cotton industry in this country would need £45,000,000 to bring its establishment up to date. In view of the report mentioned above, that was clearly a great underestimate. With money values depreciated and taking into account the underestimate, perhaps £150,000,000 is nearer the mark. This brings one to some other estimated costs of replacement and modernisation. After the war British industries will have to make up for five years in replacements in machinery, etc., at the rate of about £150,000 a year. That means by next year, in addition to the needs of the cotton industry, industry will need some £750,000,000 merely to "pick up". True it will allow modernisa-

tion on a larger scale, but taking into account the fact that there was perhaps more out-of-date machinery working in this country *pro rata* than in any other industrial country, a total sum of £1,200,000,000 or near will be required to bring British industry up to date. Add to this the requirements for housing at between £400-500 million a year for some eight to ten years. But even when our industries have completed the immediate replacement programme, they will still require an annual outlay of perhaps £300,000,000, part of which may, of course, be investment in new ventures. All in all a sum not much less if not more than £1,000,000,000 millions annually will be needed for capital investment for the next ten years.

There is, however, another side to the picture. The national income for last year was reckoned at roughly £8,000,000,000. The necessary abstention from consumption in favour of capital investment would therefore amount to 12½ per cent. This is about twice the percentage of pre-war years. Relatively, then, if Great Britain wants to retain its place in the ranks of efficient industrial nations, its population has to save twice as much as it did before the war. In absolute figures the difference is much the same, but it has to come out of an income also nearly doubled. What does complicate the matter is the fact that we shall have to find an extra £300,000,000 a year for interest on the accumulated national debt, much of it owed to American and other countries, and the need of some of the creditors, for instance India, to have, in addition, the debts to them repaid fairly speedily.

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A DELHI DIARY

OWING to the rush of more immediate and urgent problems, political questions have had to take the back place during the current Assembly session. It is now generally taken for granted that the Viceroy has no intention of doing anything in the near future to resolve the political deadlock. So far as New Delhi officials are concerned, they prefer to think of the constitutional question as a post-war affair—and that too, as mainly the responsibility of Whitehall. Even in dealing with ordinary administrative arrangements for the post-war period, it has almost become a habit with them to assume that not only the present Government of India but even Section 93 administration in the provinces will continue for a number of years after the war. As the Government's intentions are fairly clear, there is no sign of any optimism in Assembly talks. Even as regards the proposal for an All-Parties' Conference, opinion is still in a fluid state, but a good deal depends upon the results of the consultations going on between Sir Tej Bahadur Sapru and other leaders. It is recognized that without careful plans and certain definite ideas, it may not be easy to achieve the results expected. If such a conference materializes at all, it cannot be before the latter half of December or January. But one thing is certainly uppermost in the minds of members—the need for taking all possible measures to secure the release of the Congress Working Committee members. In the Assembly lobbies it is being freely said that more than one Indian Member of Government is in favour of releasing the members, but no one is prepared to take the responsibility for bringing up the subject before the Council. Whatever their personal opinion may be, they evidently prefer to leave it to the Viceroy or the Home Member to take the initiative. And therein lies the tragedy—and the mockery—of the situation.

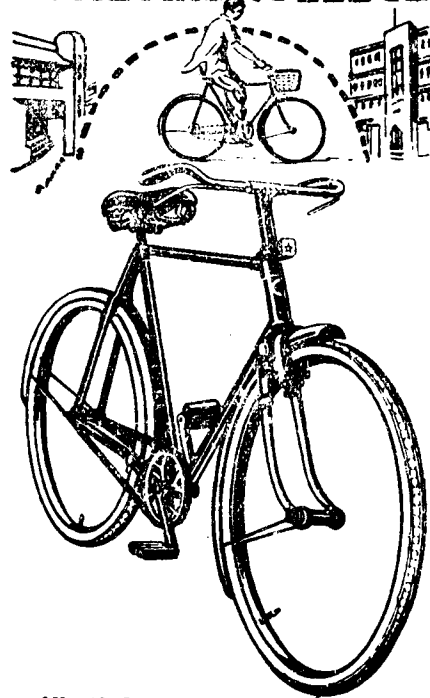
It must be said to the credit of Dr. Khare, Commonwealth Relations Member, that on the Natal question at least he has tried to understand the feeling of the country and act without further delay. From the old path of representation and endless negotiation, the Government of India have now passed on to reciprocity—and to retaliation, in principle at least. The full story of all that has been passing between the two Governments, and also between them and the authorities in Whitehall will probably be never made public, but the very delay in recalling the High Commissioner shows the difficulties ahead. For obvious reasons, the High Commissioner's office has not, in recent years, been able to serve a useful purpose. It can command neither the confidence of the Indian community nor the respect of the Union Government. And as regards keeping the Government of India informed, it has almost invariably been the case that both the Indian Government and the Indian public get to know of important developments only through newspapers. Apparently its only use to the Government at the present moment is that it serves as a medium for war and other propaganda material for distribution in Natal. I understand that the present High Commissioner himself would like to return, for under present conditions it is not consistent with national honour, or even with the supposed prestige of the High Commissioner's office itself to continue there. Even the Commonwealth Relations Member, though he referred cautiously to "some advantage", did not dare to defend his retention. Apparently the authorities in Whitehall are holding up the decision. It remains to be seen whether the Government of India will stop the recruitment of South Africans to their Services and also dispense with such of them as are now in service. In the Assembly the demand was made that the Reciprocity Act itself should be amended so as to include the armed forces also, but it does not

appear that the Government have any such intention. Nothing is yet known about economic sanctions—whether the Government are prepared to take this step at all, and if so, what form it will take. If the Government decide, for formality's sake, to apply economic sanctions and at the same time are powerless to prevent the passing on of goods through the war pool, the action will reduce itself to a mockery. Unless public opinion in both countries makes itself increasingly felt, the old policy of delay and vacillation may again show itself to undo whatever has been done or promised.

There is good ground for the grievance that the Government of India have not provided an opportunity to the Central Legislature to discuss the Bombay Explosions Committee's report and its financial implications. The War Transport Member has neither given an estimate of the civilian and military damage nor told the House what they are doing to claim full compensation from His Majesty's Government. The Committee's report itself affords sufficient justification for making this claim on Allied Governments. It appears to be the Government's intention that after the publication of the second volume of the report there should be a debate, but that can only be during the next budget session.

ARGUS.

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Money Market

Plethora of Funds—Giltedged Firm—Textiles in Favour

(From Our Correspondents)

BOMBAY, Nov. 6, 1944.

The short-term credits are in more abundant supply now than ever before, and no business of any appreciable proportions has been reported in the inter-bank call loan market. Money rates continue to remain at ¼ per cent. for call, ¼ to ½ per cent. for three to five months, ¾ per cent. for six to eleven months and 1¼ per cent. for 12 months and over. Although the cold weather has started, demand for bank accommodation has actually declined instead of increasing. Perhaps, the movement of the cotton crop, which may begin in a few weeks may provide remunerative investment for the funds of the Banks.

The key-note of the banking situation is still an ever increasing volume of bank deposits. Demand liabilities of scheduled banks have been steadily mounting up. They stood at Rs. 591.99 crores on the 13th October, but have risen to Rs. 603.7 crores on the 27th October. During the period, the time liabilities have increased from Rs. 193.8 crores to Rs. 196.28 crores, thus showing a total expansion of nearly Rs. 15 crores in a fortnight. Advances have been steadily declining. In the period referred to above, it declined from Rs. 198.4 crores to Rs. 195.9 crores. Even the occasions for providing accommodation to contractors and others engaged in executing war orders are now falling off. Bills discounted by the banks show an increase, but it is only slight. Banks are thus piling up public money in their vaults and with Reserve Bank with very little option, but to invest them in the gilt-edged and treasury bills. Subscriptions to the Government Loans are, therefore, touching new peaks.

Treasury Bills

Although the average rate of accepted tenders does not reflect this feature, the persistent increase in the offerings reflects the increasing interest in the Treasury Bills. Thus, over the past one month, while the average rate of the Central Government Treasury Bills has remained unchanged at Re. 0.7-11 per cent. except on one occasion when it touched Re. 0.8-0 per cent., the total offerings have almost progressively mounted up from a little over Rs. 10 crores to over Rs. 15 crores. Considering that the rate for three months deposits has been ruling at ¼ per cent. during the last two weeks, the Treasury Bills rate should, in the natural course, decline further. But it is doubtful whether it will do so. The Imperial Bank of India, is the principal prop. of the Treasury Bill market, and so long as it is able to hold this position, the course of the Treasury Bill rates will be chiefly influenced by its whims.

Gilt-edged

The gilt-edged market has continued to display a firm undertone, the turnover being restricted only by shortage of sellers. Investment enquiry is quite good and is spread over the whole list. Although medium and short-term bonds still constitute the favourites among investors, the absence of offerings in these is diverting their attention to longer dated loans and to the undated stock, namely 3½ per cent. rupee paper which, today, offers the best yield among Government loans. The latter, during the week, firmed up to Rs. 99.15 from Rs. 99.13 a week ago. Dealings in 2¾ per cent. 1948-52 loan were reported at Rs. 99.12. Among the 3 per cent. group, with the exception of the Funding Loan (1966-68), which is available from the Reserve Bank on tap at Rs. 98.4, all the rest have recorded fractional gains ranging from six ples to two annas. In the 3½ per cent. group, 1947-50 has gained as .4 to

close at Rs. 104.4; 1954-59 loan, too, has gone up by as .2 to Rs. 104.12. There have been practically no changes either in the 4 per cent. group or in the 4½ per cent. group. Five per cent. tax-free loan is the only one which has begun to look downward, the closing rate for the week showing a loss of as .2. This fall is only as it should be in view of the proximity of the maturity date.

In the week ended 27th October, notes in circulation are actually lower by about Rs. 6 crores. Sterling receipts for the week under reference were Rs. 10.6 crores. The Government's balances with the Reserve Bank have increased by nearly a like amount and remain at the high level of Rs. 196.5 crores.

Bullion

The bullion market, during the week under review, was highly erratic, owing chiefly to the frequent changes in the Reserve Bank's policy of sales. The Bank went on varying both the rate and the quantity from day-to-day. The variation used to be in either direction, with the result that it generated considerable unhealthy speculation. The circumstances for bringing down prices of bullion by swift and direct action by the Bank are far more favourable today than at any time hitherto, because the speculator today has no support. The tendency on the part of the public at present is to disgorge holdings of bullion rather than hoard it. The Bank could, and in fact should, drastically under-cut the speculator by offering to sell at substantially lower levels. Such an action would also help the Indian bullion markets to attain parity with the world markets after the war without any serious jolt which, if allowed to happen, might have unhealthy repercussions on other markets as well.

Stock Exchange

The undertone of the Share Market was steadier than last week. Although steels remained neglected, textiles received fairly good support from investors. The investment inquiry was spread over a wider list and values recorded perceptible gains. Among miscellaneous industrials, the popular ones were active, while banks, insurance and public utility shares ruled steady throughout the week. The turnover on the whole was fair sized. Speculative activity was considerably restricted.

Steel shares moved within a very narrow range and were mostly devoid of investment support. Even reports of improvement in coal situation failed to stir operators. *Tata Deferreds* moved between Rs. 2,080 and Rs. 2,052-8-0 and *Ordinaries* between Rs. 384-8-0 and Rs. 381-0-0.

Among Cotton Mill shares, *Bombay Dyeings* spurted from Rs. 1,731-4-0 to Rs. 1,751-4-0. *Central Indias*, after fluctuating between Rs. 391 and Rs. 398, closed steady at Rs. 395. *Centuries* gained Rs. 10 to Rs. 835. *Kohinoors* have once again caught the investors' fancy of support to the scrips of *E. D. Sassoon* group which remained neglected for a long time. Thus, *Edward Sassoons*, which began the week at Rs. 670, advanced and have therefore become an active counter. During the week under review they were quite firm, the closing rate at Rs. 579 showing an increase of Rs. 9. These shares are likely to move up further and might easily reach Rs. 600 if nothing untoward happens. *New Greats*, *New Cities* and *Swadeshis* also were firm spots and closed at Rs. 384, Rs. 378-2-0 and Rs. 524, respectively, as against Rs. 377, Rs. 372-8-0 and Rs. 510 a week ago. A noteworthy feature of this section is the revival

sharply to Rs. 745 and *Meyers* hardened from Rs. 200 to Rs. 215.

The advance in the value of cotton mill shares must be attributed not only to the probability of a prolonged war, but also to the fact that the present values include the dividends for the current year which is now drawing to a close. In many cases, the dividends are expected to be not appreciably below those for the previous year.

In the miscellaneous section, *Associated Cements*

Quiet tone in Shares and Jute

(From Our Correspondent)

CALCUTTA, November 6.

QUIET conditions have been noticeable on the Calcutta Stock Exchange during the past week. Business passing has been very restricted as outside buying has been meagre and speculators are inclined to wait further developments. There is still considerable difficulty in deliveries. In order to correct the position in this respect and prevent undue speculative trading it has been decided to close the market on Tuesdays and Thursdays as from this week. In spite of the introduction of the clearing arrangement in respect of the four speculative counters, *Indian Irons*, *Burrakurs*, *Steel Corporations* and *Howrahs* there is still some confusion in the adjustment of transitions. It is said there is an oversold position in *Burrakurs* and the rise in the quotation during the week was due to bear covering. The close on Friday was slightly steadier and prices were not very much changed on balance over the week.

Deliveries and *Patans* are to go on as usual including on Mondays. No business can be done outside business hours.

Giltedged securities were firm with $3\frac{1}{2}$ per cent. Paper at par. A small lot was even done at a premium. Short and medium-dated loans were very firm.

Cotton shares were uninteresting except for *Cawnpore Textiles* which registered rise to Rs. 14 towards the close *Elgin* were rather quiet at Rs. 65-8. *Kesoram Cotton* were Rs. 16-11-0 and *New Victoria* Rs. 8-7-0.

Coal shares were quietly steady with *Burrakurs*, *Sendras* and *South Karanpur* providing the exceptions. A rise of more than a point was recorded by these three counters on the reports that arrangements for the mechanization of the collieries had been completed and that a large increase in raisings was expected. *Burrakurs* were very firm with the quotation higher by nearly two points at Rs. 42-8-0. *Equitable* on the other hand were quiet at Rs. 63-2-0, *New Beerbhoom* at Rs. 35 and *Bokaro* and *Ramgur* at Rs. 40-8-0. *Sendras* were very firm at Rs. 25-12-0 and *South Karanpura* at Rs. 22-8-0.

Jute shares were not very much in favour though it was reported that there was some enquiry for *Adamjees*, *Indias* and *Ganges*. The maintenance of dividend of the *Howrah Mills Company Limited* for the half-year ended September, 1944, at Rs. 1-12-0 per share and the weakness of the goods market were discouraging factors. It was expected that *Howrah* might be able to pay a higher dividend. Results of other companies during the week, however, make satisfactory showing, *Fort Gloster* increasing the dividend for the same half-year to Rs. 10 per share from Rs. 8 per share and *Fort William* to Rs. 5 per share from Rs. 4 per share. *Howrah* are now quoting Rs. 83-12-0. *Anglo-India* were not very much changed at Rs. 455 while *Adamjee* were Rs. 35-9-0 and *Hukumchand*

were the star feature. Rumours of issue of new shares at a premium of Rs. 50 in the proportion of one for every two of the existing shares imparted a steady undertone, the closing rate being Rs. 241. *Belapurs* were in better request, the rate improving from Rs. 236 to Rs. 241. *Shivrajpur* spurted from Rs. 53 to Rs. 59-8-0 and *Scindias* from Rs. 30-7-0 to Rs. 31-12-0. *Bombay Burmahs*, after moving up to Rs. 500, closed quiet at Rs. 487-8-0.

The technical position of the market is healthy and the undertone fully steady.

Rs. 38-4-0. *Megna* were higher at Rs. 116, but are now quoting Rs. 112. *Rameshwara* were a shade better at Rs. 21. *Presidency* were Rs. 10-12-0 and *Nuddea* Rs. 128.

In the engineering section *Indian Irons* and *Steel Corporations* have been fluctuating rather narrowly. In mid-week *Indian Irons* were easier at Rs. 38-4-0 after being higher at Rs. 38-12-0. The close was quietly steady at Rs. 38-8-0. *Steel Corporation* have not been in much the same demand. *Burn & Co.*, were steady at Rs. 418, while *Britannia Engineering* were higher at Rs. 21-12-0.

Sugar shares have been irregular with *Balrampur* higher at Rs. 17-12-0, and *Buland* at Rs. 43-12-0. *Champanur* had a set back to Rs. 40-12-0. *Carew & Co.*, were lower Rs. 27-12-0. The close was not very much higher at Rs. 28. *New Savan* sugar were Rs. 20-1-0 and *Ramnugger* cane and sugar Rs. 13-1-0.

Tea shares were steady, quotations being maintained at last levels. *Bishnauth* were noted at Rs. 40-12-0, *Hasimara* at Rs. 74 and *Hantapara* at Rs. 725.

In the Miscellaneous section, *Burma Corporation* were Rs. 4-9-0 and *B. O. C.* Rs. 5-7-0, *Calcutta Trams* were higher earlier in the week at Rs. 50-12-0. On selling and profit-taking there was a setback to Rs. 46-12-0. The quotation now is Rs. 47-8. The Calcutta Corporation has intimated the Tramways Company of its intention to purchase the entire undertaking as per terms of the agreement concluded in 1889. It is said that the Corporation proposes to work and carry on the under-taking through an agent to be appointed by the Corporation. The Chief Executive Officer will be the supervising authority. The purchase price has not been definitely settled yet and it is thought that the Tramways would be able to utilize a good portion of the depreciation fund in view of the excellent state of the track and the rolling stock. Over 20 tenders have been received by the Corporation and *Tatas* are reported to be interested. *Titaghur Paper* were higher at Rs. 28-6-0 and *Assam Saw* Rs. 5-5-0. *Midnapore Zemindary* were unchanged at Rs. 165.

The raw jute market has been quiet with very little business passing. There has been a drop in arrivals in upcountry centres, but sellers are not able to market their stock on hand. It was at first expected that the food supplies to the relief of the liberated countries would result in a large demand for jute manufactures. There has been no special demand in recent weeks and it is feared there might not be any in the near future. A clarification of the position in this respect is awaited. *Nine Porters* are at maximum rates, but second-hand sellers are prepared to offer 11 *Porters* at a discount. In the heavy goods section business is very difficult. Mills are still holding to maximum rates for hessian and sacking.

THE BUSINESS WORLD

RAILWAY RATES POLICY

IT would be at once admissible that, the railways being a premier utility service, profit should not be the sole determinant of the railways' rate-structure and the development and prosperity of the country's economic life should be given at least adequate attention. Indeed, in many of the advanced countries, such overriding national considerations have been given due consideration. The rate-structure of the American railways for instance has been so designed as to bring about the widest development of markets, and the most extensive development of trade. In India, on the other hand, undiluted commercialism has been the basis of rate-making. As Mr. Priestley rightly pointed out: "The American railways make their income by small profits per unit and large volume, while Indian railways make their income by large profits per unit and a smaller volume." A glaring example of this pernicious policy is the fact that during the trade depression when railway revenue received a severe setback owing to the inevitable decline in traffic and the operating costs, through faulty management, maintained their upward ascent, the railway authorities resorted to the easy course of enhancing their rates and thus earning a larger amount on a small turnover. Now it is clear that railways, being a monopolistic concern, could conveniently squeeze those who were compelled to use its services. Nothing was done to bring down the working expenses through the carrying out of any economy measures which critical examination of traffic needs or operating charges might have revealed. And yet towards the close of 1930 rates and fares were raised on the principal railways which in the following year became more general. In 1936-37, while admitting that "as a result of the examination of their tariffs undertaken by the Railway Administrations, it was found that there was no great scope for an increase in freights without risk of undue hardship to trade or further reduction in earnings," the Railway Member announced, nevertheless, an increase in "freights... where possible." And these increased fares were expected to yield about a crore "in the course of 1936-37." In the case of raw cotton, for instance, there was an increase, on the average, of about 80 per cent. It was undoubtedly a heavy increase and certainly open to question more especially because the price of Indian cotton is "determined by the American market, and the Indian crop has to compete in the international market for sale." The rates thus charged are almost the maximum permissible and stand stabilized at a high level. It does not seem open to serious question that any reduction that may have been introduced would be advantageous to the railways themselves.

Another adverse feature for the internal development of the country is the pursuit by the railways of an individualistic rates policy. India is essentially a country of long distances and clearly a rational rates policy should aim at extending the facilities of cheap transport as widely as possible. Encouragement of long-distance traffic, thus, is an indispensable accompaniment of a sound rate-structure. "But if long distance traffic is to be developed in the manner that such traffic has been developed in America, the distance must be taken from the station of origin to the station of destination, and the charges calculated on this through distance at reduced rates." The Government of India, it is instructive to recall, recognized the need for through rates and made a provision for it in the Railway Act as far back as 1890. But as is usual, there has been a long gap of time between the recognition of a need of our economic life and the

taking of steps to fulfil it. To this day through rates in India are merely the sum total of the railway freights charged by the various railway companies on which traffic has to pass.

This process of unco-ordinated rating which is based on the railways' working as separate organizations manifests itself in another evil. Each individual railway seeking to maximize its own receipts strives to keep as much of the traffic as possible to itself. This has resulted in what are called the "Block Rates"—"a high rate quoted with the object of retaining traffic on the line on which it originates and preventing or blocking it from passing off, after only a short lead on to a rival route. These "block rates" have been sometimes used with deadly effect on the alternative means of transport competing with the railways. And it has served to foster an artificial diversion of traffic.

A notable defect in railway construction in this country, namely, the difference of gauge, has further served to help in increasing the disadvantage which our industries and agriculture suffer at the hands of this individualistic rate-making. The break of gauge, in the case of a long-distance traffic, involves additional expenditure in unloading and reloading that becomes consequently necessary. This seems to levy a further toll on long-distance traffic. An incidental disadvantage of this feature of our railway construction is that it favours competing imports or the import trade in general, as the chief ports are all linked up with the internal markets usually by the same railway line while the lines connecting the internal centres of production and consumption often involve a break of gauge. These two features together serve as a drag on the growth of internal trade and industry in that they curtail the marketing area for the internal industries. Ahmedabad mills, for example, have to pay higher rates per mile while catering for markets in Bengal, Bihar, Orissa and the U.P. than the competing imports because of the fact that the journey involves a break of gauge.

The preference shown to imports, however, has its origin, to a more important extent, in the pre-dominance of the profit motive in the counsels of railway rate-making authorities. Railways quote very low rates at the competitive points and recoup their loss through enhanced rates on the non-competitive routes. Rates at the port towns like Bombay, Calcutta, Madras and Karachi are kept low, "just enough to cover the supplementary costs and leave a residual share to meet the fixed costs," and the internal traffic is made to contribute by its earnings to meeting part of the cost of import traffic. The brunt of the railways' working charges is thus placed on internal traffic and a kind of subsidy is offered to the import traffic inasmuch as it has just to meet its "out-of-pocket expense." In the course of a Rates Advisory Committee enquiry, it was shown that the earnings per ton derived by the G.I.P. Railway from the tonnage in piecegoods carried were higher in the case of Indian goods than on the European or imported goods. In 1922-30, for instance, while the Railway earned Rs. 29 per ton from the carriage of European goods, its earnings from the haulage of a ton of Indian goods amounted to Rs. 40. And this impairs the competitive power of Indian industries as "cost of transport makes (for example) cotton manufactures of Ahmedabad dear, particularly in distant markets, like Calcutta, Cawnpore, Delhi. "We are referring to no new feature of railway administration," wrote the Tariff

Board reporting on Heavy Chemicals, "when we point out that the tendency of railways to encourage traffic from and to the ports..... is still to be seen..... The freight on some of the chemicals from Ambernath to the interior was higher than from Bombay to the same places, though the distance from the latter was about 45 miles longer." This rate policy deprived the industry of its "geographical advantage and the foreign industry is to that extent given a preference." The Tariff Board recommended reduction of freight on the various raw materials and finished products to the lowest possible extent and the adoption of uniform rates for chemicals on all railways to do away with the uncertainty as to the incidence of the freights caused by the individualist rate-making of the Indian railways. It further emphasized the need for the adoption of through rates, irrespective of the number of railways over which they had to travel, for coal and other raw materials of the industry. Heavy Chemicals is an important basic industry, and a sound industrial structure can only be built on the foundations of a progressive chemical industry. And "such concessions are given to key industries in all modern countries where railway policy was regarded as an integral part of general economic policy." But in India the railways are looked upon as "the fountain-head of fat dividends." And the Government of India could not see their way to accepting these recommendations. This pernicious rates policy, further, prevents the utilization of indigenous raw materials by indigenous mills because it makes it more profitable economically to use foreign substitutes. For instance, the cotton mills at Ahmedabad find it economically more profitable to import raw cotton through Bombay rather than use the Punjab-American cotton. But to the Japanese exporters it is cheap and the Punjab cotton-grower has, therefore, to depend on the Japanese exporters. An instructive contrast to this policy is afforded by the case of European and American freights where a co-operative effort at "integration of interests aiming at mutual benefit" has resulted in a rate structure, both for raw materials and finished products, helpful to industrial growth. And the example of the American Iron and Steel Industry in the Lake Superior iron region is an interesting example how a rates policy has made it possible to move the "supplies

of two minerals separated by a thousand miles of land and water (to be) combined for iron making on the largest scale known in the world's history."

A very serious evil engendered by the pursuit of this policy in order to meet the competition of the ports is the concentration of industries in the port towns. This concentration, augmented by the needs of the present war-time expansion in production, has led to frightful housing conditions in such towns as Bombay and Calcutta. Of the total population of Bombay, 74 per cent. live in one-room tenements, as compared to 6 per cent in London; the average per room in Calcutta exceeds five people while in New York, commonly regarded as the most overcrowded city in the U.S.A., it is 1.5 only. The truth is that a very substantial portion of the population of these bigger towns consists of street dwellers. What awful consequences such congestion has for the health and the morals of the people concerned can well be imagined.

It is an important need, therefore, that the present railway rate structure be scrapped and a new system be evolved in which considerations of railway finance should be adjusted to the general economic and social interests of the country as a whole. "A railway," it cannot be overemphasized, "is a public utility concern and its object must be to provide transport at the cheapest possible rates, so that both industries and agriculture may develop and so add to the prosperity of the country." The Government of India has promised protection to some industries in the post-war period. It is to be emphasized that this mischievous rates policy that obtains today should not be permitted to neutralize the advantages or necessitate an increased measure of protection. It is interesting here to recall that the rates have been responsible for a higher measure of protection to the iron and steel industry than would have been necessary otherwise. The growth of internal trade and industry must not be permitted to suffer to confer a subsidy on imports. Last but not least, "power, intelligence and self-dependence" in the various regions must be more satisfactorily diffused.

NOTES

THE PLATT MISSION

The Platt Mission, which recently returned from the U.S.A. after an extensive study of the production methods and equipment employed by the U.S. Cotton Mill Industry, has expressed great concern regarding the comparative backwardness of the Lancashire Textile Industry. It has been found that the American operative is enabled through the help of more modern methods, to turn out eight times as much as a British operative. The report has revealed that Lancashire has virtually stood still for the last 30 years (its competitive strength boosted up by the use of political power), while the American industry has gone on from progress to progress with the result that each branch of the American industry is many times more efficient than the British. For a given quantity of output, British labour requirements exceed U.S. requirements by 22 to 98 per cent. in spinning by 129 to 203 per cent in weaving, and by still larger percentages in other departments. This comparative superiority of the American industry is based almost entirely on its greater mechanical efficiency. America employs extensively the most up-to-date and modern equipment. Methods whose utility is still under debate in Britain, have become the standard practice of the American industry. The use of automatic machines is general. In the weaving section, for instance, the superior efficiency

of the American industry is mainly due to its greater use of automatic looms; 95 per cent. of the American industry is now employing automatic looms while in the U.K. the percentage is as low as 5 per cent. While the Lancashire weaver finds the supervision of 4 to 8 looms the limit of his capacity, in the U.S.A. a weaver is able to look after 32 to 60 looms. And this when, it is said, he is not doing his maximum. The report observes, therefore, that the raising of British Mills to the same standard as that in the U.S. would mean "a complete revolution" and would entail "enormous capital expenditure."

LESSON FOR INDIA

These strictures against the Lancashire industry must very thoroughly shake up our own textile industry the bulk of which is based on the British model and employs British machinery. The percentage of automatic looms in this country is said to be between 2½ and 4 per cent. And the Indian industry is inferior, in point of efficiency and competitive power, even to the Lancashire industry which has undergone a lot of re-organization between 1929-37. The war-time strain must have worked havoc with the already worn out equipment of our mills. So the task of raising them in efficiency to anything like that of the American industry would indeed be a tremendously

difficult one. And Britain, it has been demonstrated is comparatively less efficient in respect of its machinery. Then there is the fact that its pre-occupation with the uphill task of setting her own house in order would mean that the Indian textile industry will be starved of its very urgent requirements of replacement and renewal, bound to be on a massive scale if it is to compete successfully, even in the home market, with the American industry, if she is to place her reliance on British manufacturers of textile machinery. It is, therefore, very important that the manufacture of textile machinery be taken up in this country itself. In any case there is a clear case why in regard to import of machinery, we cannot bind ourselves wholly to the British market without serious effect on our competitive position.

BRANCH BANKING

Branch banking is making further progress, although the pace seems to have slackened. In the quarter ending September 1944, the total number of offices of scheduled banks rose from 2,143 on the 30th June, to 2,207, as compared with an increase of 100 offices in the quarter ending June 1944, and 156 and 160 in the earlier three monthly periods. The Imperial Bank closed two of its existing offices, but opened 5 new ones, thus increasing the total number of its offices to 413. Of the new offices opened, 18 were in the Punjab, 15 in U.P., 7 in Madras, 5 in Bengal, 4 each in Bombay, and C.P. and Berar, 3 in Bihar, 2 in Sind 1 each in Delhi and Kathiawar, and 10 in Indian States. Of these, fourteen offices were opened at places not previously served by a bank, while the newly added 5 scheduled banks accounted for 32 offices.

COURTAULDS TO EXPAND

It has been reported that Messrs. Courtaulds, Ltd., propose to set up a big rayon factory in Australia at an expenditure of £5,000,000. The new factory will be yet another link in the chain of this remarkable company's world-wide ramifications. Courtaulds, indeed, are very much more than a giant international cartel and have been aptly described as a "vast and intricate network of inter-lacing interests, both financial and industrial, constructed mainly by means of various exchanges of shares, and agreements for interchange and pooling of technical knowledge." The rayon industry, like the aluminium and the electrical industry, belongs to the group of "young" industries, which have been born, so to speak, "into an age and atmosphere of large-scale production and have never been organized in any other way." In all the principal producing countries, such as Great Britain, Germany, Italy, the United States and latterly Japan, a large part of the domestic production of artificial silk has been from the outset under the control of a small number of very large and rapidly expanding units, also having control over or associated with producers in other countries. Courtaulds have always occupied the central place in this international combine movement. First among rayon manufacturers in Great Britain, they, taken with their controlled interests abroad, are perhaps, the largest producers in the world of rayon and rayon goods. Their principal foreign interests lie in Canada and the United States, where among other interests, they hold 90 per cent. of the share capital of the American Viscose Corporation, which was estimated to produce, before the war, over one-third of the rayon output of the United States, or approximately 11 per cent. of the pre-war total world output. In 1925, they made an "arrangement for co-operation" with the Glanzstoff group, controlling over half the total output of Germany. Two years later, the two together entered into an agree-

ment, providing for an inter-change of shares and pooling of technical knowledge and inventions, with the 'Snia Viscosa' of Turin, with a capital of 1,000 million lire, or over half the estimated capital of all Italian artificial silk companies. When mention is made of the fact that the German group is also allied to the powerful I. G. Farben and has international interests extending to the United States, Czechoslovakia, Austria, Holland, Switzerland and Japan and that the Italian concern has interests in the rayon industries of the United States, Poland, Roumania, etc., the story of this amazing international inter-lacing would be almost complete. Almost, but not quite; for it will still have to be added that besides a working agreement with the rayon producers of France, Courtaulds have also owned factories in France and Japan. An idea of the magnitude and pace of expansion which they have achieved may be had from the fact that between 1913 and 1924, the capital of this company was raised from £2,000,000 to £32,000,000, largely by a succession of capitalized share bonuses. Courtaulds are not only able to dominate the rayon industry by virtue of their pre-eminent position in it, but because of their control of a highly competitive textile, they powerfully influence affairs common to the British textile industries generally.

RECOVERING "LOST" MARKETS

With the outbreak of the war there has been continuous and rapid shrinkage in the markets for our exports on account of the occupation of country after country by the Axis Powers, both in the West as well as in the East. Dangers on the high seas coupled with the shortage of tonnage were severe handicaps, while the very markets for exports were lost for at least the duration of the war. The Nazi occupation of European countries inflicted a loss of about Rs. 29 crores of exports of Indian merchandise to those countries in 1939-40, and the Government of India decided to send the Gregory-Meek Mission to the U.S.A. for exploring the possibilities of absorption of Indian goods in that country. With the opening up of hostilities with Japan and the fall of Java, Cuba, French Indo-China, Burma and other islands in the Pacific in 1942, the market for about Rs. 43 crores of Indian goods was further lost. Japan alone used to take Rs. 19 crores worth of Indian goods. Totalling up the exports to lost markets, we get a staggering figure of Rs. 72 crores which has not been recovered as yet. During the last two years of war, viz., 1942-43 and 1943-44, the total Indian exports were Rs. 188 crores and Rs. 199 crores respectively showing an increase of Rs. 25 and 37 crores over the pre-war 1938-39 figure of Rs. 163 crores. The share of the U.S.A. in the increase in exports was Rs. 14 crores and Rs. 26 crores in 1942-43 and 1943-44 respectively. Much of our increased exports to, as for example, the U.S.A. or the Middle East and East Africa are due to war exigencies and especially in view of the intervention of the U.K.C.C., they have failed to lead to the formation of any permanent trade connections. The retention and consolidation of these potential markets, in the face of competition from powerful foreign concerns, would involve a strenuous struggle. Meanwhile, our trade connections in the "lost markets" in Europe and Asia have to be built up again on a permanent footing as soon as the cessation of hostilities permits. The Gregory-Meek Report was no more than a desultory effort at investigation into possibilities in an important market. At the end of the war, the Government would have seriously to set up a world-wide network of organization and Trade Commissioners to keep Indian commercial interests regularly posted with up-to-date information about market possibilities in different countries.

FROM THE PROVINCIAL ANGLE

(From Our Correspondents)

Bombay Letter

BOMBAY, Nov. 4.

ADDRESSING the first meeting of the Provincial Food Advisory Council in Bombay, Sir Purshotamdas Thakurdas eulogized its work. He felt that while criticism of the public may in some instances have been justified, on the whole, the Council had helped to improve matters and prevented conditions from being worse. He particularly referred to two matters in which the Council had pressed the Government several times. The first was regarding imports into the Province. But for the pressure exerted by the Bombay Government at the instance of the Council, imports would have been much less, and, perhaps, even Sir Henry French's visit to this country would never have materialized. Secondly, he referred to the recommendation of the Council that in spite of the losses which the Government expected, the price of foodgrains in Bombay should not be put up. This recommendation was not accepted by the Government. Fortunately, however, prices were not put up thanks to the rebates which the Government received from other Provinces. Sir Purshotamdas Thakurdas concluded his address by assuring the Government that the advice of the Food Advisory Council will always be at the disposal of the Government so long as it was needed.

Rural Co-operation

That the Co-operative Movement is making a steady progress in the rural areas of the Province is evident from the figures given by Sir Henry Knight in his address at the first Bombay Provincial Co-operative Marketing Conference held in Bombay. He said that there were 77 major purchase and sale organizations, 97 minor organizations and 110 multi-purpose co-operative societies, 1 provincial and 8 district marketing organizations. The reason why the co-operative credit societies did not meet with much success was that there was no link between such societies and the co-operative marketing organizations. Sir Henry Knight said that this link was particularly essential in a country where "the village source of credit, viz. the money-lender, was also the village marketing agent and the shop-keeper, and where cultivators were so largely accustomed to borrow cash and repay by their produce." A number of credit societies, however, have now extended their functions to sale and supply work. Co-operative marketing of agricultural produce will not only get for the farmer a larger share of the price paid for his produce, but would also be welcomed from the consumers' viewpoint. Proper grading, satisfactory storage, establishment of creameries and prompt transport of perishable produce, are some of the advantages which the consumer will derive from co-operative marketing. Also by extending the principle

of co-operation to distribution of commodities needed by the agriculturists, a further advantage will accrue to the latter, as it will eliminate the middlemen's profit. In this connection Sir Henry Knight said that there is no 'inherent impossibility' why this should not be done in India. However, such a great advance in the co-operative movement can come only after our peasantry is fully literate and educated.

Education in Rural Areas

Some revealing figures in regard to educational facilities obtaining in the rural areas of the Province were given by Mr S. N. Moos, Director of Public Instruction, speaking at the Rotary Club of Poona. Of the three million boys and girls of school-going age in the province, about 1 million children between the age of 6 and 11 were under instruction in elementary schools. Thus only one out of every three children in the Province was going to school. The percentage of girls attending schools was only 28. Mr Moos brought out the glaring contrast in the educational facilities available here as compared with England and Wales which had a population of 40 million, exactly double that of the Bombay Province. There were 22,000 elementary schools in England and Wales in charge of 170,000 teachers, half of whom were women. As against this in the Bombay Province, 20,000 elementary schools were being looked after by 45,000 teachers, only 17 per cent. of whom were women. It is gratifying in this connection to learn of the Provincial Government's post-war educational plans, the main object of which is to make primary education compulsory throughout the Province. As a start, education will be made both free and compulsory in certain selected areas. In these selected areas 19 hostels for girls will be opened each accommodating 40 to 50 pupils. A provision for three colleges to be opened in these areas for training of primary teachers has been made. A certain number of colleges will be reserved for training women teachers. At present the main responsibility for primary education rests with local bodies who are assisted with liberal Government grants. In view of the vast expenditure which the Government will put in for the post-war development, a readjustment of responsibility between the Government and the local bodies would be necessary. The Government would do well to seriously consider the problem of providing schools in villages as was pointed out by Mr. Moos. Mr. Moos said that nearly 80 per cent. of the 20 million people of the Province lived in villages. Of the 22,000 villages in the Province more than 12,000 villages had a population of only 500 and less. These villages, therefore, were far too small and uneconomic and the one-teacher schools in these villages did not succeed for want of sufficient number of students.

Unfortunately, even now there is no sign of any change in the attitude and outlook of the Government despite the heavy toll that malaria and other epidemics have taken of Bengal's stricken humanity.

Calcutta's Milk Problem

A memorandum prepared by the Bengal Government draws attention to the serious milk position in Calcutta. A general check on the quality of milk which is sold in different parts of Calcutta and from different sources was made on the 4th of July last. Of 76 samples taken only 30 were found to be not adulterated; of those adulterated the majority were found to be heavily adulterated. With a view to improve the supply of milk the Government are contemplating

the promulgation of an order prohibiting the use of milk for manufacture of sweetmeats and ice-cream. Such an order, it is expected, would improve the city's milk supply by 50 per cent.

Purchase of Tramways

In the course of a recent letter to the London Board of Directors of the Calcutta Tramways Company, the Corporation of Calcutta has re-iterated its determination to purchase the tramways. An interesting point of controversy has arisen over the purchase

Sind Letter

KARACHI, Nov. 4.

AT a Press conference here, Sir Chunnilal, Leader of the Indian Business Delegation gave the assurance that the delegation would do its best to give the conference and the American public a true picture of India and also seek to remove all misunderstanding and confusion about India and her national problems. Mr. Gaganvihari Mehta said that there was no likelihood of any difference of opinion on matters to be discussed in the conference between the views of the country at large and the federation. Mr. Abdul Rahman Siddiqi affirmed that the delegation would speak with one voice and act in unison on behalf of India.

The delegates made it clear that the International Business Conference is merely a clearing house for exchange of views of respective countries and will not transact any trade as such; but the Indian delegation will, however, place beyond ambiguity broad national principles, policies and programme of post-war national India. The business of placing orders for post-war Indian capital goods was a task for the Tata delegation who would follow them.

Abolition of Syndicates

An alternative arrangement to take over the problems of procurement and supply from the Foodgrains Syndicates is the subject of correspondence between the Sind and Central governments. It is reliably understood that the Government propose a committee of 18 who will act as agents on behalf of Government to transact business. Commercial circles feel that experienced representatives of Karachi business community should alone form the committee if the food problem is to be expeditiously tackled to the satisfaction of both the producer and the consumer alike.

It is interesting to note in this connection that huge stocks of rice, wheat and gram of 1943-44 crop are still held up in Sind either due to lack of necessary transport facilities or the Government being unable to dispose of all surplus; and forward contracts in freshly harvested crop, which has already appeared in the market, have begun. In the absence of a decision regarding the price of rice which is expected to be announced from New Delhi sometime this week, a reverse black market has come into existence and the Government are unable to tackle it. Sind has 10 to 12 lakhs bags of rice and nearly two lakhs bags of gram while the amount of wheat stocks is not definitely known. The Government removed restriction on movement of gram within the province and mercantile bodies urge export of gram as well as rice on a more liberal basis to deficit areas if the present stocks are not to go to waste.

of certain tramways which do not lie strictly within the municipal limits of the Calcutta Corporation. The issue had been raised by the Directors of the Tramways in a letter to the Corporation. The Corporation has taken the stand that it will take over these tramways as well, and they will acquire necessary authority for this purpose by asking the Government to enact some legislation. As regards finance that will be necessary to purchase the Tramways, the Corporation has invited tenders to carry on and work the tramways. Twenty tenders have already been received.

Indus Water Dispute

A permanent agreement on the distribution of the Indus waters is sought to be obtained out of court through voluntary negotiations between the Governments of Sind and the Punjab. The Punjab is very keen on constructing, as soon as necessary machinery is available, a number of dams and weirs—one of which will in fact be the biggest in the world—across the Indus and its tributaries, the Sutlej, Bias and the Chenab, to irrigate an area of six million acres at an estimated cost of just over Rs. 80 crores while Sind will embark on two barrages covering an area of nine lakh acres costing over Rs. 12 crores. The Punjab projects aim at removing famine in some areas and settling the demobilised soldier on the rest. The Punjab feels no difficulty would be experienced to obtain priority of shipping for necessary machinery on the plea the demobilized soldiers should be weaned from revolutionary tendencies by diverting their martial energies in constructive channels of irrigation schemes providing lasting benefit to them and the country.

Sind's contention is that her long-existing systems of irrigation have been adversely affected by the continued drain of the Indus waters in the Punjab and her new projects forced upon her by the Punjab post-war proposals are likely to be unproductive for at least a decade. Sind, therefore, expects the Punjab to contribute a capital of Rs. 12 crores towards her projects to make them worthwhile. The Indus commission had itself found that the proposed Punjab schemes would adversely affect Sind and recommended a quota of two crores by the Punjab. Besides, Sind wants to come to an equitable adjustment of the draw of waters from the Indus in different crop seasons in a manner that normal cultivation of neither province is affected adversely and a fair allocation of discharge of the Indus waters is made in order to make the new schemes workable. Some arrangement mutually advantageous to both is expected to be reached in the near future.

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Bengal Letter

CALCUTTA, November 4.

IT was fittingly observed by the Chairman of the Reception Committee of the All-Bengal Public Health Conference, held recently at Calcutta, that the recent famine and its aftermath has proved to be the test of the efficiency or otherwise of public health organization of Bengal. Needless to say, the health organization has not passed the test in a satisfactory manner. It has been revealed that Bengal's public health organization is extremely poor. The organization suffers from many drawbacks, while the lack of finance stands in the way of any attempt at its thorough overhauling. The persistent neglect by the Government of an important nation-building service like public health is responsible for this unhappy state of affairs. Unfortunately,



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Letter to the Editor

THE FERTILIZER MISSION REPORT

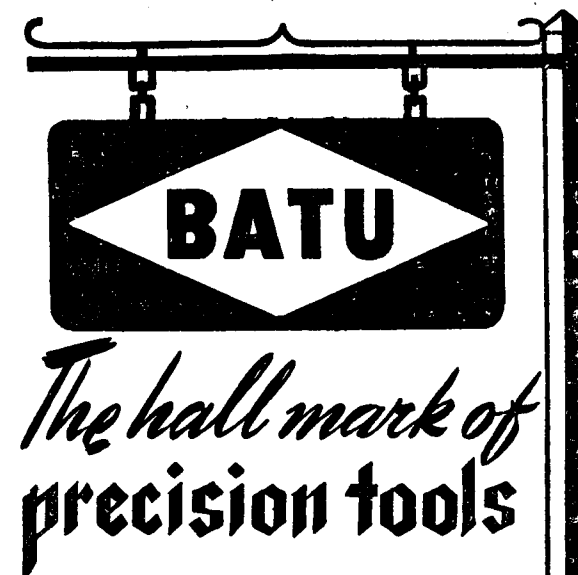
Sir,—The long expected report of the technical mission on synthetic fertilizer is out. From the summary of the recommendations given to the press, it appears to be a highly disappointing and reactionary document. A plant manufacturing one lakh ton of ammonium sulphate a year is quite a good economic unit and one can have six or seven such plants, one in each province. The distances in India are too big for a single plant. It is wrong to say that having a big plant of 3.5 lakh tons capacity at the cost of Rs. 10 crores will effect any saving. The quotation obtained one month ago from the best British and American firms for this one lakh-ton plant is about Rs. 1.5 crores, while Rs. 50 lakhs will be further required for erection and running charges; so the total capital requirements for one-lakh-ton plant will be Rs. 2 crores or for 3.5-lakh-ton plant about Rs. 7 crores at the most. A good deal of this plant can be constructed in India. The total cost of this 3.5-lakh-ton plant will not exceed Rs. 5 crores. As regards the manufacturing cost in the Punjab, with plenty of gypsums and use of tertiary coal it will be Rs. 65 per ton and with imported coal about Rs. 75 per ton. In Bihar, even with the imported gypsums from the Punjab, the manufacturing cost will not be more than Rs. 70. In Madras, with cheap hydro-electric power and local gypsums, the price will not be more than Rs. 75. It is possible to supply ammonium sulphate somewhere at Rs. 75 to Rs. 80 a ton in every part of India, but the report suggests a price of about Rs. 135, almost double the cost at which it can be manufactured at many places. This report, if adopted, is going to cost cultivators about Rs. 50 more in fertilizer per ton and about 5 crores more in installation. The Bihar Government during the Congress regime worked out the manufacturing cost at Rs. 75 with the help of the best foreign experts. There are about half a dozen Indian capitalists fully prepared to put forward plants in each province of about one-lakh-ton capacity or even more if necessary and deliver the ammonium sulphate from Rs. 70 to Rs. 80 a ton. I hope the provinces of Madras, Punjab and Bihar will not agree to the recommendations but instal their own plants. The figures are all authoritative and based upon the latest quotations.

We draw the attention of the Indian members of the Viceroy's Council as well as the members of the Legislature to the fact that under the garb of doing

good to the cultivators their neck is being cut and that they will be compelled to buy fertilizers at Rs. 135 a ton when it can be delivered to them at Rs. 75. Is it an example of the State control of industries? May God save us from such a State socialism which is going to result in consumers paying double the cost which they would have to pay to ordinary capitalist. What Government should do is to enable four plants of one-lakh-ton capacity each to be installed in the Punjab, U.P., Bihar and Madras by allowing industrialists to place the orders and giving facility for the shipping of machinery weighing 4,000 tons as soon as the shipping position eases. The demand for fertilizers is so large that even if the Government decides to instal its own plants of 3.5 lakh tons it should not hesitate to give facility to private capitalists to start the plants in the localities they think best. The full report must be open to the public so that suitable criticisms may be made.—Yours, etc.,

Benares.

V. S. DUBEY.



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Commodity Markets

HAPUR, Nov. 8, 1944.

Grains: The wheat markets at Hapur and other U.P. markets did not show any change in rates and the conditions were practically the same as in the preceding week. Arrivals were small this week on account of Garh Ganges Fair, sowing operations and stoppage of offering Re. 0-8-0 per maund for cartage to the farmers from November 1, the daily average of wheat being 100 maunds.

The wheat position at Hapur and other U.P. markets has satisfactorily improved but there appear no signs of improvement in rice. The Punjab Government have supplied a good quantity of wheat to Hapur and other U.P. centres. Besides, the Punjab Government will also supply wheat flour to U.P. centres for sale at controlled shops. The Provincial Government are now contemplating to lower the prices of foodgrains as they have now full control over stocks, prices, exports, etc.

The local wheat stock is estimates at 210 khattis which is in Governments hands.

Weather has been favourable and the sowings of rabi crops are now in full swing. According to a report from U.P. Government the area under kharif crops was 24,399,133 acres as against 22,455,149 acres and under rabi crops 20,511,257 acres as against 20,097,371 acres in the preceding year. The total cultivated area rose by 2.3 per cent. over the preceding year's area.

GUWAR: The early part of the week was marked by a quiet tendency in absence of stimulating outside advices and lack of speculators' support due to Garh Ganges Fair, but thereafter there was a good rise in prices following higher Muzaffarnagar and Delhi advices with up-country speculators

acting as main buyers. Towards the week-end, market again declined sympathetically with lower bullion prices and jobbers' realizations. The under-current of the market appears to be firm owing to limited stocks and difficulties in loading of guwar from the station of surplus areas. Guwar Magh opened at Rs. 6-0-3¼ and closed at Rs. 6-0-6, touching the highest and the lowest at Rs. 6-2-6 and Rs. 5-15-10½ respectively.

The following are the latest quotations:—

WHEAT: Ready Dara Rs. 9-12-0 stock 210 khattis. Gram: Rs. 6-12-9, stock 46 khattis. Barley: Rs. 5-5-3, stock 139 khattis. Peas: Rs. 5-8-3, stock 139 khattis. Arhar: Rs. 6-6-3, stock 133 khattis. Gur: Rs. 8-6-0, stock 51,000 maunds approximately.

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Gujranwala	New Delhi
Gujarat	Rawalpindi City
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	Sialkot City.

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THE INDIAN SOCIETY OF AGRICULTURAL ECONOMICS, BOMBAY.

The Fifth Annual Conference of the Indian Society of Agricultural Economics will be held at Naini (near Allahabad) on the 26th, 27th and 28th December, 1944. Sir Manilal B. Nanavati will preside and Mr. L. K. Elmbirst, President of the International Conference of Agricultural Economists, will inaugurate the Conference. The subjects for discussion are:—

- (1) Scope and limitation of individual, co-operative and State effort in increasing Agricultural production.
- (2) Stabilization of Agricultural Prices.
- (3) Rural Labour.
- (4) Agricultural planning in India.

Details may be obtained from the Hon. Secretary, The Indian Society of Agricultural Economics, 46-48, Esplanade Mansions, Mahatma Gandhi Road, Fort, Bombay.

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CURRENT STATISTICS

A—Finance and Banking

ISSUE DEPARTMENT
(Rs. in lakhs)

	27-10-44	20-10-44	29-10-43	1-9-39	27-10-44 compared with 1-9-39
Notes held in the Banking Dept. ..	15.84	9.54	8.86	9.87	+ 5.77
In circulation ..	956.54	962.20	782.09	182.13	+774.21
Total Notes ..	972.18	971.74	791.05	217.18	+755.06
A. Gold Coin and bullion* ..	44.41	44.41	44.41	44.41	NH
Sterling Securities ..	856.33	856.33	674.84	59.50	+796.83
Total of A ..	900.74	900.74	719.25	103.91	+796.83
B. Rupee coin ..	13.60	13.16	13.47	75.87	- 62.27
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45
Silver bullion under coinage ..	..	..	..	..	..
% of Reserve to Liabilities ..	92.652	92.694	90.924	83.149	+ 9.503

IMPERIAL BANK
(Rs. in lakhs)

	27-10-44	20-10-44	29-10-43	1-9-39	27-10-44 compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other Accounts ..	236.56	233.25	197.73	37.26	+149.30
Govt. Securities ..	139.12	135.42	124.91	51.03	+ 88.09
Other Investments ..	3.57	3.57	2.60	96	+ 2.61
Loans ..	8.64	9.25	12.94	7.66	+ 1.73
Cash Credit Overdrafts ..	42.00	42.13	21.37	19.76	+ 23.24
Bills discounted ..	3.43	4.65	2.29	2.95	+ 1.48
Cash in hand, with R.B.I. and other Banks ..	48.87	48.31	43.57	14.69	+ 34.18

BANK OF ENGLAND
(£ '000)

	1-11-44	25-10-44	3-11-43	30-8-39
Total Bullion ..	2,541	2,507	1,975	263,700
Public Deposits ..	11,406	6,200	6,100	31,100
Other Deposits ..	248,000	257,900	205,300	129,160
Of which Bankers' Deposits ..	193,000	203,800	152,300	90,100
Govt. Securities ..	220,500	220,200	163,300	113,100
Other Securities ..	15,000	14,700	17,900	31,000
Of which Discounts and Advances ..	10,100	8,800	1,000	6,400
Notes and Coins ..	31,500	33,100	48,900	34,200
Notes in circulation ..	1,171,000	1,164,400	1,005,000	529,500
% Reserve to Liabilities ..	12.13	14.44	22.18	21.38

TREASURY BILLS SALES
(3 Months' Tenure)
(Rs. '000)

Date of Issue 1944	Amount tendered	Amount accepted	Average rate	Inte- rest	Sold in favour of Issue
June ..	50,62.50	30,00.00	0 7 3	..	8,52.50
July ..	37,36.75	16,00.00	0 7 9	..	13,76.00
August ..	60,45.75	20,00.00	0 7 3 3/4	..	8,92.50
September 1 ..	14,52.50	6,00.00	0 7 7	..	61.25
" 8 ..	14,57.50	6,00.00	0 7 10	..	2,00.00
" 15 ..	14,61.50	6,00.00	0 7 10	..	2,00.50
" 22 ..	..	6,00.00	0 7 11	..	1,46.50
" 29 ..	10,00.50	6,00.00	0 7 11	..	2,70.00
October 6 ..	..	6,00.00	0 7 11	..	6,83.25
" 13 ..	12,80.75	6,00.00	0 7 11	..	2,71.00
" 20 ..	13,14.50	6,00.00	0 8 0	..	2,31.50
" 27 ..	15,00.50	6,00.00	0 7 11	..	27.00
November 3 ..	..	6,00.00	0 7 11	..	..

CLEARING HOUSE RETURNS
(Rs. in lakhs)

	April-July 1944	Aug. 1944	Sept. 1944	Oct. 1944	Oct. 27 1944
Centres ..	1913.44	1944	1944	1944	1944
Bombay ..	20,42.31	6,91.78	1,53.30	1,98.21	1,54.77
Calcutta ..	17,40.12	7,01.92	1,97.27	2,24.41	1,73.14
Cawnpore ..	1,02.41	37.55	7.52	3.76	..
Delhi ..	1,21.08	39.35	3.40	10.69	..
Karachi ..	1,02.84	38.28	7.90	11.32	..
Lahore ..	76.82	30.36	7.11	8.25	..
Madras ..	2,00.02	78.25	16.59	22.37	16.30
Total ..	43,48.50	16,07.49	3,98.27	4,82.01	3,44.01*

* Progressively monthly total.

† For three centres only.

CASH POSITION
(Rs. in lakhs)

	27-10-44	20-11-44	29-10-43	1-8-39	27-10-44 compared with 1-8-39
Reserve Bank of India ..	15.93	9.83	9.13	35.15	- 19.22
Scheduled Banks ..	131.82	130.13	99.27	31.87	+ 99.95

RESERVE BANK OF INDIA

BANKING DEPARTMENT
(Rs. in lakhs)

	27-10-44	20-10-44	29-10-43	1-9-39	27-10-44 compared with 1-9-39
Cash ..	15.93	9.83	9.13	35.15	- 19.22
Balances held abroad* ..	312.90	302.35	140.39	10.08	+302.82
Investments ..	11.57	11.57	6.82	6.81	+ 4.76
Bills discounted—					
(a) Internal and External ..	..	8	1	1.16	- 1.16
(b) Treasury Bills ..	..	..	..	..	..
Loans and Advances to Govt. ..	1.58	1.26	50	31	+ 1.27
Deposits:—					
(a) All Govts.† ..	209.79	196.70	59.91	14.89	+194.90
Of which G. of I. ..	196.49	185.24	46.72	14.69	+181.60
(b) Banks ..	105.08	103.47	71.80	26.91	+ 79.17
(c) Others ..	10.30	9.66	10.70	1.24	+ 9.06
* Including Cash and Short-term Securities.					
† Including Burma Government.					

SCHEDULED BANKS
(Rs. in lakhs)

	27-10-44	20-10-44	29-10-43	1-9-39	27-10-44 compared with 1-9-39
Demand Liabilities in India ..	603.63	595.15	467.32	136.36	+467.32
Time Liabilities in India ..	196.28	194.89	138.71	102.24	+ 94.04
Cash in India ..	27.48	27.86	19.89	6.70	+ 20.78
Balances with Reserve Bank ..	104.34	102.27	70.36	25.17	+ 79.17
Advances in India ..	195.94	197.41	154.28	101.52	+ 94.42
Bills discounted in India ..	10.23	9.94	4.84	3.57	+ 6.66

U.S. FEDERAL RESERVE BOARD
(Million dollars)

	2-11-44	26-10-44	4-11-43	31-3-39
Resources:—				
Total Reserves ..	18,805	18,820	20,201	14,661
Total Bills Discounted ..	359	322	39	(6,190)
Bills bought in open market ..	..	..	..	(550)
Total U.S. Govt. Securities ..	17,665	17,261	9,476	2,426
Liabilities:—				
F.R. Notes in actual circulation ..	20,823	20,634	15,760	4,609
Reserve Account ..	14,803	13,946	12,669	10,951
Total Reserve to Deposit F.R. Note Liabilities ..	51.2%	51.7%	67.3%	86.9%

TREASURY BILLS MATURITIES
(3 Months' Tenure)
(Rs. '000)

Date of maturity 1944	Amount	Date of maturity 1944	Amount
August ..	16,00.00	December 8 1944 ..	6,00.00
September ..	30,00.00	" 15 ..	6,00.00
October ..	16,00.00	" 22 ..	6,00.00
November ..	20,00.00	" 29 ..	6,00.00
November 4 ..	4,00.00	January 6 1945 ..	6,00.00
" 10 ..	4,00.00	" 13 ..	6,00.00
" 16 ..	6,00.00	" 20 ..	6,00.00
" 25 ..	6,00.00	" 27 ..	6,00.00
December 1 ..	6,00.00	February 3 ..	6,00.00
Total outstanding ..	76,00.00		

STERLING PURCHASES BY RESERVE BANK OF INDIA

	1943-44	April-Aug. 1944	Sept. 1944	Aug. 1944	Sept. 1943	Aug. 1943
Amount (£ in '000) ..	103,309	43,080	7,037	10,318	8,371	8,546
Average rate of purchases remained 60-1-6 all along.						

EXCHANGE RATES (T.T.)
('000's omitted)

	Nov. 10, '44	Nov. 3, '44
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 ..	23th 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%

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

B—General

LEAGUE OF NATIONS STATISTICS—AGRICULTURAL PRODUCTION

Name of Country	Area	Wheat		Rice		Sugar (Beet and Cane)		Cotton	
		Production	Area	Production	Area	Production	Area	Production	Area
Africa		38,690		20,300†		11,800		2,800**	6,300**
Egypt	632	11,238	214**	6,538**		1,707		690	3,683
Union of South Africa	863**	3,955				4,102			9**
North America		342,334				14,379+	3,552	8,999	23,295
Canada	32,033	85,683				916+			
U. S. A.	22,979	256,681	430	11,028		13,463+	3,552	8,939	23,295
Mexico	545	3,187	52**	1,066**		4,200		316	895
South America		77,600		2,055*		24,400		3,160**	5,651**
Argentina	5,933	61,000	33	1,000		20**+	4,056	308	809
Chile	730	7,843							
Asia (excluding U.S.S.R.)		138,000		52,700**		793,000**		12,500**	16,700**
India	14,108	101,788	29,776	386,754		21,458**		2,100**	6,800
Japan	832	14,844	3,147**	102,300		400+	840		
Turkey (Asiatic and European)	4,022**	40,680**	26**	706		862			
U.S.S.R. (In Europe and Asia)		408,800**	167**	3,170*		21,458**		2,100**	6,800
Europe (excluding U.S.S.R.)		412,000**		13,200**		64,500**+	79	540**	1,114**
Germany (including Austria)	2,429**	56,135†				23,236†			
Belgium	178	3,490†				2,255			
Denmark	1,931	2,511				2,511			
Spain	3,821	28,132	26	2,081		1,449+	79	19	26
France	4,728**	9,380**				6,480		79**	169**
Greece	1,012	20,675**							
Hungary	1,745**	4,424							
Ireland	187	4,224							
Italy	5,085**	71,523	161**	8,288		900			
Portugal	555	4,483	25**	887**		4,150		64**	106**
Roumania	2,240	19,205							
United Kingdom	715**	16,800†				507			
Switzerland	87	2,018				4,950			
Oceania—Australia	5,121	45,383		630*		172			
New Zealand	104	2,360				63**+	7,380	17**	20†
Total World (including U.S.S.R.)	1,41,900**	1,650,500*				103,900**+172,500		31,000**	67,000**
(Excluding U.S.S.R.)	1,02,600**	1,082,000	60,700	860,000**		103,900**+172,500		31,000**	67,000**

NOTE:—Area in Hectares ('000) production in quintals ('000).

* Figures for 1938-39.

** Figures for 1940-41.

† On 1939-40.

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

	IMPORTS from (Rs. '000)				EXPORTS to (Rs. '000)			
	July '44	June '44	Apr.-July	Apr.-Mar.	July '44	June '44	Apr.-July	Apr.-Mar.
British Empire:—								
United Kingdom	2,82.65	3,26.16	29,80.37	3,50.68	5,82.52	3,64.57	18,82.21	60,19.12
Ceylon	25.59	27.78	81.67	3,50.68	1,49.11	2.73	6,97.94	14,35.78
Burma	8	90	4.65	2.52				
Union of South Africa	26.83	35.65	1,12.14	2,53.54	93.61	2,13.07	4,62.25	9,90.42
Canada	45.08	12.60	85.45	2,51.93	57.71	33.83	1,65.84	4,92.63
Australia	2,13.47	35.78	3,02.43	4,92.16	76.62	1,56.20	3,86.66	13,31.24
New Zealand	10	1	56	27.53	11.89	29.57	74.06	1,89.50
Other British Possessions	18.11	17.61	43.97	13,37.38	20.82	34.98	82.51	13,91.59
Total British Empire	8,93.01	5,24.62	25,73.88	57,01.13	12,58.30	14,22.19	47,15.05	1,28,50.72
Foreign Countries:—								
U.S.S.R.					3	1	5	1.68
Turkey (European and Asiatic)					1.54	2.80	46.58	3,31.14
Iraq	4.20	9.88	29.83	1,56.03	8.34	1.11	78.42	3,88.24
Iran	5,25.98	4,40.77	17,28.85	27,55.70	80.58	12.21	1,27.94	1,71.82
China	4	1	7	7.31	15	23	69	2.40
Egypt	1,27.67	1,48.08	7,38.90	11,18.67	24.73	34.84	1,21.77	2,97.86
U.S.A.	3,37.45	2,07.41	11,10.73	18,39.52	4,93.06	2,62.10	15,06.33	40,28.52
South America					94.67	56.17	3,09.53	6,34.71
Other Foreign Countries					38.91	62.24	1,25.29	12,15.93
Total Foreign Countries	10,35.13	9,11.85	37,61.33	61,84.22	8,76.67	4,68.03	25,27.39	70,60.65
GRAND TOTAL	19,28.14	14,35.88	63,35.27	1,18,85.35	21,34.97	18,90.22	72,42.45	1,99,11.37

† Exports of foreign merchandise excluded

RURAL AND URBAN RETAIL PRICE INDEX NUMBERS†

(Base: January 1943=100)

	Cereals	Pulses	Other articles of food	All articles of food	Fuel and lighting	Clothing	Miscellaneous
Rural Aug. '44							
EASTERN ZONES							
Bamra	132	157	163	161	97	133	301
Malabar	136	187	242	223	123	120	346
Shankargarh	178	156	127	151	87	90	196
Bonali	173	134	171	163	81	136	111
NORTHERN ZONE							
Multani	111	113	129	122	111	105	289
Nana	105	102	94	97	137	106	217
Sikmatpur	157	93	110	115	87	152	156
Shujabad	115	142	116	120	104	(a)	212
Gujar Khan	131	159	117	128	162	109	171
SOUTHERN ZONE							
Krishna	130	95	110	112	101	84	124
Lakh	112	94	115	110	121	141	171
Malur	140	149	142	143	88	131	217
Muniguda	165	158	106	125	86	92	131
Kudohi	(a)	(a)	(a)	(a)	(a)	(a)	(a)
Urban July '44							
BENGAL							
Howrah	105	143	168	153	83		141
Budge-Budge	100	143	169	155	89		178
Kankarna	96	134	192	170	144		115
Raniganj	115	135	180	161	105		158
Ajmer	112	116	114	114	199		154

(a) Index number could not be calculated due to unavailability of price quotations.

† Indian "Labour Gazette," October 1944.

INDUSTRIAL PRODUCTION IN INDIA

(excluding twist and yarn)

Pounds—Million

Yards—Million

1942-43

1943-44

1944-45

1945-46

1946-47

1947-48

1948-49

1949-50

1950-51

1951-52

1952-53

1953-54

1954-55

1955-56

1956-57

1957-58

1958-59

1959-60

1960-61

1961-62

1962-63

1963-64

1964-65

1965-66

1966-67

1967-68

1968-69

1969-70

1970-71

1971-72

1972-73

1973-74

1974-75

1975-76

1976-77

1977-78

C—Prices

INDIAN STOCKS AND SHARES

	6-11-44	30-10-44		6-11-44	30-10-44		6-11-44	30-10-44
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
SECURITIES: Bombay			Presidency	10 6 0		Reserve	135 8 0	134 0 0
24% (1946-52) ..	99 12 0	99 12 0	TATA SHARES: Bombay			New India ..	80 0 0	79 12 0
3% (1946) Def. ..	102 1 0	102 8 0	Tata Chemical ..	19 4 0	20 10 0	Lahore ..		
3½% G.P. Notes ..	99 12 0	99 14 0	Oil ..	76 6 0	73 0 0	United Com. ..	84 0 0	83 4 0
3% (1953-55) ..	100 9 0	100 10 0	Power ..	1,872 8 0	1,885 0 0	Hindustan Com. ..	53 12 0	53 10 0
4½% (1955-60) ..	116 6 0		Hydro ..	205 0 0	202 8 0	Bharat (F.A.) ..		107 8 0
4% (1960-70) ..	112 13 0	112 13 0	Steel Defd. ..	2,083 12 0	2,067 8 0	New Bank ..	31 9 0	
Calcutta			Ord. ..	383 0 0		Jup. In. Trust ..		10 6 0
3% (1946) Def. ..	102 10 0		Pref. I ..	227 8 0	227 8 0	Jup. N. Bank F.P. ..		
3% (1949-52) Def. ..	101 15 0	101 4 0	" II ..	162 8 0	162 8 0	" " P.P. ..		
3½% G.P. ..	100 4 0	100 0 0	STEEL ENG.: Calcutta			MISCELLANEOUS: Bombay	15 0 0	15 0 0
TEXTILES: Bombay			Bihar Elec. Steel ..			Ajmer ..	217 8 0	220 0 0
Ahmedabad ..	405 0 0	411 4 0	Braithwaite ..		11 15 0	Bom. Suburban ..	441 4 0	438 12 0
Bombay Dyeing ..	1,762 8 0	1,740 0 0	National Iron ..			Alcock ..	6 7 0	6 8 0
Central India ..	389 0 0	393 12 0	Indian Iron ..	38 3 0	38 14 0	B. I. C. ..	282 0 0	238 0 0
Century ..	740 0 0	830 0 0	Steel Cor. Pref. ..	31 12 0	32 6 0	Belapur Sugar ..	487 8 0	495 0 0
Colaba ..	223 8 0	221 0 0	Jessop Ord. ..		24 6 0	Bom.-Burma ..	180 0 0	178 12 0
Gokak ..	311 0 0	308 0 0	Kumardhubi ..	11 1 0		" New ..	580 0 0	560 0 0
India Bleaching ..	184 0 0	173 8 0	COALS: Calcutta			Bombay Steam ..	149 12 0	150 0 0
Kohinoor ..	583 0 0	573 0 0	Amalgamated ..			" Tram ..	4 1 6	4 0 9
Phoenix ..	535 0 0	585 0 0	Bengal ..	645 8 0		" Petrol ..	32 14 0	31 10 0
Sholapur ..	7,400 0 0	7,375 0 0	S. Karanpara ..	21 13 0	21 8 0	Scindia Steam ..	61 1 0	52 8 0
Simplex ..	253 8 0	252 8 0	Bhaigora ..	15 5 0		Shivrajpur ..	1,807 8 0	1,805 0 0
Swadeshi ..	524 0 0	516 0 0	Burakur ..	41 1 0	41 8 0	Andhra Valley ..	202 0 0	
Vishnu ..	571 4 0	472 8 0	East India ..			Prem. Cons. ..	38 6 0	
Finlay ..	302 0 0	291 8 0	Equitable ..	63 4 0	64 0 0	Indian Iron ..	3 1 0	
Morari ..	636 4 0	627 8 0	North Damuda ..			Indian Copper ..	4 9 0	
Apollo ..	4 3 6	4 0 9	Standard ..			Burma Corp'n. ..	282 12 0	
Calcutta			Telcher ..		10 2 0	Assctd. Cement ..		
Benares ..		13 3 0	SUGAR: Calcutta			Calcutta		
Bengal Nagpur ..			Puland ..	28 0 0		Bengal Paper ..	216 0 0	
Cawnpore Textile ..	13 11 0	13 9 0	Bairampur ..			Shree Gopal Pref. ..	155 0 0	
Dunbar ..			Samastipur ..		18 4 0	I.P.P. ..		
Elgin Mills ..	66 12 0	66 10 0	Beisund ..	16 2 0	16 12 0	Star ..	15 15 0	16 6 0
Kesoram ..	16 6 0		Carew ..		43 4 0	Orient (ex-div.) ..	21 2 0	
Muir Mill ..			Murree Brewery ..	29 2 0		Titaghu ..	28 3 0	27 6 0
New Victoria ..	8 4 0	8 8 0	New Savan ..	20 8 0		Dalmia Cement ..		
" Pref. ..		10 4 0	Cawnpore ..		38 12 0	Burma Corp'n. ..	4 8 0	4 10 0
Madras			Champanan ..	28 12 0		Indian Copper ..		3 2 0
B. & C. Ord. ..	306 0 0	304 8 0	Lahore ..			Con. Tin ..		
Bangalore Wool ..	465 0 0	453 0 0	Gokulnagar ..			Madras		
Cambodia ..	30 10 0		Jagjit ..			Andhra Cement ..	119 0 0	117 0 0
Colm. Pioneer ..			Mysore Brewery ..			Eruntons ..	12 10 0	12 8 0
Pankaja ..	280 0 0	280 0 0	Jaswant ..	11 0 0		Mysore Che. Fert. ..	27 2 0	27 4 0
Sitaram Spg. ..	170 0 0	170 0 0	Madras			India Steel Roll ..		
Vasantham ..	300 0 0	300 0 0	Mysore ..	60 0 0	60 0 0	Mysore Paper ..		
Madura ..	67 0 0		Decan ..	37 0 0	30 0 0	Mettur Ch. Ord. ..	17 12 0	17 12 0
Lakshmi ..	156 0 0		South India ..	16 0 0	16 0 0	" Def. ..	7 6 9	
Lahore			Travancore Sugar ..	15 0 0		Spencer ..	13 10 0	13 8 0
Ajudhia Textile ..	6 8 0	6 5 0	PLANTINGS: Madras			Lahore		
Cawnpore Textile ..	13 11 0		Cochin Malabar ..	17 2 0	17 1 0	Rampur Distillery ..	21 12 0	21 1 0
New Vic. Ord. ..	8 6 0	8 13 6	Chembra Peaks ..	10 1 0	10 1 0	National Saltpetre ..		
Raza ..			Woodlands ..	12 8 0	12 8 0	N. India Oil ..		
JUTE: Calcutta			Thurmadi ..	4 12 6	4 12 6	S. G. Paper Mill ..		
Alliance ..	593 0 0	621 0 0	Travancore Rub. ..		18 0 0	Star ..		
Anglo-Indian ..	446 8 0	460 0 0	TEA: Calcutta			Delhi		
Birla Pref. ..			Central Cachar ..		95 0 0	Raza Textiles ..	72 12 0	
Barnagore ..	211 0 0	214 8 0	Bisnath ..		40 0 0	Rampur Distillery ..	21 14 0	21 3 0
Champdany ..	252 8 0		Hasimara ..	75 0 0		Rampur Malza ..	47 4 0	
Ganges ..			East India ..	11 14 0		Dhrangadura (x.d.) ..	473 0 0	
India ..	695 0 0		BANKS & INS.: Bombay			United Com. Bank ..	84 8 0	
Howrah ..	83 7 0	84 6 0	Central ..	80 12 0	78 12 0	Hind. Com. Bank ..	54 4 0	
Kamarhatthy ..	64 0 0		Imperial F.P. ..	1,995 0 0	1,987 8 0	Bharat Bank Ord. ..	109 0 0	
Kankannarah ..	543 0 0	553 0 0	" P.P. ..	497 8 0	495 0 0	Gwallor Brewery ..	23 4 0	
Nudda ..	126 8 0	130 0 0	India ..	184 8 0	182 0 0	Cawnpore Textiles ..	13 14 0	
Madras and Lahore quotations for 3-11-44.								

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ONE RUPEE

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The Adarkar Report

ONE country after another today is announcing social plans seeking to secure every class of its citizens against every possible hazard of economic life. The patchwork of prevailing schemes covering only sections of population against only specified risks, such as the sickness insurance, unemployment insurance or old-age pensions are sought to be merged in all-inclusive omnibus plans of national minimum. In such a background the present report on health insurance for industrial workers appears somewhat late in the day, if not anachronistic. In fact, it is only a measure of India's backwardness in this sphere of social legislation. There are few countries of any industrial importance in the world where sickness of industrial labour is not recognised already, not only a relevant sphere of public expenditure, but also a necessary element in the cost of production which must be provided for. There have existed, no doubt, hospitals in industrial areas maintained by public bodies, and by many enlightened employers, but it is well known that the available medical care is inadequate. An appreciable number of employers maintain also systems of leave on full or part pay for their permanent workers, but it is nevertheless true, for the mass of our industrial workers, that during sickness when they are faced with expenses beyond the ordinary they suffer a total loss of earnings as well. There is a manifest and irresistible case for measures seeking to alleviate the existing hardships and this fact has always been recognized; yet ever since 1927, when in consequence of an international labour convention the question was for the first time raised in India, nothing has been done so far beyond study and investigations. The difficulties

hindering progress towards practical steps have been, firstly, the want of relevant morbidity statistics and adequate basis for an accurate calculation of possible costs, secondly, the peculiar migratory character of our labour and resulting difficulties in administering the scheme and finally the incapacity of the state as well as industry to undertake any ambitious plan in our poor country. The difficulties were not all imaginary; the present report has simply bypassed the first two obstacles and the measures it has recommended are seriously limited in scope owing to the third.

The scheme covers only the three major groups of industries, viz. textiles, engineering, mineral and metals. Even factories of these groups situated in areas with less than 500 workers in insurable industries are excluded on grounds of economy of administration. It is a plan, thus, for only 12 lakhs of India's population. It does not cover cases of prolonged illness resulting from venereal diseases, tuberculosis or leprosy, even though considerable number of our workers are known to be victims of these diseases. Nor does it provide for destitution of a lasting nature or for persons aged over 60. Benefits during the rehabilitation period are considered for the present impracticable, and the recommendations do not go so far as to cover maternity as an integral part of the scheme immediately. A qualifying period of six months has been set for the receipt of cash benefits and discrimination in duration of availability of benefits as well as its amount has been made among classified categories of workers. Cash benefits would



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be available for 90 days only for permanent workers and for 45 days only for the temporary while it will not be available to the casual. The provision in most countries abroad as well as the recommendation by the latest International Labour Conference is for a six weeks' period in this respect. The clerical staff is not covered by the scheme. Sick workers who prefer to leave their place of work will be denied both cash and medical benefits, and thus the complications resulting from the migratory character of labour in administering the scheme has been simplified and circumvented.

The limitations of the scheme in the sphere of benefits is as manifest as in those of coverage mentioned above. The principal difficulty in this connection has been the want of statistical data referred to above. In the absence of morbidity statistics the calculations of the possible costs of the scheme were arrived at through a process of "intelligent guess work." To determine morbidity rate reference was made to certain companies in India providing for sickness; but the material furnished proved scanty and unhelpful as the different companies maintain no standard definition of sickness. On the basis of whatever information was available and on that of experience in this respect abroad a sickness rate of 14.6 days per year per worker has been assumed for a financial estimate. Another guesswork was necessitated for the sake of allocation of expenditure over the various items namely medical care, cash benefits and administrative costs. The experience abroad in this respect proved very divergent; for instance while in Eire cash benefits are 70 per cent. and medical expenditure only 7 per cent., in Denmark medical expenditure is 66.6 per cent. and cash benefits provided 14.7 per cent. only. The administrative cost varies from 29 per cent. in Luxemburg to 28.9 per cent. in Hungary. The problem demanded the determination of the standard of medical treatment and care to be given; for the wide differences in such expenditure in different countries are more or less due to the differences in the standards of such benefits. The estimate adopted for the purpose in the report is based on the expenditure of treating the outdoor patients in Government hospitals in Bombay which is estimated at annas 8 per head per day of patients. At this rate medical benefits on the basis of 14.6 days per worker for 12 lakhs amount to 42.5 per cent. of the total contribution at the rate of Rs. 1-12 per worker on the average. Further, on the following basis of cash benefits it was estimated that cash benefits would account for 45 per cent. of such contribution:—

	Class A worker earning over 1 Re. a day	Class B worker earning between 8 as. and 1 Re. a day	Class C worker earning less than 8 as. a day
Until the first 6 contributions are paid	nil	nil	nil
After 6 contribu- tions and upto the 24th	0 6 0	0 4 0	0 2 0
After the 24th contribution	0 12 0	0 8 0	0 4 0

The remaining funds amounting to 12.5% of the total contributions are considered adequate for administration. It is evident that the nature of medical treatment as well as cash benefits are far from adequate. There will be provision for hospital treatment only at a few, perhaps no more than a dozen, health centres in the country. Government's outdoor treatment in Bombay hospitals obviously pro-

vides for no visits to patients' houses. The residential qualification for the receipt of benefits appears unduly rigorous in the absence of provision for general hospital treatment in the scheme, for it is, more than anything else, the want of general attendance which drives a sick worker from his place of work to his home. It is also manifest that cash benefits for any class of workers is inadequate for the barest needs, for at least, for the first two years of its contribution, during which partial benefits only will be available. It cannot be pretended that it is calculated to maintain the standard of living, particularly in respect of the higher paid worker.

The basis of monthly contribution suggested per worker for the different classes of workers in case the Government does not contribute is as follows:—

	A	B	C
Employers	1 4 0	1 4 0	1 4 0
Workers	0 12 0	0 8 0	0 4 0
Total	2 0 0	1 12 0	1 8 0

This may be altered as follows if the State decides to contribute:

	A	B	C
State	0 8 0	0 8 0	0 8 0
Employer	0 14 0	0 14 0	0 14 0
Worker	0 2 0	0 6 0	0 10 0
Total	1 8 0	1 12 0	2 0 0

The State contribution of 8 as. is to be apportioned as: Provincial Government 6 annas per worker and the Central 2 as. The report argues for State contribution. Even when the State does not do so obligation of a general guarantee to meet all deficits have been placed upon the State. The financial technique of a budgetary system instead of individual assessment has been adopted. There are many advantages in doing so; but in the absence of provision for disability and unemployment it is possible under such a scheme for a worker who has paid his contribution regularly for years to be without any provision when he is afflicted with a disease calling for long period treatment and rest.

One would like to have a more extensive coverage and adequate benefits. In fact the defects of the scheme are many and obvious, but every criticism must be tempered on account of the need for gradualness in implementing a measure based on intelligent guessing' instead of statistical investigation. Yet there should have been no difficulty in including workers in coal mines and tea plantations under the scheme for they fulfil the requirement of compactness in the administrative area. The financial picture also could be made more complete through an estimate of the number of doctors to be paid for, and of the patients per doctor. An estimate could also have been made regarding the rent or cost of construction of hospitals and dispensaries and of providing them with medicines and medical appliances. Such details would have avoided the suspicion that the State may be called upon to provide for perennial guarantees on loans and bear an increasing burden of interest charges. The mechanism of administration of the scheme could also be simpler and less bureaucratic in structure than has been suggested. The multiplicity of central and regional boards and officers, without an effort to enlist the active co-operation of labour, and to interest the industry to the necessary extent imposes, on the whole, an unnecessarily top heavy and over-centralized administration.

But when every criticism has been made, it remains true that with the given set of facts and well-known difficulties of the situation the plan is probably the most acceptable that could be presented. The task of elaborate statistical investigation which may give a perfect basis for calculations is so formidable that it may postpone a measure so urgently needed indefinitely. Adoption of a scheme like the present one is definitely a better way of arriving at the ideal plan. The chief merit of the report is that it can be easily extended and amended in every suitable way with experience. A more ambitious plan would call for a forbidding degree of detailed examination. There should be no such difficulty in implementing the present report.

The attitude of the industry towards the problem was typified at the joint conference of Employers' Federation of India and the All-India Organization of

Industrial Employers in 1940. They would welcome a measure of sickness insurance provided it covers all important undertakings in British as well as Indian India. There should be no difficulty in satisfying the industry in both these respects, for the case for an universal coverage is obvious, and whether the State should contribute in such a fund is not a question of absolute principles, it has its place only as an aspect of the public finance and general traditions in a country. In India there is every justification for an active State participation not only in the administration, but also in the contributions to the scheme. It is intriguing that the Government has not yet announced its attitude to the report. It will be unfortunate if this modest and flexible measure based on correct general principles is put off indefinitely.

The International Aviation Conference

ALTHOUGH the International Civil Aviation Conference has been in session for over two weeks now, no far-reaching decisions have yet been reached. Judging from the sharply differing character of the proposals placed before it, it is doubtful whether the conference will be able to bring about any considerable advance in the state of international civil aviation over what prevailed in 1939.

The main purposes of the conference are, rather should be (1) to secure after the war an expansion of international air services in the degree in which the enormous technical progress of the aviation industry and the needs of world politics and economics would demand, and (2) to guarantee that every nation, large and small, free or subject, is given an equitable share in the expanding volume of air commerce.

Before the war, free world air commerce was impeded by the doctrine of national sovereignty over the "sky." Most states were parties either to the Paris air convention of 1919 or the Havana Convention of 1928. Adherence to these conventions meant only observance of some uniform practices in regard to technical rules and standards, and no rights to international air services. The latter were generally secured by bilateral agreements as largely on the continent of Europe or by specific concessions as in Latin America. Sovereignty of the sky was so interpreted as to impede the operation of international air routes. Europe in particular was fragmented into a number of air sovereignties, and the bargaining, and delay and political obstruction entailed in bilateral negotiations were a great hindrance to free flights. In the Paris conference held in 1929, the attempt of the U.S.A., British Empire, Netherlands, and Sweden to amend the Paris Convention so as to allow international services to develop freely was defeated by the votes of twenty-seven votes which would not go beyond recommending that states should not refuse authorization except on 'reasonable' grounds. The provisions of the Havana Convention in this regard denoted freedom in theory, but the Latin American States not having ratified the convention, no international services were in fact instituted under it. Thus even before this war the need was felt for some kind of international agreement as to the minimum rights of air which would be universally recognized and as to some body of general principles to govern the regulation of international services.

The proposals placed before the present international aviation conference reflect this necessity, but reveal also the divergent degrees in which nations are prepared to submit to international regulation as the alternative both to absolute freedom of the air which would lead to acute competition and complete sover-

eighty of the air which has stifled expansion. The proposals are grouped below according to the degree of international regulation involved:—

(1) The Australia-New Zealand plan for international ownership and management of international aviation, by a body attached to the United Nations' Organization.

(2) The Canadian proposal for an international air authority with power to allocate routes, determine frequencies of operation, enforce technical standards, apply the principles of four freedoms of the air, and avoid competition, but not entailing international ownership.

(3) The British plan (conforming in principle to the Canadian plan) calling for an international air authority to regulate traffic, determine frequencies, etc., but differing from the Canadian plan in that the executive board under the British plan would function as a judicial body in the administration of the principles of the convention, would have less discretion in interpreting them and less jurisdiction over rates. This plan entails a slightly smaller degree of international regulation than the Canadian.

(4) The U.S. proposal for an interim council on International Civil Aviation, of fifteen members (two each from Russia, U.S.A. and British Empire, one each from France, China and Brazil and the other six to represent other "major areas," i.e., three from Continental Europe, two from the Western Hemisphere and one from Asia and Africa): The council to be technical and advisory and consultative and to implement the decisions of the Chicago conference, pending the adoption of an international convention and aeronautical body. This plan does not entail international regulation of air traffic.

(5) The proposal of the Latin American group for an interim council of fifteen for purely technical and consultative functions on aerial navigation, to be freely elected by an assembly, including representatives of all states.

Of these, the Australia-New Zealand plan for international ownership and control has been rejected on the plea that as long as air transport is carried on by companies clearly defined by nationality, international ownership is not possible. The Canadian plan has been rejected by the U.S.A., which is opposed to any international organization in the field with other than fact finding and consultative functions. The U.S. proposal for an interim council was generally opposed for its provisions regarding representation and has been withdrawn. But the U.S.A. is supporting the Latin American proposal for a consultative interim council, and it has been adopted.

A mixture of motives animates the national aviation policies behind these proposals. The Australian plan for international ownership, supported essentially on considerations of security, is no novel one, France submitted a detailed proposal for internationalization of aviation, which was considered at the Disarmament Conference in 1932. The British and Canadian plans for international regulation are also partly based on security reasons, but their motivation is mainly economic. It has been customarily held that civil aviation cannot be divorced from its military aspect. Technical opinion today considers that we have long passed the stage when fighter aircraft can be improvised from any class of civilian plane and that in spite of the fact that many parts are the same, the divergence between military and civil types is constantly increasing. A greater danger is the turning over of pilots from civil to military aviation. In any case, if the aircraft industries of the enemy powers are to be dismantled by the United Nations as promised, the case for international ownership becomes all the weaker.

In point of fact, Britain's policy is based mainly on economic factors. Britain has devoted herself mainly to military aircraft during the war; only recently has she devised some civilian types. On the other hand the U.S.A. is infinitely her superior both in experience and volume of ready equipment, not to mention financial strength. Britain cannot hope to hold her own against America in open competition. Hence she wants international regulation which will ensure her a good quota of the traffic. America on the other hand supports an international convention based on unimpaired sovereignty of each state over its own air space, with world routes arranged by separate agreements among the nations, the international body having no jurisdiction over such matters. No agreement on regulation of rates and routes is therefore likely.

Discussions thus far also do not indicate that an international agreement will be reached as to the minimum rights recognisable by all. The Paris and Havana conventions may be replaced by an up-to-date convention on technical matters. That would surely be a distinct gain. The rights of air transit over any territory without special sanction and of stoppage for servicing and fuel may perhaps be agreed upon, though even in respect of them, backward countries without an aircraft industry and unable to take advantage of external services, may insist on reciprocal privileges such as a share in revenues. As to other rights of traffic, universal agreement hardly seems likely. In the meanwhile, pending the agreement on basic principles, all the nations are proceeding to establish their air routes by means of bilateral pacts with the governments of the territories concerned, subject to ratification or revision.

Since, therefore, the immediate era is going to be one of bilateral bargaining, the nations assembled have already announced the external routes they desire to operate and have begun to negotiate. Britain has already planned a scheme of Empire routes; a new company known as East African Airways is to be formed to cover the 'dark' continent, not to mention links with India. She will have the cream of the external traffic within the Empire. Canada has a vastly developed aircraft industry and large plans for sharing international, particularly Trans-Atlantic, traffic. American ambitions are limitless, and if the enemy countries are denied the power of plying their own aircraft, the entire continent of Europe will be open for Britain and U.S.A. to cover. Australia's air policy aims at the establishment of services across the Pacific to the U.S.A., and Canada to link up with the Canadian internal services, and of services between Britain

and Australia via the Mediterranean, India and Ceylon South Africa is sure to have her share in African traffic. The Netherlands, Portugal, Spain, Sweden, Switzerland, and Latin America have submitted their plans. Poland wants to operate 11 international routes. Turkey has already made a beginning in the manufacture of small engines of aeroplanes and her own plans of external services. Even Egypt desires to operate 11 air routes linking Cairo with other Middle East and Western European countries, while Philippines thinks of running three big routes in the Pacific. China projects a network of air lines to India, Burma and other neighbouring countries. In open competition the smaller nations will not have any but the smallest chance, while in any international allocation of traffic and zones of influence they will naturally be unimportant. Thus the future air regime is going to be dominated by the U.S.A. and Britain, with some share for Canada, while Russia in all probability desires neither to fly through others' territory nor likes others to fly into hers. The result is likely to be the creation of "great blocs of closed air," the very contingency against which President Roosevelt warned in his message to the conference.

While even countries with small home territory, without an aircraft industry worth the name and without any flying tradition, have submitted ambitious schemes of operating international routes, the Indian delegation has no concrete routes to suggest, but instead is lisping futile slogans of reciprocity and international regulation, as if that would bring her, her due share. India's claim to a part in external services was best expressed by Mr. A. James Payne, in an article in *Great Britain and the East* some months back:—

"Geographically India may be considered the true Middle East and being central to huge land masses on three sides, vitally important in any scheme of international air transport. If India is to be treated as an equal, it will be seen that her claim to the reciprocal privileges of operating air routes from India to other countries has an equal foundation with the claims of the Dominions, which have given notice of their intention to operate external air routes on a reciprocal basis with other countries." The "reciprocal" benefits India is going to receive are practically nil. The Government of India have failed to safeguard the aviation interests of this country and the reactionary official delegation at Chicago is abdicating India's rights at the international conference.

DAGGER BRAND

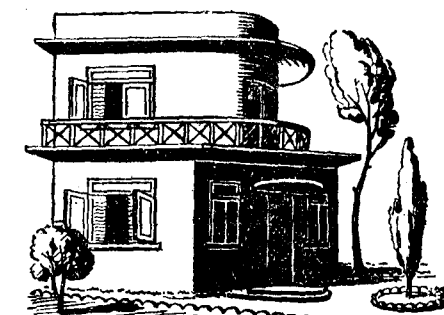
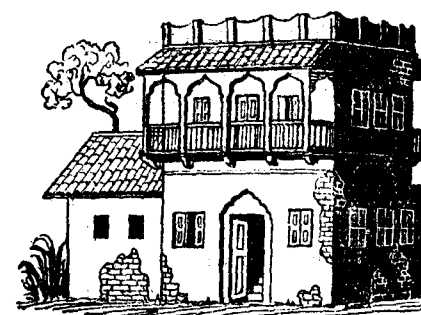
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ISSUED BY THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA

The Week's Notes

VERDICT ON FOOD POLICY

Disappointment and dissatisfaction at the way the food problem in India has been tackled constituted the keynote of the speeches made by all sections of the Assembly while Government spokesmen indulged in self-praise which is wholly incomprehensible. What is the criterion by which to judge the success or failure of the food policy? It is to secure food to the people, sufficient both qualitatively and quantitatively, to ensure health and reasonable well-being, having regard to normal standards. Has the Government of India fulfilled this elementary obligation of a civilized Government? Sir J. P. Srivastava felt that they had done "extraordinarily well," while Dr. Rao, a Government nominee, almost pathetically pleaded for "some little credit" for what they had achieved. The Food Member recounted the achievements thus: "We have secured the recognition and adoption of an all-India policy steadily pursued with a common direction and a common aim." Presumably, the "common aim" was to ensure food for all and rationing was the means to achieve that end. And yet so far it remains merely a wish that "the statutory ration in India should not fall below 1 lb. a day," while it actually ranges between 6 ounces and a pound. Then there is the question of prices. The Food Member's second claim was the control of prices "which have shown a steady downward trend." But, as is well known, not the prices of all foodgrains have been controlled, and although a measure of stability, it may be conceded, has been achieved in regard to cereals, the prices of other food articles have continued high, especially those of the protective foods. Deaths from starvation in Calcutta have not yet altogether ceased, and observers who recently toured the interior of that afflicted province, found men and women in the villages who were utterly destitute. All this points to the conclusion that rationing is not as extensive as it should be. In regard to quality, Mr. K. C. Neogy said with ample justification: "Bad food was being rammed down our throats by the Defence of India Rules." The refusal of the authorities in Calcutta to allow the Corporation to inspect the quality of rationed goods is a case in point. And this was not a solitary instance. Here in the imperial city of Delhi, the Health Officer declared, on one occasion, that the rice being supplied, in one of the areas, was "unfit for human consumption." In the Punjab, too, it would appear, all has not been well with the quality of wheat rations and consumers have been clamouring for better quality. An analysis of the wheat supplied in Ajmer (U.P.) revealed that there was an admixture of more than 10% of dirt in it. Adequate increase in the country's food supply. The increase in the food acreage of only 6 per cent. after three years of campaigning, even if it were true, does not reflect much credit on those who conducted the campaign. The position in regard to imports is already well known. That the whole situation is bad enough is the view of the Food Member himself; for why else should he have said that "the silver-lining in the situation was the more optimistic position regarding imports" and that position is maintained India should be able to go through the year without a major calamity. That this agricultural country, after three years of this much advertised campaign, may not even now escape "smaller" calamities is, we believe, too strong a condemnation of Government policy to need any more comment. Is this all conducive to confidence in the ability of Government to control the situation, which Sir J. P. Srivastava ranked as the fourth—"and very important"—of his achievements? The Assembly verdict, which is also the country's verdict, is the answer.

EMIGRATION TO AUSTRALIA

Speaking on the British soldier's chances of post-war settlement in Australia, Sir Iven Mackey, Australian High Commissioner in India, said that Australia was very anxious to receive immigrants after the war, especially ex-servicemen because of their quality, health, etc. The Australian Prime Minister has also stated that there will be more jobs than workers, because Australian industries will employ 100,000 more workers than before the war, their £200 million reconstruction plan will need a large labour force in public works; and housing will employ twice as many men as before. After the present war, Australia proposes to draw immigrants more to industry than to land, although land too can and will absorb quite a number of workers by a system of rural bank loans repayable over a period of 25 years. But all these inducements will hardly suffice to attract British immigrants sufficient in number for the optimum development of Australia's resources. Britain can ill afford to permit an efflux of some millions of her men to Australia, even though many of her servicemen in the East might firmly desire that they have come here to stay. Australia's population target is said to be 20 million within the next 20 years. Neither a natural increase nor the largest degree of White immigration will enable the target to be reached. Why not settle Indian soldiers, as healthy, strong and industrious as any Whites, on Australian land and industries? Official surveys have revealed an insufficiency of land in India to settle soldiers on. Many, no doubt inspired by the best of motives, came out to praise the heroism of the Indian soldier when Mr. Phillips fell foul on him. Will it be asking too much that these friends of the Indian army should recommend to their Australian cousins that some at least of the vast empty spaces of the Dominion might profitably be peopled by these veterans of war?

EXPORT PLANS

With the prospects of an early end of war, at any rate in the European theatre, looming large, Britain is already turning her attention for the resumption of an export drive at the earliest. With her deteriorated international economic position, she reckons that her exports must be stepped up at least 50 per cent. above the pre-war level in order to enable her have an undiminished volume of imports. At the same time, on account of the inexorable demands made by total mobilization for war, she has been unable to spare sufficient man-power and resources for export industries, and it is estimated that her exports have declined by 60 to 75 per cent. during the war. On the other hand, there has been a large increase in the exports of the United States, apart from lease-lend aid rendered, during this year and already she is making massive plans for partial diversion of resources for ordinary commercial purposes. This has led to an insistent demand in Britain that her Government should also plan ahead and responsible quarters have urged that "the moment has been reached when industry must be given an idea of the future in general terms and when moreover it should be allowed the staff and equipment to undertake at least the first stages of market research, design and in the engineering field, prototype for work."

AND LEASE-LEND

However, one grievous disadvantage under which Britain has been labouring is the lease-lend aid which she has been receiving from the United States. There is a considerable section of public opinion in the United States which look with disfavour at any diversion of resources by Bri-

tain for an export drive at the same time as she is receiving lease-lend aid; and some even go to the extent of seeing in lease-lend operation an opportunity and means for capturing foreign markets while others are heavily pre-occupied. Preparation for production for post-war markets is a very lengthy process, beginning as it does with market research, planning, productionizing, re-tooling, actual production, and final marketing. But because of the operation of the lease-lend principles, Britain cannot take even the first steps in this long time-consuming process of preparation for a market, although the final marketing itself would in all probability take place at a time when lease-lend aid would have ceased. Britain is reported to be negotiating with the United States on this and other related points. Lord Keynes as the Head of the British Mission of financial experts at present in Washington is reported to be negotiating with the Roosevelt Administration on what has been called the vitally important "second phase" of the lease lend arrangements. Under these new proposals, Britain originally requested that she should be enabled to obtain under lease-lend £875 million of non-military supplies which she will be able to sell abroad as part of her attempt to re-start her shattered export trade. The figure has now been reduced to £625 mn. If she gets this amount under lease-lend and if the question of repayment is finally waived, and if further she uses the fund to get from the United States not consumers' goods, but producers' goods, equipments and raw materials—which are embodied in her exports, this would furnish her with a revolving working fund of foreign exchange resources which would fully compensate her for the loss of her overseas income. Any such "second phase" of lease-lend could only come into operation with a previous budgetary appropriation by the United States Congress, but President Roosevelt himself is reported to be sympathetic to the proposal. A further British proposal to the Roosevelt Administration is that Britain's domestic and international economic difficulties should be taken into account when fixing the time and conditions for the renewal of competition for post-war export markets.

WANTED A LABOUR BUREAU

Speaking at the 6th Plenary Session of the Tripartite Labour Conference, Dr Ambedkar, Labour Member, said that "there is no machinery to undertake the task of examining special problems and reporting upon them" nor one "to study and advise on problems of labour welfare, industry by industry." The Whitley Labour Commission, it will be recalled, laid great emphasis on the establishment of a proper and adequate organization for the collection of intelligence and investigations. The Commission observed: "The three main subjects on which information is most urgently needed are wages, earnings and the expenditure of workers." These statistics are still 'urgently needed,' but there is no machinery to undertake the work; the only province which has so far instituted inquiries into wages and conditions of employment in industrial establishments is the Government of Bombay. As far back as 1921 the Government of India made an attempt to institute a general wage census, but the subsequent retrenchment carried the project to the limbo of forgotten things. The Labour Bureau organized by Sir Thomas Holland similarly died before it had had time to prove its utility. And the collection of statistics continued to be effected through the goodwill and voluntary effort of the industrial unit concerned. The setting up of a Central Labour Bureau with a qualified staff to assist it in the Provinces should be now seriously considered. The Labour Member's suggestion to constitute a Labour Welfare Committee which would be charged with the work of studying all concrete questions relating to labour welfare and the administration of labour laws'

falls far short of the needs of the situation. While it is possible that such a body, which would presumably be a non-official one, may do useful work on specific problems, it would be impossible for it to cope satisfactorily with the task of collecting data from all over the country on labour welfare, employment etc. The Industrial Statistics Act passed by the Central Legislature in 1942, empowers Provincial Governments to appoint a Statistics Authority and permits the collection of information with regard to any of the following matters: prices of commodities, attendance, living conditions, indebtedness, rents, wages, hours of work, employment and unemployment etc. The collection of information on all these subjects is necessary for legislative and administrative purposes. The problem of labour welfare is bound to assume greater and greater significance in the post-war period and it is of importance to be equipped for the task by creating a Labour Bureau.

WHAT ABOUT POTASSIUM NITRATE

India has vast potentialities of power—water, coal and oil. She occupies a third place among the genous fertilizer, saltpetre or potassium nitrate, which is found in saline earth in different parts of India. It will be remembered that until the discovery of deposits of sodium nitrate in Chile and the development of German deposits, India was important as an exporter of potassium nitrate. Her exports were some 35,000 tons in 1860, but declined thereafter so much so that they amounted only to 13,000 tons in 1914. The War of 1914-18, however, saw a revival of the industry, as the chemical is also used for the manufacture of gun powder. Production reached the high level of 30,000 tons in 1917, but slumped with the return of peace. It is rather strange that during this war no increase in production has taken place, in spite of the overwhelming need for nitrogenous fertilizers. Output, consequently, is at the low inter-war level of 11,000 tons per year. At present the practice of leasing deposit-bearing lands to the highest bidder, purely from the consideration of provincial revenues, has led to an extremely artificial position in which the cost of production has been artificially boosted up and the Central Government is merely made to contribute indirectly to provincial revenues in the guise of the artificial price paid by it to the producers. The Government should have explored possibilities of the extensive use of this chemical as a fertilizer and organized its production on an economic basis. There can be no doubt that it could be produced at competitive prices. With regard to the latter aspect, even the customary excuses of the Government of India, such as the difficulty of obtaining machinery and/or the shortage of shipping, would not hold water, as production of this chemical has been long established on a cottage industry basis, employing no complicated machinery or scarce motive power. It is a pity that this industry, which could have been readily developed to meet urgent requirements, has been so badly neglected.

INDIAN FILM INDUSTRY

The Indian film industry has been notably prosperous during the war. Its income in 1943-44 is estimated to have increased three to four times in some provinces over the pre-war income, and the increase has been the greatest in the areas of conspicuous war expenditure. The income is estimated at Rs. 10 crores, out of which the industry paid no less than Rs. 4 crores as central and provincial taxes. There has been a marked flow of investments into the industry recently with considerable increase in production concerns, and the film industry claims to rank as high as the eighth among Indian industries. But the industry needs to be assured regarding the post-war prospects.

The continued and sound prosperity of the industry will obviously depend upon the implementation of our economic development programmes. Misgivings prevail regarding the place of such an industry in a planned order in a poor country like ours, which will be faced with allocation of priorities even in respect of consumers' goods industries during the initial stages of planning. No doubt it is highly contentious to suggest as it has been done in some quarters that cinema entertainment ranks with food, clothing and shelter in a plan for national minimum; and a provision for entertainments which may strain the limited foreign assets available will justifiably come a long way after the other more pressing national needs have been satisfied. However, the film industry is not merely an entertainment industry and it has an important place as a vehicle for instruction and visual education, particularly in a country where the great masses are illiterate. The film industry has greater possibilities than have been realized so far in our country as an instrument for nation-building activities, and it does not fall completely in the category whose development would have to be deferred. The industry after proper orientation is bound to have a definite place in national planning, and the future of the industry can be assured properly only thus.

WAR-TIME INDUSTRIAL EMPLOYMENT

Figures of industrial employment show that the average daily number of workers employed in Government and local fund factories has been progressively increasing every year ever since the outbreak of war. There were about 3,55,873 workers in 1943, and 2,99,893 in 1942 in Government factories as compared with 1,32,446 in 1939; thus there was 170 per cent. and 127 per cent. increase in 1943 and 1942 respectively over 1939. Of this class of factories the greatest rise has been in ordnance factories, the figure being 1,31,076 in 1943 and 1,13,027 in 1942 as compared with 30,709 in 1939 or an increase 322 per cent. and 265 per cent. in 1943 and 1942 over 1939 respectively. In the case of non-Government factories there has been no such phenomenal rise and the total number of workers employed stood at 20,81,373 in 1943, and 19,82,344 in 1942 as compared with 16,18,619 in 1939. The percentage rise in 1943 and 1942 has been only 29 per cent. and 23 per cent. over 1939 level. The employment in textiles (including cotton, hosiery, jute, silk and woollen) and engineering factories is said to have expanded, but the figures speak of static employment conditions.

There has been an insignificant rise in textile factories from 8,17,077 in 1939 to 9,65,459 in 1942, and 1,001,893 in 1943 or 22 per cent. and 18 per cent. in the two years; and in engineering from 1,48,424 in 1939 to 2,23,820 in 1942, and 2,53,948 in 1943 or 52 per cent. and 71 per cent. respectively. The total number of workers absorbed in industries was 24,37,246 in 1943, and 22,82,237 in 1942 as compared with 17,51,137 in 1939, and explaining a rise of 39 per cent. and 30 per cent. over 1939.

ECONOMICS OF PAKISTAN

It is only slowly that the fact has come to be increasingly recognized that, in the context of modern industrial civilization, the question of a political partition of India has also a vital economic bearing. Addressing the members of the League Planning Committee recently, Mr Jinnah for the first time evinced a dawning recognition of vital economic issues involved and said: "There are some people who say that Pakistan areas are more or less devoid of mineral resources and that economically we shall not be able

to exist. I do not accept this view. All that I can say as a layman is that Pakistan will not be bankrupt. It will be a powerful State, though it may not be as rich as Hindustan." There are, however, gradations in the standards of power, and the vital question is whether, in view of the fact that the whole of India is a natural economic unit, Pakistan and Hindustan could *separately* have the same high rate of economic development as would be possible for a united all-India economic bloc. Recent happenings over Middle-Eastern oil and in South-Eastern Europe furnish a clear pointer that small powers like Iran, Turkey or Rumania can only exist within the field of power and dominant influence of the Soviet Union, and a Pakistan State can hope for no brighter prospect. On the contrary, a united India with a planned economy, could rapidly be brought to the status of a Great Power within a decade or two in the same manner as the Soviet Union itself reached it in such a short time. And it is not merely a question of political survival. As Prof. Brij Narayan has pointed out recently, particularly heavy economic pressure has been bearing on the areas marked down to constitute Pakistan. Thus between 1921 and 1931 the population of India increased by 10.6 per cent. and that of the Punjab by 14 per cent.; the increase in the number of Punjab cultivators (workers) was 25.7 per cent. and referring to "the very big increase in the already numerous category of cultivators" the Census Superintendent said: "The other resources of the Province are obviously not keeping pace with the rate of increase of the population." Similarly, between 1931 and 1941, the population of India increased by 15 per cent., of the Punjab by 20.5 per cent. and of the N.-W.F.P. by no less than 25.2 per cent. This growing pressure on land has led to a progressive fragmentation of land and worsening "terms of trade." Similarly of all the provinces, the average size of the holding is the smallest in Bengal. Obviously this aggravating economic pressure in the Pakistan areas can be rectified only if they are taken up in the ambit of a very ambitious all-round economic plan as integral part of an economic region with a very powerful raw materials base. The realization of the economic weakness of the areas has led the sponsors of secessionist claims to demand even areas which are not predominantly Muslim; in the address to the League Planning Committee, again, Mr. Jinnah darkly enjoined. "You will indicate the potentialities in the Pakistan areas; not merely of the Pakistan, but of the Hindustan areas as well, where 30 million of our co-religionists reside." It is not by such unstable poise and counter-poise of irredentist claims that fundamental economic issues of a fifth of humanity can be tackled, far less solved.

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The Insurance Amendment Bill

(Contributed)

THE Bill to further amend the Insurance Act coming as it does pretty soon after the Government expressed its unwillingness to embark on any legislation during the war period whenever references were made for the amendment of Section 27 of the Act will come as a pleasant surprise to many. However, they will be disappointed to find that the point with regard to Section 27 does not find any scope. On a superficial reading it is possible to form an idea that the Bill is innocuous, but many of its provisions are really far-reaching in their effects and some are highly controversial.

One of the most important amendments appears to be Clause 7 (a), which provides for the separation of assets of life fund. Regulation 2 of part I of the first schedule to the Act merely requires the balance-sheet of life insurance business to be prepared as a separate document which is obviously not the same thing as separating the assets. It may be recalled that the Clauson Committee which was appointed to report on amendments desirable in the English Assurance Companies Act, 1909, proposed in 1927 this separation of assets as per scheme embodied in clauses 3, 4, 16 and 17 of their Bill, but it has not been placed on statute so far. The Committee mentions two points of difficulty which prompted them to recommend the separation. Firstly, if a solvent company goes into liquidation, the policyholders may find themselves deprived of a great part of the real value of their policies to the benefit of the shareholders. This possibility in the case of voluntary winding up is barred by Section 54 of the Indian Insurance Act which permits of voluntary winding up of solvent companies only for amalgamation or reconstruction. In case of winding up under the order of the court, the power vested in the court to give special directions to the actuary valuing assets and liabilities should meet the situation. The second point made out is that if a composite company is forced into liquidation by a serious loss, say, on fire business, although its life business may have been highly successful, a portion of the life fund may be made available to meet fire losses. This portion may be held to be the rightful property of life business and as such should accrue to the policyholders of life section. It must be noted, however, that so long Section 56 (1) of the Indian Insurance Act is on the Statute book, the position cannot be altered by the mere separation of assets. Further, it appears not unreasonable that in such a case life business should contribute something to meet the losses, if funds permit, since admittedly life fund usually does benefit, even though indirectly, by the existence of non-life business. Section 56 (1) referred to above effectively safeguards the value of the life policies, although it permits something of life policyholders' pound of flesh being catered to the needs of other business. So much for the arguments on which the idea of separation of assets is based. On the other hand, the separation may seriously impede the growth of composite companies. Raynes' *Insurance Companies' Investments* (page 14) clearly indicates how by spreading risks, and ability to mobilize gilt-edged convertibles in any one direction at call "for getting the most benefit from investments of funds a composite office is in an incontestably better position than a company transacting one class of business alone."

Can the above benefits still accrue if the assets are hypothecated to separate funds?

Clause 7 (b) empowers the Superintendent of

Insurance to refuse registration for any other class of business to a company already doing life business unless he is satisfied about the solvency of the life fund. Perhaps this power can be made more precise by defining the test of solvency by basing it on the result of a valuation under Section 13 of the Act.

Another important amendment is in clause 22 which provides for ignoring unpaid capital when considering solvency for purposes of the Act. The question to be considered is in what respect the security afforded by the unpaid capital is not *necessarily* a realizable asset. It is against all canons of justice to penalize the entire lot just because there may be a few bad cases. The elusive nature of unpaid capital cannot be denied and accordingly it would not be improper to vest the Superintendent of Insurance with the power to move a court of law to order realization of unpaid up capital in case it is apprehended that the security it affords is of doubtful nature considering the margin between the uncovered deficit and the uncalled up capital.

Clause (4) appears to be another amendment deserving special notice. It raises the minimum limits of the sum for which an insurer can issue policies to one hundred rupees for annuities and one thousand rupees for insurance policy, while Clause 25 fixes the maximum limits in these cases for provident societies to be Rs. 75 and Rs. 750. Thus in general the insuring public will not be allowed to have any insurance policy for amounts between Rs. 750 and Rs. 1000 or an annuity between Rs. 75 and Rs. 100. In what manner the creation of this gap helps to avoid competition between insurers and provident societies is difficult to appreciate. Any demarcation such as obtaining under the existing provision can do. But the more vital point is the raising of the minimum limits for insurers. It will be readily admitted that in India provident societies as a rule have failed to catch the imagination of the insurance world. The most potent of these seems to be that the "small man" whose needs these societies claim to cater has come to associate them with unreliability.

The average sum assured which the poorer rank can afford to have falls much short of one thousand rupees. By raising the minimum limit the insurance companies will be placed practically out of the reach of the general masses. Insurance has still to make much headway amongst the masses. Until this class becomes sufficiently insurance minded, insurance companies should be in a position to offer something to the "small man". Provident societies can take up the field only after it is developed by the insurance companies. It does not appear that the raising of the minimum limit is based on the consideration of extra expense involved in the issue of such policies, for such a solicitude will appear to be too overbearing.

It appears that after the Managing Agency it is the turn of chief agents to get ousted from the field, for the main provision of Clause 20 is to restrict contracts to 10 years at a time. After the chief agent has built up business during the ten years he may find himself a nobody. While Section 44 of the Act guaran-

tees payment of renewal commission to an insurance agent after he has served for 10 years, the amendment makes the chief agent liable to be ignored after that much period of service, and with him the fate of the agents employed by him is also sealed. At any rate, the Act should secure to the agent his modicum of commission even when the chief agency is terminated in virtue of this clause. However, the main point is that the clause puts the chief agencies at a discount by weakening the sense of security about their continuance while regular branches of a company are left untouched. It is according to the convenience of particular company that some choose to develop through chief agencies. It is doubtful whether the chief agencies prove a halter round the insurance companies after a certain period of their growth, which the law should seek to shake off. It would appear more appropriate to leave the insurers the right to err in this case at least.

Part (a) of Clause 16 prohibits the employment in any managing or advisory capacity of any person on basis of commission or share in profits. It affects the agency manager, general managers and managing directors generally, whose remuneration is usually partly based on profit sharing principle. The principle is widely accepted in the industrial organization and has its strong points as well as weak, which need not be repeated here. On the whole, it has stood the test of time fairly well. Insurance is as much a commodity to be sold as any other commercial product and would appear to stand in need of holding out profit sharing incentive, when the business is desired to be expanded. The evil attending this method of remuneration would not appear to be such as to require a statutory bar against such persons being included in the management. A similar trade against commission earning persons is noticeable in Clause 21 banning insurance agents from becoming a director of any company. After all, the huge edifice of insurance is built on the labours of agents. It is unintelligible why his experience should be a poison to any insurance company.

Clause 14 makes an all-out drive against loans to officers. However, it appears necessary to define the word "officer" in the statute itself when strong measures are being prescribed. It has often been held that the dividing line between officer and other staff is a fine one. Working rules defining officer adopted by the Superintendent of Insurance cease to be sufficient when the contravention entails loss of office to the person concerned.

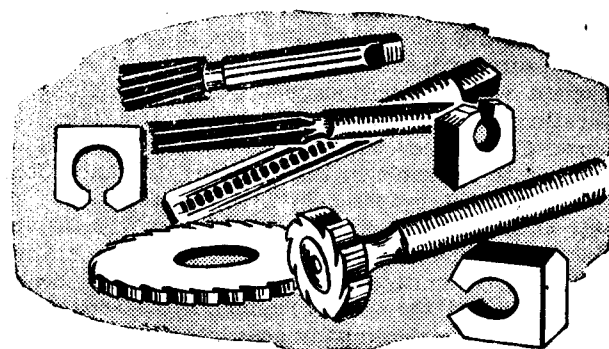
The details of first year premium by individual premium period required in Clause 43 (b) will be found to be too irksome in practice for an insurance company to keep. The periods could easily be grouped in two or three classes. Further the idea of quality of business that is sought to be made out by these details seems to be of doubtful value. Limited payment policies which are in no way inferior to the full period payment policies are likely to vitiate any conclusions, if present. The recent amendment in the Insurance Income Tax provisions for remission of tax on short-term policies has taken away the incentive for the issue of one or two years' policies.

It may be remarked that Clauses 11 and 17 seek to fill up certain lacunae in the provisions of Sections 22 and 33 of the Act. This opportunity should be availed of to make it obligatory on the Superintendent of Insurance to state precisely and specifically the points on the basis of which Section 22 is being brought into operation to reject a valuation or Section 33 is being resorted to investigate the affairs, since a more repetition of the text of the sections does not make the insurer any wiser about the objection he is expect-

ed to clarify in the course of the statutory hearing.

After reading the Bill one is left with the feeling that under the canopy of safeguarding the interest of the policyholders the principle of State interference is increasingly getting the better of the industry. Individual initiative and the right to work out one's salvation in one's own way is not getting due recognition. It is difficult to claim for any of the amendments in the Bill that they are a crying need of the hour. It will be equally difficult to put forward any practical reason by way of citing any catastrophe or mishap that has befallen due to their absence. In fact their soundness is not beyond dispute and some are highly contentious.

Delhi.



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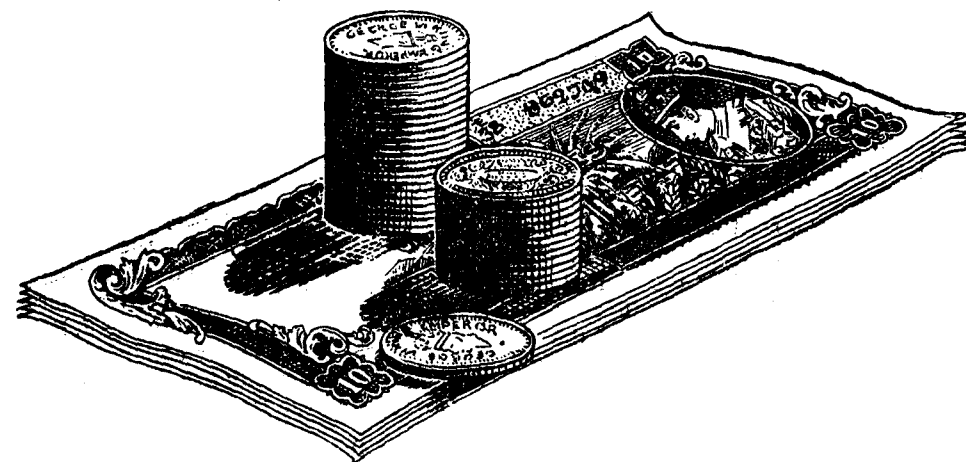
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A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

THE WORLD ABROAD

Business Conference Opens

(From Our Special Representative)

NEW YORK, Nov. 13, 1944. (By Cable).

THE International Business Conference opened its sessions on Friday, November 10, 1944, in the dining room of Westchester Country Club, Rye, New York, with a message from President Roosevelt and four speeches by the presidents of the four sponsoring Business Organizations of the United States. The Conference was, to all appearances, an impressive gathering composed of Delegates, Advisers and Technical Assistants numbering over 500 and representing 53 nations, the latest to join being Italy. The delegations from the United States, China, the United Kingdom, Canada and Sweden have come with a full complement of Advisers and Technical Assistants and the head of the United States Delegation is Mr. Henry F. Grady, well known to India as the head of the United States Technical Mission which visited India in 1942. The keynote of the speeches, and the message of the President was that world business and commerce must be expanded on the basis of "non-discrimination" and of freedom from excessive barriers and restraints. America is now passing through an extremely buoyant and optimistic mood. Her productive capacity and operative mechanical and technical efficiency have increased so much during the war that she feels as if she is on the brink of another great industrial revolution; and all her ideas, policies and actions are dominated by the urge to expansion to freer and newer markets to break off all restraints and barriers and produce and sell whatever and wherever she can find effective demand. This dominant feeling finds recognition everywhere and even those who have so far not cared for foreign trade are beginning to take new interest therein.

Mr Eugene Thomas, President of the Foreign Trade Council, effectively counters the argument of those who held the view that America must reduce her exports and increase her imports by saying that it is founded on restrictionism and that increased American export trade did not mean reduction in her share of returns. It is gratifying to note in the speeches that were made that some at least of America's business men recognize that American exports can be based only on her willingness to get a return in the form of goods, both raw materials and manufactured goods, that investments should be on long-term basis and that she must be prepared to export "the means of production" to raw material countries so as to speed up world's industrialization. Among leading business men in New York the importance of the unfreezing of our sterling balances is recognized and at a sectional meeting on the Encouragement and Protection of Investments the matter was brought up by me and received favourable attention. It will, of course, be brought up by the Indian Delegates in the Currency Relations section and will be the subject of full discussion. Mr. Eric S. Johnston, President of the United States Chamber of Commerce at an informal press conference said yesterday that the "crying need is for answers to three questions. Firstly, are the British going to unfreeze their sterling balances; secondly, are there going to be long-term credits available from creditor nations; and thirdly, will there be long-term investments in other countries"?

Much the most important issue that will be discussed at the Currency section is what is here called the "key nations approach" in opposition to the Bretton Woods plan of a joint Monetary Fund by which it is understood that the dollar and sterling blocs must

first come to an understanding and thereafter other nations might be called in. This view was sponsored in the Conference by Mr. Winthrop William Aldrich, President of the Chase Bank and a leading personality as a banker and business man. American bankers and business men are quite frankly opposed to the Monetary Fund while they are more favourably inclined to the World Bank idea. Indeed some would even go so far as to suggest that the Bank if it is permitted to open an Exchange Stabilization Department would well be able to take care of the needs of nations on the trade balance account. It will be interesting to watch the outcome of this controversy, but I may say here in advance that it stands little chance of acceptance because with all its faults the Bretton Woods approach is at least more global than this "big powers" approach to what is essentially an international problem. Within the framework of the Joint Monetary Fund it should be possible for dollar and sterling to settle the terms of their alliance and there is no need to break away from the Bretton Woods Agreement.

On the day previous to the Presidential election, I lunched with the Vice-President of the City National Bank in their club at Wall Street and met quite a bunch of leading bankers and business men of America. They were filled with gloom at the prospect of another four years for President Roosevelt's regime and left me in no doubts about their reaction to the various regulations and orders issued from Washington. They feared that President Roosevelt would continue the controls to a longer period than they think necessary and that incompetence, red-tape and contradictions would check American enterprise. They are anxious to return to "normalcy" or at least to fairly quick relaxation of controls. In spite of the success of Democratic Party, it may be affirmed that the President in his domestic policy may adopt compromise and would not be unfriendly to business. The stand which his delegation is taking at the Civil Aviation Conference shows that America is quite prepared to throw theories to the winds, and she wants each question to be decided as her needs demand. For example, she does not want an international regulation and control of routes, traffic and rates. Interim Council that would be set up is to be a purely technical and advisory body, and so constituted as to protect juridical equality and sovereign rights of all nations. Under the United States plan which is likely to be finally accepted routes will be negotiated, frequencies of service decided and rates fixed by reciprocal and bilateral agreements between nations, leaving full play for the United States' doctrine of free competition as opposed to the British programme and allocation of routes by an international regulative body. Wheels here turned full circle. Britain asks for protection, regulation and control. America asks for freedom, competition and bilateralism. In all this each nation looks to its own interests and the economist with his formulas and theories is useful only in so far as he is able to find the formula to conform to immediate national interests.

The Wall Street business men and bankers are interested in Indian industrialization. But they are concerned with political and economic stabilization and are interested to know if our taxation policy would remain non-discriminatory. They are quite willing to have a hand in Indian industrialization as participants with minority representation. They are not quite favourable merely to invest in bonds, but are interested in exporting capital for specific purposes to be in partnership with nationals of other

countries for development of their industries. What kind of protection and stability they need will soon be evident in course of deliberations of the business conference. The immediate task before the President will be the consideration of the "little steel" formula which American labour wants to scrap as it wants higher wages. It is believed that the President will do something to revise it, or bring into operation another formula, in either case with the same result. If this is done inflation will get another chance. Some hold that judged by official cost of living index there is no justification for wage increases. Index which measure cost living of low income families has increased only 2.1 per cent. since March 1944, and only 9 per cent. since May 1942, when the price control was introduced. All items have increased by 28 per cent. since August 1939; food by 46.5 per cent., clothing 41.0 per cent. rents 3.7 per cent., fuel 12.6 per cent. More

Washington Letter

Mid-Western Attitude to Bretton Woods Proposals

(From Our Washington Correspondent)

WASHINGTON, Nov. 13, 1944 (By Cable). IN Chicago in the Mid-Western United States, where the Bretton Woods proposals have been under considerably less criticism than in eastern financial communities, Edward E. Brown, President of the First National Bank, Chicago, is playing a leading role in winning acceptance for the Fund and the Bank as provided in the Monetary Conference Agreements. Mr. Brown who was one of the sole representatives of private finance in the American Delegation at Bretton Woods, thus speaks from wide acquaintance not only with the views of financiers here, but also with what went on behind the scenes and on the surface at the monetary meeting. He says the "only alternative" to the Fund and the Bank proposals is to 'do nothing' or make temporary and bilateral agreements. Although the stabilization proposals constitute no "panacea" and alone will not solve the "economic problems of the world" Mr. Brown says no plan less risky to the United States has been proposed and makes strong plea for the United States' adherence, on that basis, since stabilization in some form is "indispensable." Mr. Brown answers five criticisms usually heard as follows: firstly, the plan is premature. To prevent chaos in the liberated countries their currencies must have a stable basis for use in international trade. To wait for reconstruction and balanced budget before attempting currency stabilization might take a generation. Secondly, the Fund is too large and would encourage countries to delay balancing their budgets. Larger funds than normally will be necessary for the

first few post-war years because larger fluctuations in exports and imports resulting from the dislocations caused by the war in trade. Thirdly, fund will be controlled by borrowers. This statement is "without merit" because majority control will be in the hands of the United States and other nations. Fourthly, it is said that the fund is not a stabilization fund "not intended to tie any country's currency to the gold standard," but designed "to make changes more difficult" and to end "the nuisance" of multiple currencies, competitive exchange depreciation and to prevent currency manipulation. The fifth criticism which Mr. Brown has answered concerns the assertion that the fund does not eliminate exchange controls nor does it solve the problem of blocked balances. Because the post-war period will be one of difficulty and transition, exchange controls should not be eliminated immediately. The question of the blocked balances must be worked out between the United Kingdom and the countries concerned. Bretton Woods, according to Mr. Brown, could not undertake the adjustment of the defaulted international payments. Mr. Brown answered "one of the most popular" criticism *viz.*, that the United States would be the only country to furnish currency on demand, by stating that "the fund will have considerable amount of gold and currencies of other countries, which the Germans did not get and any gold holdings or holdings of American dollars by any country must, as they increase, be used to the repurchase of part of its currency held by the fund over its quota."

London Letter

British Aviation Policy

(From Our London Correspondent)

LONDON, Oct. 25, 1944 (By Airgraph). THE British Government has at last indicated its policy for the regulation of air-transport after the war. Some members of Parliament sharply criticized the Government for issuing a White Paper in which a definite policy is laid down without first giving Parliament an opportunity to express its views. The Government spokesman, however, could truly say that they already had a good idea what the opinion of Parliament was on the matter. The various views had been given expression often enough and, except for one point, there seems to be more unanimity on this question than on almost anything else. The one point of contention is the position of British Overseas Airways Corporation. This Corporation, a Government subsidized body, has the monopoly for British Overseas Air-transport and even the friends of State-owned

transport have evinced little love for it while, of course, the friends of private enterprise are its deadly enemy. However, the future of British Overseas Airways Corporation is not in question at this point.

The proposals in the White Paper are for international co-operation and for the setting up of an international body of control for the purpose of regulating international air-transport. The two Conventions of Paris (1919) and Havana (1926) dealt mainly with the technical side of the problem. Regulations as to transit and cabotage were left to the decisions of the individual States. Besides, the Paris Convention was not ratified by the United States, and the Havana Convention only applied to the United States, Chile, and eight Central American Republics. No Air Convention will be of much use unless the United States are a party to it. Much, however, has happened since 1919—even

since 1928—and the United States have as much, if not more interest than any other country in some form of international agreement and some form of international regulations. They have already invited the United Nations and other friendly governments to send delegates to a Conference which will take place in November in Chicago. Meanwhile delegates of the British and Dominion Governments are deliberating in Montreal. Although their main task would be the question of air-transport within the British Commonwealth they have, no doubt, instructions to prepare the ground for the Chicago Conference.

The only move of the Government, so far, concerning home air-transport has been the appointment of a Minister of Civil Aviation. It is, of course, true that home air-transport is bound up with the international question. The Proposals of the British Railways Companies, for instance, not only cover all British passenger and transport lines but include a series of trans-European services. Unless an international agreement is speedily arrived at, these plans could only be realized by a series of bilateral treaties with European countries. It is, however, interesting to note that the Railway Companies are ready to arrange without subsidy for British—and British-European services extending initially over a mileage of 20,000,000 miles, to be expanded progressively. It would reach as far as Moscow and Istanbul and would provide services on 19 continental routes about 100 European places, besides providing 34 internal routes. What is more, this air services would not be managed as an auxiliary but as an independent primary transport service which, in fact, would be in free competition with the surface (rail) services of the individual Railway Companies.

By the time these lines are in print the Government will have mastered the storm in the House of Commons that arose over the Town and Country Planning Bill. This Bill was hotly attacked because it did not provide the necessary framework for national plan-

ning. Real estate interests tried to upset the provision that compensation should be paid for land and buildings to be requisitioned for development purposes on the basis of 1939 values. The Labour members and some back-benchers of the other parties firstly opposed any change. The Prime Minister proposed to take out the compensation clauses of the Bill and later on submit a special Act covering compensation. The House adjourned with a view of allowing the Government and the leaders of the opposition to come to some compromise behind the scenes. Since then it was announced by the Deputy Prime Minister (Mr Attlee) that the Government proposed that additional compensation based on 1939 values but increased pro-rate the increase in building costs (or, as far as land is concerned, *pro rata* the decline in the purchasing power of the pound). It is reported from good sources that the Prime Minister may tell his followers that the compromise arrived at must be accepted on their part. Thus it is now almost certain that the contentious clauses will be accepted.

However unsympathetic one may be towards the landed interests, for once they have the moral considerations as well as logic on their side. Apart from the question of speculation in land and property since 1939, which could be dealt with separately, it is eminently unfair to punish owners of land and buildings by paying them 1939 values in—perhaps 1950 money values. It was the state that caused the decline in the purchasing power of the currency, and mortgage and other engagements burdening the properties concerned are not reduced by this Act. If there was a general levy on capital, involving every type of investment, it would be a different question. As it is the Bill in fact imposes a capital levy on one type of property only. Nor does it hit only the big owners. A very large number of small investors will suffer, investors who own one or two houses which they bought with a view of safe investment to have something to draw upon in old age.

A DELHI DIARY

A week still remains for the close of the Assembly session, but as the major part of the work is already over, it is now possible to sum up the results of the session. The most outstanding achievement is the Natal debate. It is not the first time that the Government and non-official members have stood together in defence of overseas Indians, but the speeches made by Government Members on this occasion came as a welcome indication that they were at last trying to shake off their old mendicant attitude and act as a National Government would in such circumstances. There are various rumours in the air. It is said, for instance, that London is very anxious to prevent any rupture in the trade relations between the two countries and has asked the New Delhi authorities to suggest some suitable alternatives. The old suggestion that a delegation should go to South Africa for another Round Table Conference for a frank discussion of all outstanding questions has again been revived, but even the Government of India can hardly take such a proposal seriously if there is no satisfactory assurance from Field Marshal Smuts about Africa's *bona fides* in this matter. There is no sign yet that the South African Government are in a mood to deal with the Indian community justly. If after the brave words used by the Government Members in the Assembly they allow themselves to be coerced by outside influences, it would be a bad day for them. Still the unfortunate fact is that without the consent of Whitehall they can neither recall the High Commissioner nor enforce economic sanctions. Though the Government of India's unwillingness to come to a quick decision is giving rise to various disquieting reports, there are heartening reports from South Africa that Indian opinion is solidly backing the Assembly resolution and will on no account compromise on the segregation question.

The Food debates in the two Houses have yielded nothing spectacular—nothing beyond the Government's usual professions that they "are no longer satisfied with pre-war consumption levels in the country" and that the time has come that will effectively secure for the people of the country, at least in the post-war period, a decent standard of consumption. And as usual with the Government of India, their solution is the appointment of one more highly paid officer—"a Planning Officer who will be a whole-time officer working on these problems collecting and analysing data and formulating preliminary proposals for the evolution of a planned food economy in India." That is so far as long-term policies are concerned, but as regards the present the Government's summing-up of 1945 is as follows: that the difficulties in South India due to the loss of imports will remain undiminished, that on the whole the position in rice will remain at the best delicately balanced calling for the utmost vigilance everywhere, and that the position in millets may be slightly less favourable than last year (though even last year great difficulties were experienced). The Government rely, as before, on "the optimistic position regarding imports," but as the figures of imports actually received given by Food Member himself were far from encouraging, the future is not free from anxiety. The debates in the two Houses showed generally speaking deep dissatisfaction with the Government's Food administration. The general complaint that they had neither shown themselves efficient in their procurement and distribution arrangements nor succeeded in getting effective help from the United Nations who are mainly responsible for the depletion of India's stocks. It was Government had been in power it would neither have allowed the crisis to arise nor shown themselves so weak and shortsighted in dealing with these war-time problems. The only answer which the Food Member could give was: "I agree that if there was a National

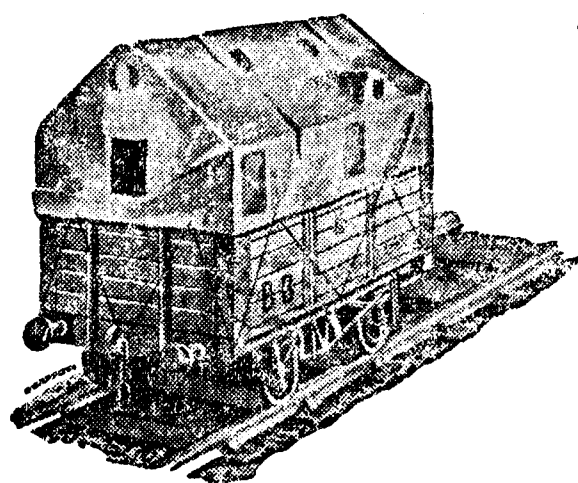
Government they would have done probably better. But within our limited sphere we are trying to do our best."

A feature of the session was the concerted attempt made by non-official members to secure satisfactory assurances from the Government of India regarding India's industrial future, but only vague promises were forthcoming. In fact some of the claims made are not quite consistent with facts. For instance, with reference to the imports of consumer goods, the Industries Member claimed: "Government import consumer goods only when it is established on the basis of information received from trade sources and Government Departments concerned that even after the grant of all possible assistance, adequate supplies cannot be indigenously manufactured to meet the immediate need." As a matter of fact—as notably in the case of the cycle industry—if the Government had cared to provide timely and adequate facilities there would have been no need for these imports at all. The Government's answer to questions on the U.K.C.C.'s activities gave the impression that the Government of India were practically helpless in the matter. Even the question of collecting income-tax from them on their profits has been needlessly delayed. As regards protection to Indian industries in the post-war period and plans for industrial development. The Industries Member referred to assurances given "some specific industries" and added later "The time for implementing the assurances has not yet arrived." The answers were generally so vague and non-committal that they were hardly calculated to remove the apprehensions of non-official members.

A fairly comprehensive Bill running into four parts with as many as 40 clauses was introduced in the Assembly on Thursday—the most important legislative measure for this session. The Finance Member says in his statement of objects and reasons: "It has been felt for some time that separate legislation was necessary for the regulation of banking in India. This need has become the more insistent on account of the considerable development that has taken place in recent years in banking, especially the rapid growth of banking resources and of the number of banks and branches." Sir Jeremy adds the warning "that the banking system is likely in the post-war period to be more vulnerable by reasons of the expansion, both quantitatively and relatively, that has taken place in demand deposits, as compared with time deposits during the war years." The main features of the Bill, according to the statement, are eight in number—(1) a simple definition of banking with the object of limiting the scope of the legislation to institutions in which the funds are deposited primarily to ensure their safety and ready withdrawability (2) prescription of minimum capital standards, (3) prohibition of trading with a view to eliminate non-banking risks, (4) inclusion in the scope of the legislation of banks incorporated or registered outside British India, (5) provision of an expeditious procedure for liquidation, (6) inspection of the books and accounts of a bank by the Reserve Bank when necessary, (7) empowering the Central Government to take action against banks conducting their affairs in a manner detrimental to the interests of the depositors and (8) prescription of a special form of balance sheet and conferring of powers on the Reserve Bank to call for periodical returns. Co-operative banks have been expressly excluded from the scope of the Bill. One interesting provision reads that "at the close of the last working day of each calendar year the assets in British India of every banking company shall not be less than 75 per cent. of its time and demand liabilities in British India."

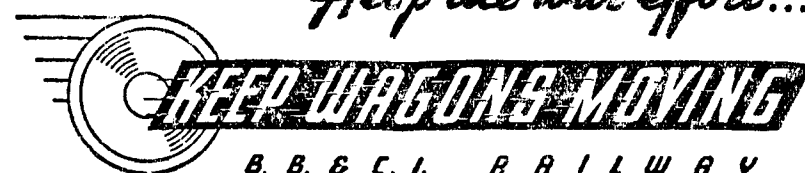
ARGUS.

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Money Market

Spurt in Gilt-edged—Quiet Tone in Bullion Scripts in Favour

(From Our Correspondents)

BOMBAY, Nov. 12, 1944.

A TOTAL of Rs. 15.78 crores tendered for Rs. 6 crores of Government of India Treasury Bills sets the tone for the money market which cannot be otherwise than very easy. The statement of the Imperial Bank dated 3rd November, shows a interesting spurt under Advances to the extent of Rs. 2.04 crores, which is probably the solitary symptom of any demand for money. Even if the financing of the movement of crops should assume fair proportions in coming weeks, it is unlikely to make much difference to the state of the money market, glutted as it is with enormous funds.

Gilt-Edged

The activated firmness of the gilt-edged market follows therefore as a direct corollary to the above monetary context. During the past week, a degree of piquancy was imparted to the trading in the gilt-edged market by the extraordinary intensity of rumours about a reduction in the Reserve Bank Rate from the present level of 3 per cent. The degrees of credence given to the rumour was amazing, and was duly reflected in a terrific rush to buy 3½ per cent. Rupee Paper was quoted as high as Rs. 100-1-0 on Wednesday evening. However, the Reserve Bank was ready to deliver any amount of Paper at par and is reported to have delivered worth a crore of them during the brief speculative spell. This, naturally acted as a quick damper to the prevailing orgy. The market promptly cooled down and 3½ per cent Paper became quiet at Rs. 99-15-0 again. Although there have been no authoritative denials for this rumour as happened in the case of the rupee exchange rate, a certain lack of plausibility for the reported reduction in the Central Bank's discount rate is evident for the following reasons. In the first place, we are now entering the so-called busy season when short credits will be less abundant. Secondly, the Central Government Loans available on tap continue to be offered without any change in the tap rates. Thirdly, any such important and sudden change as a reduction in monetary policy seems unlikely on the very face of it; especially when banks and insurance companies, which have provided the greatest support to the gilt-edged market and which are now overwhelmingly dependent on the return available on gilt-edged investments and are therefore sure to be consulted first in the matter, are already complaining that the yield available on gilt-edged investments is already pretty exiguous, considering that they have to pay a tax of 54 pies in the rupee. Rumours only point to the fact that cheap and still cheaper money is the expectation of the market. The British Government in London has floated recently a Loan at 1¼ per cent in place of the 2½ per cent. 1952-54 Loan. The gilt-edged marked both in India and in Britain has derived strength as a result of this issue. Institutional investors have started switching their investments from undated to terminable loans of a both long and medium-dated variety. Sellers of any security are scarce. It is generally felt that 3½ per cent Rupee Paper should, as a matter of course, be standing steady at Rs. 100 before long. During the week, 3 per cent. 1963-65, 3 per cent. 1951-54, 3 per cent. 1953-55 have all been well supported. Demand for the rupee counter-parts continues at better rates. The 2¼ per cent. 1948-52 was also in good enquiry. A notable feature was the tendency of Sind, and Central Provinces Loans to move up to their issue prices. In Corporation Bonds, an acute scarcity of stock continues, and the time is ideal for Municipal

Corporations like Calcutta and Bombay, who have plans for the taking over of public utility services, to issue loans.

Reserve Bank

According to the Reserve Bank statement dated 3rd November, there was no expansion of currency against sterling securities that week. But active notes in circulation were higher by Rs. 8.36 crores as a result of the transfer of a like amount of notes from the Banking Department to the Issue Department. In the earlier week, the movement had been the other way. It is natural that the Central Government's balances should have declined by Rs. 5.3 crores since the statement pertains to the first week of the month, when usual disbursements are made. It must be remembered that half-yearly interest payments on 3½ per cent. Rupee Paper should also have been made on 1st November. They should have amounted to a fairly large amount, and hence the net decline in Central Government balances in that week to the tune of Rs. 5 crores. On the 15th November also, the interest payments on 3½ per cent. 1947-50 and 4½ per cent. 1950-55 Loans fall due. It is significant that both these Loans have been avoidly taken up by investors latterly. These payments will be reflected in the Bank's statement dated 17th.

Bullion

By its forth-right policy of large sales of gold and silver by tender during the week, the Reserve Bank has been successful in inducing a quiet tone in the bullion market. A cautious attitude marks both the bulls and the bears. While the increasing supplies have gone far to relieve the tension in the ready market which had hitherto been exploited by the speculators, a large decline in prices has not occurred only because of two factors: first, there is a very genuine demand, especially for gold, from the public which is prepared to consider it a good investment around Rs. 60. The offtake has been fluctuating between 50,000 to 75,000 tolas per day; secondly, the feeling prevails that if prices fare much the Reserve Bank might stop supplies.

In Silver, the upcountry demand was much larger than in recent weeks, but was more than offset by the Bank's sales which amounted to about 1,100 bars as against only 800 bars in the previous week as also by arrivals from Kathiawar States. The rates at which the Bank sold varied from Rs. 113.4 to Rs. 115.10.

A noteworthy feature of the week in bullion was the appreciable fall in the differences between the forward and the spot rates. In the case of gold such came down from Rs. 1-8 to about as. 12, while, in the case of silver, it varied from as. 12 to Rs. 1.4, as against Rs. 3 to Rs. 4 in the preceding week. This decline generally reflects the marked fall in short sales, the bears having heavily burnt their fingers in recent weeks.

Stock Exchange

The Share Market displayed a firm undertone. Investment demand was reported to be on a considerable scale. It appears that those, who were holding up their purchases anticipating early termination of the war and a consequent fall in prices, have become tired of waiting, especially with more and more funds accumulating in their hands. They are now said to be freely buying, with an eye for good scrips. Professionals too are extending substantial support, particularly to steels and textiles.

Steel shares, which remained in the background in the recent past, suddenly come into limelight. After

opening quiet and declining to Rs. 2,063-12, *Tata Deferreds* spurted to Rs. 2,163. *Ordinaries* which were standing at Rs. 381 early in the week, hardened to finish at Rs. 386-8.

Among Mill shares, the leading countries were active. *Bombay Dyeings* rose from Rs. 1,750 to Rs. 1,777-8, *Centuries* from Rs. 835 to Rs. 850 and *Central Indias* from Rs. 386 to Rs. 393-8. *Kohinoors* forged ahead to Rs. 595, after an initial setback to Rs. 577. Among outsiders, Brady group shares were the outstanding feature, with New Greats taking the lead. The closing rate for this share at Rs. 406 showed a net gain of 22 points over the previous week.

Public utility and Bank shares ruled very strong in sympathy with the gilt-edged market. Values gained

Weakness in Stock Exchange—Stock of Jute Goods

(From Our Correspondent)

CALCUTTA, November 13.

IT is now clear that there was a considerably overbought position in the speculative activity and that there was not much of genuine support behind the recent upward movement. The Committee of the Calcutta Stock Exchange was worried about the long list of outstanding transactions and, as was reported last week, it was decided to close the markets for two more days in the week and speed up deliveries. The larger deliveries have had naturally an unsettling influence in the market. In sympathy with the easy tone of the Bombay market earlier in the week, light decline in prices was recorded. There is a general tendency to await further developments.

Gilt-edged securities have been steady though 3½ per cent. Paper was uninteresting around Rs. 99-15. Short and medium-dated loans were steady.

Cotton shares have been rather quiet with *Cawnpore Textiles* at Rs. 13-3. *Elgin* were firm at Rs. 67. The strengthen of Bombay issues has not had any effect on this section.

Coal shares have been weak, *Burrakur* recording a decline of Rs. 39-14 ex-dividend from Rs. 41-8. *Sendra* were Rs. 24-4 ex-dividend and *South Karanpura* Rs. 21. *Bokaro and Ramgur* were lower at Rs. 39-13 as the balance-sheet for the half-year ended June, 1944 did not contain any reference to the sale of coal lands to the Tata Iron and Steel Company Limited though there was mention about the working of new collieries which would result in an increase in both earnings and raising. The dividend has been only maintained at 10 per cent. *Equitables* were lower at Rs. 66-12 and *New Manbhoom* at Rs. 34-8. *Raneegunge* were steady at Rs. 240.

The weakness of both the jute and jute manufactures market and the uncertainty regarding the outlook of the industry have been responsible for the lack of any enthusiasm in the jute section. It is satisfactory to note that there is no appreciable decline in prices *Howrah* being quoted at Rs. 83-12 and *Champdany* Rs. 254. *Hukumchand* were unchanged at Rs. 38, *India* were 12 points lower at Rs. 680 while *Nuddea* were steady at Rs. 128.

In the Engineering section *Indian Irons* came down to Rs. 37-14 after being higher earlier in the week at Rs. 38-12. *Steel Corporation* also were easier at Rs. 31-10. *Burn & Co.*, on the other hand were steady on the publication of the annual report for the year ended April, 1944, though the dividend has been only maintained at Rs. 17-8 per share. The net profit for the year is Rs. 29.21 lakhs against Rs. 15.62 lakhs for 1942-43.

Sugar shares were quietly steady in the early part of the week but with the weakness of the other sections the close has been quiet. *Balrampur* were Rs. 16-6 ex-dividend, *Champaran* Rs. 38-12 ex-dividend,

appreciably and the turnover was substantial.

In the former, namely Public utilities, Andhras ruled higher at Rs. 1,820 and *Tata Powers* shot up from Rs. 1,870 to as high as Rs. 1,937-8. Among Banks, *Centrals* were the star feature, the rate for such steadily rising from Rs. 79-12 to Rs. 85. *Imperials* also received good support, the fully-paid penetrating the Rs. 2,000 mark to finish at Rs. 2,015. *Partly-paid*s gained 12½ points to close at Rs. 510.

In the miscellaneous section, *Belapurs* were fully steady at about Rs. 241, while *Associated Cements*, after advancing from Rs. 240-8 to Rs. 245-8, closed lower at Rs. 242-8. *Alcock Ashdowns* improved from Rs. 437-8 to Rs. 453-12 and *Premier Constructions* from Rs. 197 to Rs. 215-8.

(a drop of more 2 points) and *Belsund* Rs. 16. *Carew & Co.*, were steady at Rs. 58-3 and *Ramnugger Cane & Sugar* at Rs. 14.

Tea shares have been the exception *Bishnauth* were unchanged at Rs. 41-12, *Hasimara* were 1½ points higher at Rs. 75-8 and *Tezpor* 1 point higher at Rs. 26.

In Miscellaneous shares *Britannia Biscuits* were very steady at Rs. 25-12 while *Calcutta Trams* fluctuated around Rs. 49-4. *Rohtas Industries* were unchanged at Rs. 38-12 while *Titagur Paper* were easier at Rs. 37-12.

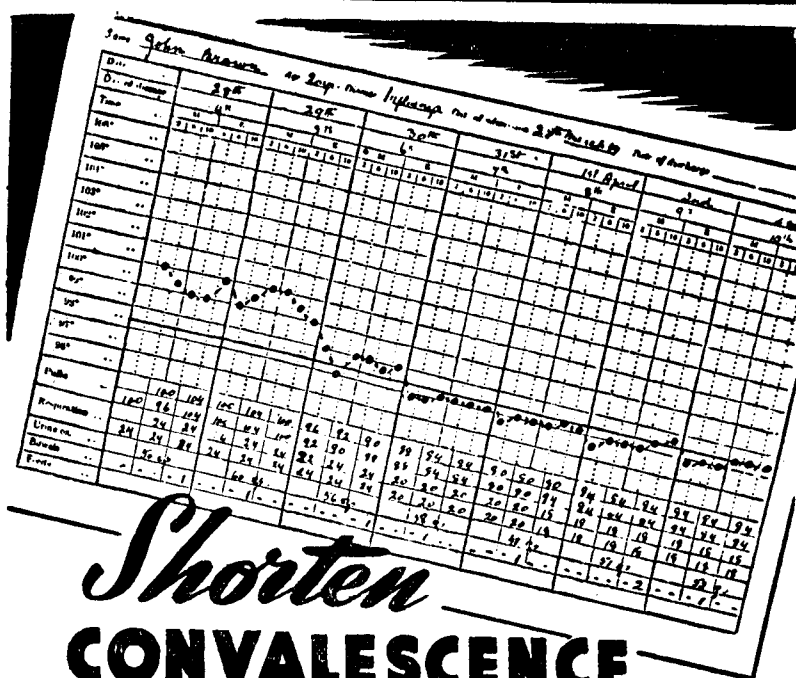
The Jute Market has been quiet with sellers anxious to do business in higher grades at minimum prices. A slightly larger amount of business has been reported in bottom grades but the general undertone is still weak with a predominance of sellers in the market. In the absence of any large shipments mills are not disposed to enter into fresh commitments specially as there is considerable difficulty in respect of godown space. Mofussil markets are also reported to be easier even though arrivals during the past few days have shown a tendency to decline.

In the loose jute market *Supervised Jat Middles*, and *Bottoms* were done at Rs. 15-8 and Rs. 12-8 per maund respectively, *Middles* alone being done at Rs. 15 per maund. European packing *Middles* and *Bottoms* were done at Rs. 16-4 and Rs. 13-4. Export business has been poor. Mills are only interested buyers of Cuttings and Rejections. Small business has been reported in cuttings *N.C. & M.C.* at Rs. 43 and Rs. 42 respectively.

The increase in local stocks for the month of October has come as a surprise to the market as it was generally expected that with the report regarding a lower level of production, there may not be any increase. The rise in stocks of hessian and sacking on a market which is inclined to be bearish the effect has naturally been rather exaggerated. Hessian stocks, cloth and bags, were 28.7 crore yards at the end of October against 27.28 crore yards at the end of the previous month. Sacking stocks were 25.85 crore yards against 24.63 crore yards. The increase in sacking has been only on civil account, the figure under this head being 23.34 crore yards against 22.01 crore yards. Sacking, on military account, were actually lower at 2.51 crore yards against 2.62 crore yards. The increase in hessian stocks is both on military account from 14.85 crore yards to 15.4 crore yards and on civil account to 13.35 crore yards from 12.73 crore yards.

The market is very weak with secondhand sellers offering a discount for both 9 porters and 11 porters. Mills are anxious to do business but are not prepared to reduce their rates.

In the heavy goods section weakness continued to prevail and there has been a further decline in the quotation for *B. Twills* to Rs. 59-8 from Rs. 62-8.



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THE BUSINESS WORLD

DEATH DUTIES

IN his last Budget speech, Sir Jeremy Raisman ended with the limit that the Government of India have under active consideration the possibility of an estate duty on non-agricultural property, which would be levied by the Centre but of which the proceeds would be assigned to the Provinces, on whom so large a share of the building of the future would inevitably fall under any constitutional dispensation. Sir Jeremy adduced two special reasons for the proposed duty. Firstly, he reminded, in spite of war-time taxation, "enormous private fortunes" have been made during the war, aggravating the great inequality which already existed and the introduction of death duties would be a great equalizing measure. Secondly, even in a modest programme vast sums would be needed for the post-war development of the country and "there is manifest justification for a system of death duties whereby these large fortunes will be laid under contribution." If we have after the war an economic plan even remotely commensurate with the essential adequacies of our socio-economic set-up, the orthodox fiscal system such as Sir Jeremy has been accustomed to, even if buttressed by an imposing "system of death duties," could hardly be expected to be continuously or synchronously equal to the cumulative and lateral financial pressure such as would be exerted by a rapidly increasing tempo of economic development, and undoubtedly, as we shall see in a subsequent issue, we shall have to fall back on a fiscal and distributive system which would be somewhat unorthodox in structure.

Nevertheless, even if we reject the Finance Member's plea that any system of death duties could, either in continuity, synchronization or volume of yield, respond to the strenuous financial requirements of a planned economy, there could be no doubt that it would have a prominent place, at any rate, as a distributive machinery, in the fiscal armoury of India. It is understood that the Government of India are now bent upon going ahead with their plan to enact a law to impose estate duties on non-agricultural property, and it is expected that the draft bill would be ready for introduction in the Central Assembly during the coming budget session. To the Government the immediate hurdle has been the constitutional one, that is to say, the element of uncertainty as to whether the Central Government is competent to legislate on the subject under the constitution. There could be no doubt that, as the Indian Taxation Enquiry Committee reported, central legislation would be essential to avoid setting up of anomalies as between different provinces. In the Seventh Schedule to the Constitution Act, there is provision for the Central Government to impose "duties in respect of succession to property other than agricultural land." (Item 56.) Item 42 of the Provincial Legislative List, however, vests with the Provincial Legislature the right to collect "duties in respect of succession to agricultural land," but the preceding item in the Provincial List also gives the Provincial Legislature the right to impose "taxes on lands and buildings, hearths and windows." On the other hand, item 8 of the Concurrent List specifies "transfer of property other than agricultural land; registration of deeds and documents." The Federal Court, on reference to it, has, however, opined that the succession duty included in the list in the Seventh Schedule did not include estate duty. The Government, nevertheless, hopes to overcome the hurdle through necessary enabling constitutional amendment by the British Parliament, although, under Section 104, the Governor-General could have the estate duty included in the Seventh Schedule, through a notification. Politically, no doubt, it would

be better if the necessary amendment is carried through, on the recommendation of the Provincial Governments or Central Legislature.

Nevertheless, a more serious difficulty would be that offered by the personal laws applying to Hindus and Muslims which might stand in the way of making probates and letters of administration compulsory. However, it has generally been recognized that although the difficulties connected with the joint family system, especially in relation to property to be assessed and to the machinery for collecting the tax, are real, a general inheritance tax would be eminently practicable and would involve no "revolution". A death duty has been levied in Bikaner for a long time, graduated by degree of relationship. The principle of compulsory representation is nothing new in India; only it has to be extended and made comprehensive. Nor would it entail any fundamental change for the joint family as a system or as a mode of living; only for fiscal purposes and assessment, the share of the deceased person would be taken as if a partition had taken place on the day of his death. On the contrary, such a general system of representation would be of advantage to the respective communities even from the social point of view, because it would strengthen the position of the family of the deceased against "designing relatives to traffic in family dissensions when property passes at death." However, the imposition of the death duties in such fashion on the undivided family should also, in the interest of equity, involve some analogous alteration in the basis of assessment for income-tax purposes, since probably it would be unfair to treat joint family property as joint for income-tax purposes and as partitioned for purposes of death duty.

At the time of the Indian Taxation Enquiry Committee (1924-25), the grounds on which a general levy of inheritance taxes were deemed inexpedient were: (1) they would fall with special severity on the land-owning classes, (2) that there would be great difficulty in the valuation of chattels, (3) that the habit of investment was in its infancy, (4) that there were no reliable figures of trading incomes on which the capital value of business concerns could be based, and (5) that the Mitakshara joint family introduced complications which could not be surmounted. The Committee itself then disposed of all these points with considerations which have today, if anything, gained in strength. The Mitakshara system of law offers no insurmountable obstacles; relevant statistics are today much ampler and the fiscal machinery much strengthened, especially in connection with the war-time Excess Profits Tax, in spite of recognized prevalence of evasions; the people are very investment-minded; the difficulty about valuation of chattels would be much attenuated if the exemption limit is put at the proper level. However, the most important economic argument would be that from the point of view of modern canons of fiscal progressivism, our fiscal system, lacking the reinforcement of a system of death duties, is vitally defective—defects which cannot be rectified by any stiffer income-tax system: in other words, without a system of death duties, the progressive unbalancing of the proportion of earned—unearned income in society cannot be prevented, for while the income-tax can keep down the inequality of current incomes, only a death duty could prune down unsocial and lopsided growth of the source of unearned income, which has not been mitigated by the inflationary economies during the war. Although the Finance Member had specially in mind "the enormous private fortunes"

which have been made during the war, it is inconceivable that he could have thought that a system of death duties would do the job of a capital levy which is enjoined by classicists when a heavy accumulation of monetary capital in the country is unaccompanied by a corresponding accumulation of physical capital. In India the case is somewhat different, for the accumulation of monetary capital appears not merely as an expanded stock of internal legal tender, but as balances of foreign exchange resources which represent a corresponding draft on foreign labour and materials: in other words, the heavy accumulation of money capital is backed by a potential or deferred accumulation of physical capital, so that there is no clear case for a capital levy in India in the present circumstances.

There is, therefore, a clear case for the early introduction of "a general inheritance tax on the lines of least resistance," as an essential distributive accompaniment of a planned economy. It is ridiculous to suppose that even a system of death duties as steeply graduated as that obtaining in Great Britain or the United States, would soon pulverize all big-sized properties to a common order of smalls and so dry up all sources of big savings; a little statistical investigation would unmistakably reveal the falsity of such assumptions. Especially in a planned economy in which the entire national income rapidly doubles itself, it would be a natural expectation for any particular property which has been severely mulcted once by the impact of death duties, to be able to more than recoup the loss before the second impact descends on it. It would be shifty to pretend that the present Government, which is by all showing irresponsible and even unresponsive to clear gestures of public opinion, should not proceed with legislation regarding early introduction of death duties and that we should wait until we

have a national government. Even if the death duties are introduced today, it would presumably take at least two or three years before the duties take full effect. We can no more wait for death duties than we could wait for the starting of the Department of Planning and Development until we had a national government.

Nevertheless, the most controversial part of the Government's proposals is undoubtedly the exclusion of agricultural property from the ambit of the death duties. This exclusion is a serious lacuna which would detract from the essential purpose of the death duties as a distributive machinery. Many indeed believe that what has persuaded the Government to keep out of their proposals all agricultural property is not so much the demarcations of constitutional competence, whatever that may mean, but the fear of, or deference to, powerful landed interests. The exigencies of the war and prevailing high agricultural prices have proved extremely favourable especially to the large agricultural estates and one of the original objections to death duties on agricultural properties has probably disappeared. Will death duties lead to a further fragmentation of agricultural properties and be inimical to collective and co-operative farming? There is no reason why this should be so. No doubt death duties would press harshly on stagnant farm economies and provide a slow and peaceful method of eliminating any obsolete and oppressive land system where it prevails and a method of land rationalization; but in a progressive and expansionist farm, death duties could rest lightly, especially if they are commuted through insurance schemes. Any system of death duties in India must clearly take cognizance of the peculiarities of the landed and social structure in India, but there can be no doubt that this important reinforcement of our fiscal system is both practicable and overdue.

NOTES

THREAT TO INDIA'S COTTON

The announcement of the U.S. subsidy proposals for cotton exports has been followed by a decline in Indian raw cotton prices. The U. S. Government have, under the programme of loans to farmers, accumulated large stocks of raw cotton which can be disposed of only in foreign markets. But such a policy will have a disastrous effect on India's exports of raw cotton. Although under stress of war there has been a considerable change over of acreage from cotton to food, which may continue even after the war, India will still remain one of the important exporters of raw cotton and is therefore entitled to a fair price for the commodity. Release of surplus U.S. stocks should be done only in an orderly manner and by international agreement among the cotton interests concerned, not by heavy subsidies and disorderly competition spelling ruin to the weaker producers of other countries, which are without America's financial strength. As Sir Purushotam Das has pointed out, if the financial resources of a country are to determine its share in export markets, the inevitable result will be a return to the vicious circle of trade barriers, which is so very loudly denounced in the U.S.A. The Indian Delegation to the World Business Conference has rightly asked for clarification of the attitude of American business men (so much opposed to controls and in favour of untrammelled trade) to their Government's proposals of export subsidy. Meanwhile the Government of India should sit up, take note of this contingent threat and consult with other producing interests as to the safeguarding steps that will be necessary, once export dumping begins.

TAX EXEMPTIONS FOR INDUSTRIAL RESEARCH

The Industrial Research Planning Committee at its recent meeting at Bombay considered the proposal to amend the Income-Tax Act on the lines of recent tax amendments in the U.K., so that provision for industrial research be treated as permissible items of expenditure for income-tax assessment. Industrial research in this country is deplorably low, being almost confined to some chemical research. Vast fields yet remain uncovered. Even in the chemical field, with one exception, the majority of the units do not have a really good library or laboratory. Further, in view of the recent technological developments, the leeway that India has to make up is really immense. As such the suggestion made by Sir R. K. Shanmukham Chetty "that research contributions made by any manufacturer to any industrial association, university or college should be treated as permissible items of expenditure for income-tax assessment" is both opportune and very welcome. The case for a vigorous research drive under Government aegis itself is overwhelming and the least that Government owe to the country's industrial development is to enable industry itself, through generous allowances for research, to go as far ahead with the task as possible. It is instructive, in this connection, to recall that the British Government have recently still further extended the relief given in respect of expenditure. The practice before this year's amendments had been that the Inland Revenue Department allowed as a deduction from taxable income all annual payments made by a trading concern to a central research body approved by the Department of Scientific and Industrial Research. In regard to the provision of individual research facilities, only the

expenditure of a revenue character, was exempted from tax assessments. According to the latest changes, even "research expenditure of a capital character, which means normally expenditure on laboratory buildings, plant and machinery, should be allowed over a period of five years, or over the life of the assets if shorter, as a deduction from profits for income-tax purposes. In addition, all current research expenditure, such as salaries, wages, costs of materials, repairs and so forth will be allowed as and when incurred." It is to be hoped that the Government of India will show a sense of realities in regard to the effects of taxation upon industrial progress and effect this tax reform.

CONTROL OF CAPITAL ISSUES

Some available details about the working of the capital issues control in India for a period of little less than a year go to support the public fears and apprehensions about the practice of some "pet preferences" by the Government of India. The figures reproduced below clearly reveal that the Government have been favourably inclined to accord their permission to all the new flotations of transportations numbering 95 with the aggregate capital asked for being Rs. 148.24 lakhs. The further issues of such companies, 21 in number, have been also admitted with no reduction in the capital of Rs. 22.81 lakhs. Although fuller information is not at hand about the agricultural concerns, it would not at all be presumptuous to conclude from the figures that there too some discrimination is in existence. The fresh agricultural flotations applying for permission were 38, of which 31 have been allowed to be born with Rs. 116.02 lakhs and their number seeking further issues was 64 of which 57 have been allowed with a capital of Rs. 182.62 lakhs. The chemicals, and iron, steel and engineering companies, whose importance cannot be minimized in any industrial structure, have been positively discouraged in which cases the total capital asked for has been cut down by 50 per cent. in their initial issues and by 20 per cent. in their further issues. The fact of "pet preferences" becomes patently clear when these percentages of reduction are placed in the juxtaposition with 100 per cent. approved capital figures in the case of transport and agricultural companies.

Capital Issues between 17th May 1943 and 31st March 1944

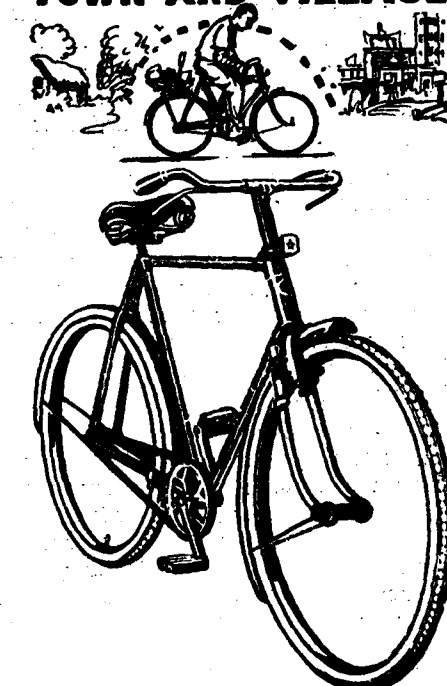
	No. of Cases disposed of.	No. of Cases agreed.	Total Capital asked. (In lakhs of Rs.)	Total Capital agreed.
INITIAL ISSUES				
1. Chemicals, etc.	67	54	273.02	128.75
2. Iron, Steel & Eng.	50	39	223.01	121.71
3. Transport	95	95	148.24	148.24
4. Agriculture	38	31	..	116.02
FURTHER ISSUES				
1. Chemicals, etc.	65	56	189.51	146.02
2. Iron, Steel & Eng.	59	55	178.44	135.06
3. Transport	21	21	22.81	22.81
4. Agriculture	64	57	..	182.62

FULL EMPLOYMENT IN U.S.A.

Plans for the reconversion of industry to normal production seem to have reached a more advanced stage in the United States than anywhere else. The general objective is undoubtedly to prevent the slump that might otherwise set in when the last gun is fired. The war-time expansion of industrial activities has to be maintained after the war if a very serious degree of unemployment is to be averted. Recent studies of the Department of Commerce have estimated that if civilian production in 1946 were no higher than in 1940, there would be a total of 19.5 million unemployed. This figure is made up as follows: 8.9 million who were

actually unemployed in 1940 plus another 8 million, who would be thrown out of work due to improvements in efficiency and technological advancements since that date plus 2.6 million, which would be the increase in the civilian labour force during the six-year period. The problem, of course, is by no means peculiar to the United States and is, perhaps, the most important transition problem for the war economies of many countries, including our own. There is, however, one striking difference between the American approach to a solution and those favoured elsewhere. Roughly speaking, it may be said that in all the major countries, outside the United States, a large measure of Government control is postulated as the essential condition of smooth and orderly transition. In the United States, however, the major categories of opinion—official, commercial as well as academic—seem to be agreed that the Government's role should be limited to the organization of an economic climate, where private enterprise will have the fullest opportunities for initiative and action consistent with the social good. Thus, reliance is placed primarily on a high level of individual consumption and private investment as the twin pillars of the expansionist economy. Progressive elimination of price controls, easing of the tax burden on the income groups as a means of creating a larger market for consumers' goods, a full-fledged social security programme and a large export balance for making use of excess or idle savings are some of the features of a policy, which has come to be widely advocated.

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FROM THE PROVINCIAL ANGLE

(From Our Correspondent)

Madras Letter

MADRAS, Nov. 11.

POST-WAR reconstruction plans have been very much in the news in recent weeks and the various committees entrusted with the task have been busy. As regards industries, it appears that Madras will have to follow the policy of regional development as laid down by the Government of India. In this connection, it is stated that the authorities will not be bound by any priority arrangements made by individual industrialists even though advance payments may have been made. No doubt the Government would be alive to the danger of foreign cartels being built up in India and taking shelter behind any tariff walls which might be built up for the protection of indigenous industries. Still, the industrialists would want an assurance that the less favoured parts of the country would receive preference when questions of priority for the import of machinery arose. The need for the development of hydro-electric power and its adjudication as between the industrial and agricultural demands has also been stressed.

Post-War Agricultural Policy

What would be the extent to which Madras Province could and should become self-sufficient in food-grains after the war? Will it be possible to fix a minimum economic price for paddy? Will it be possible for the Government to insist on a proper division of the arable land in the province between food and commercial crops? Will it be also possible to control the area under various commercial crops with reference to the prices likely to prevail when they come to the market? These are the broad questions being discussed with regard to post-war agricultural problems.

Forestry and live-stock being allied to agriculture, it would be relevant to mention a few details. Madras has already 12 per cent. of its area under forests as against the ideal of 20 to 25 per cent. recommended by the Policy Committee of the Government of India. There is also an additional 3 to 4 per cent. of private forests or scrubby reserves. So that the ideal is possible of achievement. But the question of providing green fodder for cattle in forest areas is bound to be raised sooner or later. The opening up of a farm in each district to breed cattle and sheep and rear poultry with a view to improve live-stock seems to be the main plan now under discussion.

Provincial Co-operative Conference

Certain important principles of co-operative movement came up for discussion at the Provincial Co-operative Conference held recently in Madras. Sir Hugh Hood in his opening address to the conference warned the co-operative institutions against lending for long-terms, the money borrowed on short terms. Land mortgage banks had been started to help the agriculturists and he therefore stressed that they must be in an unassailable sound financial condition. Sir Hugh Hood was against multi-purpose societies and believed

in single-minded effort and preferred the Danish model of single purpose societies. Sir V. T. Krishnamachariar who presided over the conference emphasized that there was hardly a rural problem for the solution of which co-operation cannot be employed. In fact he declared: "If co-operation fails there will fail the best hope of rural India." Sir Krishnamachariar advocated the creation of an Imperial Council of Co-operation to work in close collaboration with the Imperial Council of Agricultural Research. He also expressed the view, from his personal experience, that mechanization of agriculture had only a restricted use.

Working of Debt Legislation

Since the Madras Agriculturists' Relief Act was passed in 1938 by the Congress Ministry the amount involved in applications for scaling down the debts has amounted to Rs. 9.3 crores and the amount actually scaled down was Rs. 4.44 crores. Nearly two lakhs of cases have been disposed off during the period. It is therefore evident that the Act has benefited the indebted agriculturists to a large extent.

The Stock Exchange

The Stock Exchange was very quiet during the first half of the fortnight under report. During the current week, the latest developments in China and the Presidential election in America provided some interest to the operators and there was a fair turnover. In the gilt-edged market, very firm conditions prevailed. Three and a half per cent. Paper after touching par declined fractionally by an anna, but some small lots were placed at as high as Rs. 100-8-0. In sympathy with the securities market, bank shares were very firm and a fair turnover resulted. *Central Banks* were a feature rising to Rs. 85. *Reserve Banks* were keenly sought for and the quotation rose to Rs. 131. Local bank shares were also supported. Textile shares were avidly bought and values showed a good improvement. *Cambodias* were actively dealt with upto Rs. 31-6-0. *Buckingham*s rose to Rs. 307-8-0. *Lakshmi Old* came in for business at Rs. 167. *Coimbatore Spinning* encountered selling following a disappointing balance-sheet and declined to Rs. 161. There was selective buying in Plantings. *Cochin Malabars* changed hands at Rs. 17-6-0. *Travancore Rubbers* were popular, rising by two points to Rs. 19-8-0. *Tropical Plantations* were dealt with at Rs. 35-8-0. *O. Valleys* at Rs. 11-12-0. *Vellamalais* at Rs. 29-8-0 and *Consolidated Coffees* at Rs. 13-8-0 c.d. were some of the other active scrips. In the miscellaneous section, chemicals saw a large volume of business. *Indian Steel Rollings* were active at Rs. 8-4-0. *Andhra Cements* rose to Rs. 122-8-0 with good support.

NOTICE.

Advertisers will please note the slight increase in rates which apply to new and renewal business with retrospective effect from 1-11-44. New rate card and explanatory circulars have been posted separately. It is requested that all matter intended for advertising should reach us by last post on every Wednesday at the latest.

ADVERTISEMENT RATES.
(Ordinary Position).

Flat rate .. Rs. 6 per col. inch.
Prospectuses, Company
and Financial No-
tices .. " 10 " "
(the minimum charge for a prospectus being Rs. 200)
Legal, Railway and Public Notices Rs. 8 per col. inch.
Rates for special position on application.

MANAGER.

Commodity Markets

HAPUR, Nov. 15, 1944.

Grains and Pulses: The wheat, barley and *Arhar* markets at Hapur and other U.P. centres maintained quiet feeling while other markets such as gram, peas, maize, *Bazra*, *Juwar*, *Urad*, *Moong*, etc. showed an upward trend owing to good trade demand and small arrivals. The wheat arrivals which decreased in the past week due to some local reasons have now again increased, the weekly total being 1,350 maunds.

The wheat position is steadily improving here and the stock is now put at 223 *khattis*. The stocks of other grains are: Gram 48 *khattis*; Barley 154 *khattis*; Peas 139 *khattis*; *Arhar* 133 *khattis* and *Bajra* 31 *khattis*.

The weather conditions have been satisfactory and the sowings of *Rabi* crops have now finished. Reports concerning germination of plants are very promising.

Gur: The *Gur* prices were easy owing to increased arrivals, the daily average being 2,500 maunds. The exports totalled 40,000 maunds during the week.

Guwar: The *Guwar* market was characterized by a bullish sentiment and higher prices on all-round buying enthusiasm prompted by paucity of stocks, difficulties in loading of *Guwar* from stations of surplus areas and firmness of other commodities. The speculators of Muzaffarnagar, Narraul, Bhatinda and Delhi markets acted as principal buyers. Traders are anticipating further firmness in prices. *Guwar Magh* opened at Rs. 6-1-0 and closed at Rs. 6-7-3/4, touching the highest and the lowest at Rs. 6-7-7 1/2 and Rs. 6-0-6, respectively.

The following are the latest quotations:—

Wheat: Ready Dara Rs. 9-12-0; Gram: Rs. 6-15-3; Barley: Rs. 5-5-3; Peas: Rs. 5-11-6; *Arhar*: Rs. 6-6-3; Maize Rs. 5-8-3; *Juwar* Rs. 5-2-6; *Gur* Rs. 8-6-0.

COMILLA
BANKING CORPORATION Ltd.,

Head Office:— COMILLA. Estd. — 1914.

The Bank that always strikes a nice balance between cupidity and liquidity and that transacts all kinds of banking business both inland and overseas.

Branches:—

Calcutta, South Calcutta, High Court, Burra Bazar, Bombay, Mandvi (Bombay), Delhi, Benares, Cawnpore, Lucknow, Cuttack, Dibrugarh, Jalpaiguri, Dacca, Nawabpur, Brahman Baria, Barisal, Jhalakati, Chandpur, Purnan Bazar, Hajiganj, Narayanganj, Netaiganj, Bazar Branch (Comilla), Chittagong.

FOREIGN AGENTS:—

London Agents:
Westminster Bank Ltd.

American Agents:
Bankers Trust Co. of New York.

Australia Agents:
National Bank of Australasia, Ltd.

MR. N. C. DATTA, M.L.C.,
Managing Director.

L L

Insurance is a Means to Financial Security

THE
JUPITER GENERAL INSURANCECOMPANY, LIMITED
(INCORPORATED IN INDIA)

TRANSACTS

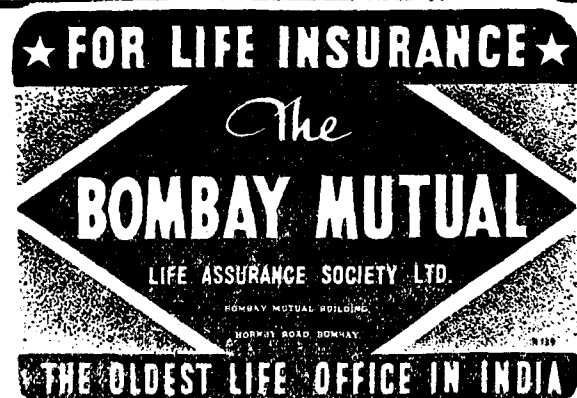
LIFE, FIRE, MARINE, ACCIDENT AND OTHER
PROGRESSIVE TYPES OF INSURANCE BUSINESS

Authorised Capital	Rs. 2,00,00,000
Issued & Subscribed Capital	" 1,50,00,000
Paid-up Capital	" 23,74,800
Total Assets Exceed	" 1,07,50,000
Total Life Assurance Fund	" 28,49,000
Exceeds	"

The above figures speak convincingly about the Popularity and Confidence of the Public enjoyed by the Company.

HEAD OFFICE:

IMPERIAL BANK BUILDING, BANK STREET, FORT,
BOMBAY



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 1531

CURRENT STATISTICS

A—Finance and Banking

ISSUE DEPARTMENT					RESERVE BANK	
(Rs. in lakhs)						
	3-11-44	27-10-44	5-11-43	1-9-39	3-11-44 compared with 1-9-39	
Notes held in the Banking Dept. ..	7.14	15.64	9.43	9.87	- 2.73	
In circulation ..	934.90	956.54	790.62	182.13	+782.77	
Total Notes ..	972.03	972.18	800.05	217.18	+754.85	
A. Gold Coin and bullion* ..	44.41	44.41	44.41	44.41	Nil	
Sterling Securities ..	856.33	856.33	631.84	59.50	+796.83	
Total of A ..	900.74	900.74	729.25	103.91	+796.83	
B. Rupee coin ..	13.45	13.60	12.47	75.87	- 62.42	
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45	
Silver bullion under coinage ..	..	..	..	..	..	
% of Reserve to liabilities ..	92.886	92.652	91.151	83.149	+ 9.517	
IMPERIAL BANK						
(Rs. in lakhs)						
	3-11-44	27-10-44	5-11-43	1-9-39	3-11-44 compared with 1-9-39	

Fixed Deposits, Savings Bank, Current and other Accounts ..					
240.20	236.56	195.61	87.26	+ 152.94	
Govt. Securities ..					
129.67	129.12	132.57	51.03	+ 88.64	
Other Investments ..					
3.57	3.57	2.59	93	+ 2.81	
Loans					
8.49	8.64	12.74	7.66	+ 83	
Cash Credit Overdrafts					
44.07	43.00	20.93	19.75	+ 24.31	
Bills discounted ..					
4.54	3.43	2.67	2.95	+ 1.59	
Cash in hand, with R.B.I. and other Banks					
49.67	48.87	35.07	14.69	+ 34.98	

BANK OF ENGLAND (£ '000)				
1-11-44	25-10-44	3-11-43	30-8-39	
Total Bullion ..	2,541	2,507	1,975	263,700
Public Deposits ..	11,400	6,200	6,100	31,100
Other Deposits ..	242,000	257,900	205,300	129,100
Of which Bankers' Deposits ..	193,000	203,800	152,800	90,100
Govt. Securities ..	220,500	220,200	163,300	113,100
Other Securities ..	15,000	14,700	17,900	31,000
Of which Discounts and Advances ..	10,100	8,800	1,000	6,400
Notes and Coins ..	31,500	38,100	46,900	34,200
Notes in circulation ..	1,171,000	1,164,400	1,005,000	529,500
% Reserve to liabilities ..	12.13	14.44	22.18	21.38

TREASURY BILLS SALES (3 Months' Tenure) (Rs. '000)				
Date of issue 1944	Amount tendered	Amount accepted	Average rate	Interest sold in favour of Issue Dept.
June ..	50,62.50	30,00.00	0 7 3	8,52.50
July ..	37,36.75	16,00.00	0 7 9	13,76.00
August ..	60,45.75	20,00.00	0 7 8½	8,82.50
September 1 ..	14,52.50	6,00.00	0 7 7	61.25
" 8 ..	14,57.50	6,00.00	0 7 10	2,00.00
" 15 ..	14,61.50	6,00.00	0 7 11	2,00.50
" 22 ..	10,00.50	6,00.00	0 7 11	1,45.50
" 29 ..	10,00.50	6,00.00	0 7 11	2,70.00
October 6 ..	12,80.75	6,00.00	0 7 11	6,83.25
" 13 ..	13,14.50	6,00.00	0 7 11	2,71.00
" 20 ..	13,14.50	6,00.00	0 8 0	2,31.50
" 27 ..	15,00.50	6,00.00	0 7 11	27.00
November 10 ..	18,00.00	60,000	0 7 10	..
Total outstanding	18,00.00	60,000	0 7 10	..

CLEARING HOUSE RETURNS (Rs. in lakhs)				
Centres	1943-44	1944	1944	1944
Bombay ..	20,42.31	6,91.78	1,53.39	1,96.21
Calcutta ..	17,40.12	7,01.92	1,97.27	2,24.41
Cawnpore ..	1,02.41	37.55	7.52	8.76
Delhi ..	1,21.08	39.35	8.40	10.69
Karachi ..	1,02.84	38.28	7.90	11.32
Lahore ..	78.82	30.36	7.11	8.25
Madras ..	2,00.02	78.25	16.59	22.37
Total ..	43,48.50	16,07.49	3,98.27	4,82.01

CASH POSITION (Rs. in lakhs)					
					3-11-44 compared with 1-9-39
3-11-44	27-10-44	5-11-43	1-9-39		
Reserve Bank of India					
7.35	15.93	9.53	35.15	— 27.80	

BANKING DEPARTMENT

BANKING DEPARTMENT (Rs. in lakhs)					
	3-11-44	27-10-44	5-11-43	1-9-39	3-11-44 compared with 1-9-39
Cash	7.35	15.93	9.53	35.15	— 27.80
Balances held abroad* ..	324.53	312.90	133.91	10.08	+314.45
Investments ..	11.72	11.57	7.21	6.81	+ 4.91
Bills discounted—					
(a) Internal and External ..	..	..	..	1.16	— 1.16
(b) Treasury Bills ..	..	..	..		
Loans and Advances to Govt. ..	87	1.58	1	31	+ 55
Deposits:—					
(a) All Govts.† ..	204.48	209.79	63.98	14.59	+189.59
Of which G. of I. ..	193.13	196.49	49.51	14.89	+173.24
(b) Banks ..	113.10	105.08	66.40	26.91	+ 86.19
(c) Others ..	6.89	10.30	8.20	1.24	+ 7.75
*Including Cash and Short-term Securities.					
†Including Burma Government.					

SCHEDULED BANKS					
(Rs. in lakhs)					
	27-10-44	20-10-44	29-10-43	1-9-39	27-10-44 compared with 1-9-39
Demand liabilities					
in India	603.68	595.15	467.32	136.36	+467.32
Time liabilities in					
India	196.28	194.89	138.71	102.24	+ 94.04
Cash in India ..	27.43	27.86	19.89	6.70	+ 20.78
Balances with Reserve Bank ..	104.34	102.27	70.33	25.17	+ 79.17
Advances in India ..	195.94	197.41	154.28	101.52	+ 94.42
Bills discounted in India ..	10.23	9.94	4.84	3.57	+ 6.66

U.S. FEDERAL RESERVE BOARD (Million dollars)				
9-11-44	2-11-44	11-11-43	31-8-39	
Resources—	18,779	18,835	20,234	14,661
Total Reserves ..	..	..	..	..
Total Bills Discounted ..	401	359	22	(6,190)
Bills bought in open market ..	..	..	..	(550)
Total U.S. Govt. Securities ..	17,957	17,605	9,865	2,426
Liabilities—				
F.R. Notes in actual circulation ..	21,015	20,823	15,918	4,609
Reserve Account ..	14,159	14,803	12,198	10,951
Total Reserve to Deposit and F.R. Liabilities ..	50.6%	51.2%	67.0%	86.9%

TREASURY BILLS MATURITIES (3 Months' Tenure) (Rs. '000)				
Date of maturity 1944	Amount	Date of maturity	Amount	
August ..	16,00.00	December 8 1944 ..	6,00.00	
September ..	30,00.00	" 15 ..	6,00.00	
October ..	16,00.00	" 22 ..	6,00.00	
November ..	20,00.00	" 29 ..	6,00.00	
November 4 ..	4,00.00	January 6 1945 ..	6,00.00	
" 10 ..	4,00.00	" 13 ..	6,00.00	
" 16 ..	6,00.00	" 20 ..	6,00.00	
" 25 ..	6,00.00	" 27 ..	6,00.00	
December 1 ..	6,00.00	February 3 ..	6,00.00	
Total outstanding ..	76,00.00	10 ..	6,00.00	

STERLING PURCHASES BY RESERVE BANK OF INDIA				
1943-44	April-Aug. 1944	Sept. 1944	Aug. 1944	Sept. 1943
Amount (£ in '000)	103,309	43,080	7,037	10,218
Average rate of purchases remained	£0-1-6	all along.		

EXCHANGE RATES (T.T.) (000's omitted)				
	Nov. 17, '44	Nov. 10, '44		
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 (\$)	4.02½—4.03½	4.02½—4.03½		
New York on London (\$)	4.03	4.03		

BANK RATES				
	Date of last change	Previous Rate	Present Rate	
Bombay ..	28th Nov. 1939	3½%	3%	
London ..	26th Oct. 1939	3%	2%	
U.S.A.—New York	29 th Oct. 1942	1%	½%	
Fed. Res. ..	27th Oct. 1942	1½%	1%	

8—General

INDUSTRIAL DISPUTES IN BRITISH INDIA (1942-44)

	1942	1943	1944	1944	1944	1944	1944	1944	1944	1944	1944
			Jan.	Feb.	March	April	May	June	July	Aug.	Sept.
Number of stoppages ..	694	639	48	66	58	52	86	55	38	42*	
Stoppages due to wages ..	359	392	23	44	23	28	35	28	15	18	
Workers involved ..	7,72,653	3,63,936	48,629	50,610	68,970	43,852	1,11,335	36,764	32,195	44,362†	
Man-days lost ..	57,79,965	13,41,963	1,28,196	2,09,003	1,70,331	98,754	17,02,154	1,24,922	92,203	2,28,430†	
Successful ..	117	85	7	10	8	7	15	12	9	3	
Partially successful ..	169	196	8	4	7	6	8	5	2	5	
Unsuccessful ..	378	188	14	27	27	18	40	14	11	15	
Indefinite ..	17	45	8	6	5	9	14	17	8	8	
In progress ..	13	124	6	18	10	9	7	2	5	7	

† Results not available in 3 cases.

‡ Does not include figures for 4 stoppages.

* Results not available in 4 cases.

Source: Indian Labour Gazette

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

	July 1944	June 1944	Apr.-July 1944	Increase or decrease over June 1944 in July 1944
Exports (Indian) ..	21,34.97	18,90.22	72,42.45	+2,44.75
Exports (Foreign) ..	55.64	28.56	1,88.09	+27.08
Exports (Total) ..	21,90.61	19,18.78	74,30.53	+2,71.83
Imports ..	19,28.14	14,35.88	63,35.21	+4,92.26
B.T. in merchandise (Private) ..	2,62.47	+4,82.90	+10,95.32	7,55.37

INDEX NUMBERS OF PRICES OF INDIAN SECURITIES*
(Base 1927-28=100)

Months	Govt. Securities (Fixed yield)	Industrial Securities (Fixed yield)	Variable yield
April ..	110.5	116.1	130.4
May ..	112.3	115.8	130.0
June ..	113.1	116.1	137.0
July ..	115.2	116.8	141.1
August ..	115.5	117.0	142.2
September ..	116.1	117.3	147.7
October ..	116.2	117.5	148.5
November ..	116.3	117.6	150.4
December ..	116.2	117.6	153.5
January ..	116.1	118.3	1520
February ..	116.1	118.2	153.6
March ..	116.1	117.7	157.1

* Monthly Survey of Business Conditions in India, March 1944.

ELECTRICITY STATISTICS

	Generated Units (millions)	Sold Units (millions)
1939-40 total ..	2,156.9	1,819.9
1940-41 ..	2,297.8	1,940.6
1941-42 ..	2,655.1	2,353.6
1942-43 ..	2,714.3	2,416.0
1943-44 ..	2,896.6	2,586.2
April ..	249.6	244.7
May ..	254.8	226.7
June ..	255.0	225.6
July ..	247.6	224.3
August ..	224.2	206.4
September ..	213.0	199.1
October ..	208.5	195.1
November ..	223.5	194.8
December ..	234.3	197.6
January ..	269.9	229.6
February ..	252.5	216.9
March ..	223.7	225.3

Note: The units of electric energy generated and sold by the P.W.D. and military stations in British India have not been taken into account.

FOOD INDEX (WHOLESALE PRICES)*

Week ending	Index	Increase or decrease
Average for July ..	236.9	+4.8
" " August ..	237.3	+0.4
" " September ..	234.2	-3.1
" " October ..	233.9	-0.3
2nd September 1944 ..	237.3	+1.5
9th ..	235.4	-1.9
16th ..	235.5	+0.1
23rd ..	232.4	-3.1
30th ..	230.4	-2.0
7th October ..	230.4	nil
14th ..	232.5	+2.1
21st ..	234.7	+2.2
28th ..	234.6	-0.1

* Issued by the office of the Economic Adviser to the Government of India.

RAILWAY STATISTICS (CLASS I ONLY)

(Period: April 1 to Oct. 10, 1944)

A.—EARNINGS

	Up to 10-10-42	Up to 10-10-43	Up to 10-10-44	Increase (+) or decrease (—) in the current year as compared with previous year
Railways	10-10-42	10-10-43	10-10-44	Amount %
B. & A. ..	5.54	8.50	13.36	+ 4.86 +57.2
B. N. ..	7.50	8.75	8.72	— 3 — 0.34
B. B. & C. I. ..	9.09	9.91	10.38	+ 47 + 4.74
E. I. ..	14.24	16.93	20.55	+ 3.62 +21.4
G. I. P. ..	13.80	15.34	17.14	+ 1.80 +11.7
M. & S. M. ..	6.05	7.10	8.05	+ 95 +13.4
N. W. ..	13.23	16.31	16.93	+ 62 + 3.80
Cudh & Tirhut ..	2.52	3.28	3.35	+ 7 + 2.13
S. I. ..	4.48	5.28	5.94	+ 66 +12.5
Other Railways ..	40	44	47	+ 3 + 6.82
Total ..	76.85	91.84	1,04.89	+13.05 +14.2

B.—WAGON LOADINGS

(No. of Wagons—4 Wheelers)

	1943-44 (April 1 to Oct. 10)	1944-45 (April 1 to Oct. 10)	Oct. 1944 (10 days)	% increase or decrease in 1944-45 over 1943-44
Broad Gauge ..	2,273,454	2,312,569	120,522	+ 1.72
Metre Gauge ..	1,188,013	1,281,196	67,127	+ 7.84
Total ..	3,461,467	3,593,765	187,649	+ 4.07
Details ..				
(i) Coal and Coke ..	568,333	546,639	—	— 3.48
(ii) Grains and pulses ..	376,267	315,044	—	— 16.3
(iii) Oilseeds ..	75,954	89,428	—	+ 17.7
(iv) Cotton ..	55,872	54,600	—	— 2.28
(v) Miscellaneous full wagons ..	470,031	368,998	—	— 21.5
(vi) Home line stores and materials ..	1,688,098	1,959,296	—	+ 16.1
Total ..	228,912	259,760	—	+ 13.5

C.—TONNAGE LIFTED (Tons)

	1943-44	1944-45	Oct. 1944 (10 days)	% increase or decrease in 1944-45 over 1943-44
Broad Gauge ..	35,800,445	35,052,187	1,748,063	— 2.09
Metre Gauge ..	8,794,592	9,455,514	461,830	+ 7.52
Total ..	44,595,037	44,507,701	2,209,893	0.11

INDIAN TEA STATISTICS 1943-44

Months	Production (Million lbs.)	Exports (ibs. '000)	I. N. of whole-sale prices at Calcutta (estimated) (Rs. '000)	July 1944 (Base 100)
April ..	24.86	28,049	2,67.32	189
May ..	23.26	25,161	2,35.87	192
June ..	62.09	33,312	3,08.54	130
July ..	71.29	16,387	1,51.78	130
August ..	83.37	43,043	3,97.44	106
September ..	72.35	31,082	2,82.87	137
October ..	65.61	56,526	5,15.36	123
November ..	40.83	45,674	4,16.71	170
December ..	9.96	16,366	1,48.38	120
January ..	..	27,778	2,56.19	118
February ..	..	45,651	4,15.02	100
March ..	..	40,155	3,59.83	109
Total ..	453.62	409,184	37,54.01	109

C—Prices

INDIAN STOCKS AND SHARES

	13-11-44	6-11-44	13-11-44	6-11-44	13-11-44	6-11-44
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
SECURITIES: Bombay			Presidency			
2½% (1948-52) ..	99 12 0	99 12 0	TATA SHARES: Bombay			
3% (1948) Def. ..	102 8 0	102 1 0	Tata Chemical ..	21 0 0	19 4 0	
3½% G.P. Notes ..	99 15 0	99 12 0	" Oil ..	79 0 0	76 6 0	
3% (1953-55) ..	100 10 0	100 9 0	" Power ..	1,935 0 0	1,872 0 0	
4½% (1955-60) ..	112 13 0	112 13 0	" Hydro ..	207 0 0	205 0 0	
4% (1930-70) ..	112 13 0	112 13 0	" Steel Defd. ..	2,107 8 0	2,083 12 0	
Calcutta			" Ordy. ..	388 8 0	383 0 0	
3% (1946) Def. ..	6	102 10 0	" Pref. 1 ..	227 8 0	227 8 0	
3% (1949-52) Def. ..	100 0 0	102 15 0	" II ..	163 0 0	162 8 0	
3½% G.P. ..	100 0 0	100 4 0	STEEL ENG.: Calcutta			
TEXTILES: Bombay			Bihar Elec. Steel ..			
Ahmedabad			National Iron ..	131 1 0		
Bombay Dyeing ..	1,786 0 0	1,762 6 0	Indian Iron ..	38 2 0	38 3 0	
Central India ..	400 0 0	399 0 0	Steel Cor. Ord. ..	31 13 0	31 12 0	
Century ..	850 0 0	740 0 0	" Pref. ..	140 0 0		
Colaba ..	223 8 0	223 8 0	Jessop Ordy. ..			
Gokak ..	318 0 0	311 0 0	Kumardhubi ..			
India Bleaching ..	187 0 0	184 0 0	COALS: Calcutta			
Kohlnor ..	594 0 0	583 0 0	Amalgamated ..	640 0 0	645 8 0	
Phoenix ..	535 0 0	535 0 0	Bengal ..	21 4 0	21 13 0	
Sholapur ..	7,400 0 0	7,400 0 0	S. Karanpara ..	15 4 0	15 5 0	
Simplex ..	259 0 0	253 8 0	Bhalgora ..		41 1 0	
Swadesh ..	537 0 0	524 0 0	Burrakur ..			
Vishnu ..	482 8 0	571 4 0	East India ..	62 10 0	63 4 0	
Finlay ..	311 0 0	302 0 0	Equitable ..	11 6 0		
Morari ..	651 4 0	636 4 0	North Damuda ..			
Season Ord. ..	15 5 0		Standard ..			
" Defd. ..	3 3 6		Telcher ..	10 1 0		
Calcutta			SUGAR: Calcutta			
Benares ..	13 0 0		Buland ..		28 0 0	
Bengal Nagpur ..			Balrampur ..			
Cawnpore Textile ..	13 9 0	13 11 0	Samastipur ..			
Dunbar ..			Belsund ..		16 2 0	
Elgin Mills ..	65 14 0	66 12 0	Carew ..			
Kesgram ..		16 6 0	Murree Brewery ..	29 2 0		
Muir Mill ..			New Savan ..	20 8 0		
New Victoria ..	8 4 0	8 4 0	Cawnpore ..		28 12 0	
" Pref. ..	10 0 0		Champaran ..			
Madras			Lahore			
B. & C. Ordy. ..	310 0 0	375 0 0	Punjab Sugar ..	305 0 0		
Pangore Wool ..	455 0 0	465 0 0	Gokulnagar ..			
Cambodia ..	31 7 0	30 10 0	Jagti ..	29 6 0		
Colm. Pioneer ..	356 0 0		Murree Brewery ..			
Pankaja ..		280 0 0	Jaswant ..			
Sitaram Spg. ..		170 0 0	Madras			
Vasanth ..		300 0 0	Mysore ..	62 8 0	60 0 0	
Madura ..	67 0 0	67 0 4	Deccan ..	37 0 0	37 0 0	
Lakshmi ..	164 8 0	156 0 0	Travancore Sugar ..	16 12 0	16 0 0	
Lahore			South India ..		15 0 0	
Ajudhia Textile ..		6 8 0	PLANTINGS: Madras			
Cawnpore Textile ..	13 7 0	13 11 0	Cochin Malabar ..	17 4 0	17 2 0	
New Vic. Ord. ..		8 6 0	Chembra Peaks ..	10 8 0	10 1 0	
Raza ..			Woodlands ..		12 8 0	
JUTE: Calcutta			Thunbadi ..	4 13 0	4 12 0	
Alliance ..		593 0 0	Travancore Rubber ..			
Anglo-Indian ..	448 0 0	446 8 0	TEA: Calcutta			
Birla Pref. ..			Bisnath ..			
Barnagore ..	210 0 0	211 0 0	Central Cachar ..	98 0 0		
Champdany ..	249 0 0	252 8 0	East India ..	76 4 0	75 0 0	
Ganges ..			Tezpore ..	20 6 0		
India ..	692 0 0	695 0 0	EANKS & INS.: Bombay			
Howrah ..	82 12 0	83 7 0	Central ..	140 0 0	80 12 0	
Kamarhaty ..	64 5 0	64 0 0	Imperial F.P. ..	2,015 0 0	1,995 0 0	
Kanknarran ..		543 0 0	" P.P. ..	510 0 0	497 8 0	
Nuddia ..		226 8 0				
Standard ..	297 0 0					

Madras for 3-11-44 and 14-11-44. Lahore quotations for 3-11-44.

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity and unit	Quality	Market	Latest Quotations	Jute—Raw (per bale of 400 lbs.)	(1) Firsts	Calcutta	79 0 0
			Rs. a. p.	†Bales (per 100)	(2) Lightnings	"	74 0 0
Wheat (per md.)	Average	Amritsar	7 12 0	†Cloth (per 100 yds.)	B. Twills (Ready)	"	62 8 0
	Ready	Lyallpur	8 8 0		Hessian Cloth 8 oz.	"	22 2 0
	Dara	Hapur	9 12 0		10½	"	29 0 0
	Dara	Calcutta	10 7 0*	Tea (per lb.)	Indian market	"	0 9 7
	Dara	Cawnpore	20 0 0	Coffee (per cwt.)	Nilgiri—Peaberry	Bangalore	148 0 0
Rice (per md.)	Basmati Old	Amritsar	18 0 0	Sugar (per md. ex-factory)	First Crystals	Cawnpore	16 4 0
	Sela	"	18 0 0			to	16 12 6
	Common rice	Cawnpore	10 8 0				
	Medium grade	Calcutta	10 9 8				
Linseed (per md.)	Ready Bold	Bombay	10 6 10				
	Ready B. Small	"	10 8 0				
	Ready B. Small	Calcutta	14 4 0				
	Yellow	Cawnpore	9 11 10				
Mustard (per md.)	Black seed	Bombay					
Groundnuts (per md.)	Ready Bold	"					
	Karnels (Coro-mandel)	Madras	9 10 4				
	Desi	Lucknow	23 7 0				
Potatoes (per md.)	†Cotton—Raw per	Patna	27 4 3				
Oils (per qr.):							
Linseed	Ready	Bombay	10 0 0				
Castor	Ready	"	10 8 0				
Coconut	Ready	"	10 6 0				
Cotton—Raw (per candy)	100 Mar. '45	"	413 0 0				
Pricegoods (per yd.)	Std. Quality	"	8 9 1				

GOLD AND SILVER PRICES									
GOLD					SILVER				
		(Rs. per fine tola)		(Rs.)			(Rs. per 100 fine tolas)		
		Spot	Forward	Sovereign		Spot	Forward		
Nov. 9 '44		62 15 0	61 15 0	..		115 2 0	112 14 0		
" 10 "		63 0 0	62 4 0	44 4 0		114 8 0	113 2 0		
" 11 "		63 3 0	62 7 0	..		114 10 0	113 2 0		
" 12 "		..	..	..		..	..		
" 13 "		63 10 0	62 10 0	44 12 0		115 8 0	114 8 0		
Nov. 14 '44		62 12 0	63 12 0	44 8 0		116 0 0	114 8 0		
Nov. 15 '44		64 2 0	63 10 0	..		116 4 0	114 8 0		
LONDON (Nov. 14 '44) per st. oz. 58-8-0					Ready 23½d.				
NEW YORK (Nov. 14 '44) per st. oz.					44½ cents 44½ cents				

THE EASTERN ECONOMIST

Vol. 3 No. 20

NEW DELHI, NOV. 24, 1944.

ONE RUPEE

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A Supplement on Agriculture will be issued to our subscribers along with the next number of the Eastern Economist dated December 1, 1944.

The World Business Conference

THE International Business Conference, which concluded its sessions at New York last week is, in many respects, a unique one. It is the first non-official conference in the international field, being sponsored by influential bodies of American business opinion and represented by business spokesmen of fifty-three nations. Official conferences there have been, for instance, on security, monetary stabilization, aviation and post-war relief, which have attempted to attain some measure of combined action in the international sphere, but on the fundamental question of the right commercial policy on which depends future world prosperity, governments are still fighting shy of taking the initiative, even though they all talk idealistically of expanding international trade. Meanwhile business men from different nations, thanks to American initiative, have come together in conference to exchange ideas and see whether a consensus of opinion on international economic issues can not be created at least among those engaged in business.

Being non-official, the conference has no sanctions to get its decisions or recommendations implemented by national government. Indeed the conference is not going to make any decisions, pass resolutions or take

votes. Only reports will be ready embodying discussions and reflecting trends of thought among men of business. It will be a mistake, however, to dismiss their deliberations merely as the musings of men without political power. The delegates to the conference represent the most powerful and organized commercial bodies in their countries and do exercise considerable influence in shaping national policy. To the extent to which the views of these individuals conform to those of their governments, to that extent the carrying out of international policies will be rendered easier by the exchange of views at this conference. Even where there is considerable divergence between the policy proposed by a nation's government and that advocated by its business men, some purpose might be served, in so far as men doing business could exchange ideas and decide on lines of action within the limits of high policy laid down by the respective governments.

In point of fact, this conference of business men could hardly be an alternative to a downright conference of governments on international trade policy, but it could well be an initial step of preparation and spade work. The delegates assembled should well



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have been aware of the policies and controls their governments will pursue and should have set their discussions in the light of them, so that the conference could aim at realistic aims, instead of adopting doctrinaire attitudes. If this were so, even important business deals might have emerged, even though they be purely incidental.

In a sense, the position of the Indian delegates at the conference, too, is unique. They are representing a country whose government is not responsible to its people. They are not sure that their policies and views will secure any measure of support from the Government of India. Delegates from other nations have at least the general backing of their governments, or at any rate the consciousness that the sector of public opinion which they represent can importantly mould the action and policies of their own respective governments. Of India, this can not be said. This is indeed a grave handicap, but the harm it causes is as nothing compared to the injurious consequences which come from political subordination at vital international conferences with official status. From the point of view of focussing the attention of world business to the hiatus which exists between nationalist opinion in this country and the government in power, this non-official conference to which the country could send its own representatives, is a god-send and a rare opportunity. Having listened to the Indian delegates' statement of the case, the delegates from all the various countries should now be better acquainted with the deficiencies of government's policy in this country and the aspirations of its people. The Indian delegation, under the leadership of Sir Chunilal B. Mehta, has espoused the nation's cause vigorously and in unmistakable terms.

It is arguable that the Indian delegation, representing the Federation of Indian Chambers of Commerce and Industry, is no doubt the authentic mouth-piece of the Indian commercial community, but cannot speak for the entire people of India. It is also possible that doubts might be cast on the representative character of the delegation on assumptions implicit in the unresolved internal political conflict in the country. But apprehensions and aspersions that the Indian delegates have gone to the U.S.A. to conclude business deals for sectional advantage either against the people of India or a section thereof, are altogether unjustified. The delegates are there for the exchange of ideas, not of goods; and far from championing any particular political policy or economic interests, have stood for national interests in the true sense of the term. The delegation's statements of policy on the subjects of discussion abundantly bear this out.

Perhaps there is only one matter of policy on which misunderstanding would be possible, viz., the maintenance of private enterprise. Delegates from 52 nations (including India, we presume) have endorsed the conclusion of the conference that the system of private enterprise is "the best known means of bringing about effective world prosperity and employment and of securing and maintaining world peace, thereby assuring a higher standard of living for all peoples." It is easy to suggest that nothing else could be expected from a meeting of business men. But have all the governments of the countries they come from, all of them democratic in character, plumped for the abolition of private enterprise? To say that private enterprise has a vital role to play in any economic system, is not to deny that there will be an expanding area for state action for the better attainment of formulated social ends. It is only a national and democratically amenable government which can properly determine and delimit the respective spheres of state action and

private enterprise within the broad framework of social policy. Probably nothing useful would be served by presenting any abstract ideological confrontation of private enterprise and socialization and it is well known that the leaders of Indian commerce have already lent support to very far-reaching economic controls to subserve a national plan.

On the other hand there is a whole gamut of questions covering India's economic relations with the outside world, on which no differences divide one party or section from another. On all these, the nation's opinion has been given full expression by the Indian delegates. On such questions as sterling balances, currency proposals, foreign investments, cartels, raw materials, shipping, aviation, commercial policy, etc., their stand has been unexceptionable.

They have made it clear that India's sterling balances have been built "through the sweat, blood, toil and tears of the Indian people" and emphasized the need for unfreezing them. They have effectively countered the British delegate's usual, but preposterous plea that Britain has been generous to India in sharing the cost of the war. They have opposed the "key nation's approach" to currency questions on the ground that it would lead to Anglo-American domination. They have stoutly resisted all talk of an upward revision of the rupee ratio. They have demanded the dissolution of the Empire dollar pool.

On the question of commercial policy, they have asked for all safeguards necessary to the rapid industrialization of India, as the rising standards of living of her people by means of industrialization are the only sure foundation of expanding world trade. They have opposed practices of discrimination such as Imperial preference and advocated a treaty of commerce and navigation between the U.S.A. and India, so long demanded here. They have stood for an equitable production and distribution policy in regard to world's raw materials such as would ensure fair prices to India's primary producers and adequate supplies for her industrial needs. They have objected to international cartels and monopolies which choke the nascent industries of backward countries and cited India's unhappy experience in that respect.

On the question of shipping, the delegates have drawn attention to the great damage done to the industry in the last five years by the policy of His Majesty's Government and the Government of India and said that the Indian shipping industry is anxious not so much for expansion during the war as for replacement of tonnage that has been lost and will be lost during the war. They have also pleaded that international shipping policies and arrangements should fully recognize the part to which India's mercantile marine, when fully developed, is entitled both in coastal and overseas commerce. As to international aviation, they have voiced the demand for a share for India in the international services commensurate with her importance and size.

On all these vital matters of national economic policy, they have voiced the genuine interests of the nation. Differences, no doubt, might underlie some of the policies in the matter of methods and details. But on the corpus of national interest which they represent in the external economic front, there can hardly be any doubt. The Indian delegation has no immediate, concrete achievement to present to the country as having accrued from the conference. But there could be no doubt about its achievement, from the stand-point of either national self-expression or the establishment of international contacts.

official delegation at the air conference, which opened almost at the same time at Chicago, fared much worse, especially because just at the moment when the latter failed to present India's case for equal participation in external air services, the business delegates drew America's attention to the abdication of rights on the part of the Indian Government.

The conference is probably even more significant from the world point of view. As was pointed out in the special despatches to this journal, America is now in an expansive frame of mind, keen and eager to expand trade and investment with the rest of the world, less isolationist in outlook, more conscious of her responsibilities as the creditor and impatient of fetters which stand in the way. It is too early as yet

to conclude that this expansionist sentiment will find concrete expression in America's increased willingness to lend and/or import. But even as Mr. Spencer Vatts of the Australian delegation to the conference testified, one of the most surprising and pleasant features has been the generally expressed view of the American delegation and other American business men at the conference, of the urgent necessity of the American market being thrown open to the rest of the world on a freer basis than at present by reducing tariffs and other methods. This non-official conference would have served a very useful international purpose, if the results of the American recognition of their role in world economy are in part at least reflected in the trade policies of to-morrow.

Industrial Labour Welfare

WELFARE work may be defined to cover all that 'bears on the health, general well-being, safety and efficiency of the workers.' Broadly speaking it may be classified under two heads: (1) welfare activities carried on within the precincts of the mill or the factory, and (2) those devised to help the mill-hand in his outside life. More specifically the first type may be said to cover the provision of safe and healthy conditions; the provision of adequate rest-shelters, sanitary arrangements, creches and canteens, etc. Outside the factory welfare work comprises the provision of healthy dwelling houses, medical relief, educational and recreational facilities and so on.

The existing Labour Code, in India lays down conditions, requiring minimum of safe and healthy conditions within the factory and the mines. There are also instructions for the provision of adequate water for drinking, etc., control of humidification, ventilation and temperature. Conditions in respect of these have, on the whole, been improving. The Central Government, has taken a step in the right direction by the appointment of an expert on humidification to ensure the adoption of the best possible methods. And some of the provincial governments, taking advantage of the powers bestowed on them by the Factory Act of 1934, made it obligatory for factories employing 100 or more women to make suitable provisions of creches where children of the working women may be looked after during the absence of their mothers at work in the factory. But much yet remains to be done. The provision of dining facilities is yet confined to a few mills, most of the factories having done nothing to provide proper arrangements for the workers' meals, although most of the larger establishments in India now have tiffin rooms and have also permitted the establishment of tea-stalls on their premises. Similarly the supply of clean water for drinking as well as bathing purposes needs yet to be multiplied manifold. The canteen has not yet caught on in India even though its need and utility elsewhere is fairly generally recognized. And some of the few canteens that do exist, have failed to attract the bulk of the labour force because, as Dr. Aykroyd once pointed out, the meal provided is "too expensive, in relation to the current level of wages . . . to be taken advantage of by the poor workers who are likely to be in most need of a good meal." In the circumstances of the present war, canteens have acquired a peculiar importance of their own. In Great Britain, for example, under the Factory (Canteens) Order, 1940, there took place an enormous increase in the number of canteens and by the end of 1942, 98 per cent. of mills affected by the order had canteens actually in service or in active preparation. Even factories employing less than 250 persons and with no legal obligations showed enormous appreciation of the canteen idea with the result that the total number of factories with canteens rose, in December 1942, to 8,481 from 5,695 in December 1941;

the number of canteen for docks and building sites also registered an increase of 60 and 119 respectively during the same period. It is a gratifying sign that the Government of India, too, have now realized the utility of canteens and 'attach great importance to the opening of industrial canteens supplying cooked food.' But they have so far contented themselves with persuasion and precept. Government have been advocating, for sometime past, to private employers the opening of canteens and have themselves pursued a similar policy in their own undertakings. And with that end in view they have also afforded certain facilities to such canteens. In some rationed areas, for example, it was found that canteens experienced difficulties in obtaining extra supplies. It has, therefore, recently been decided that industrial canteens supplying cooked food should be allowed to draw additional supplies of rations over and above the supplementary rations that may be allowed to heavy workers. The Bombay Government, it may be recalled in this connection, proposed, in 1937, to make it obligatory on all employers of labour to provide satisfactory dining accommodation and adequate medical aid while the Government of India till last year could only promulgate an ordinance which empowered the Central and the Provincial Government to require employers to supply their employees' food or foodstuffs and to provide accommodation for meals. This is clearly a very conservative position and there is a strong case for Government taking a little more courage and making the provision of these elementary facilities obligatory on employers wherever possible.

Turning to the welfare activities that cover the labourer's life outside of the factory premises, we find a much worse state of affairs. It is well-known that wages in India are comparatively speaking very low. It is, therefore, of the utmost importance that their meagre earnings be supplemented so far as possible by the provision of cheap and healthy houses, educational facilities, to name only the most important ones. Housing conditions, in particular, it is well-known, in the industrial areas in this country are terrible. An enquiry into 5,363 tenements in Bombay, for example, revealed that about three-fourths house more than two persons, over two-fifths from 3 to 4 and over one-third six persons or more. Of the total population of Bombay 74 per cent. live in one-room tenements as compared to 6 per cent. in London. This, it needs to be noted, represents a deterioration in housing conditions; for in 1911 the relevant figure was only 69.1 per cent. The average number of persons per room in the working class quarters is as high as 4.03 while in London it is only 1.92. The chawl is an 'special abomination' of Bombay, but congestion and over-crowding in the industrial areas is by no means confined to Bombay. In Calcutta the average per room exceeds five people while in New York commonly regarded as

the most over-populated city in the world it is only 1.5. The over-crowding in certain parts of Howrah is an unbeaten record and conditions of housing in Ahmedabad 'appear to be worse than in any other industrial centre.' In sum, 'the majority of the working classes are housed in...tenements which consist usually of single rooms... but never more than of two rooms.' These over-congested houses have serious consequences for the health of the industrial workers. In 1936, the average of infant deaths in one-room tenements was 78.3. Moreover, the unsatisfactory housing conditions constitute, at least, one of the contributory causes of the migratory character of India's labour population which is a severe draw-back from the point of view of efficiency. The ugly, ill-ventilated houses in over-crowded areas where there is also the additional evil of an absence of privacy do not help to build a home and labour tends to remain fluid. There are also other adverse reactions of this state of affairs on the morals and the efficiency of the labourers. It was due to the recognition of these various evils that the Industrial Commission characterized the need for better housing facilities, especially in the large industrial cities as 'a most urgent necessity' and urged that the problem 'not only on moral grounds, but also for economic reasons, must be solved with the least possible delay.' And yet no concerted and sustained efforts have been made to remove these evils which, as has justly been remarked, constitute a blot on society. Some of the more enlightened employers at Cawnpore, Calcutta and Ahmedabad have found it advisable to supply housing accommodation for their employees in the hope of commanding the pick of the labour market. Tatas at Jamshedpur have built a colony for their labour force. But these isolated attempts though laudable in themselves fall far short of the need. It may be taken as a measure of the neglect of the problem, on the part of Government, that of the important recommendations of the Labour Commission on the subject they did no more than accept one only and passed the Land Acquisition Act. It is, however, a dual responsibility and the employers, while it may be said for them that they alone could not be expected to shoulder the entire burden and the experience of housing development in the West has shown that a subsidized state-building programme alone can satisfactorily solve the problem of working-class housing, cannot be exonerated wholly from blame. The situation in regard to housing, then may be said to continue as bad as it ever was, despite some of the essays in publicity started by some of the large cities and Improvement Trusts, which go by the respectable name of slum clearances.

It has been estimated that in most industrial centres not less than two-thirds of the labouring population is all the time in debt and that the amount of debt exceeds three months' wages. At the instance of the Labour Commission, the Central Government amended the Civil Procedure Code according to which salaries below a defined limit may not be attached in payment of debt. But as the Labour Commission pointed out there are 'many money-lenders who prey upon workers and depend upon the threat of violence rather than the processes of the law': Pathans, Marwaris and a host of others who have justly been condemned as a type of 'social pest' who lives by terrorising its unfortunate victims. And the Central Government could not take the step, which elementary justice demanded to declare 'besetting'—loitering round the mill areas to collect repayments of debt by force—a crime. Only two provincial governments Bengal and C.P. have legislation that affords some measure of protection.

Having to depend on small incomes further reduced by the heavy inroads, made by the exorbitant interest which they have to pay for the debts which originate in necessity and improvident living, the result of illiteracy and ignorance and low cultural at-

tainments, they have to live on a diet which is wholly inadequate to build a strong physique. Ravages of diseases thus find them an easy prey. And side by side with the dearth of preventive measures, as we have seen above, there is also the inadequacy of curative ones. Some employers do provide medical facilities for their employees, but still there is an inadequacy of such facilities in our industrial areas. No province has translated into practice the recommendation of the Whitley Commission to appoint medical inspectors—a comparatively small affair. And when these bigger needs go by default, it would be too sanguine an expectation to find a better state of affairs in regard to recreation facilities, etc. Our employers have not yet realized that with the greater part of his life 'set in grey' the worker will not make an efficient factory hand.

The Central Government's part in labour welfare, however, has also been so far restricted to the passing of a Maternity Benefit Act, which was later adopted by several provinces and constitutes the only item of statutory regulation, undertaken by the State, requiring employers to provide for the welfare of the workers. Even in this regard the qualifying period before a claim can be made and the maximum period for such benefits varies as between the provinces though the rate of benefits in most cases is 8 annas a day or average daily wage which ever is greater. The U. P. Act and the Government of India Mines Maternity Benefit Act go a little further and provide for payment of a bonus of Rs. 5 and Rs. 3, respectively to women workers who avail of the services of a trained midwife. The Central Government, has also, thanks to the scarcity of labourers in the mining areas caused in part by the prevailing unwholesome conditions of living, recently constituted an Advisory Committee to undertake schemes for the welfare of mining labour. The provinces equally have an almost blank record with the two honourable exceptions of the U. P. and Bombay. The U. P. Government, in its Budget for 1937-38, provided a grant of Rs. 10,000 and organized a number of welfare centres in the Province. Each centre has attached to it an allopathic dispensary, a reading-room, a library and gymnasium and arranges useful talks, organizes sports and welfare entertainments, etc. Similarly the Bombay Government also established welfare centres which fall into three categories A, B, C. In the current financial year the Bombay Government has provided Rs. 2,20,700 for the purpose.

We are, then, led inescapably to the conclusion that we have to go a long way in the direction of providing even modestly adequate labour welfare work in this country. On our employers, generally speaking, the truth and significance of Owen's well-known views—that 'philanthropy with a minimum of five per cent. profit—has not yet dawned. And Government? But they have neglected the country's interests just as badly. In the future scheme of things, however, let us ensure for labour a decent living and not forget the warning sounded by the Industrial Commission that 'no industrial edifice can be permanent which is built on such unsound foundations as afforded by labour under its present conditions.'

CORRECTION

"The Adarkar Report," Page 534, Paragraph 4th relating to contributions under the scheme; please read as follows:

This may be altered as follows if the State decides to contribute:

	A			B			C			
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.	
State	..	0	8	0	0	8	0	0	8	0
Employer	..	0	14	0	0	14	0	0	14	0
Worker	..	0	10	0	0	6	0	0	2	0
Total	..	2	0	0	1	12	0	1	8	0

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The Week's Notes

CLAIMS TO PARTNERSHIP

Whether and to what extent India will be requiring foreign capital will depend on (1) how soon her sterling assets are released, (2) the pace of economic development she embarks upon and (3) the terms on which foreign capital is available. India's past experience with foreign capital has been particularly unhappy and she is even likely to be satisfied with a slower rate of progress than what she can achieve with the aid of foreign capital, if she is not certain about being able to impose restrictions which have long been demanded in the nation's interest. In such a context, the growing signs of foreign willingness to invest in India on the basis of partnership with nationals require very careful watching. At the Conference of World Business Men at New York, it was revealed that Wall Street bankers and business men are interested in Indian industrialization, but they are less favourably disposed to Government bonds than to subscribing to specific projects as minority participants. This is in keeping with the basic framework of the World Capital Bank which aims at fostering private investment and the American desire for the borrower's observance of "non-discrimination" in the matter of taxation and other questions is at least understandable, even though that does not deprive the borrowing country of its rights to control foreign capital as part of national policy.

BRITISH INTENTIONS

But the increasing evidence of British desire to participate on the same lines is both revealing and amusing. A leading article in the *Indian Affairs* of London reads: "Indo-British co-operation for building up industry must be on the equal partnership basis and not that of superiors and inferiors with the British in lower position. This position of inferiority will not be congenial either to the Americans or the British. It is not on these terms that they are accustomed to engage in enterprises to which they bring technical skill and costly research. They can find more favourable field for their enterprises." In the first place, America's ability to lend is unquestioned, whereas the claim of British industrialists (implicit in the above quotation) that they will be able to lend on a large enough scale to meet India's ambitious plans, is either unsustainable or, if true, the most damning refutation of the plea put forward by those very industrialists that Britain cannot repay India's sterling assets except on long-term basis of funding. Quite apart from this, the claim made is preposterous because they hold out the threat that British technical help and plants will be available on a partnership basis or not at all. As Mr. N. R. Sarker has aptly pointed out, India's lamentable dependence on foreign technique is abundant exposure of the British rule in India, but Indians would never countenance the proposition that experts are to be attracted only by the offer of a half-partnership. Surely that was not how Russia industrialized herself. Experts, who are only the servants of the country which gets them, cannot seek to be its masters. Further, Britain's "technical skill" and "costly research" are not very much supported by the Platt Mission or the American Mission which studied the British coal industry. The journal's frank statement of British intentions should make all schemes which absorb British technicians in India suspect in the eyes of Indians. In the matter of fertilizer production, was not participation by the Imperial Chemicals made the key to the provision of plant? And, yet that is perhaps only the beginning of further "partnerships".

RUGGED INDIVIDUALISM

According to a Press message, delegates from fifty-two nations at the International Businessmen Conference endorsed the report from the Action Committee asserting that the private enterprise system is the best means of bringing about effective world prosperity and employment and of securing and maintaining world peace, thereby assuring a higher standard of living for all peoples. The "maintenance of private enterprise" appeared at the top of the agenda of this conference sponsored by the leading business organizations in the land of 'rugged individualism' and this renewed declaration of faith is hardly surprising in the context. American business quarters are today in a buoyant and optimistic mood. American industries, working mainly under private aegis have done prodigiously well and her giant war production has been achieved without the least diminution of her general standard of living. Her industrial production has been stepped up to well over two times her pre-war average. Newly conscious of her giant economic strength, she feels herself on the eve of 'the American century.' That such a prodigy of productive effort has been possible for her—she attributes this to her private enterprise system, while others have equally strongly argued that this only betokens the enormous wastage under a system in which such an enormous economic potentiality was never brought to utilization under normal incentives. Nevertheless, while some may be convinced that private enterprise will continue to play not an inconsiderable part in any future economic system, but may at the same time feel surprised at such crass exhibition of what they may regard as philosophical atavism, the international economic milieu is changing steadily and surely for the comfort of rugged individualists.

TREND TO SOCIALISATION

In the first place, the enormous strains under which the various national economies as also the world economy as a whole have been working for several years, thanks to the over-riding requirements of mobilization for total global war, have successfully put the private enterprise system out of gear. Even if it were possible to restore the system as it were, it would be only through a strenuous period of trial and error, that the system could be put back on an even keel. In occupied Europe, what with the relentless logic of Allied bombings and the endless manipulations of Nazi financial make-believe, the structure of private ownership and property has been twisted beyond recognition; thus after Nazi defeat, it would be almost a hopeless task to try to disentangle the entangled skein of financial relationships in the European continent. Thus already in liberated France, the de Gaulle Government has been forced to nationalize many industrial and financial organizations, because it has been found impossible to restore or even to recognize the original legal pattern of ownership and control. Similarly the Czech Government when it returns to its country, would in all probability be compelled to nationalize the Skoda works and the big coal mines in the north, since the Nazis had long 'bought' them out and there would be no equitable method of handing them over to private enterprise. Countries like Great Britain on the other hand, with seriously deteriorated international economic position, may find that a continuation of Government control for a long period both in the domestic and in the international field, may be the only alternative left before

them. Backward countries like India or China would again, in the interest of rapid economic development, be forced to adopt a planned economy in which the State will perforce play a decisive role. In the background, but nevertheless exerting powerful influence on the thought and action in all other countries, would be the Soviet Union, a completely planned economy, resuming her spectacular career of rapid economic development. In this complex of irresistible necessity and climate of thought, the sponsors of individualism may find themselves sadly isolated unless they take care to reconcile their system with the social and economic adequacies of the age.

FUTURE OF BURMA

Politically, the so-called Blue Print of the Conservative Party on Burma suggests a retrograde policy. In November 1941, the Secretary of State for Burma, promised full dominion status for the country immediately after the war, and what U Saw demanded was the immediate implementation of the same. There was no such attempt to divide the Burmese people racially and segregate one or the other for special treatment as in the present case. In fact, the Burmese hill people have a lesser sense of difference from those in the plains than hill people in the British Isles; and nothing can be more harmful to the permanent national interests of Burma than fostering particularism among them, for they constitute no less than a third of the country's population and live in areas rich in minerals and strategically important for the defence of the country.

The economic future presented is even more dismal, in so far as it will entail revival of economic exploitation by Europeans, with the aid of capital wrung out of their misery by way of compensation for losses resulting from the British Government, which reserved for itself the entire responsibility for the defence of the country, failing to fulfil its obligation. It will be travesty of justice if the Burmese posterity is saddled with a debt to compensate property which mostly owed its existence to the generosity of a people which leased valuable natural reserves free or on nominal recompense. Do not the Burmese who have suffered so heavily for their imperial connection from the devastations of the Japanese conquest and British reconquest deserve to be compensated themselves? The only suggestion in the Blue Print which may beguile a few Burmese is regarding the expropriation of all landed interests and petty finance. Such measures of redistribution of income are welcomed by certain sections in all countries, and their relevance to the Burmese question is only that a considerable proportion of the class involved was not British, but Indian. The Conservative Party is evidently prepared for a measure of economic transformation in Burma which it will be the last to suggest in Britain or Kenya, and of a nature antagonistic to its professed principles. The question is whether a country can have a half-way house in such matters. Indians did the pioneering work in opening up the forest areas to rice cultivation, they lent their petty resources to cultivators with insufficient security and financed the movement of the crop to the mills from remote areas. All these require a high degree of energy and enterprise and do not carry remunerations to attract high international finance. The question really is whether it will be possible to organize this economic activity on a different basis. No solution for similar problem has been possible even in India, and the record of the co-operative movement here is not encouraging. It will not improve Burmese living standards if rice cultivation, of which India is the most important market, is dislocated just to feed racial animosities. Perhaps no

Burmese can miss that the keynote of the Blue Print is obviously the reservation of post-war Burma for British political and economic domination after segregating it from her neighbours and creating internal dissension which will make a perpetual British connection inevitable.

CENTRAL TECHNICAL POWER BOARD

Deficiency of all forms of power generated from coal, oil and water has proved to be one of the most formidable war-time difficulties to Indian industry and civilian consumption. Our main reliance so far has been on the coal resources of which we have appreciable deposits, but they are short of our possible total needs for iron and steel industry—one industry for which coal is indispensable and are in urgent need of conservation. Their localisation which has been responsible for difficult transport problems during the war is a strong reason why the power resources should be developed in different parts of the country. The hydro-electric potentialities are immense being estimated at 27m. H.P. of which an infinitesimal fraction of 0.6 m. H.P. approximately is being generated by all the hydroelectric installations of the country. Our oil resources also need investigation. It is possible that the North-western and North-Eastern India will reveal larger deposits than so far known. All this calls for a co-ordinated and purposive action and direction.

The Government of India's recent decision to set up a Central Technical Power Board which will act as a central planning organization and will advise the Central, Provincial and State Governments as regards encouraging, planning and pressing forward the widespread development of public electricity supply throughout the country is most welcome since it marks the beginning of the long needed development of power and its planning which is an important section in the wider post-war economic reconstruction scheme in this country. The Board will, it is stated, study the power resources of the country and plan for its proper utilization and development in the promising but so far unheeded zones. It will also tinker with the problem of rural electrification and power irrigation and will be the central authority for load direction and collation of hydroelectric surveys for India on an uniform standard basis. It will standardize voltage, practices for generation, transmission and distribution of electricity, initiate technical researches, start propaganda for educating the people about the use of electricity and begin the training of Indian students in electrical engineering to man the public utilities of the country. The constitution of the Board is a step which should have been taken long ago, although it remains to be seen how far it will rise to expectations, when formed.

INTERNATIONAL T.V.A.

While the idea of a World Capital Bank has been mooted with a view to facilitating the ampler flow of investible resources from the more developed and capital-rich countries to the less developed and capital-poor countries, it has been more and more realized that any concerted development of a backward country would require not only sufficient capital funds but also an adequate geographical area for planned and unified action. It is not always realized that the success and spectacular rate of economic development attained under planned economy in the Soviet Union would not have been possible if she did not constitute a vast land mass very rich and nearly self-sufficient in all the various natural resources. Any smaller

country not endowed with a reasonable self-sufficiency could have attained a like rate of development only at a much higher real cost. Even sectional planning authorities like the T.V.A. in the United States have been forced to recognize the fundamental difficulties to be met in planning for a region which is too narrow from the economic point of view. Reviewing the work of the T.V.A. in his recent book, Dr. Finer reaches the significant conclusion: "The important lesson to be learned from the regional aspect of the T.V.A. is that existing political divisions of the world and their frontiers, whether States or their sub-divisions, are not self-sufficient economic units." The most effective area for economic planning would in most cases cut across political frontiers and effective economic planning would await the constitution of an "international T.V.A." or a super-national authority charged with the establishment and execution of an integrated resources development plan. In other words, the plea is for wider and wider economic federations in regions where political federations do not become immediately feasible. There remains the question as to whether the richer nations of the world would recognize the value to world economy of international assistance to the underdeveloped areas within it and actively help the "international T.V.A." when it is formed. The hope expressed is that all parties concerned would recognize that just as the T.V.A. has proved valuable, instead of harmful, to the whole of the United States of America, international T.V.A.'s may play the same part in the world economy at large. However, Dr. Finer recognizes the essential weaknesses and limitations of an international T.V.A. which cannot provide the effective substitutes for the integral advantages of political federation. The relationship between the international T.V.A. and the national States are necessarily fettered by rigid credit-nexus and the T.V.A. is hampered in its actions in so far as it must proceed cautiously and continuously convey the impression of disinterested helpfulness, advisory character, defined purposes and clearly-stated procedures.

FOOD STORAGE

With the introduction of rationing and for ensuring effective working of Government's procurement plans, the need for storage accommodation has been increasingly felt. The most effective way of eliminating the possibility of any serious threat developing in the deficit areas would be to build adequate and scientific storage warehouses in which a reserve for emergency purposes may be accumulated. Similarly to ensure a steady flow of foodgrains from the surplus areas it is essential that reserves are built up there ready to be made available to any other part of the country. Recent instances of colossal wastages of foodgrains in some parts of the country have lent further urgency to the problem; for the loss through wastage even in normal times is immense and the abnormal conditions brought about by the war have considerably increased the wastage figures. An idea of the immensity of loss through defective storage may be had from the fact that of the total annual production of foodgrains and pulses in India about 5% 3.35 million tons—is annually lost through defective storage. Valued at a flat rate of Rs. 10 a maund, this involves the country in a loss, in money terms, of Rs. 90 crores, and the quantity thus lost is, it has been calculated, sufficient to feed 7,000,000 persons. Out of the total wheat production of 10,000,000 tons alone, about 300,000 tons are lost. It is none too soon, therefore, that the Central Government are taking steps to build storage accommodation at various strategic centres in the major surplus areas. The accommodation proposed in the different pro-

vinces is for the following amounts:—

Punjab	80,000 tons
Sind and C.P.	25,000 " each
Assam and Orissa	10,000 " "
Eastern States	25,000 " "

The capital cost of the scheme is to be shared equally by the Provinces and the Central Government. The Government of India have also undertaken another scheme to build up storage facilities at the main ports and consuming centres for holding a portion of the Central Government's reserve to be built up out of the wheat imports. It is expected that about 140,000 tons of storage accommodation would be ready ere long. In addition, the provinces have also built up such facilities on their own initiative. Bombay, for instance, has already provided storage for 30,000 tons and by the time the rice crop comes in January or February such facilities will have further expanded. Simultaneously, it is understood, Government are also making attempts to remedy some other defects. For instance, one serious lacuna in the administration so far has been the absence of organized inspection of grain on arrival which caused large losses in storage. The Food Department is planning to institute training courses in storage and pest-control and when the necessary staff has been trained another handicap will have been reduced.

FARMING BY THE ARMY

We have had occasion previously to comment in appreciative terms on the good work done by some of the Army Commands in growing their own food supplies. The Army, obviously, cannot be expected to take up the cultivation of foodgrains, nor is it necessary or desirable that they should do so. Where they can be of the utmost service is in lessening the pressure of their demands on the civilian markets in respect of foodstuffs such as dairy products, poultry, meat, vegetables and fruit. These commodities are very much in short supply and the competitive buying of the Army authorities has placed them beyond the reach of the public. It is essential that additional sources for the supply of these protective foods should be developed to meet the requirements of the Defence Services so that the public may not have to go entirely without them. The Southern Army also, like some other Army Commands, have taken up development schemes in vegetable-growing and livestock-breeding. Specially noteworthy is their vegetable production scheme in the Nilgiris. With the co-operation of the Department of Agriculture of the Government of Madras, they have brought in a large number of ryots into their production projects and assisted them with cash advances, lend-lease seed, fertilizers and expert technical guidance. Very satisfactory arrangements have been made for the collection of vegetables from the various farms and their transport to places all over South India and beyond. It is also interesting to note that the prices paid by the Army are considerably below the retail market price. These activities, obviously, have great possibilities of value to the civilian population, when the war ends. Firstly, they have promoted market-gardening among the ryots in a region which is particularly suitable for this very paying type of farming. Secondly, they have encouraged the cultivation of certain kinds of vegetables of a proved nutritive value, the production and consumption of which should be much more widespread than in the past. Thirdly, they have shown what a co-ordinated system of distribution can do by way of reducing wastage and marketing costs. Whether the possibilities are actually realized is a different matter and depends very largely on whether, after the war, the Government would be willing and able to maintain a market for the expanded production through a wise policy of proper nutrition.



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SPECIAL ARTICLES

Planning And Distribution

(By P. C. Jain)

IT is now generally recognized that under a regime of private enterprise an intensification of productive activity, either as a result of centralized planning or otherwise, leads to a further maldistribution of wealth. It makes the rich richer, and, even though it might not make the poor poorer, it surely does not lead to an increase in their income proportionate to their contribution to work. Two things, to some extent, modify this result. An increased level of production invariably leads to a fuller utilization of economies of large-scale production and consequently lower prices for most of the consumer goods. The poor people are thus able to buy their requirements at cheaper prices. In other words, their *real* income increases greater than their money income, and it is this on which we have to concentrate attention in considering economic welfare. Secondly, at least for a country like ours, increased production would mean greater employment of labour, and, even if the wage rate does not rise much, the share of the national dividend going to the poor as a class would increase. But, in spite of all this, a maldistribution of wealth does take place. Can we devise acceptable means for overcoming this deficiency of private enterprise?

A capitalist producer cannot afford to pay a wage higher than the marginal productivity of labour, because, if he does so, he cannot make the ends meet since, in that case, enough does not remain for the other agents of production. But the point is that, apart from the fact that an employer might not pay labour a wage equal to his marginal productivity, even if he did so the wage may not be "sufficient" to give the worker an adequate standard of living, which is one of the aims of economic planning. This condition is intolerable when the wealthier members of society can have a higher standard if they so choose. The labourer is unable to improve his prospects even if he wishes to do so as he is the victim of a vicious circle. The labourer is inefficient, at least partly, because of ill-health and lack of training and therefore he cannot earn a wage sufficient for efficient existence and, as he is unable to do so, he does not have enough money for maintaining proper health and receiving technical training. The first step in order to break this vicious circle, and also in order to improve the distribution of wealth, would be the expenditure of adequate amounts of money by the State for imparting technical education to the labourers, and for maintaining his general health by providing free medical service, timely advice on matters of health, and better housing accommodation. Along with this a definite policy of population control will have to be adopted because no State can guarantee a satisfactory standard of living to the labourers if there is an "indiscriminate" increase in population and consequently in the supply of labour. A proper State policy would increase the efficiency of workers and would entitle them to a higher wage. It has been our experience in the past that due to the imperfection of the labour market the worker does not get the wage which he deserves. In order to secure this result, "fair" wages will have to be fixed for all industries. It is possible that even when the labourer is in full health, is properly trained, and "fair" wages are fixed, he might not be able to earn enough money for maintaining a proper standard of living. In that case the organization of production will have to be readjusted so that by the use of better machinery and improved technique the efficiency of production, and consequently the workers' wages, might be increased.

In addition to his money income, the worker would get a free use of educational institutions, hospitals and other amenities which the State would provide. As we shall presently see, a major part of the money to finance these "welfare schemes" would come from the capitalists. A free supply of these services would increase the *real* income of the worker without the necessity of increasing his money wage beyond marginal productivity. The significant difference is that a wage higher than marginal productivity, from a long-period point of view, would make the worker lazy and indolent and would throw the employer out of work. The provision of free services by the State prevents both these evil consequences. It does not leave an option to the wage earner to spend his "extra" income as he pleases but fixes the channels through which it accrues to him and thereby secures for him a higher level of economic welfare.

These welfare schemes will be financed by taxing the rich. At present nearly two-thirds of Government expenditure is met out of taxation, and in the latest Government of India budget nearly 70 per cent. of the total tax revenue is likely to be obtained from taxes on incomes. This has made our tax system progressive. It is perfectly possible to have a tax system in the post-war period in which a similar, or even a higher, proportion of tax revenue might be obtained from direct taxes. Some of the present taxes will have to be replaced by new levies in the future. The aim would be to secure the desired level of progression. A justification for this progressive taxation, if a justification is at all needed, would be that a major portion of the rich man's income is due to planned economic activity on the part of the State, and would not have been available to the capitalists in its absence, hence the State is justified in appropriating to itself a higher share of this income.

In order to remove the sting from the maldistribution of wealth, it would also be necessary to limit the rate of dividend on capital investment in all industries. Along with this we shall have to fix the commission of the managing agents, the remuneration of the directors, and the share of "pure" profits which will accrue to the entrepreneur for *uncertainty* bearing. This would ensure that no one would earn a disproportionately high rate of income. It is needless to emphasize that great care will have to be taken in fixing these rates of dividend and profit. A separate set of rates will have to be fixed for different industries and occupations depending on the prevailing conditions. As is evident, this would involve a strict control on the Indian capital market, the inflow and outflow of capital to and from India, the imports and exports of commodities. Moreover, if the rates of dividend and profit are limited, a long-period adjustment will have to be allowed, so that losses made in any one year or over a number of years will have to be debited against future profits and the average rate of dividend shall be calculated after allowing for these losses. To be consistent, it would be incumbent on the State to guarantee the fixed rates of dividend and profit so that even if after a long period of adjustment of profits and losses any capitalist is not earning the fixed rate the State shall have to contribute the difference. But this, though consistent with our scheme, would tend to make the entrepreneur careless because he knows that in any case he will earn the fixed rate of profit. Such a scheme would

involve that, firstly, the State would only allow those industrial schemes to materialize which have a clear possibility of profitable operation and, secondly, the State would make good the loss provided it is proved that the entrepreneur did all in his power to prevent it. But in practice it is not possible to decide either of these with any degree of precision. A more plausible alternative is for the State to fix the maximum rates of dividend and profit without guaranteeing them, and, if an industrialist is unable to earn this much, he would either improve the efficiency of production or take to an alternative occupation. This would prevent slackness and indifference on his part and at the same time would prevent his earning an inordinately high rate of return. The balance of profits would pass into the State coffers, thus making money available for industrial and welfare schemes.

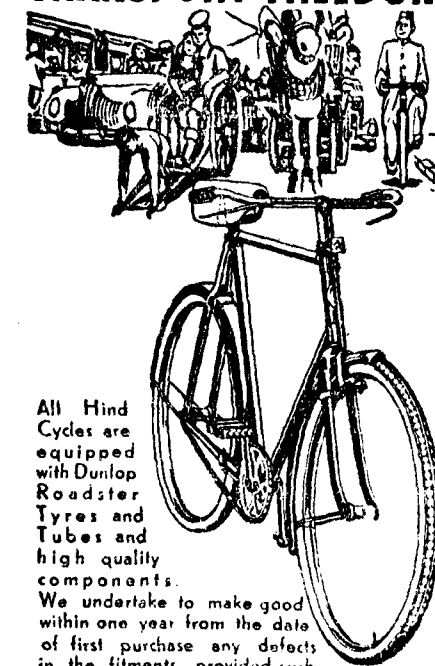
Fixing of these rates for different industries would be a complicated affair, and it might also lead to some evil consequences. One likely result is that, so far as the industrialists are concerned, expenditure of money on scientific and industrial research would be discouraged. So long as the industrialist can earn the fixed dividend and profit, he might continue the use of obsolete machinery and out-of-date methods of production. In a capitalist society the incentive to technical improvement is provided by the possibility of earning higher profits, but in the system visualized above this incentive would not exist, at least beyond a certain narrow limit. The State will, therefore, have to take over the responsibility for conducting industrial and technical research. The new methods, once discovered, would necessarily be used by the industrialists because otherwise, with fixed wage rates, it would not be possible to earn the maximum rate of profit. It would, of course, be necessary to revise both the rates of dividend and profit and the rates of wages for each industry from time to time in the light of new technical inventions and other changing conditions. A second evil consequence might be that Indian capital may migrate to other countries and foreigners might be discouraged from making capital investment in India. The flight of Indian capital would be prevented by a strict control of the capital market and the foreign exchanges. So far as foreign capital investment is concerned, the central planning authority would raise the necessary amount of money by borrowing in the foreign capital markets. Finally, it might be argued that the administrative cost of fixing and enforcing the rates of dividend and profit would be too heavy. This, however, is not correct. The Indian Income Tax Departments have already to study the figures of income and expenditure of companies in order to determine the "net" profits and the additional labour involved in determining and collecting the balance over and above the fixed rates will not be much. Moreover, a detailed control of industry will have to be enforced in any case if centralized planning has to be made successful and only a small additional effort would be necessary in order to correct its distributive aspect. The real increase in effort, and consequently in administrative costs, will be involved in the process of fixing the rates of profit and dividend and wages and adjusting them to changing conditions. But this cost is worth incurring in view of the advantages it would secure.

It may be emphasized that in spite of this far-reaching State control the institution of private property and the profit motive are left intact. Though it would not be possible to earn more than the fixed rate of return, the entrepreneur will have full freedom to choose whatever industry he likes and more effort on his part will earn more profits up to the fixed limit. Moreover, only the rate of dividend is fixed and not the *total* amount of income which a particular capitalist might earn. A more capable person would have his finger in many pies and would, therefore, earn more and his "net" income, in spite of higher taxation and the fixed rates of profit, will be more than that of his inefficient neighbour. Each individual would get full scope for the exercise of his faculties and those who are more clever will earn more.

It is not correct to argue that a limit to total income would soon be reached. The planning authority, if it is worth the name, would provide expanding opportunities for the use of entrepreneurial skill and our industrial backwardness and vast potentialities fully ensure that the industrialist will have ample opportunity for the exercise of his profit motive.

We may add that planned economy and efforts to correct the maldistribution of wealth are only possible with a national government enjoying the full confidence of the people. These devices in the hands of a foreign government would create more complications than they would solve.

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The Business Conference in Review

(From Our Special Representative)

NEW YORK, Nov. 20 (By Cable).

The International Business Conference concluded its nine days' session at Rye on Saturday last. Most of its work was done at the meetings of the eight sections into which the Conference has divided itself and the reports from these sections were presented merely for comments before the plenary sessions. No resolutions were moved nor did any voting take place on the reports. No single individual could give full account of all that happened at the Conference; for his knowledge would be confined at best only to the proceedings of two sections.

Private enterprise and commercial policy were easily the two most outstanding topics dealt with. The bulk of business opinion assembled at the Conference expressed its firm faith in the role of private enterprise for the building up of world prosperity after the ravages of war. But the American business man was much the more emphatic and vehemently expressed his convictions in the following words: "The American Delegation is wholeheartedly committed to private enterprise in preference to Government enterprise; to free enterprise in preference to controlled enterprise and to competitive enterprise in preference to monopolistic enterprise." Delegates of even those nations who were in general sympathy with the American attitude did not like to go so far. India's compromise between private enterprise and State enterprise reflected in the Bombay Plan was frankly perplexing and disturbing to many sections of American business men who would have been happier if the Indian Delegates had aligned themselves with them. It would be, however, a mistake to think that America would return to conditions of free and private enterprise so ardently desired by American business men. The cleavage between them and Washington is fairly sharp and deep. No immediate or rapid relaxation of controls seems to be contemplated by Washington until the dangers of post-war inflation are obviated and after that period is over, Government is quite prepared to take strong measures to avert a possible deflation. At a dinner meeting of the National Conference Board last Thursday in the Hotel Waldorf Astoria which I attended as an invited guest, Mr. Mariner Eccles, Chairman of the Federal Reserve System, made no secret of Government's intentions with respect to controls as may be necessary to check inflation and deflation in the post-war and maintain full employment by all monetary and fiscal measures in their armoury.

Reaffirmation of the faith of American business in free international trade and the removal of all barriers was another striking revelation of the Conference. The National Association of Manufacturers, representing 12,000 manufacturers, have clearly put it on record that they are anxious for reducing tariffs and that they look forward to a surplus of imports over exports. Coming from a high tariff country the statement was indeed gratifying. How far these brave words would be translated into action remains to be seen. While business men seem to be against high tariffs and subsidies, the Administration have decided to go forward with their plan of subsidizing cotton and wheat exports at the rate of 3 cents per pound for cotton and 34 cents per bushel of wheat. But that general opinion is gradually veering round to lower tariffs and the removal of trade barriers may readily be admitted. Mr. Eric Johnstone, President of the United States Chamber of Commerce, said that the

new international responsibility thrown upon America made it imperative that she should be willing to import more and also help in the industrialization of the poorer and underdeveloped countries.

Cartels was another subject which evoked a great deal of local interest, partly because the departments of Justice and Military Defence in the United States had already pronounced against them and partly because the Indian Delegation, more than that of any other nation, aligned itself in the interest of India with the Administration's standpoint. Unfortunately, the report that was submitted was weak and halting and displayed an undue anxiety not to offend vested interests of any nations. The British, Swedish and the French Delegations were strongly for retaining the good features of cartels while the United States Delegation were unwilling to commit themselves. The report mainly recommended further study with a view to Government supervision and regulation.

The encouragement and the protection of investments and industrialization in new areas were other subjects which evoked great interest in the sectional meetings. America and Britain were able to find a wider area of agreement here than in matters relating to commercial policy; whereas the Indian standpoint was generally backed by Latin American countries. The view was expressed by the American Delegation that investments should be made by and to private agencies only and not to Governments, and naturally this could not find support with the Indian Delegation which urged that Government might have to borrow for investment where public welfare and rapid economic development demanded.

Although the currency relations report was an inane and pious document containing nothing of importance, the Committee was the centre of great attraction because Mr. Aldrich presented his "key nation" approach in a highly plausible form and the question of India's sterling balances was brought up by Sir Chunilal Mehta. Mr. Aldrich's proposals are of more than ordinary interest because his recommendation in favour of a three billion dollar loan to Britain is actually the subject of negotiation between Britain and America for which Lord Keynes is supposed to be at Washington now. It is also definitely understood that this loan was not intended for unblocking sterling balances, which are still regarded here as a domestic issue between Britain and India. The whole question of Lend-Lease between Britain and the United States is said to be coming up for early settlement and India should be watchful lest her interests should be ignored in all these bilateral discussions between the two countries.

What was the real purpose of this Conference and how far has it been a success. Strangely enough I am unable to answer this. I can only record my impressions. American business men were, apparently, anxious to establish direct unofficial contact with the rest of the world as they know that they will have to play a big part in international trade after the war. In this, they were successful. Free interchange of opinion by business representatives from 53 nations in war-time is itself a remarkable achievement. But there were other results, not so clear perhaps but equally important. Many of the delegates had their own private business to put through, and welcomed this wonderful and unexpected opportunity. Again American business can speak in its own country against

further extensions of Governmental activity in the name of the world which has proclaimed its faith in free and private enterprise. On the other hand, American delegation and sponsors of the Conference who throughout attempted to hold the reins fairly tight discovered quite early that all was not smooth sailing for them, and that other nations were not entirely with them, and even those delegations which unlike the vocal Indian delegation chose to be silent differed from them in many matters. The British delegation, for example, had many differences which pervaded the entire field of subjects dealt into by the Conference. But they always expressed themselves in sugar-coated words and were unwilling to appear as if they were on the other side of America.

They were stooping to conquer by emphasizing their agreement and glossing over differences. The Chinese delegation was frankly out to cultivate good opinion of American business men and bankers, and, on the whole, played a silent and responsive role. Latin

Washington Letter

Trade Rivalries

(From Our Washington Correspondent)

WASHINGTON, Nov. 20, 1944 (By Cable). SOME of the best of America's political and economic experts have privately expressed concern lately about the probability of commercial rivalries growing up during the period between now and the end of the war and increasing in the post-war period. What is feared apparently is reversion to nationalism of such proportions that economic war might set in and negate the political efforts to make a durable peace. Some results of such nationalism would be the imposition of high tariffs, the levy of import and export quotas and similar other obstacles against expanding trade. One Washington Official who cannot be identified by name has been quoted recently as stating that the "end of war is certain to bring a reversion to nationalism. That could express itself most violently in trade rivalries and in an attempt to develop self-sufficient national economies in many countries."

These experts feel that international collaboration on a multitude of problems will have to be vigorously undertaken to prevent such possibilities. A start has been made at the Bretton Woods Monetary Conference, the Chicago Aviation Conference, the Business men's Conference at Rye, and the Anglo-American Oil Agreement which is proposed to become so generalized as to include any nations that may be interested in oil. Conflicting economic philosophies have been shown in these developments: Firstly, the United States has been outspoken in favour of expanding world trade with the minimum of restrictions, she has opposed cartels either government or business and opposed all preferential systems; secondly, dispatches from Britain indicate some indecision about cartels, but it is always pointed out here that they have been traditionally part of the British economic system. The British Delegation at Rye strongly supported a preferential system within the Empire, which is understood here to mean that the British Government is debating the relative advantages of economic collaboration and the advisability of unilateral policies in some instances. Thirdly, it is unknown whether Russia will become a nation with foreign trade relations and if so, to what extent. The fear is that the three may develop into economic Imperialisms which were denounced in 1919 by Russia herself. In respect of the latter apprehension the condition of uncertainty in the Russian policy in Iran is cited as a support. This is based on her recent actions in regard to Iranian Oil Concessions. Fourthly, the American business men have made charges while the British denied that Lend-Lease is being used for re-export in

Americans have firm and markedly divergent opinions from those of the United States, but were content to put them in few words leaving the rest to action. Sweden and Switzerland were, on the whole, with the major countries with regard to trade policy and investments, and definitely lukewarm in any action against cartels. The Indian delegation expressed itself in strong and undiplomatic language in all sections, with the result that in some quarters they were regarded as something of inconvenience. But they had good press, and, on the whole, won respect of all and sympathy of many. At international conferences very often it is not a question of the weight of arguments that matters, but which nation says a thing. From this point of view, China was able to receive better hearing than India. However, as Dr Henry Grady humorously said at the farewell luncheon given by the Indian delegation: "India was able at this conference not only to twist the tail of the Lion but also to pluck feathers of the Eagle."

commercial channels. During discussions about Britain's Lend-Lease requirement for the next year there have been constant disavowals of any intention to re-export Lend-Lease goods. Yet the British say at the same time that they must build up export trade to the limit when the European war is ended.

Britain feels that it is in the interest of the United States to help her to rehabilitate her economy in the post-war period. This has also been the feeling there, particularly, among some opponents of the Bretton Woods Agreements who contend that the United States should first of all make commercial arrangements and currency stabilization agreements with Britain and other currencies, thereupon, would virtually automatically be stabilized. Criticism is heard in some British quarters in the meantime that the Bretton Woods proposals too closely resemble a return to the Gold Standard which, they seem to feel, would be specifically in the interest of the United States and, certainly not in Britain's. An official British source recently outlined here what he termed "America's stakes in British prosperity." This official who did not want his name to be used said that the only way Britain could continue to be of commercial and military value to the United States in the post-war period is by the re-establishment of her immense export markets as well as by means of access to them by shipping and carriers. Because it appears pertinent it might be well to review the British remarks here. He said that Britain's value to the United States has been proved during the war and with respect to maintaining world security it is just as important to the United States as to Britain that the latter should be a prosperous as well as a populated industrial nation serving extensive export markets. Speaking on the indications of the possibilities of a scramble for world trade he said "in the simplest terms, the importance of Britain to America's national interest is three fold, firstly, as a customer, secondly, as a base for military operations in Europe if it becomes necessary to defend the United States, and thirdly, as a powerful military ally. As a customer, Britain bought American exports totalling 521 million dollars in 1938. In the pre-war years she was consistently the biggest foreign customer of the United States. Britain is in fact so big a customer that economists agree that her purchases or lack of them are enough to tip the balance between prosperity, and slump in America."

London Letter

Currency Problems of Occupied Europe

(From Our London Correspondent)

LONDON, Nov. 2, 1944 (By Airgraph).

THE German administration in the occupied countries used the printing press to a very large extent, and at the same time drained these countries of very large supplies of commodities. Thus prices rose to excessive levels. To some extent rationing and other controls acted as a brake on prices. In all the occupied countries, however, there existed a large "black market." Thus, in none of the countries is there any reliable basis on which to judge the actual purchasing power of the currency unit. This presents a formidable currency problem to the Allied authorities. The first consideration of the British and American Governments in each case, however, is, that the rate of exchange of the pound and dollar should be fixed for the time being. Once the country is fully occupied or liberated the civil administration has to take over the responsibility for the management of the currency as is the case now in France and Belgium and soon, it is hoped, also in Holland.

The rate of exchange between the pound and the French and Belgium francs had originally been fixed at a level which, it was expected, the governments of the two countries would be able to maintain once they were re-established. The French franc at 200 and the Belgian franc at 176.6 to the pound allow for a certain amount of inflation, but it is doubtful whether inflation in France has not been much greater than the margin allowed for in the new rate of exchange. The Belgian franc is in a class of its own. By drastic measures the Belgians Minister of Finance has curtailed the actual circulation of currency and bank balances to a degree unheard of before. To judge by first reactions, the operation has, if anything, been too drastic. It will be remembered that all old currency notes were recalled and all bank balances were blocked. Only franc 2,000 per person or firm of new notes were allowed as a maximum and the use of bank balances was equally reduced (with the addition of small withdrawals for payment of wages). Thus the actual circulation of media was reduced to something in the neighbourhood of 20 per cent. This naturally caused a sudden stoppage of trade which, however, was foreseen and expected. Since then further releases of currency (new) notes and of bank balances were made to ease the situation. Meanwhile the Government got busy to find out the hoards of food which the farmers had held and were loath to part with at newly fixed maximum prices. No figures are available as to the amount of food *already requisitioned*. Once the farmers and, if there are any, *merchants in possession of further stores*, realize that with the reduced media circulation there is not the least chance of getting better prices either in the legitimate or the black market, they will get rid of whatever hoards there still are without further compulsion. As far as business is concerned, it is to be expected that a considerable increase in the use of bank balances will soon be allowed. Business must remain at a low level of activity until by and by trade and industry can more fully function again.

The Minister of Finance expects that by these measures he will be able to steer a straight course once the price level has been established at about 40 per cent. above pre-war level. This seems a rather conservative expectation since it would be possible to

stabilize the price level at even pre-war pegging if that was desired. In any case there should be no difficulty in keeping to the arranged rate of exchange even if the price level in Great Britain were to be somewhat reduced, of which there is no indication at present.

The Belgian experiment is, naturally, being followed with great interest by French and Dutch authorities. No definite attempt has been made to operate on the French franc. The French authorities seem to follow a policy of wait and see. The position of the two governments is a rather different one. The Belgian Government while still in London was a fully recognized Government and was able therefore to prepare its economic policy in advance. The French Government has only recently been accorded recognition and is not identical with the Algiers regime though some of the members are the same. Politics are still the most prominent problem and little in the way of economic policy has been prepared in advance. The situation in Paris is therefore much more fluid than in Brussels where at present the Government's most pressing problem is to provide food for the population. The France of pre-1940 has gone. No new France is there as yet; the new France, in fact, is being born in trouble and turmoil. For some time no French Government will be able to grapple full-heartedly with economic problems beyond those of day to day administration, however crying the need for a long-term economic policy.

Like the Belgian Government, the Dutch Government will in due course return to its country well established with traditions unturned. For them, too, it will be mostly an economic problem that they have to solve a problem to which they too, had been able to give consideration in advance. They have already indicated that they will not follow Belgium in its currency experiment. This is not surprising since the Dutch (together with the Swiss) are perhaps the most conservative nation as far as currency affairs are concerned. The colossal devastation in the Netherlands may free them in time to take a leaf or two out of the *Book of Great Britain*. But there need be no fear about the sturdy Dutch, they will manage to surmount their difficulties once they have set foot again on their native soil.

Opinions are divided about the exchange rate of marks at 40 to the pound as fixed by the British Government. Actually the Mark was quoted at half that price on the neutral exchanges before the announcement of the new rate. This may be an undervaluation of the Mark. Certainly German currency inflation has reached such proportions that even Mark 80 to the pound appears to over-value the Mark. But this currency inflation is to a very large degree ineffective. Stiff controls and maximum price regulations have so far kept the Mark at a reasonable level, of purchasing power. It is not to be expected that these controls will be relaxed with the entry into Germany of the Allied Armies and in the wake of the latter Allied civil administration. If necessary, an operation on the lines of the Belgian experiment would enable the new administration to bring the purchasing power of the Mark in line with the rate of exchange agreed.

A DELHI DIARY

THE autumn session of the Central Legislature has ended. It provided legislators with an opportunity to ventilate many public grievances and call the Government to account regarding several issues affecting the people. The food muddle, Indians' problems in South and East Africa, the Bombay Plan and the coal situation were among the questions discussed. The impression left by the session is that the Government's complacency has been rudely shaken and that it has realized that there is public opinion in the country.

The Government had to agree to circulate for public opinion the Bills relating to the payment of wages and the Rice Fund. The Banking legislation has also been circulated. This Bill, it was generally felt, is not sufficiently comprehensive. It is bound to undergo material alteration in the light of opinions received on it. Sir Jeremy Raisman had to yield to the non-official view regarding the Public Debt Bill and restore certain provisions already in force including that relating to Hindus governed by the Mitakshra law.

A feature of the session was the interest the Assembly took in the problem of post-war planning. The verdict of the House is that the present Government is not trusted in the sphere of post-war planning—the Assembly demanded that an elective committee shall examine all official and non-official plans and determine what is to India's good. The Government was apparently prepared to set up a Committee of the Legislature to advise Sir Ardeshir Dalal's department. But the Assembly got no chance of hearing the Planning Member, because the Government's lobby tactics were intended to avoid a discussion on the National War Front and the Assembly closed the debate to prevent this happening. Either Sir Ardeshir was let down by his colleagues or he had not the strength to assert himself against their manoeuvres.

The interest the Assembly took in the matter of planning is expected to serve as an eye-opener to the Government of India. Sir Ardeshir Dalal will face a hostile House next session if he fails either to make a response to the Assembly or prove to its satisfaction that his own method was the better one. The Planning Department is bound to grow. Will it be manned by persons who would multiply files, write lengthy and learned notes and print series of so-called objective reports? Or, will it be manned by experts who will cut red-tape and proceed with planning seriously?

One test of the Government's sincerity will be the Finance Member's budget speech. The only way the Government can establish the *bona fides* of its intentions is by Sir Jeremy Raisman announcing what funds the Government is prepared to allot for post-war development in the first five years. How is that money to be raised? And how much by taxation, and how much by borrowing? Sir Ardeshir Dalal may be thinking in these terms, but he has to get this view accepted by the Executive Council so that a proper indication of the financial side of the planning business is given in the budget. All talk of development is empty without a concrete basis being provided by the Finance Department. Now that Mr. Narahari Rau is the special financial officer for this work, there is no excuse for the Government saying that it had not had the expert examination of the subject.

The future of sterling balances was another of the important questions raised during the session. Sir

Jeremy Raisman did create a good impression by stating that no one had, during his last visit to London, told him that sterling balances should be written off. He expects that India's delegation would leave for England after the Budget session. Sir Jeremy would probably lead it. But it is important that he should have with him on the delegation several non-official leaders. Sterling balances is largely a political question, and decision regarding it will be determined by the type of future relationship between England and India. He will not need very much the assistance of so-called experts. Anyway, even if some experts must accompany him, they should be Indian. Sir Theodore Gregory may not inspire confidence as an expert who would give advice in India's interest. Moreover, it is felt in Assembly circles that only Indian official experts should be taken to London so that the knowledge they acquire will be available to India.

The spotlight the session threw on the mismanagement and waste of public funds was another achievement of the session. Something might be said in favour of the view that when Japan made her conquests and India was in danger a lot of money was recklessly thrown about to build up public morale. With the Allies winning, there is now no need for continuing this wasteful expenditure. The National War Front was given Rs. 80 lakhs last year. This white elephant has now no justification and must be wound up. Similarly, the payment of Rs. 13,000 per mensem to Mr. M. N. Roy's Indian Labour Federation has no justification. The Government has already agreed to stop from the next financial year the subsidy paid to Mr. Roy's paper, *The Vanguard*, in the form of subscription for 1,500 copies of the paper. The discussion on the report of the Public Accounts Committee which began on the last day of the Assembly's sitting will be continued next session and, unless the Government changes its opinion meanwhile, a lot of dirty linen will be wished on the Assembly's floor.

I hear the claims in respect of the Bombay explosions have come nowhere the big figure originally estimated. There is no doubt that the damage sustained by people was of the amount calculated by the Government. It is suggested here that one reason for shortfall is that those who had stocked black market goods are not coming out with full claims. The question in which the Assembly showed interest was whether the British Government would foot the bill for the damage. It appears that London is trying to find a way of escaping the obligation. The Government of India will face a very hostile Assembly next February if they fail to pass on at least three-fourths of the damage bill to the British Government.

The political atmosphere has become somewhat hopeful in the capital. The Conciliation Committee appointed by the Non-Party Conference has had a good reception and the Government, too, has made a gesture by promising every help and assistance in the Committee's work. The idea of the Government setting up a constitution committee to explore the constitutional problem is being canvassed. Unless London pulls the strings there is every hope that the Viceroy will seriously think of contacting political parties for the purpose. If a proper approach is made on the matter and political prisoners are released, Lord Wavell may yet succeed in resolving the deadlock.

ARGUS.

Money Markets

Rise in Gilt-edged and Share Values— Active Buying in Bullion

(From Our Correspondents)

BOMBAY, Nov. 19, 1944.

DURING the week under review, call money was quoted, as in the past, at $\frac{1}{4}$ per cent. One to two months funds too were on offer at the same rate, while the rates for three months to six months were nominal at $\frac{1}{2}$ to $\frac{3}{4}$ per cent.

Easy conditions continue to prevail in the money market. The supply of funds is on the increase while borrowers are scarce. Movement of cotton crop, which usually used to provide a good scope for advance by banks at this time of the year, has not yet acquired sufficient momentum. Even when it does, it is doubtful whether it would have any perceptible effect on the money market as both merchants and banks possess large cash resources.

Unlike in the past six or seven weeks when the Treasury Bill maturities were in excess of the offtake by Rs. 2 crores, they are at par since the week under review. This probably accounts for the marked rise in the offerings for these bills from Rs. 15.78 crores in the previous week to Rs. 17.73 crores in this week. In spite of such large offerings, the rate has firmed up a little from Re. 0-7-10 per cent. per annum to Re. 0-7-11 per cent. owing to the peculiar position of some of the lenders.

Gilt-edged

The gilt-edged market ruled strong during the week under review. The $3\frac{1}{2}$ per cent. G.P. notes spurted by over two annas to close at Rs. 100-1-6. Till Saturday, G.P. notes were quoted a few pies below par, as an institutional investor was a persistent seller at Rs. 99-15-9. On Saturday the market moved up as this seller withdrew from the ring. Now that the rate for G.P. notes has once again moved above par, resumption of sales by the Reserve Bank may be expected.

Among dated loans, a fractional improvement in values was reported in medium and short-dated ones owing to good investment inquiry. The 3 per cent. 1949-52 was quoted at Rs. 101-13. The 3 per cent. 1951-54 changed hands at Rs. 101-2 and 1953-55 at Rs. 100-10. The 3 per cent. 1963-65 was just steady at Rs. 99-4 and the 3 per cent. 1966-68 at Rs. 98-4. A substantial switch from the former to the latter was reported during the week. While the $3\frac{1}{2}$ per cent. 1947-50 stood unchanged at Rs. 104-4, the 4 per cent. 1960-70 gained two annas to close at Rs. 112-13. The $4\frac{1}{2}$ per cent. 1955-60 were wanted at Rs. 116-10. The 5 per cent. 1945-55 tax-free loan was quiet at Rs. 103-11. The turnover in all these securities was a little better than in the past few weeks.

Bullion

The undertone of the bullion market was firm, on a sudden improvement in demand. In spite of continued sales by the Reserve Bank of India at the rate of 75,000 tolas of gold and 300 bars of silver every day, prices went on rapidly moving up and the Bank's offerings were avidly taken by the market at progressively higher rates as will be seen from the following figures.

Date	GOLD		SILVER	
	Quantity	Rate	Quantity	Rate
	Tolas	Rs. a. p.	Bars	Rs. a. p.
13th Nov. ..	75,000	62 11 0	300	113 10 0
14th Nov. ..	75,000	63 9 0	300	114 12 0
15th Nov. ..	75,000	64 3 0	300	115 7 0
16th Nov. ..	75,000	64 2 0	300	115 12 0
17th Nov. ..	75,000	65 1 0	300	117 9 0
Total for the week ..	3,75,000		1,500	

The effect of sales by the Bank on prices was neutralized to a considerable extent by brisk short covering which strengthened the hands of the bulls. There was also a large demand, and from up-country well-informed brokers observe that the bulk of the demand in recent days has been on account of Calcutta operators. The sudden and persistent demand from this source has led to the belief that large quantities of bullion are being smuggled across the border into China and Burma.

Throughout the week, the spot market rates for both gold and silver were appreciably above those at which the Bank sold. In the case of gold, the highest and lowest touched were Rs. 65-13 and Rs. 62-10 respectively, such for forward delivery being Rs. 65-11 and Rs. 61-14. In the case of silver, spot rate touched a height of Rs. 119-4 and a low of Rs. 114-6, the corresponding rates for forward being Rs. 118 and Rs. 113-2. Sovereign which were quoting at Rs. 44-4 last week improved by nearly Rs. 2 to close at Rs. 46; even at this rate they were in good demand.

At the time of writing, however, ready demand has slackened a bit, and a subdued feeling is noticeable among the bulls. At the higher levels, the bulls, who bought from the Reserve Bank at lower rates last week, are seen booking their profits. A considerable portion of the outstanding short sales also appears to have been squared up. If the Bank, therefore, continues to sell as it did during the week under review, the chances for any further flight in prices are not bright.

Stock Exchange

As was anticipated in these columns in the last two weeks, the Bombay Share Market experienced a sharp upward trend during the week under review. During the three days on which the market was open, a lively trading was witnessed. Almost all sections recorded appreciable gains, the lead being maintained by Textiles. The turnover was large. The improvement in values is attributed to fairly substantial buying by investors and jobbers as well as to some short covering.

In the Steel section, *Tata Deferreds* which closed at Rs. 2,105 last week moved up during the week to Rs. 2,136-4 after declining to Rs. 2,095 at one time early in the week. *Ordinaries* which stood at Rs. 386 a week ago have moved up to Rs. 397. The undertone in this section is still strong and it looks as though these shares will move up still further, although some profit taking may take place in view of the substantial rise in recent days.

A small boom was witnessed in Textile shares. *Bombay Dyeings* have recorded a net gain of Rs. 42-8 to close at Rs. 1,820. *Centuries* have advanced from Rs. 815 to Rs. 865 and *Central Indias* from Rs. 393-8 to Rs. 416. *Kohinoors* have crossed the Rs. 600 mark to stand at Rs. 606. *New Greats* recorded a further sharp rise of 15 points to Rs. 420. *Swadeshis* have forged ahead from Rs. 531 to Rs. 566. *Edward Sassoons* were prominent, rising in value from Rs. 757-8 to Rs. 830. Its stable mate *Meyer Sassoon*, however, showed a relatively small progress, the closing rate at Rs. 221-4 showing a gain of only 4 points. *New Cities* continued to be popular and moved up by as much as Rs. 14 to Rs. 410.

In the Miscellaneous section, the most outstanding feature was *Belapurs* which gained nine points to Rs. 250 on reports that the dividend for the year ended September 30, 1944, has been maintained at 18 per cent. *Associated Cements* were quiet at Rs. 241, but *Alcock Ashdowns* were better at Rs. 463-12. A small

turnover was reported in *Shtrajpur* at Rs. 61-4 and in *Scindia Steams* at Rs. 32-8. *Tata Oils* and *Tata Chemicals* were neglected.

Bank and public utility shares continued to receive good support, their closing rates in many cases showing sizable gains.

Weakness in Jute and Jute Goods—Quiet Tone in Stock Exchange

CALCUTTA, Nov. 20, 1944.

IN spite of the strength of the Bombay market and the bullion market, rather weak conditions have been noticeable on the Calcutta stock exchange, and business has been very restricted. It is said that the weakness of the markets has been due to the complete absence of any outside buying support and rush of deliveries in the past two weeks. The weakness of the jute and jute manufactures markets also had a depressing influence. However, there is no appreciable "give" in many counters, while even gains have been recorded by a few. There is a general tendency to await further developments.

Gilt-edged has been firm with the $3\frac{1}{2}$ per cent. paper being done up to Rs. 100-4. There has been good inquiry, especially for short and medium-dated loans, the $3\frac{1}{2}$ per cent. 1947-50 being Rs. 104-4 and the 3 per cent. 1949-52 Rs. 101-10. Later in the week there was considerable buying for long-dated loans as well.

Bank shares have remained firm with the *Imperial Bank* fully paid at Rs. 2,005 and *Contributories* at Rs. 503. *Reserve Bank* were two points further higher at Rs. 137 as also *United Commercial Bank* at Rs. 37.

Cotton shares continue uninteresting with *Cawnpore Textiles* at Rs. 13-14 and *Elgins* Rs. 66-4. *Kesoram* were Rs. 16-2 while *New Victoria* were a shade better at Rs. 8-8.

In the coal section there was a sharp rise in the quotation for *Deoli* on reports that the company would be able to earn higher profit as a result in the increase in raisings from the newly acquired properties. The quotation at the time of writing is Rs. 15-8 which is more than two points higher on balance. *Raneegunge* also have been in good request, being done up to Rs. 52. *Bengal* were Rs. 640, *South Karanpura* Rs. 21-8 and *Burrakur* Rs. 39-12. There are reports that *S. Karanpura Coal Company* might pay a dividend for the last accounting period.

The position in regard to the jute industry is still uncertain and it is not possible to form any definite view regarding the immediate outlook. *Howrah* came down to Rs. 81 but the close was better at Rs. 81-10. Against the expectations of a higher level of earnings for the half-year ended 1944 there is actually a decrease in the net profit over the previous six months.

Engineering shares have been very steady in the early part of the period under review with *Indian Irons* fluctuating around Rs. 38-4 and *Steel Corporation* at Rs. 32. After Sunday's alert, however, there is a slightly easier feeling and the quotation is now at Rs. 37-12 and Rs. 31-8. *Burn & Co.* were unchanged at Rs. 416, while *Kumurdhubi Engineering* were Rs. 11-6.

Sugar shares were quiet with *Champaran* at Rs. 38-8 and *Carew & Co.* at Rs. 28. *Buland* were better at Rs. 44.

There has been some selective buying of tea shares, *Hasimara* being done up to Rs. 76-4, *Bisnauth* Rs. 42 and *Tezpur* Rs. 20-8.

Among Miscellaneous shares *Calcutta Trams* have improved further to Rs. 54-8. The company's shareholders feel that they will stand to gain by its being taken over by the Corporation. It is, however, not possible to decide the break-up value of the shares as

it is not clear whether the whole undertaking will be taken over by the Corporation. On reports of a fresh capital issue by *Humayan Properties Ltd.*, there has been a further rise in the ordinary shares to Rs. 17-5. *B. I. Corporation* were Rs. 6-8, *Titaghar Paper* Rs. 27-12 and *Midnapur Zemindary* Rs. 163.

The jute market continues quiet and business passing is very much restricted as mills are not prepared to enter into fresh commitments pending the improvement in outlook. There was some small business, but it has not been enough to allay the anxiety of sellers. Almost all the middle grades are at minimum rates and mills are prepared to consider offers only if dealers are ready to deliver in equal instalments on a month-to-month basis from the beginning of the New Year to the end of the season. There is considerable speculation regarding the attitude of the Bengal Government and the steps they would take if there was a further decrease in prices.

In loose jute, European packing *Middles* and *Botoms* were done Rs. 16 and Rs. 13 per maund, while *Supervised Jat* were Rs. 15 and Rs. 12 respectively. There has been absolutely no business for export in pucca bales, though some inter-balers business has been done below minimum prices for *Dundee Daisee* 2:3 at Rs. 67-8 per bale.

The goods market also has been uninteresting, though earlier in the week there was some satisfaction with the production figures for the month of October. The increase in the total of production to 92,755 tons from 71,541 tons for the month of September was not expected, especially as there were reports that steam-driven units were experiencing considerable difficulty in respect of coal supplies. Sacking output was 50,517 tons against 39,917 tons and Hessian 38,850 tons against 28,865 tons; other manufactures were 3,388 tons against 2,759 tons. Mills are not prepared to discount prices for hessian, though there are second-hand sellers for both 9 and 11 porters.

In the heavy goods section, the feature of the week is the sale of 'A' twills by an Indian mill at Rs. 71 against the maximum price of Rs. 75-6. It is reported that other sales also were made below maximum prices. The break of maximum prices in heavy goods, though not completely unexpected, had a slightly discouraging effect and 'B' twills came down to Rs. 58. The close, however, is steadier at Rs. 58-8.

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THE BUSINESS WORLD

INDO-AMERICAN TRADE RELATIONS

SPEAKING at the International Business Conference, Sir Chunilal Mehta, the leader of the Indian delegation, urged the conclusion of a treaty of commerce and navigation between India and the United States. The proposal for strengthening the trade relations between the two countries is by no means new and although the Indian commercial interests have been pleading for the conclusion of such a treaty, the Government of India decided to shelve the issue on the ground that such negotiations "raised commercial issues of primary importance between the United States of America and India which were not susceptible of treatment during the progress of the war." However, in the course of the war, the economic relations between the two countries have been considerably strengthened, in spite of the multi-fying intervention of the Empire Dollar Pool Scheme and the arrangement in accordance with which American lease-lend aid flows to India only via Britain. For long, due to historical and political reasons, our trade connections have had their primary orientation towards Britain. But in the new world setting after the war, in spite of the enormous pull which would be exerted by our sterling balances on our trade relations, the United States with her vastly expanded productive capacity would, without doubt, more and more exert determining influence on the course of world trade. In particular, for a considerable time, the United States would be the country most advantageously situated in regard to supply of capital goods on a massive scale which would be required by India embarked on an ambitious economic programme.

Indo-American trade dates back to a time even earlier than the American Civil War when particularly the Indian trading class earned windfall profits in raw cotton and cotton manufactures mainly besides in other articles of trade. Trade since then has continued to enlarge both in quantum and value

except during the economic depression. India normally has a favourable balance of trade in relation to the United States. The pre-war (1910-14) average of imports and exports stood at Rs. 4.49 and Rs. 1.69 lakhs respectively making up a total trade of Rs. 21.39 lakhs. During the Great War of 1914-18 particularly with the closure of trade with the European belligerent countries the United States became easily the most important non-empire country both as a market and source of materials and the war-time average of imports and exports stood at Rs. 10.29 and Rs. 26.75 lakhs respectively. The period following the war witnessed further increases in trade between the two countries and it was only the onset of the world economic depression which interrupted the surging trend of trade. Then followed the era of Ottawa and empire 'autonomy,' but even in 1937-38 our imports from and exports to the United States stood at as high a level as Rs. 12.89 and Rs. 18.73 lakhs respectively. The outbreak of war in 1939 created 'bullish consumption position' in U.S.A. and 'bullish supply position' in India. Under the impulse of war production and 'stock-piling' in the U.S.A. demand for goods from India greatly increased. The imports and exports increased to Rs. 34.61 and Rs. 53.98 lakhs respectively in 1941-42 which are the record figures in the annals of Indo-American trade history. This continuous increase in trade with America even before the war, could be attributed, at any rate in part, to the fact that Indian exports to America have been of complementary character to the industry. If we examine the percentage share of different Empire and foreign countries in the Indian trade, we would discern easily that the share of U.S.A. has been increasing so much so that it is now in a leading position among the non-empire countries trading with India, Japan having fallen out; and is a close second to U.K. The percentage shares of some of the principal world countries are set out below:—

	U.S.A.			U.K.			JAPAN			GERMANY		
	Im-ports	Ex-ports	Total	Im-ports	Ex-ports	Total	Im-ports	Ex-ports	Total	Im-ports	Ex-ports	Total
1910-14 average ..	3.1	7.5	5.8	62.8	25.1	40.0	2.5	7.5	5.5	6.4	9.8	8.5
1914-19 ..	7.0	11.9	9.9	56.5	31.1	42.2	10.4	11.2	10.9	0.7	0.9	0.8
1920-24 ..	8.5	12.0	10.4	57.6	24.2	39.5	6.9	13.3	10.4	2.8	4.9	4.0
1936-37 ..	5.3	9.9	7.9	31.0	31.4	31.2	13.3	14.6	14.1	8.2	4.7	6.2
1937-38 ..	7.4	9.9	8.7	29.9	34.0	32.1	12.8	9.8	11.2	8.8	5.6	7.1
1938-39 ..	6.4	8.4	7.5	30.5	34.3	32.5	10.1	8.8	9.4	8.5	5.0	6.6
1939-40 ..	9.0	12.7	11.1	25.2	35.3	30.9	11.7	6.6	8.8	4.0	1.4	2.5
1940-41 ..	17.2	16.1	16.6	22.9	32.9	28.5	13.7	4.6	8.4	..	..	..
1941-42 ..	20.0	21.8	20.8	21.1	30.5	26.7	6.8	1.9	3.9	..	..	..
1942-43 ..	17.4	14.8	15.7	26.7	30.6	29.1	3.2	..	..	..	..	..
1943-44 ..	15.5	20.2	18.4	25.1	30.2	28.3	..	..	..	..	..	..
1944-45 (4 months)	17.5	20.8	19.3	19.5	26.0	23.0	..	..	..	..	..	..

The array of figures reveals that the U.K.'s trade with India has been considerably dwindling in spite of her dominant position whereas U.S.A. gained an ever increasing share even before the war. Still a large part of India's trade is concentrated within the orbit of the British Empire. In the year 1939-40 the share of British Empire was 56.3 per cent., 56.0 per cent. and 55.77 per cent. in imports, exports and total trade respectively and thus leaving 43.9 per cent., 44.0 per cent. and 44.0 per cent. with the non-Empire countries of which U.S.A. had 9.0 per cent., 12.7 per cent. and 11.1 per cent. respectively. The war has dis-

torted India's trade relations out of shape; a large part of our imports have been cut off, markets closed and exports to strategically important countries increased beyond recognition. In spite of the limitations imposed by war conditions and the dollar poor scheme, Indo-American trade continued at a very high level. The commodity structure of India's trade with U.S.A. is made up of raw and semi-manufactured goods chiefly jute and jute products, hides and skins, dried or tanned, fruits and vegetables, lac, raw cotton, raw wool, tea, oilseeds, mica, cashewnuts, metals shellacs and myrabolans as exports from India

to U.S.A.; and finished and manufactured goods mainly machinery, millwork instruments, tobacco, chemicals, dyeing and tanning substances, paper and pasteboard, raw cotton of longer staples from U.S.A. into India. These articles of imports and exports cover 30 per cent. of the total import and export values in any single year.

	(Rs. in thousands)		
	Pre-war average (1909-10 1913-14)	1938-39	1941-42
<i>Exports to U.S.A.</i>			
Raw cotton ..	8.19	4,104	2,03,41
Fruits and vegetables ..	1.73	1,10,89	1,79,07
Hides and skins ..	3,78,35	1,59,12	3,57,93
Raw jute & jute manf.	10,16,87	7,49,98	23,27,77
Lac ..	93,77	50,45	3,74,80
Myrabolan ..	9,78	6,65	46
Wool ..	6,90	57,22	3,83,84
<i>Imports into India</i>			
Raw cotton ..	27,72	37,47	2,20
Drugs and Medicines ..	4,18	26,40	76,51
Dyeing and tanning ..	..	7,93	2,14,58
Hardware ..	24,72	22,41	86,92
Instruments ..	5,86	88,44	1,35,20
Machinery ..	24,56	2,11,44	4,01,43
Paper and pasteboard ..	1,21	5,26	1,61,52
Tobacco ..	3,90	48,31	1,91,72

Besides the published value of exports on private accounts, certain strategic raw materials and commodities like, mica, manganese, shellac, coconut, shell char, which India is in a dominant position to supply, are being exported on Government account to that country for feeding the armament drive and assisting the stock-piles programme of the U.S.A. Government and the value of their exports are no longer published. If the values of such exports were transferred from lease and lend accounts and empire dollar pool and added to those of the private merchandise, the total exports value will be a very high figure.

While the exigencies of the war have brought the United States and India closer together undoubtedly in the post-war years the economic relations between the two countries could be further strengthened on a permanent footing to the mutual benefit of both the countries and to the world at large. Both the countries are in an expansionist mood and are excellently placed to underwrite each other's prosperity. In the course of mobilisation for war, the capital goods

producing sector in the economy of the United States has greatly expanded much beyond her immediate internal absorptive capacity; on the other hand any ambitious economic plan by India would provide a considerable and continuing market for these expanded industries. Britain, on the other hand, pre-occupied with her own peculiar economic difficulties, would be comparatively less advantageously placed to meet Indian requirements. Besides in the supply of machinery and equipments, the United States is better placed than Britain and is ahead in regard to technique. An appreciation of this basic fact has led to the insistent demand in India that the sterling balances should be multilaterally integrated into an expanding system of world trade, to the advantage of Britain, India as well as the United States. In any case, if the United States embarks on a policy of actively helping in the industrialization of the backward countries, notably India and China, and is prepared to advance loans for the purpose, she will have immeasurably strengthened her hold on the world market. Our special representative at the World Business Conference pointed out last week that American business men and bankers are interested in Indian industrialization and they are quite willing to have a hand in Indian industrialization as participants with minority interests. However, full details of the terms on which American economic collaboration in our constructive post-war task, would be forthcoming are not yet available. It is to be hoped that the United States with her undoubted economic power will not bend it for purposes of economic aggression and subversive penetration in countries which are economically and politically comparatively weak. Certainly, if it lies in her political power, India would reject any terms which would jeopardise her own economic sovereignty. Nevertheless, even apart from the question of positive economic collaboration between the two countries in any post-war constructive economic programme, there would be a widening field even for strengthening the current trade relations of the two countries. Even the Gregory-Meek Report was quick to testify to the wide fund of commercial good-will for India which exist in the United States and that the mere fact that a product was produced in India, was a good 'selling point.' On the contrary, the fact that America is at the van of technical progress in the whole world, makes American equipments, American methods and American management a catchword for any country bent on overtaking its economic backwardness.

NOTES

CHEAPER MONEY

Considerable speculative activity developed recently in the Bombay gilt-edged market as a result of rumours suggesting a reduction in the Reserve Bank rate. Although the speculation proved abortive, there are relevant factors in the situation which would justify such steps on the part of the Reserve Bank as would further the progress towards cheaper money. Thanks to the continued expansion of currency and credit, the money market has been suffering an unprecedented accumulation of funds. Intermittent increase in treasury bills tenders, bullion purchases, stock exchange or seasonal activity have all alike failed to relieve the pressure of these uninvestible funds. This has caused anomalies in the prevailing interest rates causing, on the whole, a higher charge on public borrowing than can be justified under the circumstances. While the Reserve Bank's re-discount rate is 3 per cent. the market discount rates are as low as 1½ per cent. While the monopoly action of certain institutions is forcing the rate of Cen-

tral Government treasury bills to about ½ per cent. and those of the provinces even higher, the banks are paying only ¼ per cent. on deposits. The position is particularly anomalous in view of the large deposits of the Central Government with the Reserve Bank, so that there is no obvious need for Government borrowing at extraordinary rate. The question has a larger bearing than the burden on taxpayer. This is a suitable occasion when Government should consider the whole question of present as well as future borrowing and bank rate policy in the context of the monetary situation. There is not only a need for harmonization of divergent money rates, but also one of basing the public borrowing policy on the basis of less than the prevailing rates. The tremendous demand for 3½ per cent. irredeemable paper at par is an index to the need of the situation to reduce the yields on the securities. It is possible under the existing circumstances to convert the securities carrying more than 3 per cent. rate to a lower rate. Government of India may well emulate the British Government which has converted recently the 2½ per cent.

loan to 1¾ per cent. It might even prove feasible to cheapen public borrowing without a statutory reduction in the Bank Rate by resort to better borrowing technique.

A CHINESE INDUSTRIAL MISSION

While Mr. Donald Nelson has returned to China with a staff of technical experts for stimulating the war effort of that country and overcoming the transport and raw materials bottlenecks which have hitherto proved formidable, a dispatch from Ottawa reports that twenty-one of China's leading industrialists are visiting big industrial plants in the Canadian provinces of Ontario and Quebec in preparation for post-war reconstruction. The senior member of the party is Yun Chen of the Central Manufacturing Works. The party is divided into ten separate groups, including mining, electrical, chemical, engineering and miscellaneous industries, economic construction and transportation. Most members of the Mission, after spending three weeks on Canadian industry, propose to stay in North America almost for a year. In the light of this Chinese plan, the proposed mission of Indian industrialists would seem not only unduly postponed, but also to be much shorter in duration and less comprehensive in its range of inquiry.

INDIAN INSURANCE

A demand for nationalizing insurance was urged in the Central Assembly last week when the Insurance Act Amendment Bill was brought before it by the Commerce Member. Insurance represents a distinct and highly important phenomena in the modern economic system—"anxious search for security of the ordinary man driven by the insecurities which surround him," and is regarded as one of the most important institutions for canalizing the savings of the community in advanced countries. Insurance in India barely touches the fringe of our vast population, and the poorer classes are completely left out to wait for the day when it would become universal and compulsory. With the rise of the new social conscience, the State must increasingly take upon itself the responsibility of providing a comprehensive social service and social insurance. But private enterprise may still have a very important role to play. Although Indian insurance has recently made considerable progress, comparatively speaking, it is still in a very backward state. The latest statistical returns for Life companies available are for 1942 in which year there were 302 insurance companies of which 209 were Indian, with 16,61,000 policies insuring a sum of Rs. 322.94 crores of which Rs. 250.68 was with the Indian companies. Further working out of figures discloses that the average sum insured per policy by the Indian companies was Rs 2,158; and only 4 persons out of 1,000 were insured and the annual additional savings collected by the life offices by way of premiums amounted to Rs. 2.10 crores of which Indian companies' share was Rs. 1.77 crores in 1942. When these figures are placed in juxtaposition with those of other countries, namely, U.K., U.S.A. and other European countries, they present a very poor picture. There is a tendency for the mushroom growth of insurance companies noticeable in recent years while they are being conducted with a very high expense ratio, shown

below for some recent years, which goes either to swell the premiums or lessen the benefits to the policy-holders.

Years	Expense Ratio (when all the companies are included)	Expense Ratio (when half a dozen com- panies with largest premium income are excluded)
1938	31.7	41.1
1939	33.2	41.8
1940	28.9	36.0
1941	27.4	34.3
1942	26.4	31.3

The expense ratio in India is much higher than that in the insurance companies in other countries.

AUSTRALIAN BANKING

Banks in Australia have perhaps been under much more rigid and far-reaching controls than in any other country. Their powers of credit expansion have been directly limited by the obligation to place deposits in excess of those of September 1939, on deposit with the Central Bank at the low rate of ¾ per cent., while the right to make new advances in excess of £500 is the subject of individual application to the authorities by means of compulsory deposits and investments in bonds. The rates charged on bank advances have also been brought down. Another important feature of Australia's banking policy is that banking profits are kept stable in terms of the pre-war standard. At present legislation is in preparation to make the numerous war-time controls exercised under national security regulations part of normal banking regulation. In other words, after the war control over banking will remain as rigorous as at present.

PUBLICISING INDIAN GOODS ABROAD

With the possibility of war drawing to a close within a measurable distance of time, it is hardly necessary to over-emphasize the importance of organizing a concerted effort by the Government and the commercial interests with a view to recovering of the 'lost' markets for India's export goods both in the East and West and the retention and consolidation of the newly found or developed market in U.S.A., Middle East and East Africa. Even if the industrial countries of Europe and Japan remain pre-occupied with their own internal problem of reconstruction and rehabilitation, Indian interests unorganized as they are, would be hard put to maintain their position against the onslaught of powerful international combines in the atmosphere of the scramble for markets and fierce competition which would ensue at the end of the war. According to certain reports, the Government of India have recently taken up the question of exports and markets and have circulated among the commercial interests in India their proposals containing a scheme of publicizing Indian goods in foreign countries. It has been also suggested that the present Indian information organization of the Government carrying on war propaganda will be retained after the war to take up the publicity work of Indian exports outside instead.

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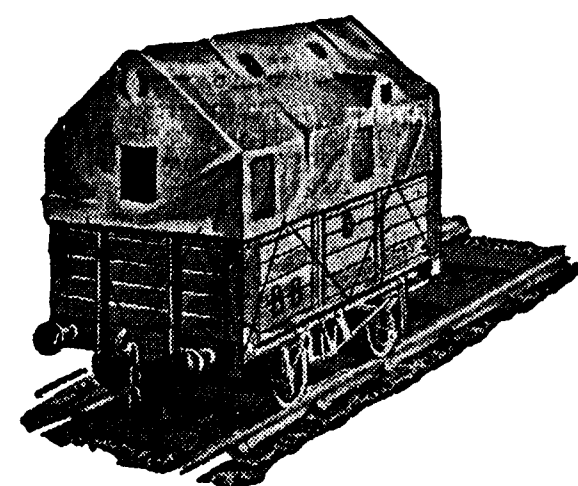
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FROM THE PROVINCIAL ANGLE

(From Our Correspondent)

Bombay Letter

JUDGING by the official attitude towards the co-operative movement one feels that the movement will play a very important part in the rural development of the Province. At the Provincial Co-operative Conference held in Bombay the Governor of Bombay in his inaugural address said that the Government were considering the proposals of the Conference of Registrars of Co-operative Societies which if accepted will relieve the rural societies and the Central Banks of all the expenditure over the supervision of these societies at an additional cost of 1½ lakh of rupees to the Government. In his presidential address to the Conference Sir T. Vijayaraghavacharya said that as a result of war-time financial prosperity, the total rural indebtedness which prior to the war was estimated at £1,200 million, has now been reduced to £200 million. This was reflected in the increased deposits of the Agricultural Banks and an improvement in recoveries of loans from members. He felt that the exigencies of the war had amply demonstrated the adaptability of the movement to changing economic circumstances. While saying this he probably had in mind the useful part played by the co-operative societies in distributing consumers' rationed articles. Referring to the Bombay Government's Post-War Plan, he said, "here is a fruitful field for co-operative workers in which the spirit of idealism and social service can be directed in practical channels."

By a resolution passed at the Conference, it was suggested to the Government that co-operative marketing organizations might be exempted from the ban in regard to the purchase of foodgrains. The reason for this demand is that owing to the Government monopoly of purchasing foodgrains, the business of purchase and sale societies was being adversely affected, and that the credit societies were put to difficulties in the matter of effecting recoveries. Another Resolution urging the Government to consider the formulation of the post-war plan of co-operative development for the Province was also passed.

Municipal Budget

An interesting discussion took place on the Budget estimates of the Bombay Municipal Corporation for 1945-46. The most important theme was the proposal of the Municipal Commissioner to increase the rate of general tax by 1 per cent. It was stated that the pre-

sent rate of tax has remained unaltered since 1922-23 except for 2 years 1935-36. The critics of the tax felt that the increased tax would ultimately be passed on to the tenants by the landlords. A counter-proposal was also made for increasing the revenues by levying a tax on 1st and 2nd class passengers coming into Bombay and a tax on cycles. This was expected to raise sufficient revenues not only to wipe out expected Budget deficits, but also to create a post-war reconstruction fund.

Cotton Subsidy

With the announcement of the American cotton export subsidy, Indian cotton interests may feel relieved to a certain extent as the subsidy is to be four cents against an expectation of six cents per lb. The details of the subsidy are that until further notice export prices will be determined on the basis of domestic prices less a subsidy of 4 cents a lb. gross weight. The export price for cotton will be the average price in the ten markets for middling 15/16" on the day the Commodity Credit Corporation is notified of the export sale. At today's American cotton price level there is no danger of American cotton helped by this subsidy being available in India cheaper than comparable local varieties. However, American cotton will be definitely in a position to compete with Indian cotton in the foreign markets of Europe and the United Kingdom. In this connection the comments of the British and American papers on the subsidy are interesting. The *Times* says that it is difficult to force foreign producers into a series of world cartels whereby world prices might be brought into line with U.S. domestic prices, and foreign producers might be compensated for a contraction of their markets by substantially higher prices. The *Times* then adds: "But international dumping as such is a disruptive two-edged weapon. Once the United States starts such a practice, other countries may follow and the effect might be to sabotage at the very start the endeavours to reduce world tariffs and establish international trade on an expanding basis after the war." The Guarantee Trust Co. of New York is of the same opinion, and points out that "international dumping is unpopular and contrary to all principles of free enterprise and invites reprisals and conflicts with U.S.A.'s endeavour to improve world trade." The *Financial News* comments in the same strain, and believes that "subsidies are presumably to be Washington's continued answer to export problems."

in which they select retail dealers for the sale of cloth. The main point is, the Government have already gone in for far-reaching measures of control in regard to cloth distribution. But why does not distribution improve appreciably despite such control?

Who Will Feed Calcutta?

There is considerable public anxiety over the issue; who will feed the people of Calcutta, and Greater Calcutta in the coming year? The statements that have recently been made by the Food Member, Government of India, in the Central Assembly and the Council of State show quite clearly that the Central Government would not be able to bear the responsibility of supplying foodstuffs to Calcutta in the year ahead. Would it be possible for the Bengal Government to feed the population of whole of Bengal with the total resources in food available within the province? The general feeling here is that there is bound to be a deficit. In the current year Bengal has been favourably circumstanced on account of a bumper

crop and the central assistance in the supply of foodgrains to Calcutta. Despite this, Bengal has only just managed to get along. How can she then dispense with central assistance? A point, however, that emerges out of the present controversy on this issue is that the Bengal Government should make it clear whether they are or are not in a position to bear the responsibility for the feeding of the whole of Bengal including the Calcutta area. Strangely, however, they are keeping mum over the matter.

Malaria in Calcutta

The eastern parts of Calcutta have been seriously affected by the outbreak of a malarial epidemic. On the most modest estimate one lakh of people are in the grip of the disease. While the devitalization of

the people caused by the famine is considered to be responsible in a general way for the epidemic, local causes seem also to lie at the root of this outbreak. The under-ground drainage system of Calcutta, which has long been considered to present peculiar problems of its own needing urgent solution, appears to be responsible in a large measure for the occurrence of epidemic in eastern Calcutta, because it is in regions adjacent to it that a considerable amount of filth of the under-ground drainage is discharged. These are convenient breeding grounds of mosquitoes. The proximity of Salt Lakes, which are vast expanses of stagnant water, to these regions is also another cause of the epidemic. The arrangement of relief centres and provision of free supply of quinine are the most important requirements for meeting the emergent situation that has arisen.

Sind Letter

KARACHI, Nov. 17.

FOLLOWING the abolition of the foodgrains syndicate, the Government of Sind announced their policy in regard to the purchase of rice. Government will purchase all rice (not paddy) offered for sale at a price which will be fixed shortly and will remain unchanged for 12 months. If the rice is not taken by Government on the delivery date contracted for, Government will pay an additional monthly charge to compensate the zamindar or merchant for storage, loss of interest, etc. Government will also, in such cases, make an advance payment of a part of the value of rice.

In order to ensure that the benefit arising from the policy of purchase at a fixed price will be passed on to the cultivator, Government have under consideration the question of fixing minimum price for paddy of fair average quality. It will be an offence for any dealer to offer less than this price. Government will also fix the maximum milling charges for husking rice.

The new policy marks a new trend in control in that minimum prices are being fixed now below which they would not be permitted to drop instead of preventing prices going up, which was the objective till now. The Chief Secretary to the Government claims that the new policy would encourage zamindars to sell their rice directly to the Government and not through a middle-man.

Sind's present rice crop is estimated at 450,000 tons. Roughly, half of Sind's rice is exported. There is at present a substantial stock of last year's rice crop lying undisposed of in the mofussil, and evidently the zamindars who took a cue from the Premier's speech last December at the League conference to hold on to their stocks and not dispose of them hoping for prices to shoot up still higher, stand disappointed.

Check on Quality of Food

As a result of repeated complaints regarding the poor quality of foodgrains from deficit and consuming areas, the Government of India are now considering plans for setting up an agency which would be able to check the quality before being despatched from exporting provinces. There is at present no such practice of standardization the exporting Governments disown any responsibility for the complaints and there is no knowing where the blame actually lies. The new proposal contemplates inspection of foodgrains at the point of despatch by agents of both the Government of India and the consuming areas which will to some extent improve the position. Apart from this, the visit of Mr. Somerset Butler to Karachi was intended to screw up the machinery of procurement and supply and storage of food. The mercantile community had a free and frank discussion with him on all aspects of Government's food policy including state monopoly and their representation is bound to

have some good result both to the consumer and the producer.

Memorial to Governor

A demand for the abolition of the wheat syndicate as well is made in a memorial submitted to the Governor by some important zamindars of Sind. It is claimed by the zamindars that such a step would be for the benefit of agriculturists and would afford them relief from illegal and unreasonable practices of the wheat syndicate. A copy of this has also been forwarded to the Food Member of the Government of India.

Water-Logging

The attention of the Government to the increasing danger of water-logging in the Sukkur Barrage area was drawn at a meeting of the Provincial Agricultural Research Committee last week presided over by the Premier. Government were urged to publish the results of the recording of sub-soil water levels in the last ten years and the suggestion that reclamation of kalar lands should be started on a large-scale was accepted. Other subjects discussed at the committee were the need of production of good seeds, Government proposal to produce fruit plants at Sakrand and Dokri farms, a scheme for control of liver-fluke and experiments on manuring of wheat. Two schemes connected with *berseem* and *sitrus* were given up owing to the adverse criticism of the committee.

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BEGINNING OF THE END



REMEMBER THESE NAMES?... Not very long ago they were headlines. The railway near DIMAPUR was threatened. The Indian garrison in KOHIMA was outnumbered and besieged. Japanese troops had entered the plains of Imphal and were north and south of BISHENPORE. UKHRUL was unsafe...

All this is ancient history now. The Japanese have been defeated and are on the run. To-day they are nowhere within 150 miles of Dimapur. The Nagas have returned to Kohima. Plans to rebuild this bullet-riddled and bomb-scarred hill-town are going ahead. Amongst the Bishenpore Hills lie the bones of Japan's self-styled "Invincible armies..." IT IS THE BEGINNING OF THEIR END. When you read this... think of the brave and gallant men who have made these victories possible.

OUR FORCES HAVE PROVED THAT THE "JAPANESE" ARE NEITHER DEMI-GODS. NOR UNBEATABLE SUPERMEN.



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AGRICULTURE

India And Wheat Trade

(By P. M. Trivedi)

A WIDE geographical distribution of wheat crop accompanied by a world wheat harvest at all times of the year in one part of the world or the other exercises a potent influence on the price behaviour of wheat. This has been a very important factor in peace time which goes towards stabilizing wheat prices in the international markets. In the next place, slight oscillations in the price of wheat do not considerably disturb the trend of its demand in the international market inasmuch as the demand for wheat is fairly inelastic as compared to the demand for other cereals. Furthermore, wheat makes an outstanding claim as an ideal frontier crop particularly because of its storability, transportability, saleability and a relative ease with which it can be produced.

In India, during normal times, wheat stands only next in importance to rice and it occupies about 10 per cent. of the total cultivated area. It is raised as a dry crop on heavy black soils of the south and an irrigated crop in U.P. and the Punjab. It is grown as a single crop in northern India but in the south it fares well as a mixed crop grown either with grams or linseed. Under dry conditions 800 pounds per acre may be regarded as a fairly good yield but under irrigation facilities it must yield from 1,100 to 1,200 pounds per acre. During 1939-40 India had a large harvest of 10.8 million tons. In Egypt as well as in India wheat culture is largely associated with irrigation facilities, frost-free growing period and a cool season. From this point of view, India has a well-defined crescent-shaped wheat belt extending from the Punjab to the lower margins of the Gangetic Valley. Of late it is noticed that wheat cultivation has been extending chiefly in the Punjab and Sind because of the easiness of transport facilities between the flood plains of the Punjab and Sind rivers and the port of Karachi.

The history of wheat culture in India brings out pre-eminently that the expansion of wheat cultivation in India has been closely interwoven with the expansion of Railways and other means of transport which link together the interiors of the country with the ports. At one stage of the economic history of India when the U.S.A. had almost strangled the wheat trade of north-eastern European countries, foreign capital came to be enthusiastically invested in the construction of Railways in the Punjab with a view to encouraging and stimulating the cultivation of wheat for the benefit of the European markets; but even at that time Indian wheat did not attain the position of eminence in the British market.

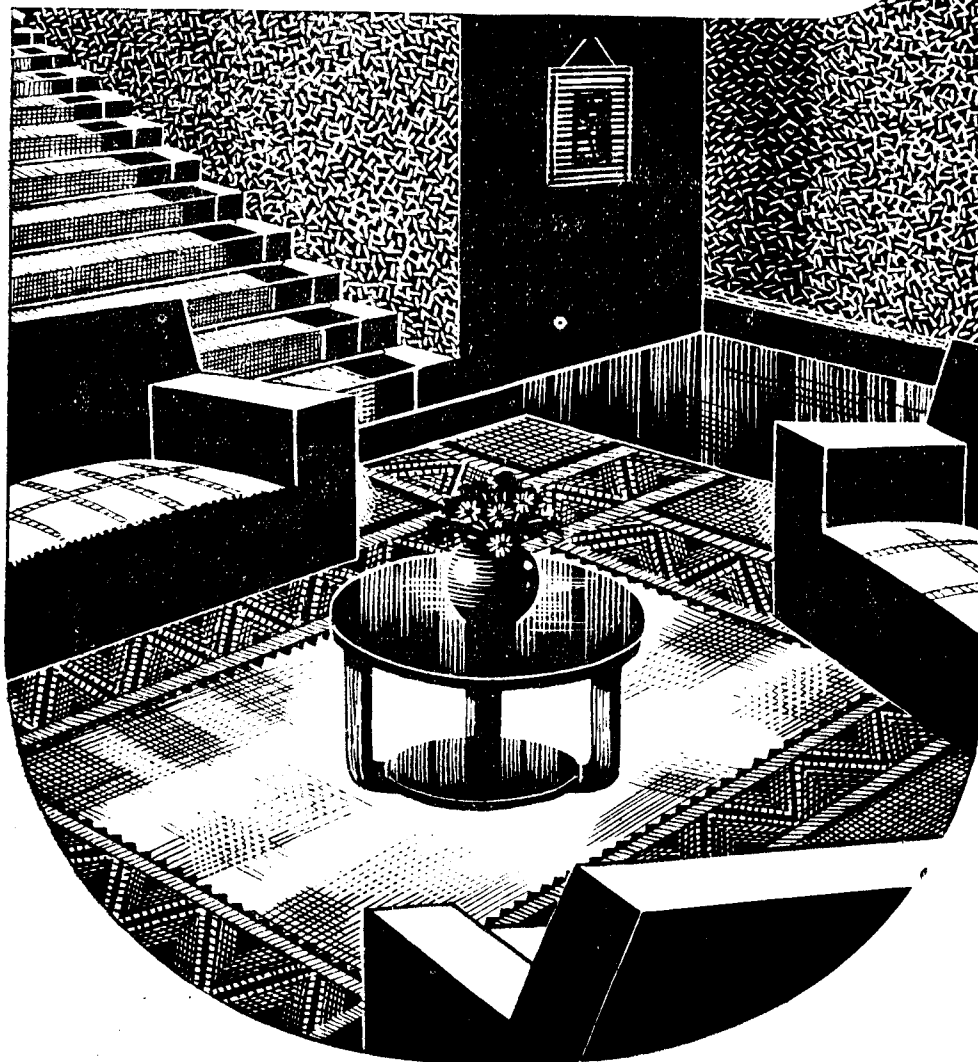
The usual exports of wheat from India should in no case indicate surplus of wheat in the country. As a matter of fact, the exports could be explained by the differential purchasing powers of India and the western European countries. At any time when the European price of wheat shoots up, wheat begins to flow in large quantities to the port of Karachi even if they are badly needed for the home market. It may be also remembered that India enjoys a peculiar advantage in point of season in the wheat exports because she is able to export her wheat at a time when no country of the world could afford to have its wheat harvest ready for export to the European market. In spite of this initial advantage which India possesses she does not seem to fare well in the world market for the simple reason that Indian wheat is comparatively of inferior quality. So far as the quality of wheat is concerned it is therefore necessary to develop in India wheat varieties which substantially contain enough of gluten and which therefore make for firmness and strength. These

varieties have come to be known now as Pusa 4, Pusa 12 and Pusa 52. During the pre-war years there was extensive wheat cultivation all over the world and India had a fair share to her credit in the international trade. But during the years following the close of the last war, the majority of European countries pursued the restrictive policies with regard to their imports. From 1933 onward, India's export trade in wheat contracted and there swept over the country a severe wave of depression. As against this phenomenon in India, the world data showed an increase in the per capita consumption of wheat. The Food Research Institute discovered that in tropical countries the gross consumption of wheat had increased from 46.9 million bushels in 1909-13 to 65.6 million bushels in 1927. This increase could also be attributed partially to the use made of wheat as fodder. It is a matter of serious doubt whether India showed any increase in the per capita consumption of wheat. During 1938-39 the wheat production in the world amounted to about 4,500 million bushels as compared to 3,608 million bushels during 1937-38. At a time when the production of wheat in the world increased, the production of wheat in India actually declined from 10 million tons during 1937-38 to 9 million tons in 1938-39 accompanied by a simultaneous decline in the area under wheat cultivation. From September, 1939, the war conditions have further complicated the problem of Indian exports. The damage appears to have reached its optimum mark when from the position of being a wheat exporting country, India has become a wheat importing country in recent years. This reversal in the international trade in wheat may be partially explained by the bumper wheat crop in Canada and U.S.A. which inundated the world market at a very low price. India was finally hurled out of the international trade in wheat and it is rather strange that despite the huge stocks of wheat once lying idle in her own home market, India became the importer of cheap wheat in large quantities from October, 1938. The Government of India, at that stage levied an import duty at the rate of Rs. 1-8 per cwt. to combat this menace of imports. Even this import duty had very little effect when it is remembered that the imports continued to increase progressively. During 1938-39 the wheat imports amounted to 150,000 tons as compared to 22,000 tons in 1937-38.

Eventually, therefore, India's position with regard to wheat trade even in normal peaceful years is a matter of great concern. While on the one hand India usually has large stocks of unconsumed wheat succeeded by a fresh wheat crop from year to year, on the other hand the home market for wheat appears to contract progressively and gradually in spite of the low prices of wheat. The obvious reason is that Indian population can ill afford even the moderate luxury of cheap wheat in dietary and has to live in conditions of starvation and chronic under-nourishment. At the top of all these maladies the damage seems to be logically complete when it is realized that the countries overseas successfully compete and under-sell Indian wheat in the Indian market. This is one of the most important questions which well merits the attention of the planners of the Post-war Reconstruction of International Trade. The other way round the exports of wheat from a land of periodic famines and under-nourishment create an unmistakable anomaly which can be visualized only in the pranks of Price Economy. This aspect requires a close analysis at the hands of those who are entrusted with the task of planning Agriculture in India.

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Commodity Market

HAPUR, Nov. 22, 1944.

Grains and Pulses

Markets of maize, jowar and bajra ruled easy on increased arrivals, while prices of other commodities showed little changes and the conditions were generally the same as were noticed in the preceding week. Arrivals of wheat continue to decrease, the daily average being 80 maunds. Maize arrivals averaged 200 maunds daily.

The Central Government have decided that the existing statutory maxima of bajra and jowar in different provinces will continue unchanged for the next Kharif year.

The weather conditions have been favourable for Rabi crops, and the germination of plants is reported to be very satisfactory. Latest crop reports from other provinces indicate that matured and harvested Kharif crops are adversely affected in some parts of Bombay province. Rabi crops are generally in good condition. In C.P., sowings of Rabi crops are in full swing. Condition of Kharif crops is steadily improving. In the Punjab, condition and the expected yield of the standing crops is average to good. In Bengal, prospects of the standing crops are fair. Sowing of Rabi crop is being continued. In Assam, prospects and the out-turn of crops are fair to good.

Gur and Guwar

During the early days of the week gur prices were quietly steady, but towards the week-end they turned easy owing to hesitancy of buyers. The daily arrivals averaged 3,000 maunds.

During the week under report the local guwar market maintained firm conditions and prices closed at substantially higher rates. Reports of bullish political news, higher up-country advices, paucity of stocks, firmness of bullion prices and considerable short coverings, all these factors contributed to raise values. There is at present good outside support, and consequently professionals are making vigorous attempts to provide a further increase in the present rates. The opening, the highest and the lowest rates were quoted at Rs. 6-6 7/2, Rs. 6-13-6 and Rs. 6-6-0, respectively. The price changes were very considerable.

The following are the latest quotations: Wheat: Ready Dara Rs. 9-12; Stock 228 khattis. Gram: Rs. 6-15-3, Stock 48 khattis. Barely: Rs. 5-5-3, Stock 154 khattis. Peas: Rs. 5-9-9, Stock 139 khattis. Arhar: Rs. 6-6-3, Stock 133 khattis. Maize: Rs. 5-5-3. Jowar: Rs. 5. Gur: Rs. 7-7-8. Guwar Magh: Rs. 6-13-6.

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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.



Black - Market

In spite of the best efforts of the Government, the textile industry and the trade, there is a shortage of cloth. As a result certain unscrupulous traders are still dealing in black market operations. To combat this and to mitigate the inconvenience to the poorer sections of the people, we have opened our own retail shops at the following addresses:—

8-A, Chowringhee Place (Inside Bengal Stores).

149, Harrison Road (Inside Calcutta Stores).

184, Cross Street.

292/8, Upper Chitpur Road (Shova Bazar).

543, Grand Trunk Road, Howrah.

6/15, Cossipore.

Although we are anxious to meet the public demand to the greatest possible extent, we can offer only a limited quantity of coarse quality dhoties and sarees because the Government restricts mills to sell a small per cent. of their production direct to consumer. To ensure equitable distribution a pair of dhoti will be supplied against each man's ration card and a pair of saree against that of a lady once in three months. Customers are requested to produce ration cards pertaining to their family only and not more than five at a time.

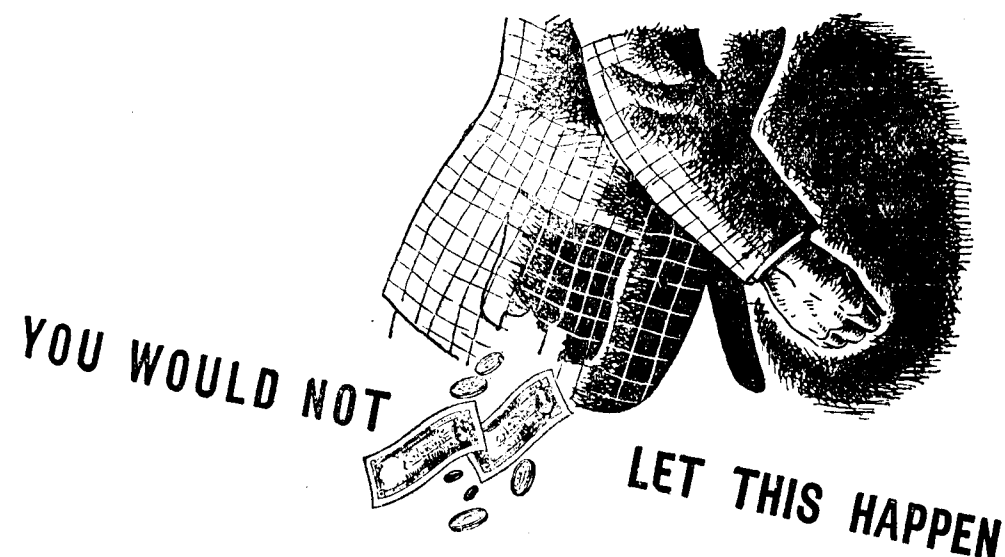
Dhoties and sarees are sold at the above shops at ex-mills price which is 20% below the ceiling price fixed by Government, between 10 A.M. and 6 P.M. The shops remain closed on Thursdays and up to 2 P.M. on Fridays.

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You risk your money if you buy jewels, land, buildings, commodities or manufactured goods. Their prices are subject to fluctuations and make no mistake, the trend of prices is now *downward* and not upward.

These investments are both safe and profitable:

- ★ Insurance,
- ★ Co-operative Societies,
- ★ Savings Bank,
- ★ Post-Office Savings Bank.
- ★ Government Loans and
- ★ National Savings Certificates.

➡ The returns on a safe investment may be smaller, but the capital is secure - and that is what counts during wartime.

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CURRENT STATISTICS

A—Finance and Banking

ISSUE DEPARTMENT

	(Rs. in lakhs)	10-11-44	3-11-44	12-11-43	1-9-39	10-11-44 compared with 1-9-39
Notes held in the Banking Dept. ..	8.77	7.14	9.74	9.87	— 1.10	— 1.10
In circulation ..	972.23	964.90	794.64	162.13	+790.10	+790.10
Total Notes ..	981.00	972.03	804.38	217.18	+763.82	+763.82
A. Gold Coin and bullion* ..	44.41	44.41	44.41	44.41	Nil	Nil
Sterling Securities ..	868.33	856.33	689.84	59.50	+806.83	+806.83
Total of A ..	910.74	900.74	734.25	103.91	+806.83	+806.83
B. Rupee Coin ..	12.42	13.45	11.80	75.87	— 63.45	— 63.45
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45	+ 20.45
Silver bullion under coinage ..	..	..	..	..	..	..
% of Reserve to Liabilities ..	92.838	92.666	91.282	63.149	+29.689	+29.689

IMPERIAL BANK

	(Rs. in lakhs)	10-11-44	3-11-44	12-11-43	1-9-39	10-11-44 compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other Accounts ..	240.74	240.20	199.78	87.26	+153.48	+153.48
Govt. Securities ..	145.76	139.67	131.57	51.03	+ 94.73	+ 94.73
Other Investments ..	3.71	3.37	2.60	96	+ 2.75	+ 2.75
Loans ..	8.76	8.49	12.80	7.66	+ 1.16	+ 1.16
Cash Credit Overdrafts ..	44.90	44.07	20.99	19.76	+ 25.14	+ 25.14
Bills discounted ..	3.82	4.54	2.69	2.95	+ 87	+ 87
Cash in hand, with R.B.I. and other Banks ..	43.78	49.67	39.06	14.69	+ 29.09	+ 29.09

BANK OF ENGLAND

	(£ '000)	15-11-44	8-11-44	17-11-43	30-8-39
Total Bullion ..	2,515	2,570	1,965	263,700	263,700
Public Deposits ..	6,000	16,800	8,500	31,100	31,100
Other Deposits ..	240,500	232,700	200,000	129,100	129,100
Of which Bankers' Deposits ..	186,100	177,000	147,300	90,100	90,100
Govt. Securities ..	217,900	212,700	170,200	113,100	113,100
Other Securities ..	14,100	15,800	16,600	31,000	31,000
Of which Discounts and Advances ..	7,000	11,100	1,200	6,400	6,400
Notes and Coins ..	25,200	27,700	38,300	34,200	34,200
Notes in circulation ..	1,117,300	1,174,900	1,013,700	529,500	529,500
% of Reserve to Liabilities ..	10.22	11.00	18.35	21.38	21.38

TREASURY BILLS SALES

(3 Months' Tenure)					
(Rs. '000)					
Date of issue	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
June 1944 ..	50,62.50	30,00.00	0 7 3	..	8,52.50
July ..	37,36.75	16,00.00	0 7 9	..	13,76.00
August ..	60,45.75	20,00.00	0 7 8½	..	8,92.50
September 22 ..	..	6,00.00	0 7 11	..	1,46.50
September 29 ..	10,00.50	6,00.00	0 7 11	..	2,70.00
October 6 ..	..	6,00.00	0 7 11	..	6,83.25
October 13 ..	12,80.75	6,00.00	0 7 11	..	2,71.00
October 20 ..	13,14.50	6,00.00	0 8 0	..	2,31.50
October 27 ..	15,00.50	6,00.00	0 7 11	..	2,70.00
November 3 ..	..	6,00.00	0 7 11	..	..
November 10 ..	..	6,00.00	0 7 10	..	..
November 17 ..	..	6,00.00	0 7 11	..	..
Total outstanding: 78,00.00					

CLEARING HOUSE RETURNS

(Rs. in lakhs)					
Centres	1943-44	1944	Sept. 1944	Oct. 1944	Nov. 1944
Bombay ..	20,42.31	6,91.78	1,96.21	1,54.77	86.80
Calcutta ..	17,40.12	7,01.92	2,24.41	1,73.14	98.00
Cawnpore ..	1,02.41	37.55	8.76	..	..
Delhi ..	1,21.08	39.35	10.69	..	..
Karachi ..	1,02.84	38.28	11.32	..	..
Lahore ..	78.82	30.36	8.25	..	..
Madras ..	2,00.02	78.25	22.37	16.30	8.33
Total ..	43,48.50	16,07.49	4,82.01	3,44.01*	1,83.13*

* For three centres only.
† Progressive monthly total.

CASH POSITION

	(Rs. in lakhs)	10-11-44	3-11-44	12-11-43	1-9-39	10-11-44 compared with 1-9-39
Reserve Bank of India ..	9.00	7.35	9.87	35.15	— 26.15	— 26.15
Scheduled Banks ..	130.83	139.41	92.22	31.87	+ 98.96	+ 98.96

RESERVE BANK OF INDIA

BANKING DEPARTMENT

	(Rs. in lakhs)	10-11-44	3-11-44	12-11-43	1-9-39	10-11-44 compared with 1-9-39
Cash ..	9.00	7.35	9.87	35.15	— 26.15	— 26.15
Balance held abroad* ..	322.33	324.53	142.23	10.08	+312.25	+312.25
Investments ..	11.72	11.72	7.39	6.81	+ 4.71	+ 4.71
Bills discounted—						
(a) Internal and External ..	..	..	..	..	..	..
(b) Treasury Bills ..	..	..	..	1.16	— 1.16	— 1.16
Loans & Advances to Government ..	94	87	..	31	+ 63	+ 63
Deposits:—						
(a) All Govts ..	213.43	204.48	65.79	14.89	+198.54	+198.54
Of which G. of I. ..	207.37	193.13	54.72	14.89	+192.48	+192.48
(b) Banks ..	104.19	113.10	69.90	26.91	+ 77.28	+ 77.28
(c) Others ..	7.67	6.99	8.12	1.24	+ 6.43	+ 6.43

* Including Cash and Short-term Securities.

SCHEDULED BANKS

	(Rs. in lakhs)	10-11-44	3-11-44	12-11-43	1-9-39	10-11-44 compared with 1-9-39
Demand liabilities in India ..	613.55	614.30	479.07	134.36	+479.19	+479.19
Time Liabilities in India ..	198.27	197.46	141.06	102.24	+ 96.03	+ 96.03
Cash in India ..	27.03	28.31	22.33	6.70	+ 20.33	+ 20.33
Balance with Reserve Bank ..	103.80	111.10	69.89	25.17	+ 78.63	+ 78.63
Advances in India ..	201.00	197.40	153.33	101.52	+ 99.48	+ 99.48
Bills discounted in India ..	10.77	10.77	5.34	3.57	+ 7.20	+ 7.20

U.S. FEDERAL RESERVE BOARD

	(Million dollars)	16-11-44	9-11-44	18-11-43	31-8-39
Resources:—					
Total Reserves ..	18,782	18,779	20,250	14,661	14,661
Total Bills Discounted ..	375	401	34	(6,190)	(6,190)
Bills bought in open market ..	..	..	..	(550)	(550)
Total U.S. Govt. Securities ..	17,941	17,957	9,832	2,426	2,426
Liabilities:—					
F.R. Notes in actual circulation ..	21,104	21,015	15,947	4,609	4,609
Reserve Account ..	14,557	14,159	12,263	10,951	10,951
Total Reserve to Deposit and F.R. Liabilities ..	50.4%	50.6%	66.7%	86.9%	86.9%

TREASURY BILLS MATURITIES

(3 Months' Tenure)					
(Rs. '000)					
Date of maturity	Amount	Date of maturity	Amount	Date of maturity	Amount
August 1944 ..	16,00.00	December 22 ..	6,00.00	..	..
September ..	30,00.00	..	29 ..	..	6,00.00
October ..	16,00.00	January 6 1945 ..	6,00.00	..	..
November ..	20,00.00	..	13 ..	..	6,00.00
November 25 ..	6,00.00	..	20 ..	..	6,00.00
December 1 ..	6,00.00	..	27 ..	..	6,00.00
December 8 ..	6,00.00	February 3 ..	6,00.00	..	..
December 15 ..	6,00.00	..	10 ..	..	6,00.00
Total outstanding: 78,00.00		..	17 ..	..	6,00.00

STERLING PURCHASES BY RESERVE BANK OF INDIA

	1943-44	April-Aug. 1944	Sept. 1944	Aug. 1944	Sept. 1943	Aug. 1943
Amount (£ in '000) ..	103,309	43,080	7,037	10,218	8,371	8,546
Average rate of purchases remained £0-1-6 all.						

EXCHANGE RATES (T.T.)

('000's omitted)		
	Nov. 24, 1944	Nov. 17, 1944
Bombay on London (s.) ..	1-5 31/32	1-5 31/32
Bombay on New York (Rs.) ..	332¾	332¾
London on Bombay (s.) ..	1-6	1-6
London on New York (\$) ..	4.02½—4.03½	4.02½—4.03½
New York on London (\$) ..	4.03	4.03

BANK RATES

	Date of last change	Previous Rate	Present Rate
Bombay ..	28th Nov. 1939	3½%	3%
London ..	26th Oct. 1939	3%	2%
U.S.A.—New York ..	29th Oct. 1942	1%	½%
Fed. Res. ..	27th Oct. 1942	1½%	1%

B—General

LEAGUE OF NATIONS STATISTICS—BANKING

Country	Units	Notes in Circulation†		Commercial Bank Deposits s	
		(in millions)	(in millions)	(in millions)	(in millions)
Union of South Africa ..	(S.A. £)	20.9	51.0 (1944—v)	101.0	238.8 (1944—iv)
Egypt ..	(E. £)	26.4	98.8 (1944—v)	..	..
Canada ..	(C. \$)	233	921 (1944—vi)	2,774	4,850 (1944—v)
U. S. A. ..	(S. \$)	4,812	18,395 (1944—v)	23,842	42,913 (1944—v)
Argentina ..	(Peso)	1,191	2,008 (1944—iv)	3,913	6,437 (1944—iv)
Chile ..	(Peso Pap.)	950	2,319 (1944—iv)	2,049	3,724 (1944—iv)
Mexico ..	(Peso)	373	1,192 (1944—v)	251	1,414 (1943—xii)
China—Manchuria ..	(Yuan M.)	624	3,000 (1944—i)	(S.B.) 2,401	6,931 (1944—iii)
India (excluding Burma) ..	(Rupee)	2,245	9,103 (1944—v)	19,794	42,810 (1944—i)
Japan ..	(Yen)	3,818	10,999 (1944—iii)	8,501	16,595 (1942—xii)
Germany (Reich Bank) ..	(Reich M.)	11,798	35,729 (1944—v)	..	..
Spain ..	(Peseta)	151,322	16,161 (1944—iv)	42,433	106,930 (1944—ii)
France ..	(Franc)	24,432	539,100 (1944—iv)	42.7	69.6 (1944—iii)
Ireland ..	(£)	18.0	33.6 (1944—v)	..	..
Italy ..	(Lire)	48,800	95,541 (1943—vii)	15,340	40,574 (1943—xi)
Roumania ..	(Leu)	554.6	168,007 (1944—ii)	2,441	4,501 (1944—v)
U. K. ..	(£)	281	1,130.9 (1944—vi)	261.9	419.1 (1943—xii)
Turkey ..	(T. £)	57.3	897 (1944—v)	335.0	536.5 (1944—v)
Australia ..	(A. £)	19.3	184.4 (1944—v)	727.6	119.4 (1944—v)
New Zealand ..	(N.Z. £)	..	37.0 (1944—v)	..	..

† Central Bank Notes only.

STATISTICS RELATING TO PRODUCTION, FOREIGN TRADE,

PRICES ETC. (1943-44)

Cotton Manufactures in India

Month	Mill consumption of an inch cotton in India (100 bales of 400 lbs. each)	Production (in million yds.)	Import (in million yds.)	Export (in million yds.)	IN. of wholesale prices of cotton manufactures (estimated)
April 1943 ..	373.1	402.9	0.1	25.5	469
May ..	368.3	393.9	0.2	59.6	524
June ..	376.7	419.5	0.1	46.9	501
July ..	371.8	393.4	0.3	53.0	491
August ..	373.5	434.9	0.3	20.2	425
September ..	360.4	394.1*	0.1	23.6†	417
October ..	340.5	472.0*	0.3	66.7	389
November ..	362.6	472.3*	1.6	15.4†	381
December ..	350.2	467.3*	0.1	41.5	381
January 1944 ..	324.5	412.2*	0.3	58.2	350
February ..	333.2	425.3*	0.4	17.6	324
March ..	4301.0	4842.4*	3.6	462.0†	..

* Provisional. (a) Only 25,000 yds.; † Less than 50,000 yds. more to be added.

INDEX NUMBERS OF WHOLESALE PRICES IN CALCUTTA 1944

Commodity	Index	Index (1914=100)					
		May	June	July	Aug.	Sep.	Oct.
Foodgrains:—							
(a) Cereals ..	(8)	241	241	241	241	249	249
(b) Pulses ..	(6)	296	308	305	294	301	238
Sugar ..	(5)	306	311	319	321	324	290
Tea ..	(3)	112	113	115	104	102	106
Other food articles	(9)	566	579	579	580	580	580
Oilseeds ..	(3)	312	301	285	273	280	275
Oil, mustard ..	(2)	232	232	213	213	213	213
Textiles:—							
(a) Jute, raw ..	(3)	126	122	125	124	124	118
(b) Jute, manfd. ..	(4)	200	200	200	200	196	195
(c) Cotton, raw ..	(2)	141	138	137	133	139	138
(d) Cotton, manfd. ..	(7)	(a)	(a)	(a)	(a)	(a)	(a)
Other Textiles (wool and silk) ..	(2)	201	200	202	200	200	202
Hides and skins ..	(3)	103	103	103	103	104	104
Metals ..	(6)	295	295	299	299	299	297
Other raw & manu- factured articles	(8)	295	337	331	340	347	356
Building materials (teak wood) ..	(1)	(a)	(a)	(a)	(a)	(a)	(a)
All commodities ..	(72)	292	300	299	298	301	297

(a) Price quotations are not available.

Figures in brackets are the weights assigned to particular articles.

Source: Indian Trade Journal dated November 21, 1944.

AGRICULTURAL STATISTICS: INDIA

Target figures for production goals fixed and attained during 1943-44.

(Thousand acres)

Provinces	Rice		Jowar and Bajra		Wheat		Gram	
	Fixed	Attained	Fixed	Attained	Fixed	Attained	Fixed	Attained
1. Almer-Merwara ..	..	..	..	..	23	27	20	..
2. Assam ..	5,500	5,226	..	..	..	..	..	429
3. Bengal ..	25,000	26,550	..	..	250	192	320	1,460
4. Bihar ..	10,600	9,970	..	..	1,300	1,221	1,400	1,409
5. Bombay ..	2,628(c)	2,627(c)	14,200	12,497	2,400(c)	1,976(c)	636	1,105
6. C.P. and Berar ..	7,627(a)	7,657(a)	4,900	5,802	3,000(a)	2,686(a)	1,152	..
7. Delhi ..	..	..	..	..	50	55	40	52
8. Madras ..	10,900	10,731	8,300	7,300	..	..	65	..
9. N.W.F.P. ..	..	..	..	..	1,100	982	155	9
10. Orissa ..	5,700	5,112	..	..	4	7	8	4,000
11. Punjab ..	1,100	1,258	5,000	4,478	12,000(c)	11,555(e)	3,650	331
12. Sind ..	1,500(d)	1,387(d)	1,400	1,332	1,400(d)	1,553(d)	390	6,358
13. U.P. ..	8,600(b)	7,112(b)	4,900	5,071	8,600(b)	7,787(b)	5,900	..
Total ..	78,555	77,630	38,700	36,510	29,527	28,041	13,737	..

* Fourth forecast.
(c) Including Bombay States.
(d) Including Eastern Agency States.
(e) Including Khairpur State.

SUGAR POSITION: SEASON 1943-44

(Figures in Tons)

Producing Areas	Production up to 7-11-44	Despatches during the period 7-11-44	Progressive total up to 7-11-44	Percentage of progressive despatches to production	Payable stock on 7-11-44
U.P. ..	7,27,404	17,149	5,69,991	78.4	1,57,413
Bihar ..	2,12,809	3,970	1,68,271	79.1	44,538
Bombay ..	81,684	512	67,437	82.6	14,247
Madras ..	43,828	289	36,619	83.6	7,209
Punjab ..	11,162	133	9,723	87.1	1,439
Bengal ..	13,648	59	12,586	92.2	1,062
N.W.F.P. ..	6,253	82	5,301	84.8	852
Orissa ..	1,695	20	1,512	89.2	183
Indian States ..	1,22,816	2,310	1,10,303	89.8	12,513
Total ..	12,21,299	24,524	9,81,743	80.4	2,39,586

Balance stock of 1942-43 sugar as on 7-11-44 was 1,434 tons.

CROP FORECASTS: PRELIMINARY REPORT OF

LAC CROP 1944† to be added.

Preliminary 1944 Mds. Final 1943 Mds. Final 1944 Mds.

Commodity	Index	Index (1914=100)		
		May	June	July
Bengal ..	..	8,000	11,500	4,000
Bihar ..	..	98,250	290,500	136,000
C.P. and Berar ..	..	46,500	45,000	33,750
U.P. ..	..	1,500	1,250	1,500
Other Provinces ..	..	7,500	6,500	6,500
Indian States ..	..	18,125	32,750	31,250
Remarks: The unsatisfactory estimate of this year's winter crops is due mainly to the dearth of good lac for propagation.	..	..	..	..
† Issued by Indian Lac Cess Committee.	..	..	..	..

FOOD INDEX (WHOLESALE PRICES)†

Base: Last week of Aug. 1939=100

Commodity	Index	Index (1914=100)					
		May	June	July	Aug.	Sep.	Oct.
Wheat (per md.)	(3)	126	122	125	124	124	118
Ready B. Small	(4)	200	200	200	200	196	195
Ready B. Small	(2)	141	138	137	133	139	138
Ready B. Small	(7)	(a)	(a)	(a)	(a)	(a)	(a)
Ready B. Small	(8)	295	337	331	340	347	356
Ready B. Small	(3)	103	103	103	103	104	104
Ready B. Small	(6)	295	295	299	299	299	297
Ready B. Small	(1)	(a)	(a)	(a)	(a)	(a)	(a)
Ready B. Small	(72)	292	300	299	298	301	297

(a) Price quotations are not available.

Figures in brackets are the weights assigned to particular articles.

Source: Indian Trade Journal dated November 21, 1944.

AGRICULTURAL STATISTICS: INDIA

Target figures for production goals fixed and attained during 1943-44.

(Thousand acres)

Provinces	Rice		Jowar and Bajra		Wheat		Gram	
	Fixed	Attained	Fixed	Attained	Fixed	Attained	Fixed	Attained
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2. Assam ..	5,500	5,226	..	..	..	..	..	429
3. Bengal ..	25,000	26,550	..	..	250	192	320	1,460
4. Bihar ..	10,600	9,970	..	..	1,300	1,221	1,400	1,409
5. Bombay ..	2,628(c)	2,627(c)	14,200	12,497	2,400(c)	1,976(c)	636	1,105
6. C.P. and Berar ..	7,627(a)	7,657(a)	4,900	5,802	3,000(a)	2,686(a)	1,152	..
7. Delhi ..	..	..	..	..	50	55	40	52
8. Madras ..	10,900	10,731	8,300	7,300	..	..	65	..
9. N.W.F.P. ..	..	..	..	..	1,100	982	155	9
10. Orissa ..	5,700	5,112	..	..	4	7	8	4,000
11. Punjab ..	1,100	1,258	5,000	4,478	12,000(c)	11,555(e)	3,650	331
12. Sind ..	1,500(d)	1,387(d)	1,400	1,332	1,400(d)	1,553(d)	390	6,358
13. U.P. ..	8,600(b)	7,112(b)	4,900	5,071	8,600(b)	7,787(b)	5,900	..
Total ..	78,555	77,630	38,700	36,510	29,527	28,041	13,737	..

* Fourth forecast.
(c) Including Bombay States.
(d) Including Eastern Agency States.
(e) Including Khairpur State.

C—Prices

INDIAN STOCKS AND SHARES

	Rs. A. P. 20-11-44	Rs. A. P. 13-11-44	20-11-44 Rs. A. P.	13-11-44 Rs. A. P.	20-11-44 Rs. A. P.	13-11-44 Rs. A. P.
SECURITIES: Bombay						
2½% (1948-52) ..	..	99 12 0	..	..	..	..
3% (1946) Def. ..	..	102 8 0	..	..	..	..
3½% G.P. Notes ..	..	99 15 0	..	..	..	..
3% (1953-55) ..	..	100 10 0	..	..	..	..
4½% (1955-60) ..	..	..	..	..	..	..
4% (1960-70) ..	..	112 13 0	..	..	..	..
Calcutta						
3% (1945) Def. ..	102 8 0	..	..	..	..	..
3% (1949-52) Def. ..	102 2 0	..	..	..	..	..
3½% G.P. ..	100 1 6	..	..	..	..	..
TEXTILES: Bombay						
Ahmedabad ..	433 12 0	405 0 0	..	..	..	..
Bombay Dyeing ..	1,797 8 0	1,786 0 0	..	..	..	..
Central India ..	403 3 0	400 0 0	..	..	..	..
Century ..	857 8 0	850 0 0	..	..	..	..
Colaba ..	225 8 0	223 8 0	..	..	..	..
Gokak ..	317 0 0	318 0 0	..	..	..	..
India Bleaching ..	187 0 0	187 0 0	..	..	..	..
Kohinoor ..	567 0 0	594 0 0	..	..	..	..
Phoenix ..	607 0 0	535 0 0	..	..	..	..
Sholapur ..	7,400 0 0	7,400 0 0	..	..	..	..
Simplex ..	260 8 0	259 0 0	..	..	..	..
Swadeshi ..	561 0 0	537 0 0	..	..	..	..
Vishnu ..	497 8 0	482 8 0	..	..	..	..
Finlay ..	306 0 0	311 0 0	..	..	..	..
Morari ..	635 0 0	651 4 0	..	..	..	..
Sassoon Ord. ..	15 4 0	15 5 0	..	..	..	..
.. Def. ..	3 5 6	3 3 6	..	..	..	..
Calcutta						
Benares ..	..	13 0 0	..	..	..	..
Bengal Nagpur ..	..	..	..	..	..	..
Cawnpore Textile ..	13 14 0	13 9 0	..	..	..	..
Dunbar ..	274 0 0	..	..	..	..	..
Elgin Mills ..	68 0 0	65 14 0	..	..	..	..
Kesoram ..	16 8 0	..	..	..	..	..
Muir Mill ..	..	..	..	..	..	..
New Victoria ..	8 14 0	8 4 0	..	..	..	..
.. Pref. ..	11 2 0	10 0 0	..	..	..	..
Madras						
B. & C. Ord. ..	310 0 0	310 0 0	..	..	..	..
Bangalore Wool ..	455 0 0	455 0 0	..	..	..	..
Cambodia ..	31 12 0	31 7 0	..	..	..	..
Colin Pioneer ..	..	356 0 0	..	..	..	..
Pankaja ..	300 0 0	..	..	..	..	..
Sitaram Spg. ..	188 0 0	..	..	..	..	..
Vasanthia ..	303 8 0	..	..	..	..	..
Madura ..	..	67 0 0	..	..	..	..
Lakshmi ..	177 0 0	164 8 0	..	..	..	..
Lahore						
Ajudhia Textile ..	7 4 0	..	..	..	..	..
Cawnpore Textile ..	..	13 7 0	..	..	..	..
New Vic. Ord. ..	8 10 0	..	..	..	..	..
Baza ..	78 4 0	..	..	..	..	..
JUTE: Calcutta						
Alliance ..	..	..	..	..	..	..
Anglo-Indian ..	..	448 0 0	..	..	..	..
Birsa Pref. ..	..	..	..	..	..	..
Barnagore ..	..	210 0 0	..	..	..	..
Champdany ..	..	249 0 0	..	..	..	..
Ganges ..	529 0 0	..	..	..	..	..
India ..	683 0 0	692 0 0	..	..	..	..
Howrah ..	82 4 0	82 12 0	..	..	..	..
Kamarhatty ..	..	64 5 0	..	..	..	..
Kankarallah ..	546 0 0	..	..	..	..	..
Nuddia ..	..	..	..	..	..	..
Standard ..	298 0 0	297 0 0	..	..	..	..
Presidency ..	18 8 0	10 6 0	..	..	..	..
TATA SHARES: Bombay						
Tata Chemical ..	21 4 0	21 0 0	..	..	..	..
.. Oil ..	79 0 0	79 0 0	..	..	..	..
.. Power ..	1,917 8 0	1,935 0 0	..	..	..	..
.. Hydro ..	208 0 0	207 0 0	..	..	..	..
.. Steel Dfd. ..	2,102 8 0	2,107 8 0	..	..	..	..
.. Ord. ..	..	338 8 0	..	..	..	..
.. Pref. I ..	232 8 0	227 8 0	..	..	..	..
.. Pref. II ..	164 6 0	163 0 0	..	..	..	..
STEEL ENG.: Calcutta						
Bihar Elec. Steel ..	12 0 0	..	..	..	..	..
Brathwaite ..	..	..	..	..	..	..
National Iron ..	131 5 0	131 1 0	..	..	..	..
Indian Iron ..	38 2 0	38 2 0	..	..	..	..
Steel Cor. Ord. ..	31 14 0	31 13 0	..	..	..	..
.. Pref. ..	141 0 0	140 0 0	..	..	..	..
Jessop Ord. ..	..	..	..	..	..	..
Kumardhubi ..	11 6 0	..	..	..	..	..
COALS: Calcutta						
Amalgamated ..	638 0 0	640 0 0	..	..	..	..
Bengal ..	..	21 4 0	..	..	..	..
S. Karanpura ..	..	15 4 0	..	..	..	..
Bhalgaur ..	..	..	..	..	..	..
Burrakur ..	39 14 0	..	..	..	..	..
East India ..	31 6 0	..	..	..	..	..
Equitable ..	62 12 0	62 10 0	..	..	..	..
N. Damuda ..	11 14 0	11 6 0	..	..	..	..
Standard ..	33 2 0	..	..	..	..	..
Talcher ..	..	10 1 0	..	..	..	..
SUGAR: Calcutta						
Buland ..	..	..	..	..	..	..
Balrampur ..	..	..	..	..	..	..
Samastipur ..	..	..	..	..	..	..
Belsund ..	15 10 0	..	..	..	..	..
Garew ..	28 4 0	..	..	..	..	..
Murree Brewery ..	27 6 0	..	..	..	..	..
New Savan ..	..	..	..	..	..	..
Cawnpore ..	38 0 0	..	..	..	..	..
Champaran ..	..	..	..	..	..	..
Lahore						
Punjab Sugar ..	302 0 0	305 0 0	..	..	..	..
Gokulnagar ..	..	..	..	..	..	..
Jagjit ..	288 0 0	..	..	..	..	..
Murree Brewery ..	..	29 6 0	..	..	..	..
Jaswant ..	11 3 0	..	..	..	..	..
.. madras ..	..	..	..	..	..	..
Mysore ..	62 8 0	62 8 0	..	..	..	..
Deccan ..	37 0 0	37 0 0	..	..	..	..
Travancore Sugar ..	17 4 0	16 0 0	..	..	..	..
South India ..	16 2 0	16 12 0	..	..	..	..
PLANTINGS: Madras						
Cochin Malabar ..	17 5 0	17 4 0	..	..	..	..
Chembra Peaks ..	10 11 0	10 8 0	..	..	..	..
Woodlands ..	12 8 0	..	..	..	..	..
Thurmbidi ..	..	4 13 0	..	..	..	..
Aravancore Rubber ..	..	..	..	..	..	..
TEA: Calcutta						
Bisnath ..	..	..	..	..	..	..
Central Cachar ..	91 8 0	98 0 0	..	..	..	..
Halsara ..	..	76 4 0	..	..	..	..
East India ..	17 2 0	20 6 0	..	..	..	..
Tezpur ..	20 8 0	20 6 0	..	..	..	..
EANKS & INS.: Bombay						
Central ..	..	140 0 0	..	..	..	..
Imperial F.P. ..	2,017 8 0	2,015 0 0	..	..	..	..
.. P.P. ..	510 0 0	510 0 0	..	..	..	..
Inda ..	191 8 0	193 0 0	..	..	..	..
MISCELLANEOUS: Bombay						
Reserve ..	..	..	..	..	..	..
New India ..	..	..	..	..	..	..
Lahore ..	..	..	..	..	..	..
United Com. ..	87 4 0	85 0 0	..	..	..	..
Hindustan Com. ..	58 10 0	53 14 0	..	..	..	..
Bharat Def. ..	..	2 5 0	..	..	..	..
Punjab Natnl. P.P. ..	..	180 0 0	..	..	..	..
New Bank ..	..	31 4 0	..	..	..	..
Jup. In. Trust ..	..	..	..	..	..	..
Jup. N. Bank F.P. ..	..	..	..	..	..	..
.. P.P. ..	..	..	..	..	..	..
Calcutta						
Almer ..	15 0 0	15 0 0	..	..	..	..
Bom. Suburban ..	217 8 0	217 8 0	..	..	..	..
Alcock ..	461 4 0	456 12 0	..	..	..	..
B. I. C. ..	6 8 0	6 6 0	..	..	..	..
Belapur Sugar ..	244 0 0	241 8 0	..	..	..	..
Bom.-Burma ..	482 8 0	497 8 0	..	..	..	..
.. New ..	180 10 0	178 12 0	..	..	..	..
Bombay Steam ..	575 0 0	575 0 0	..	..	..	..
.. Train ..	150 0 0	149 12 0	..	..	..	..
.. Petrol ..	3 14 0	3 15 0	..	..	..	..
Soldia Steam ..	32 12 0	32 4 0	..	..	..	..
Shilwarajpur ..	61 0 0	61 0 0	..	..	..	..
Adhra Valley ..	1,960 0 0	1,832 8 0	..	..	..	..
Brem Cons ..	209 0 0	215 0 0	..	..	..	..
Indian Iron ..	38 2 0	38 1 0	..	..	..	..
Indian Copper ..	3 0 0	3 0 6	..	..	..	..
Burma Corpn. ..	4 3 0	4 8 0	..	..	..	..
Assot. Cement ..	240 0 0	241 8 0	..	..	..	..
Calcutta						
Bengal Paper ..	..	..	..	..	..	..
Shree Gopal Pref. ..	19 0 0	19 1 0	..	..	..	..
I. P. P. ..	..	..	..	..	..	..
Star ..	..	16 0 0	..	..	..	..
Orient (ex-div.) ..	29 3 0	28 9 0	..	..	..	..
Titagarh ..	27 14 0	27 12 0	..	..	..	..
Dalmia Cement ..	17 0 0	16 13 0	..	..	..	..
Burma Corpn. ..	4 10 0	4 8 0	..	..	..	..
Indian Copper ..	3 0 0	3 2 0	..	..	..	..
Con. Tin ..	3 2 0	..	..	..	..	..
Madras						
Andhra Cement ..	..	124 0 0	..	..	..	..
Eruntions ..	..	12 5 0	..	..	..	..
Mysore Che. Ref. ..	..	..	..	..	..	..
India Steel Roll ..	..	..	..	..	..	..
Mysore Paper ..	..	23 5 0	..	..	..	..
Mettur Che. Ord. ..	..	47 8 0	..	..	..	..
.. Def. ..	..	7 8 0	..	..	..	..
Lahore						
Lahore Elec. (B) ..	37 12 0	..	..	..	..	..
Jullunder ..	145 0 0	..	..	..	..	..
Dhrangadura ..	492 8 0	..	..	..	..	..
Rampur Distillery ..	21 15 0	21 12 0	..	..	..	..
National Sulphate ..	..	..	..	..	..	..
N. India Oil ..	..	22 4 0	..	..	..	..
Star ..	..	..	..	..	..	..
Delhi (21-11-44)						
Raza Textiles ..	80 8 0	73 0 0	..	..	..	..
Rampur Distillery ..	22 0 0	21 14 0	..	..	..	..
Rampur Maize ..	47 8 0	45 4 0	..	..	..	..
Dhrangadura (x.d.) ..	498 0 0	475 0 0	..	..	..	..
United Com. Bank ..	87 12 0	86 8 0	..	..	..	..
Hind Com. Bank ..	..	54 0 0	..	..	..	..
Bharat Bank Ord. ..	..	109 0 0	..	..	..	..
Gwalior Brewery ..	13 0 0	23 4 0	..	..	..	..
Cawnpore Textiles ..	13 11 0	13 11 0	..	..	..	..

THE EASTERN ECONOMIST

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ONE RUPEE

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TIN CONTAINERS

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Planning and Import Policy

IF, as Sir Ardeshtir Dalal indicated in his speech to the Policy Committee at Bombay, control over imports should serve as the instrument of large-scale industrial planning after the war, it is high time that the principles of import policy are revised and stated in clear terms and the machinery of control is reorganized. Import control in the last five years has been governed by such considerations as the necessity of allocating supplies according to strategic requirements, difficulty of shipping, and scarcity of dollars. Had H.M.G. shown some responsiveness and the Government of India imagination, a great impetus could have been given to India's industrialization and at the same time the objectives of high strategy served all the more efficiently. Unhappily this has not been the case and import control has so far proved inimical to industrialization. First, in the field of consumer goods industries, commodities produced or capable of being produced have been allowed to be imported to the detriment of nascent industries. Secondly, essential materials and machinery have not been given the highest priority to which they are entitled. On the contrary, Government spokesmen are declaring that import control is not intended as a measure of protection to industries, and the Chief Controller of Imports is going, about, promising freer import licences and larger quantities of imported consumption goods.

Clearly, all this must change, if import control is to prove a stimulant rather than a constrictor of industries. Indeed, a reversal of present policy in respect of both categories of goods, capital goods and consumer goods would seem to constitute the essence

of the new policy that is needed. First, as regards consumer goods, speaking generally, it can be laid down as a dictum of policy that, given the necessary facilities now denied, there is practically no commodity which cannot be produced within the country and which is so vital to well-being that imports cannot wait. If this were applied in practice, the case for reducing, if not stopping, many classes of consumer goods at present freely imported would appear overwhelmingly strong. The kind of goods imported so far have not served to counter inflation as claimed by Government. Even if they had done so at an earlier stage, the time seems to be ripe now for reviewing the whole question of consumer good imports in relation to their effect on domestic industries. In the context of the imminent, incipient scramble for markets, only a very thin line divides a policy of imports to relieve scarcity from a policy which scotches domestic industries.

Objection to such a policy that it would deprive domestic consumers of goods urgently required in the post-war years is easily answered. Staple goods of mass consumption are or can be produced at home, while luxury demands postponed during the war will have to wait by giving precedence to capital goods, including machinery to make those luxury goods. This does not mean a far-reaching rationing of foreign exchange which would deny the consumer his freedom of import choice, or a blanket ban on import of all consumer goods, but is an emphasis on production possibilities within the country. In regard to imports of consumption goods from the U.S.A., at any rate, strict control would appear necessary at least until the dollar situation eases.

Beyond doubt, the more important part of import control pertains to capital goods. And it is on this that the Member for Planning has announced important decisions in recent weeks: (1) Indian industrialists are called upon to book their requirements for capital goods as early as possible and Government are laying down a procedure for registration of orders with them. (2) Organizations are to be set up both in the U.K. and the U.S.A., and possibly elsewhere, to help industrialists in securing these goods. (3) Dollar exchange being limited, in the case of orders on the U.S.A., some order of priority will be enforced.

Early booking of orders is recommended to industrialists on the assumption that the volume of industrial development contemplated is so large that no great harm can be done by such booking and that ready schemes of development need not be held up, pending detailed investigations by industrial panels. But an assumption of the kind is no assurance of positive Government aid to industry. Can the entrepreneur be certain that a heavy industry, for which he books capital goods, will not be left in the cold by the Government? Such doubts are natural because the Government have not decided upon an order of priorities and are thinking only of a liberalization of discriminating protection in the same breath as they are contemplating a huge industrial drive, as though the former is the means to the latter end.

The uncertainty of industrial outlook is still further accentuated by the conditions regarding registration of orders. Government retain the power to refuse registration in cases "where the industrial development contemplated is obviously uneconomic or leads to over-concentration of certain industries in certain areas." What are the criteria of "economic" and "uneconomic," and "over-concentration," when the priorities and policy of location are yet undetermined? Again, when registrations are accepted, they will be provisional for three months from the date of application and will be confirmed only if in the meanwhile Government do not raise any objection. Those who fail to register their orders will receive no assistance from the Government and will not be eligible for import licences for the import of such goods. In short, import control will in effect be the counterpart of the capital issues control, so far as its external aspect is concerned, will virtually determine the pace of industrialization and yet it is to be administered as if it were a matter merely of *procedure*, not affecting vital issues of policy.

The manner in which the control of capital issues is at present worked also adds to the uncertainty. Quite apart from the discrimination made in favour of transport companies and against iron and steel and engineering, the release of a company's funds from Government bonds in which they are at present locked up is hedged in with so many reservations that a company floated to start a new industry is not at all certain that its capital will be available even after the war for the purchase of imported capital equipment. The Government *communiqué* on the subject clearly entails that the grant of permission for the formation of a company does not enable that company to any form of assistance by way of priority in shipping and difficult currency or to a release of its capital at any time or even to an expectation that the factory it aims at installing can in fact be installed. How can new companies formed to expand existing and develop new industries place orders for capital equipment with any degree of confidence, unless the control of capital issues is liberalized so as to meet the needs of the intense development that the Panning Member speaks of?

If, despite all this uncertainty, the entrepreneur registers and books his orders, is he sure of getting the best machinery and on the most economical terms? The demand for capital goods will be far in excess of supply, it is said, and so the industrialists are asked to place orders even now. But this argument must not be pressed too far. There might be a shortage in certain lines, but at least in certain others, *e.g.*, machine tools, there would be considerable excess capacity in Britain and the U.S.A., which must be utilized fully if domestic unemployment is to be averted by them. If, as suggested in Allied circles, the heavy industries of the enemies are to be dismantled or made to bear the burden of replacing Allied plants destroyed during the war, capital goods should be correspondingly easier to obtain.

Thus the essence of capital goods imports would seem to be not so much their availability, as the terms on which they could be got. In such a case, there is great danger involved in industrialists' booking orders now at the inflated war-time peak prices, whereas the prospect of a post-war decline in prices might suggest a policy of waiting to be more sensible. Whatever the prospects of cheaper capital goods after the war, early booking might be desirable if only because urgent development should not be held up. In that case, it is the clear duty of the Government of India, which encourage immediate booking, to give the utmost assistance to entrepreneurs to obtain those goods on the cheapest possible terms, having regard to the available markets. Industrial planning should not turn out ultimately to be an earmarking of India's markets and money for certain favoured foreign industries. This danger cannot be too strongly warned against because initial capital installation at exorbitant cost will work as a permanent handicap and drag on the efficiency and competitive strength of Indian industry.

Even if Government accept some of these principles, the present machinery of control of capital issues and imports which invest executive officers with powers of administering them is highly unsatisfactory. It is hardly to be expected that executive officers like the Controller of Imports, or the Examiner of Capital Issues, or the Registrar of Capital Goods, when he comes to be appointed, will have the time and energy, leave alone knowledge, to judge of the hundreds of cases which come up before them in the light of the high issues of policy on which they necessarily impinge. The Examiner of Capital Issues is, at least, advised by an inter-departmental committee, even though that is hardly satisfactory. But the Chief Controller of Imports has no body to advise him, and he is obviously both making the policy and executing it. A recent suggestion that an Import Advisory Council should be constituted on the lines of the Export Advisory Council, does not appear to have been favourably received. There is much to be said for creating a purely or predominantly non-official body of the kind, but with more real and greater advisory functions in regard to policy-making than possessed by the Export Advisory Council. There is an even greater need for seeking non-official and business advice in the matter of registration of orders for capital goods. In fact, it would be an excellent way of co-ordinating and integrating the three controls so closely related to one another, *viz.*, capital issues, capital goods registration and imports, to create a non-official advisory body composed of the different elements of trade and industry and take counsel with it on issues of policy. The panels for various industries, proposed by Sir Ardeshtir Dalal, even if they are immediately formed, will take time to make recommendations; and their recommendations, when made, can only be of a general character. Meantime, vital

economic policies should not be left to be made and put through by executive officers of doubtful competence without time and energy for the job.

Details are not yet available of the purchase organizations for capital goods to be set up abroad. Britain and America are specifically mentioned, but there is no reason why Canada, Australia and other countries possibly should be left out, especially if there are chances of securing machinery from them. The organizations will most probably be official in character and small in size, but they can play quite a useful part if the widest facilities of travel and contact are afforded by Government to industrialists so as to enable them to obtain the best goods on the most economical terms. Especially about America, the present scarcity of dollars should be no bar to exploratory contacts which might culminate in beneficial imports if the dollar situation improves, say, due to public or private loans. The Deputy Governor

of the Reserve Bank of India recently said that the dollar position has now been somewhat easier and the British Government are willing to provide dollars for the import of American goods. There should thus be very little difficulty in affording the dollar facilities for travel and contact and for the import of samples of machinery, tools and other capital goods, on the basis of which firm orders can be placed. A rational policy in regard to the import of consumer goods, a liberal administration of the capital issues control and capital goods registration, the reorganization of the machinery of control in respect of all the three so as to secure the advice of trade and industry in policy-making and the affording of wide facilities for exploring all markets from which to buy capital goods—these appear to us to be some of the measures which require the immediate attention of the Government, whatever be their decisions on such matters as the over-all rate of development, order of priorities and the like.

Industrial Localization

I

THE Report of the Gowing Technical Mission appointed to advise on the production of artificial fertilisers in India has again forced to the foreground the general problem of a national industrial localization policy in relation to any national economic programme of systematic development. It will be recalled that the Gowing Mission which undertook investigation in regard to the manufacture of sulphate of ammonia in British India in quantities up to 350,000 tons per annum, was charged specifically to study the 'location factors' in this connection and "recommend, in the light of the raw materials and power available in India the most economic method of manufacture" and "recommend the most suitable site or sites for the erection of plants concerned, taking into account the raw materials available and the most economic distribution of the finished products." The Mission which threw itself into the learned postures of Weberian logic and calculated the ratio of the weight of raw materials to the weight of the finished product as 'some two and three-quarters,' and even took into account the disadvantages of 'dispersal of efforts' in carrying on simultaneously the erection of many factories, recommended in favour of concentration of production in a single factory for the supply of chemical fertilisers to a vast sub-continent. Not that the cost calculations of the Missions have gone unchallenged, nor even that some have failed to discern high political calculations in the interstices of the economic calculations. Nevertheless, the report serves to bring to a focus the significant fact that any plan for ambitious economic development which we may make, particularly if it relates to the 'key' or heavy industries, would have first to negotiate the difficult, but important task for formulating a national policy for industrial localization.

Indeed, there could be no doubt that, judged from the aspect of regionalism and localization, our industrialization, so far as it has proceeded as yet, has proceeded on a very lopsided basis. Before the war, more than half of our industrial (factory) labour force was concentrated in only two provinces, *viz.*, Bombay and Bengal. While the Indian economy as a whole was itself lopsided and unbalanced, with its unhealthy dependence on an agricultural system which was largely uneconomic judged by any criterion of accountancy, the industrial system itself appeared almost polarised into two tiny clusters round Calcutta, and Bombay. Looking at the question of localization from the second aspect, *viz.*, urbanization, taking the most populous province, Bengal, we find only one

giant, shapeless, sprawling metropolis, Calcutta while the rest of the vast province is almost without a second town of note. As we showed in a previous issue, during the war, this process of unhealthy concentration and urbanization has only been accelerated and the problem aggravated beyond measure. The Calcutta area has within a few years of war accumulated a huge population of 3 to 4 million—a population which is absolutely beyond the present housing, municipal, public utility or social service capacity existing in the area. The process of concentration has no doubt been impelled by the usual calculus in a competitive economy, but has at the same time and consequently involved an increasingly heavy debit item in the ledger of social accountancy in the shape of deterioration in general living conditions, public health and transport and public utility services. The extremely uneven distribution of industrialization in British India on the eve of the war is illustrated by the following figures of 'location factor' (that is share of labour force relatively to share of working population in the country as a whole) and units of electric power consumed per head of population for industrial purposes:—

Province	Industrial consumption of		Location factor	
	electricity	1939	1921	
Bombay	23.6	4.3	4.9	
Bengal	5.1	1.9	2.8	
Sind	1.2	1.0		
Madras	2.0	0.8	0.6	
C. P.	0.3	0.7	1.0½	
U. P.	2.0	0.6	0.4	
Punjab	0.8	0.5	0.4	
Bihar	1.1	0.5	0.4	
Orissa	0.0½		0.1½	
Assam	0.0½	0.2	0.1	
N.W.F.P.	0.1½	0.1	0.1	

The figures illustrate not only the extremely uneven regional distribution of industrialization at the end of the last war, but also indicate the change during the inter-war years. They illustrate the overwhelming predominance of Bombay and Bengal in our industrial life. It is true, the figures show a slight tendency towards the mitigation of the unevenness in the course of the inter-war years, mainly at the expense of Bengal and C.P. while during the war there has been a further tendency for a north-westerly shift in the industrial centre of gravity, but they are nowhere near to correcting the lopsidedness parti-

cularly so, if seen in relation to the territorial incidence of population pressure. The Indian states also which were far behind British India in regard to industrialization, particularly Mysore, Baroda, Kashmir, Hyderabad and Central Indian States have strengthened their 'locational factor' which is, however, still nearly twice as high in British India as in Indian States.

In India the most important factor deciding location has so far been probably extreme localization of our iron and coal resources. The importance of Bengal no doubt to a large extent depended on the nearness of iron and coal resources as also on the jute monopoly and the general preferences of the British managing agents and trade interests which came in the wake of British power. However, unless geological surveys reveal existence of extensive and hitherto unknown fields of coal resources, the lineaments of hydro-electric development will easily become one of the most significant determinants of localization. In the present, coal and thermal electricity would be probably cheaper than hydro-electric power which requires a very large initial capital cost; nevertheless in view of the deficiency of our known coal resources in relation to our full requirements in a fully developed economy, hydro-electricity would necessarily play a vital role. The important way in which systematic hydro-electric development may affect the pattern of industrial location is illustrated by the American experiment of T.V.A. and again in Russia. The hydro-electric projects in the Tennessee Valley and also the giant Dnieper dam project were carried out in regions which were practically industrial vacuums, but the development of power resources imparted the enormous impetus which converted the regions into some of the most industrialized centres in the world. We have, however, to remember that the hydro-electric schemes in these regions were the essential parts of an integral programme for economic development and not merely an effort by the respective governments to develop a particular sector of the economy in isolation.

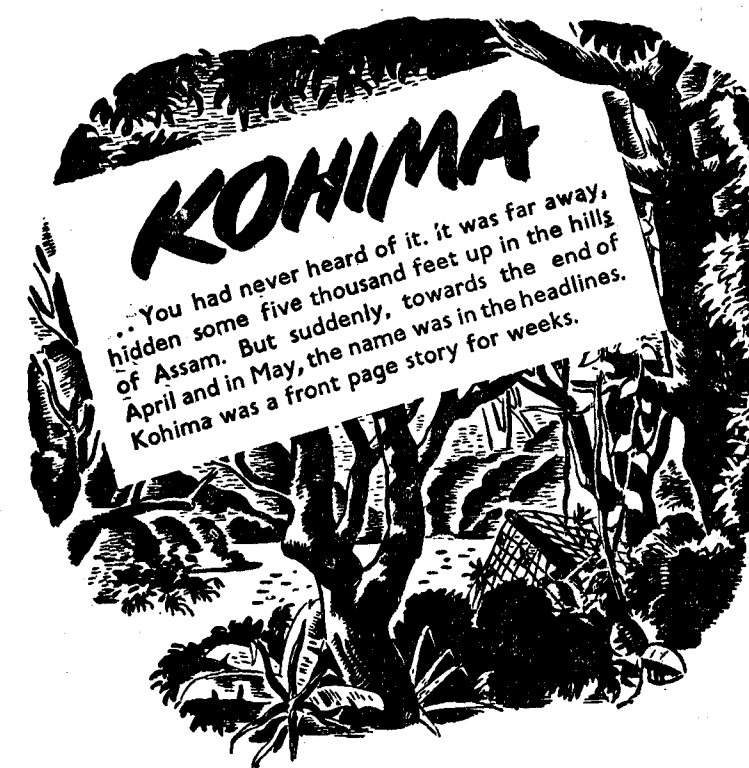
The Government of India has indeed declared its policy "to secure the development of electric power on a regional basis, to promote the maximum economic development and utilization of such power and to eradicate such factors in the present system as retard the healthy growth of such development" and has also declared that it is prepared to take up the development of electricity supply in India as a state or quasi-State enterprise if such a course is deemed necessary in the context of this declared policy. However a power resources policy is only one aspect of a national localization policy. A national localization policy involves primarily an integrated heavy industry policy, for the localization of our heavy industries will essentially determine the pattern of general localization. We may recall that the Russians evolved the dual localization policy of a decentralization of light consumers' goods industries coupled with a heavy industry policy with a characteristically easterly trend. This was adopted not only from purely strategic considerations, but also from the consideration of the necessity of drawing the peoples of the backward eastern territories much more speedily within the benefits of industrialization and of levelling up the economic and cultural conditions throughout the vast union. In India, too, the heavy industry policy which we may formulate, must have reference to the requirements and possibilities of the backward regions and provinces.

Heavy industries are, however, to a large extent

"raw materials-oriented" in localization and this puts some limit on dispersal. Thus on account of the localization of our iron and coal resources, the iron and steel industry has tended to exhibit a high degree of concentration. It is only recently that the industry has shown a tendency to develop in newer areas such as Bengal and Mysore. Even if the habitat of natural resources become a limiting factor, the possibility of split localization or decentralization of subsequent stages of production e.g., of steel rolling, would not be excluded. To go a stage further, there is no reason why the engineering industry should continue even under a planned economy to be so concentrated as at present—about half of the workers employed in the engineering industry being employed in Bengal alone. To take another key industry, viz., the chemicals, again, Bengal gives employment to half of the total number of workers engaged in the industry. It is quite true that, as the Tariff Board on the Heavy Chemical Industry reported, "In modern conditions the chemical industry perhaps more than any other depends for its success on large-scale production." But it does not follow that in a planned economy in a vast country like India, there would be no scope for wide dispersal of units of production. In the case of chemical fertilizers, for example, the Gowing Mission reported that the optimum economic unit of production would be a plant producing 350,000 tons per annum. Even if we accept the validity of the findings of the Mission,—which is not undisputed—we should remember that the full requirements for fertilizers for a vast country like ours when fully developed, would be in the neighbourhood of 10 or 15 million tons—a figure which could allow mass production simultaneously with any measure of decentralization.

The distribution of industrialization in India is uneven and lopsided not only absolutely and in relation to the distribution of population, but also in relation to the regional incidence of population pressure. However, in a comparatively backward country like India, the adoption of a positive localization policy would be comparatively easier and more fruitful. For in the old industrialized countries, thanks to the then obtaining philosophy of *laissez faire*, a lopsided structure of industrial localization has already hardened itself and mitigation could be afforded only by a painful and costly process of re-localization. In India, on the other hand, optimum localization and optimum rural-urban pattern would be obtained, in the main, not so much by forcible restrictions on existing growth, but by wise regionalization of new developments. Necessarily in this task, the State would have to assume a positive and directive role. It is as easy to exaggerate as to under-rate the importance of the market, labour and raw materials factors as the absolute and unalterable determinants of a rational localization pattern and it would be fallacious to assume that a properly formulated national localization policy would vitally clash with the localization pattern as would emerge under the competitive calculus. For in a planned economy in which there is very rapid and all-round development, there would be accumulating accrual of external economies in relation to market, labour supply as well as raw materials and as Weber himself recognized: "The locations of the places of consumption, the labour locations and the material deposits, which supposedly determine the orientation of industries, are themselves the resultants of the very same industrial orientation." The formulation of a valid localization policy by the State, however, must necessarily hinge on a detailed survey of national resources which is still a desideratum.

EPIC OF KOHIMA



TOJO'S MEN had crossed the Chindwin. Slowly, stealthily, they had reached the slopes of Mt. Japvo and the Naga Hills. They took the few ridges and hills around Kohima. The Nagas had been driven out of their villages. Their houses were burnt, their huts were razed to the ground, their pigs, poultry and crops looted and plundered. "INVASION OF INDIA" the Japanese called it.

Events moved rapidly. You remember the names: the Jail Hill, the GPT Ridge, FSD Ridge, the Pimple and lastly the D.C.'s Bungalow. It was a bitter battle.

BUT OUR MEN, GREATLY OUTNUMBERED, NOT ONLY HELD OFF THE ATTACK, BUT ULTIMATELY SMASHED THE FOE AND WON A GREAT VICTORY.

This was the epic of Kohima. Here our men proved that...

"WE CAN BEAT THE JAPS and we ARE BEATING THEM BACK"



AAA 1306

ISSUED BY THE NATIONAL WAR FRONT

The Week's Notes

DEFENCE REORGANISATION

His Excellency the Commander-in-Chief has set-up a committee under Lieut-Gen. H. B. Willcox to make preliminary investigations into India's post-war defence requirements and make detailed recommendations regarding the size, composition and organization of the future army in India. Naturally the essential background must be the structure of world security which could be built up at the end of the war. But today we are much too sober to indulge in facile slogans like the 'war to end wars' and any valid policy must be formulated in the context of a realistic appreciation of the emerging pattern of international power relationships, India's new status in the comity of nations and the heavy responsibilities particularly in regard to the Indian Ocean Security Zone, which must inescapably devolve on India. And this means that we must get rid of a good deal of mouldy, feudal-medieval ideas. Thus when in Britain (hardly a 'martial' country) even women are drafted into the army, it is ridiculous to talk of 'martial' and 'non-martial' races. Modern war is primarily a trial of strength between opposing industrial systems. Consequently, India's defence reorganization must be conceived basically in terms of maximum development of our industrial potential, particularly of heavy industries, including shipbuilding and aircraft. India, with her long coast-line and concomitant responsibilities in Middle East and South East Asia, must have a sizeable navy backed by a commensurate mercantile fleet. What standing army we shall require and the extent of demobilization which will be called for, will depend on the international framework but in the final analysis, our military potential would depend not on the size of the standing army or the rate of current defence expenditure, but on our industrial progress and the rapidity with which we choose to develop our industrial potential. At this point political issues impinge, for such questions as the extent to which it would be possible to maintain the economic and political unity of India and to get a strong Government enjoying massive popular support and determined to carry through the most ambitious economic programme, are mainly political. It is to be hoped that the Wilcox Committee will be able to move away from jejune conceptions about 'frontier tribes' and 'martial races' and take the widest view and full cognizance of the new international economic and political realities.

INDIA AND MUTUAL AID

Ever since criticism grew in the U.S.A. that American Lend-Lease aid to Britain was predominantly a one-way transaction, accountants in the latter country have been alert to record every item of assistance given to the U.S.A. and have made an attempt at showing that British reciprocal aid has been equal to America's, having regard to differences in resources, etc. A White Paper was issued by the British Government last year on the subject, and this year again last week saw the simultaneous publication in London of the White Paper and in Washington of President Roosevelt's 17th Report to Congress on Lend-Lease, covering reciprocal aid. What is of interest to India, however, is the references made to her contribution. The scrappy press summaries at present available do not enable any conclusions to be reached, especially on the British version which makes no mention of individual countries' quotas. But Roosevelt's periodical references can be pieced together so as to present some picture, however blurred and incomplete, of India's contribution. Up to the period ending June 1944, the total aid given by the countries

of the British Empire on reverse Lend-Lease amounted to \$3,348 million. Of this, the combined total of India, Australia and New Zealand is \$911 million or about 27 per cent. India's share is not separately stated. But reads the Report: "U.S. forces in the Burma-India theatre have received reverse Lend-Lease supplies, services and facilities which have cost the U.K. and the Government of India \$232,616,000 up to June 30, 1944. More than 99½ per cent. of all supplies and services locally procured in India by U.S. forces are provided as reverse Lend-Lease by the Governments of the U.K. and India." (Italics ours.) This linking of U.K. and India in regard to local services and supplies of India, we feel, has no meaning and the greater part of them should have been met by India. That this is a fair inference is supported by Roosevelt's own utterances. His earlier report covering the period up to the end of February 1944 estimated India's contribution at \$150 mn. and seeing that the aid given in the six months of 1944 was more than 50 per cent. greater than for the entire year 1943, that aid given in January-February 1944 amounted to \$35 mn. and this came to nearly half of what was given in 1943, the total aid comes to \$220 mn. But would \$220 mn. represent a fair and equitable estimate of the help given by India? We have no means of testing. A Government of India communiqué issued some months back listed the following items of aid up to the end of 1943: works Rs. 33 crores, stores and rations Rs. 4 crores, petroleum products Rs. 5.65 crores, telephone, transport and shipping Rs. 3.66 crores, and labour Rs. 1.85 crores, totalling Rs. 48 crores or \$ 146 mn. But this excluded the cost of miscellaneous services not estimated but admitted to be considerable, of raw materials and other goods supplied from April and of jute mills and tea estates requisitioned and placed at America's disposal. If all this is taken into account, India's contribution must be in excess of \$220 mn. and might well exceed \$300 mn., while the Government of India's estimate (given in the budget) of aid up to March 1945 at Rs. 81¼ crores or about \$245 mn. is definitely a serious underestimate.

WORKING OF EMPLOYMENT EXCHANGES

The practice of employment in factories in India through the instrumentality of jobbers and *mukadams* who not infrequently charged heavy *dustoris* from the men seeking employment through them, was denounced by the Whitley Commission as early as 1929; the Commission also suggested the opening of the Employment Bureaus and Exchanges working as permanent channel for regular employment. Such exchanges could help the employers in getting "the right man for the right job" and also the worker to get the right type of jobs suited to his skill. The Government of India, however, could not see their way to adopt any scheme of employment exchanges for over a decade. It was only in October 1943, that they took a decision to open employment exchanges at some industrial centres and about ten experimental exchanges were started by March 1944. Their working in the few months since the inception is encouraging. Reports from five of them are available for January/June 1944:

Centres	Men registered	Men placed in employment
Bombay	1,981	819
Calcutta	1,950	355
Cawnpore	706	79
Madras	474	78
Delhi	167	..

The services of these employment exchanges are being readily used by the employers who placed orders on the four exchanges at Bombay, Calcutta,

Cawnpore and Madras for 1,036 workmen in June, against 122 in February 1944. The difficulties with respect to lack of suitable accommodation for the exchanges and experienced staff are only too natural in the initial stages of any new scheme like this, but they are surmountable. Government of India have recently decided to increase the number of Exchanges from 10 to 30 by April, 1945 and 70 by July, 1945. The training centres for the staff needed to operate the exchanges are being opened in Bombay and Calcutta. With the employment exchanges will of conditions of confidence and integrity. If a network of Government, employers and workers to watch and supervise their working and help in the creation of conditions of confidence and integrity. If a network of such exchanges is spread all over the country, that will not only help in evening out the surplus labour of some areas against the deficit of others, but also in putting demobilised soldiers and workers in touch with opportunities of employment.

THE BANKING BILL

At long last the Government have introduced in the Assembly a Bill to consolidate and amend the law relating to banking companies; and in the next few months, before it is again taken up, the Bill will have the benefit of extended discussion in the country. The necessity of a separate Banking Act, as distinct from the provisions of the Indian Companies Act which govern the banking companies, has long been felt. The Reserve Bank of India first published proposals for reform in 1939, but consideration was deferred on account of the war. But the considerable development in banking that has taken place in recent years, especially the growth of demand deposits and the vulnerability of banks in post-war years, have rendered immediate legislation imperative and the result is the present Bill, embodying quite a number of new features not contained in the original proposals. The main features are: (1) a revised definition of banking; (2) prescription of minimum capital standards; (3) prohibition of trading with a view to eliminating non-banking risks; (4) expeditious procedure for liquidation; (5) inspection of the books and accounts of a bank by the Reserve Bank when necessary; (6) inclusion in the scope of the legislation of banks incorporated or registered outside British India; and (7) prescription of a special form of balance-sheet and empowering Reserve Bank to call for periodical returns. Detailed comment on the provisions of this very important Bill has necessarily to be deferred. Many of its clauses, pertaining to capital standards and maintenance of assets, might need modification to suit the smaller banks. Meanwhile, the banks themselves must give the measure their most careful consideration with a view to constructive amendment. There is one point on which stress was laid by members in the Assembly, *viz.*, the necessity of treating the Imperial Bank on a par with other banks and ringing it within the ambit of ordinary banking law instead of the special act which confirms the long-standing, yet unjustifiable privileges it is enjoying. This, too, should receive attention in the country.

INDIA'S RAW MATERIALS

While envisaging India's industrial future it is commonly assumed that she is extraordinarily rich in raw materials. Compared to the resources of Britain or Japan in relation to the dimensions of their industrial progress, no doubt our resources are ampler. But if we take a different standard of sufficiency and look for possibilities of building up foreign assets through a surplus of raw material exports the position is not so satisfactory. There are not many raw

materials which a rapidly extending Indian economy can spare for exports, with industrialization her deficiencies in many respects will become more pronounced, and the prospect of India paying for her imported capital through her raw materials is not bright. Our deficiencies are most pronounced in respect of minerals. We have, no doubt, ample supplies of coal and iron, and also of manganese and chromium which are the basic needs of an iron and steel industry. But, for the present Indian industry is faced with a scarcity of domestic supplies of special steels; and if immediately after the war our machine tool or other engineering industries develop fast we shall have to import considerable quantities of this basic material as well. In the sphere of non-ferrous metals, the deficiencies are more pronounced. Then, it is not only a question of development; we do not possess appreciable deposits of profitable ores of a number of them. Lead, zinc, nickel, tin, sulphur, tungsten, molybdenum, vanadium, quick silver, diamond, antimony, cadmium, potash and phosphates are all the gaps in our raw material self-sufficiency. We have considerable resources. But so far as a number of other non-ferrous minerals, vital for numerous forms of industrial alloys are concerned, we shall have to depend on imports. In respect of power as well, our resources of coking coal are perhaps, just enough to smelt all our iron ores. Since it is not practicable to reserve all our coal for that purpose, at no distant date we may have to import coal for our iron and steel industry. Although such a possibility is only one for the distant future, it is a sure pointer to the immediate need for conserving our available coking coal, which is suffering a reckless waste at present. Our mineral oil resources are well-known to be limited. Though there are possibilities of discovering new occurrences and those of more intensive exploitation, we cannot hope to be an exporting country even in this respect. The only minerals of which we may have a surplus are mica, manganese, chromite, illonemite, magnesite, monagite and possibly iron. We may perhaps realize a better price in the international market than we have so far done in respect of these materials, in case there is a national government to protect India's interests. But, on the whole, the value of our mineral imports will exceed that of our exports. Our dependence on foreign cotton for finer counts may possibly be reduced, but after the war perhaps, the prospects for our short staple cotton will also be less bright. Wool, wattlebark silk and artificial silk and soft woods have been other raw material deficiencies of India in the past and possibly they will continue to be so far some time. We import as much of tobacco as we export. We have a definite surplus among non-mineral raw materials only so far jute, lac, and hides and skin and oilseeds are concerned. Our raw material deficiencies point to the need of strengthening our existing industries so that they may maintain and expand their markets abroad after the war. India will have to depend a great deal on her capacity to export textiles, sugar and jute goods for a balance in her favour.

RELIGION AND LIVESTOCK

It is often glibly alleged that the wide prevalence of vegetarianism in this country militates against the most economic exploitation of our live-stock resources and the development of consumption of valuable protective foods of animal origin. Col. Norman-Walker, for instance, thought it necessary to drag in religion and caste during a discussion of the nutrition problem in India, which was broadcast by the B.B.C., early last month. Said he, "of course we are up against religious sanctions and ancient customs. Some people won't eat fish or eggs and the vast majority of the popula-

tion eat no meat." There is more than an element of exaggeration in tendentious statements of this sort and it is necessary to examine to what extent exactly religion may be said to stand in the way of live-stock development. The Census Report of 1941, gives the following distribution of population among the main communities:

Community	Millions
Hindus (excluding Scheduled Castes)	206.1
Scheduled Castes	48.8
Muslims	92.1
Christians	6.3
Sikhs	5.7
Tribes	25.4

Even if we except the Hindus as a whole, there are thus some 175 million people or more who are not bound by any religious fiat prohibiting the eating of meat, although particular categories of meat may be proscribed for this community or that. Again, the Hindu themselves are not all of them vegetarians and a very high proportion of them, perhaps some 90 per cent., have no religious samples against taking many categories of meat. The situation so far as religion goes boils down to this: about 50 million people are free to take pig meat, about 150 million to take the meat of cattle and at least some 350 million to take mutton, fish, game, poultry and eggs, while there is absolutely no religious prohibition of any sort against the consumption of milk and other dairy products. Even the smallest of these groups number as much as the total population of Great Britain and it is therefore idle to pretend that it is the want of consumers that has retarded the development of animal food resources in this country. The explanation is to be sought elsewhere. In the first place and above all the absolute poverty of the masses has placed beyond their reach animal foods which are more expensive than the cheap cereals; secondly, the cereal-based agricultural structure of the country and the absence of mixed farming are largely responsible for the wastage of our cattle resources; and thirdly, the apathy and the indifference of a Government, which is essentially no more than a police state cannot be white-washed by persons with ha brief, who would fain make out that we are economically backward because of our religion and customs and in spite of the best efforts of a benevolent imperialism.

BRITAIN IN ETHIOPIA

The issue of Ethiopia is once again coming to the fore, after having been in the background for over three years. Mr. Drew Pearson, the seasoned American columnist, has lifted the curtain over yet another British entanglement. It transpires that the Emperor of Ethiopia has protested to the U.S. Government regarding the British occupation of Ogadden and Harar. Haile Selassie's attempts to get into touch with the columnist were frustrated by censorship. London circles, of course, deny any knowledge of the Emperor's protest to the U.S.A. But this incident is not going to end there; it is but the beginning of a first-rate political controversy on the international plane in which are involved the independence of a dark people and the *bona fides* of Britain. Yet events of the last several months could only lead to this inevitable impasse. After the Italians had been driven out of Ethiopia, an agreement was reached in 1942 between Britain and Ethiopia, whereby the Emperor was recognized as the sovereign ruler of his country, but the military convention attached to the agreement vested the British forces in Ethiopia with absolute powers in the then existing military circumstances. The railway was under them and Britain also occupied certain "reserved" zones in Ethiopia adjoining the

British Somaliland. The British officers in the Military Mission and the British soldiers were excluded from the jurisdiction of Ethiopia and her courts. As to civil administration, British officials, "experts" and judges were appointed to assist the task of "rehabilitation," and munificent grants of £1.5 million in the first year, and £1 million in the second, with diminishing amounts of £500,000 and £250,000 in the next two years, were sanctioned by the British treasury. This was the political "sovereignty" Ethiopia was allowed to enjoy and she was promised economic prosperity by Britain for so many years of desperate struggle with the Fascist bandits.

The 1942 agreement between Britain and Ethiopia was to last for two years unless in the meanwhile the Emperor put forward proposals for a fresh treaty or either party gave three months' notice of denunciation. The Emperor, who found that the treaty took away the substance of sovereignty from his hands and placed it in those of British "advisers," "experts" and armies, submitted proposals for a fresh agreement in the beginning of 1944 in accordance with the treaty of 1942. The British Government, without considering the proposals, suggested to the Emperor to "invite" a British Mission to Ethiopia to inquire into a number of questions. The Emperor said that he was not bound to invite a Mission, the British Government took no measures on his proposals, and the Emperor gave notice of denunciation of the 1942 agreement. The result of it all is that after some "negotiations" a British Mission is now in Ethiopia under Lord De La Warr. Meanwhile, the Emperor seems to have sought American assistance, both political and economic. The military circumstances which perhaps justified the far-reaching powers and territories Britain held in 1942 have altogether disappeared and yet Britishers seem intent to stay put and keep Ogadden, Harar and other places. The *Manchester Guardian's* plea that the British are there to put down local chieftains rising against the Emperor and to take care of nomads coming from the Somaliland is true to imperial tradition, but is absurd and untenable. This is Britain's record in Ethiopia, the only independent "dark" country in an entire continent whose peoples have been exploited by rival imperialisms of white pigmentation. Will America use her influence to get the Britishers quit Ethiopia? It is doubtful. At least she cannot pretend in this case, as in the case of India, that she is a "domestic" problem of the British Empire.

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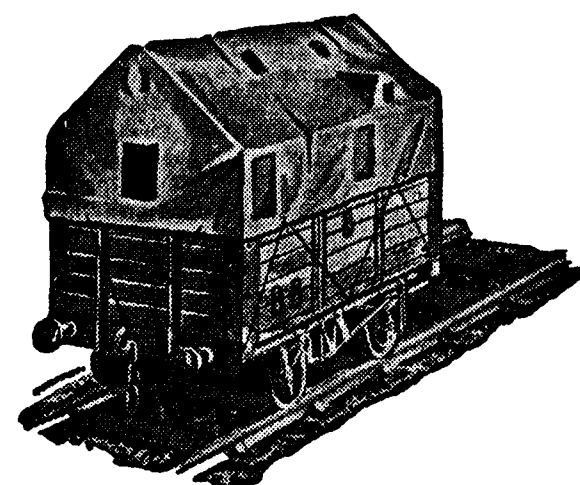
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SPECIAL ARTICLES

After This War

By C. Rajagopalachari

WITH this war will end certain notions some of which were already in their last gasp and others till now held very precious. The economic doctrine of non-interference of the State in industry, and the political doctrine of individualism will both disappear and State-planned civil life will take the place of the economy and the politics of *Laissez faire*.

The community's good has ever been the goal of social man from time immemorial. But most societies sought to produce this result out of a rigorous respect for individual property and non-interference with the profit-motive and with individual adventure. Great Britain in particular insisted on this. But India felt doubts from the earliest times and organized a system of compulsory duties and divided society into groups for this purpose and made it into a hereditary system. Hereditary classification of functions drew its strength from the laws of biological inheritance and advantages of a home training from early childhood and a favourable atmosphere which the system created for complete adaptation of the individual. It could not go on for all time in the face of great changes in political and social conditions. India has fallen in line with most other countries, plunging for individualism, competition and mutual exploitation. A different plan was adopted by Russia since the last Great War, eliminating the profit-motive and modifying the whole of the social organization. The present war has given an impetus and an experience which will result more certainly in the wider adoption of the Russian system all over the world. National planning of agriculture and industries will be attempted everywhere.

Where there is nervousness now about public management it will be stringent State-control. All capable and experienced business men will be transformed into Government servants of a new type. Private production and distribution will go by the board in the things needed by most people and life will be greatly equalized.

War-time experience of controls of all kinds has given a new confidence to both Governments and people, and consequently the change-over from individual and private management to State organization and the tolerance of the inconveniences of State-control will be fairly easy. It may not be accomplished all together or all at once in all places but proceed along the course of trial and error. The rate of progress will depend on the number and quality of the human material available in each country for national organization.

THE BLOCKADE AGAINST CRIME

We shall of course have at first to face frightful corruption. Big business will split into two camps. Those that will get a due share in the business of State-control and in fact run it, will be on the right side. Those that will be left out will talk of the terrible consequences of inexperienced handling. They will shout that State control will drive the better class of goods into the black market. They will frighten us about hoarding, man-made famines and a hundred other crimes and calamities. All this is a kind of Keddah operation by which they wish to drive the elephants into the enclosure. But the intelligentsia will not be thus driven and let the organization of life go again into private hands or into the hands of big cor-

porations and combines. Private capital has fulfilled its part and must now yield to State-managed and national co-operation. Men must make up their minds that we cannot get back to the old order of the few exploiting the many by the divine right of Capital. The State must replace the power of mere money-bags. Corruption there is bound to be at first. But that is attributable to the old order and its momentum, not to the change. It will not do like frightened patients to trace the trouble to the medicine instead of to the disease. Bribery and dishonesty have to be put down. Money-hoarding in a State whose economy is controlled will soon find its folly and purposelessness. It cannot hide itself for all time. It will be subjected to a blockade. Private treasure cannot be invested or banked and converted at will into private joy as in present days, but instead will be a source of constant terror of the law and anxiety. Corruption will as a result soon dwindle into illegal gratification of immediately satisfiable wants and desires and will finally disappear as efficiency is gained in the working of State-organization and control and understanding spreads.

QUADRIBIOUS ARMY

The decisive factor that has brought about this definite trend is that it has now been seen that all war is total war and any other kind of war is not worthwhile and must end in defeat. The successful organization of food and industrial production is as necessary for winning wars as the mobilization of armed strength and skilful strategy. To the three elements of land air and water over which the fighting strength of a nation is distributed must be added a fourth, the farm and the factory. The military forces of nations are quadribious not amphibious or triphibious. Really however a more scientific analysis of it would be to divide it into two main divisions after the manner of the biological classification of life into animal and plant life. Corresponding to plant life is that part of the nation that stays in the factories and on the farms and functions quietly and unceasingly to convert the resources of the land into food and industrial products. The other part of the national army moves about as animal life does on land and water and in the air. It depends on the labour of the army that stays at home as animal life depends on vegetable life. The army staying on the farm and in the factory cannot be left to private management and the profit-motive of the old economy any more than it can be done with the land-army or the navy or the airforce.

WAR AND PEACE

Now this is obvious during war-time. But the old notion that war is an abnormality is also off the map. Intervals of peace and war, longer or shorter, must be the fate of man until the millenium is attained. Neither peace nor war can be taken as more permanent or more normal than the other. Shortness of duration is made up for in increased activity and accelerated consumption of energy. The earth is neither hills nor valleys but both together. The heart works neither by diastole nor by systole. Both make up the unbroken life of that organ. So also do peace and war both go to make up the sum of life. In the good old days war used to be forgotten in the intervals of peace. But henceforward all the world over, men and women and children and not merely diplomats must live in a night-mare of war even during peace-time. As a

compensation, during war also we shall sing and gather joy as if nothing extraordinary were the matter. Peace-time preparation and readiness for every emergency will be the motto after this war. Preparation need not mean necessarily worry or aggressiveness. Indeed it cannot be so when it becomes the normal life. Rationing, regulation, control of all movements or raw materials and of manufactured articles of all kinds will hereafter be the normal condition of affairs. Even in countries not near to the theatres of probable war or which have not risen to the high levels of civilization associated with war, these conditions will prevail as a result of total organization of world-resources by the big powers, who will be in dominant control with their eyes fixed greedily on everything. Businessmen nowhere in the world can hope to switch the world back to profit-motive and private speculation.

DOCTRINE OF NATIONALITIES

We go now to another subject. The last war ended with the slogan of freedom of Nationalities. The ideal condition was conceived as one in which as far as possible all so-called racial units of human society were free each in its homeland. National self-determination was thought to be of the essence of human liberty and human happiness. This was the tribal corollary of the doctrine of individual freedom, of the man's house being his castle. The present war began with a reiteration of this same slogan of national self-determination. Copious tears were shed by leaders of the great powers over the indefeasible rights of small nationalities. Battle was declared against Hitler for infringing this sacred right. There was no insincerity about it or at least not much of it. It was an illusion of the times and of prevailing ideas. The experience of this war has now made it clear that small states cannot defend themselves. Those who cannot defend themselves obviously cannot exist as independent units. They must be merged in a larger unit which has sufficient strength to withstand aggression. The nations of the world are interdependent and no state can be left to isolate itself.

The division of Europe into states based on nationalities has broken down. All the units that were constituted after great deliberation on this principle of each nationality a homeland, had still large populations other than those who occupied it as their homeland. Conflicts, intrigues and dangers of sabotage continued. This war brought it all to a head.

The old international law of neutrality got simply wiped out of existence. The independence of small nations proved to be a delusion and a snare. All nations were forced either *de jure* or *de facto* to be belligerents when once war was declared by the Big Powers. Neutrality could be pretended but in reality it did not exist where the geographical sweep of the war held any area within its circle. The principle of self-determination has been killed by this war in Europe. And Europe creates corollaries for the whole world.

CONSOLIDATED EUROPE

With Britain and Russia in supreme command, Europe will be practically consolidated into one State with little more than local self-government available for the twenty-odd units composing it. Control will be divided between Russia and Britain on the basis of proximity and naval approach. Before this war Britain was content with a watching programme as regards Europe. All that it aimed at and tried to maintain was a self-sustained system of balanced

forces in Europe. Hereafter she cannot rely on this because France has become a broken reed for this purpose. Britain must take charge of a large part of European responsibility as well as, of course, of European trade.

When the war began, Allied statesmen went much out of their way to assure the world that the folly of Versailles would not be repeated, that their aim was not to crush any people but was merely to break up the Nazi war-machine. But it has now become obvious that one cannot stop half-way. The machinery of war involves the encouragement of hatred of the enemy and appetite grows by feeding. To avoid the danger inherent in the existence of a first-class nation whose ambitions have been frustrated, and on whom unforgettable pain has been inflicted and in whom deep hatred has been roused, there is no alternative to the cruelty of extermination or something equivalent to it. There is hardly any politician now of any school whatsoever in Britain or America or Russia daring to utter a word of Christian charity so far as the Germans are concerned. The factories for atrocity stories will soon begin working double shift so as to justify all steps. Tenderness has no place, is dangerous in hunting. The Germans are now doomed to wander over the world with hatred in their hearts, like the Jews whom their Fuehrer had brutally persecuted. With Germany out of the field, the system of balanced forces in Europe cannot hang on the strength of France. England has lost the channel and must be merged in Europe.

WHAT ABOUT ASIA?

The position regarding China has really become confused. There is no doubt that there is now a many-pronged drive against the Chinese dictator. It is not known whether the recent pronouncement of Stalin about Japan is a preliminary to a combination with the Communists of China to overshadow Chiang-Kai-shek. If this were to be, one cannot guess all the consequences that may follow from it. It is not possible to believe that American statesmanship will let the Marshal be driven in the direction of a possible peace with Japan. It has been repeatedly stated that his opposition to Communists is stronger than his objection to Japan. Whatever it may be, we must be prepared for either America or Russia or both being more in Asia than before this war.

THE NOES HAVE IT!

The fall of Japan is certain. America obviously cannot be satisfied with half-measures. With Japan down, India may have it reserved for her still to lead Asia. When India leads, she will lead in a higher and more enlightened way. She is entitled to lead Asia by every test except that of self-government. We have lost much time, but if we shed our fallacies and become practical, we can sprint and reach the goal. The main thing is we must begin to govern ourselves. At present we seem intent only on losing time and losing ground. We seem to think that the only patriotic thing, the only safe thing and the wise thing is to say "no". We have not learnt yet to say "yes". We suffer from the law-court illusion that, if we accept something, a judge with a wig on his head will write it down in the form of a decree which no court can modify thereafter. We do not realize that the march of a nation is not a matter of legal form but depends on courage, confidence, national good sense and industry. These qualities should be built up. We have numbers as well as first-class quality here in our population. But our destiny cannot come of itself unless we work. For God's sake, let us begin at some point with confidence in ourselves.

Madras.

Tenant Cultivation in the Punjab

(By Tarachand Jain)

THE Punjab is often described as the "land of peasant proprietors," a statement which is not strictly true. In 1936-37, the latest figures available, only about 42 per cent. of the cultivated area of the province was worked by owners and the remaining 58 per cent. by tenants of all kinds; i.e., in the Punjab about three-fifths of the land is cultivated under tenancy conditions and only two-fifths under ownership.

KINDS OF TENANTS

The tenants in the Punjab may be broadly classified as follows:—

- I. Tenants with rights of occupancy, or Occupancy Tenants;
- II. Tenants-at-will, or Tenants from year to year;
- III. Tenants for a fixed term exceeding one year under contract or decree or order of a competent authority; and
- IV. Crown Tenants, or tenants who hold Government land in a canal colony.

The occupancy tenant in the Punjab enjoys extensive rights. He has a right to hold land permanently, so long as he pays the rent fixed by authority, and to pass it on to his descendants on the same terms. He cannot be ejected unless a decree against him, for an arrear of rent in respect of the tenancy, remains unsatisfied, or he uses the land in a manner which renders it unfit for the purpose for which he holds it. He can sublet the land for a term not exceeding 7 years. In fact, the occupancy tenant of the Punjab is more than a mere permanent tenant, he is an individual who in many cases would have been the landlord. In practice, the only difference between an occupancy tenant and an owner is that the former has to pay to the owner a small sum in addition to the land revenue demand of the Government for which theoretically the owner is held responsible.

The case of the tenant-at-will, however, is quite different. He enjoys no security of tenure beyond one year, i.e., he is a tenant from year to year. His rents are left entirely uncontrolled and can be enhanced to any amount by the landlord. There are harsh rules of distraint in the case of non-payment of rent. The tenant is legally debarred from making any permanent improvement on land. In case of ejectment he has no claim to the residual value of manure. The only claim recognized by law is to the value of uncut crop sown by him, and the cost of preparation of land which he is not able to sow due to ejectment. The claim regarding the latter point is, however, seldom held to be valid in practice.

Tenants for a fixed term of years, as the name implies, hold their tenancies for a fixed term according to the nature of the contract between them and the landlords. But they do not form an important class in the province. They are very few. No separate figures are available for either their number or area worked by them.

The Crown tenants are those who hold Government land in a canal colony. They may be regarded as a special form of occupancy tenants. They have to pay to the Government a sum of about Rs. 2 per acre in addition to land revenue so long as they do not pay full price of land for acquisition of proprietary rights. The area held by Crown tenants, however, is recorded as held by owners (irrespective of the fact whether they have acquired proprietary rights or not) in the Land Administration Reports.

Thus, in practice, there are only two main kinds of tenants in the Punjab: (1) Occupancy Tenants and (2) Tenants-at-will. Of these two classes, the latter are by far the more numerous and work nearly 50 per cent. of the total cultivated area of the province while the occupancy tenants cultivate only 8 per cent.

The question may well be asked as to what it is that leads to such a large area being cultivated under tenancy conditions. In the words of Calvert, the late Financial Commissioner of the Punjab, one of the main causes of the prevalence of tenancy is "large holdings of some and too small holdings of others; the large landowner lets practically all his area on rent, while the petty owner tries his best to add to his holding by taking land on rent."

The disparity between the holdings of small and big owners will be clear from the table given below, based on an inquiry conducted by the Board of Economic Inquiry, Punjab, in 1939:—

Size and Distribution of Proprietary Holdings

Size of holding	Percentage number of owners	Percentage acreage of land
Below one acre	20.2	0.8
1 to less than 5 acres	43.5	11.4
5 " " " 10 " "	16.9	13.1
10 " " " 15 " "	7.3	9.1
15 " " " 20 " "	3.6	7.2
20 " " " 25 " "	2.2	5.6
25 " " " 50 " "	3.9	14.8
50 acres and more	2.4	38.0
Total	100.0	100.0

The table reveals that the owners are congested in the lower groups and the land is concentrated in higher groups. It will be seen that nearly 88 per cent. of the owners hold holdings of less than 15 acres but possess only 24 per cent. of the land and that among them 64 per cent. of the owners holding holdings of less than 5 acres own only 12 per cent. of the land.

On the other hand, 12 per cent. of the owners holding 15 acres and more, possess nearly two-thirds of the land; among them only 2.4 per cent. of the total number of owners holding 50 acres and more, possess as much as 38 per cent. of the total cultivated land of the province.

Not only does tenant cultivation prevail on a very large scale in the Punjab, but also it has been steadily increasing during the last half a century. The following table gives the total cultivated area of the province and the acreage worked by tenants during the last 45 years:—

(In millions of acres)

Year	Total area (cultivated)	All Tenants	Occupancy Tenants
1891-92	23.1	10.6	8.3
1896-97	23.9	11.9	9.6
1901-02	25.5	13.5	10.9
1906-07	27.0	13.9	11.6
1911-12	27.7	14.7	12.3
1916-17	28.0	14.9	12.5
1921-22	28.8	15.7	13.2
1926-27	29.8	16.5	14.0
1931-32	30.0	16.6	14.4
1936-37	31.0	17.7	15.2

The above figures reveal that during the last 45 years, whereas the total cultivated area of the pro-

vince has increased from 23.1 to 31.0 million acres, i.e., by 34 per cent., that cultivated by all tenants has increased from 10.6 to 17.6 million acres, i.e., by 66 per cent. This percentage increase is practically wholly attributable to tenants-at-will, as the increase under them is from 8.3 to 15.2 million acres, i.e., 83 per cent., while that under occupancy tenants is only 5 per cent.

Percentage of Total Cultivated Area Worked.—

The table given below shows the percentage of total cultivated area of the province worked by tenants during the last 45 years:—

Year	All-Tenants	Tenants-at-will	Occupancy Tenants
1891-92	45.9	35.7	10.2
1896-97	49.7	40.0	9.7
1901-02	53.0	42.7	10.3
1906-07	51.6	42.8	8.8
1911-12	53.1	44.2	8.9
1916-17	52.9	44.4	8.5
1921-22	54.3	45.9	8.4
1926-27	55.2	47.0	8.2
1931-32	55.6	48.1	7.5
1936-37	56.8	48.8	8.0

The table indicates that the percentage of total cultivated area worked by all tenants has increased by nearly 11 per cent. and that worked by tenants-at-will by 13 per cent. during the last 45 years. The other important point to note is that the percentage of total cultivated area worked by occupancy tenants has declined by 2.2 per cent. The reason is that in the Punjab occupancy rights are extremely difficult to acquire so that new occupancy tenancy tenants are rarely created. But since the total cultivated area of the province has increased by 34 per cent., the percentage of area under occupancy tenants to the total has accordingly decreased.

Thus it is evident that in actual acreage as well as percentages, the area worked by tenants-at-will has been increasing during the last 45 years.

CAUSES OF INCREASE OF TENANCY

(i) *Disparity between Proprietary Holdings.*—The Punjab Board of Economic Inquiry's investigations into the size and distribution of proprietary holdings in 1924 and 1939 show that the disparity between the holdings of bigger and smaller owners has become greater than before, viz., the big owner has become yet bigger and small one still smaller. The following table gives comparative figures for 1924 and 1939:—

Owners holding	Percentage number of owners			Percentage acreage of land		
	1924	1939	Diff.	1924	1939	Diff.
Below 1 acre	17.9	20.2	2.3	1.0	0.8	0.2
1 to less than 5	40.8	43.5	2.7	11.0	11.4	0.4
5 " " " 10 " "	18.0	16.9	1.1	15.1	13.1	2.0
10 " " " 15 " "	8.2	7.3	0.9	11.5	9.1	2.4
15 " " " 20 " "	4.3	3.6	0.7	8.4	7.2	1.2
20 " " " 25 " "	2.7	2.2	0.5	6.8	5.6	1.2
25 " " " 50 " "	4.8	3.9	0.9	20.4	14.8	5.6
50 acres and more	3.3	2.4	0.9	25.8	38.0	12.2
	100.0	100.0		100.0	100.0	

The table shows that the big owners (owning 50 acres or more) hold more area now than before and that they have increased their holdings at the cost of small owners. Obviously, this increased disparity between holdings has led to increase of tenancy.

(ii) *Sales of Land.*—The increase in the number of transfers due to sales of land also accounts for an increase in tenancy, because in many cases the small owners sell either their entire land in which case they become landless tenants or labourers, or sell a portion of their land and try to take additional land on rent. In this way area under tenancy tends to increase.

The number of sales especially increased after the depression set in in 1930. The number of transfers in 1938-39 was about 115,000 as compared to 40,000 in 1905-06 and 61,000 in 1930-31. One of the important causes of the increase of transfers was the heavy fall in prices which increased the burden of debt, made it difficult for the small holder to pay Government dues, thus forcing him to sell his tiny holding.

(iii) *Mortgages of Land.*—The increase in the usufructuary mortgages of land also led to increase of tenancy. For instance, in 1922-23, 2.9 million acres or about 10 per cent. of the whole cultivated area of the province were under usufructuary mortgage. In 1936-37, however, the area under mortgage went up to 4 million acres constituting 13 per cent. of the total cultivated area of the province. Since the mortgagor is, in the great majority of cases, entered in the land revenue records as tenant cultivating under the mortgagee, the number of tenants tends to increase with the number of mortgages.

(iv) *Pressure on Land.*—During the last fifty years, whereas the population of the British Punjab has increased from 18.6 million in 1891 to 28.4 million in 1941, viz., by 52 per cent., the total cultivated area of the province, in spite of vast Government waste areas being colonized, increased by 34 per cent. only during the period. During the last two decades especially, the population increased very rapidly. In 1921, the population was 20.7 million which shot up to 28.4 million in 1941, i.e., by 37 per cent., while the total cultivated area increased by 8 per cent. only during this period. Great as was the increase in population, the increase in the number of cultivators was still greater. Taking the decade 1921 to 1931 only (detailed figures for 1941 Census are not available), whereas the total population of the British Punjab increased by 14 per cent., the number of cultivators increased by 25 per cent., while the cultivated area increased by 4 per cent. only.

The people finding no alternative means of livelihood fall to agriculture. A part among them are the heirs of owners who further sub-divide the land and try to take additional land on rent, if available. The other add to the number of landless tenants and farm labourers.

(v) *Acquisition of Land by Capitalists and Auction Purchasers in the Canal Colonies.*—In the canal colonies large grants have been made to capitalists and the landlords. Practically all their lands are cultivated by tenants-at-will. Moreover, whereas in the earlier colonies, for instance, Lower Chenab Colony, a nominal area was reserved for sales through auction, in the later colonies, the percentage of total allotable area to be disposed of by auction increased considerably. In the majority of cases the auction purchasers cultivate through tenants. Thus acquisition of land by landlords and auction purchasers has led to an increase in the area under tenancy.

The increase in tenancy reflects itself in the deterioration of the condition and standard of living of tenants. They are rack-rented and enjoy few rights in the land they cultivate. The dangerous tendency (increase of tenant cultivation at the cost of owner cultivation) has been known to the students of Punjab Economics, but the subject has not received the attention it deserves. The implications of the increase of tenancy have generally not been realized and those interested in the destiny of the province have shown little realization of the danger ahead mainly on the plea that the Punjab is after all a 'land of Peasant Proprietors' and no tenancy reform is needed.

Lahore.

THE WORLD ABROAD

Lease-Lend and Dollar Supply

(From Our Special Representative)

WASHINGTON, Nov. 27, 1944 (By Cable).

THE timing of simultaneous publication of the President's letter to the Congress on the Lend-Lease, and the British White Paper immediately after the conclusion of an agreement for a \$5½-billion Lease-Lend supply to Britain for 1945 was not lost upon the American public. The British Mission headed by Lord Keynes have done their job very successfully indeed. The Lend-Lease supply to Britain of \$5½ billion for the next year is intended also to cover the period between Germany's defeat and Japan's collapse, and will, incidentally, help her in transition and conversion to peace economy. No wonder British papers are pleased with it. "President Roosevelt was prepared to blow the trumpet for us in his message," wrote the London *Daily Herald*. It is realized here that the future of Lend-Lease will depend upon the Congress reaction to the feeler by President Roosevelt when he said, "It should end with the war, but the United Nations' partnership must go on and must grow stronger." This is taken to mean by many here as an indication that Lend-Lease in its newly dressed form is intended, at least by the President, to continue after the war.

We will soon hear of the result of another objective of the Lord Keynes Mission to get liberal dollar credit for immediate post-war period. The dollar exchange resources of Britain are said to be pretty high even at the present moment. Some experts put it somewhere between 2½ to 3 billion dollars. It is a pity that the November issue of the *Federal Reserve Bulletin*, which estimates gold and dollar reserves of various countries at 17 billion dollars, does not give separately the figure for Britain. But the three-billion mark is not wide of range. This, together with America's Lend-Lease supply in 1945 and the reconstruction loan in prospect, must suffice to put Britain above the scarcity of dollars from now. The Netherlands was able to get, recently, short-term credit of 100 million dollars from a group of New York banks. France is now negotiating for a large dollar loan.

In the light of the above, the justification for continuing to convert India's dollar resources into sterling has ceased to exist and the policy can no longer be defended. The whole—not an uncertain percentage which Sir Jeremy Raisman promised to release—of our surplus dollars on current account for years 1943-44 and 1944-45 must be got back and made available to India for purchases in America. Officials here are not unmindful of our handicap, but besides being unwilling to embarrass the British, betray a tendency to think in terms of the total Empire dollar resources rather than India's special needs. As long as the total trade with America is not likely to be increased by any Empire redistribution of dollars, the Administration here is not excessively interested in us. In this connection, India should be interested in another question which has been put to me by American business men and officials. Why do not the Indians demand that the Reserve Bank of India should be vested with first-class British industrial securities, so that it may offer them for sale to Indian investors? According to opinion here, a good deal of the sterling balances could have been liquidated that way; what is more, India could have some control over certain important branches of British industry. Political difficulties in the way of putting this through, when pointed out to them, were either incomprehensible or incredible.

With the publication of the Davis Report on cost of living, which set the seal of approval on the indices prepared by the Bureau of Labour Statistics, the determination to hold the wage-line adhering to the Little-Steel formula has been reinforced. Labour is not reconciled to the report; some fight on the issue by labour may be shortly expected. In the meanwhile, W.L.B. has definitely decided to keep the Little-Steel formula as the keystone of the country's wage stabilization policy, although they are willing to grant additional premiums for night-shift work in steel plants. Americans do not believe that there is inflation in prices or costs ahead. On the contrary, speaking to a high authority of the Federal Reserve Board, I was convinced that such controls as were needed to keep inflation in check would be available and retained by the Administration.

Those in Washington who have given thought to the question of exchange rates after the war, firmly believe that in the situation in which India finds herself there will be every justification to fix her rate of exchange at a level which will enable her to maintain her competitive strength in agricultural and manufactured products. Devaluation in the case of a country like America with world-wide responsibilities is not to be thought of, but for a poor country like India devaluation may be the only way of not compelling her to undergo intolerable sacrifices and of protecting the interests of agriculturists. There is no doubt here about the continuance of the policy of keeping American farm prices at a high level; hence the idea of letting our agricultural prices to return to pre-war level must be abandoned in favour of such degree of devaluation as may be necessary. Inflation in India should, in the opinion of experts, be remedied by devaluation as a short-term remedy, and by a vast increase in production. The view that the best way of combating the inflation is producing more has in recent weeks gained a great volume of support from very different sources. French experts quite definitely affirm that the best way to bring prices down in France would be by increasing goods rather than decreasing currency. The same opinion has been echoed in America by an expert committee of distinguished economists appointed to deal with reconversion problems. To quote their words, "The surest way of combating inflationary danger is through the expansion of production of goods wanted by civilians, the way to stimulate the production needed of civilian goods is to remove all controls which hamper such output, particularly to readjust the price ceilings that prevent manufacturers from making profit." When will the Government of India learn this simple lesson instead of pinning their faith on more controls which only result in more black markets?

The question of a treaty of commerce and navigation between India and U.S.A. was raised at the International Business Conference and evoked considerable interest in Washington. I understand that a draft treaty has actually been sent by the Administration to Delhi, but it appears that the Government of India is apparently not quite willing to proceed with the matter. The International Chamber of Commerce has been recognized as the organization for pursuing further the work arising out of the deliberations at the Rye Conference. Mr. Walthrop Aldrich, one of the active sponsors of the Rye Conference has been elected the President of the International Chamber of Commerce with a new American headquarters.

DECEMBER 1, 1944.

THE EASTERN ECONOMIST

607

Washington Letter

Economic Aid To Britain

(From Our Washington Correspondent)

WASHINGTON, Nov. 28, 1944 (By Cable).

ECONOMIC arrangements in connection with the termination of the Lend-Lease become one of the most prominent subjects under discussion here. The discussion was prompted first by President Roosevelt's report on Reverse Lend-Lease sent this week to the Congress, secondly, by the Lord Keynes' mission in respect of the next year's Lend-Lease to Britain which has just been completed here, and thirdly, by the report that the so-called Eden agreement which prevents British export trade in items received under Lend-Lease may be adjusted to give Britain opportunity to resume partially her export trade. President Roosevelt's message stated Lend-Lease and Reverse Lend-Lease "should end with the war" and immediately gave rise to the discussion of what if any settlement is made. President Roosevelt used language which appeared significant in connection with the ultimate settlement. He said "Lend-Lease and Reverse Lend-Lease are not two sides of a financial transaction. We are not lending money under Lend-Lease. Lend-Lease, instead, is a system of combined war supply whose sole purpose is to make the most effective use against the enemy of the combined resources of the United Nations regardless of the origin of the supplies or which of us uses them against the enemy. . . . Neither monetary totals of Lend-Lease aid we supply nor totals of Reverse Lend-Lease aid we received are measures of aid we have given or received in this war." The President devoted considerable portion of his covering letter to Reverse aid from India. He said: "In India the increased rate of Reverse Lend-Lease we have received in first six months of 1944, has kept pace with the rising tempo of air, land, and sea operations in Burma, India and China theatres. The significant proportion of the supplies we received in India has consisted of aviation, gasoline, other petroleum products drawn from the British oil resources in the Mid-East and refined in British refinery at Abadan."

President Roosevelt's report showed that Reverse Lend-Lease from the British Commonwealth amounted to 3,348,177,000 dollars to June 30 this year whereof 2,000,437,000 were supplied by U.K. In the same period the United States supplied U.K. about 8 billion dollars Lend-Lease. It was emphasized, however, that the dollars arrived at by official exchange rates do not reflect lower prices usually prevailing, and earnestly undertake the financial value of the aid received in Reverse Lend-Lease. President Roosevelt made clear last week that the Lend-Lease would be continued until both Germany and Japan are defeated, but it is learnt that succeeding economic arrangements are already being prepared. Lord Keynes who departed at week-end after conferences which lasted since early autumn was said to have explored in detail the prospects of Britain obtaining a three to five billion dollar loan from the United States to help the restoration of the British post-war economy. It was understood that the whole range of Britain's post-war economic status was discussed. Economists of the United States agreed that Britain's recovery was most essential to America. The latter's exports which were three billion annually before the war are now 14 billion annually, mostly on Lend-Lease. It would be extremely injurious to the American economy if suddenly these exports are cut off without means of replacing them by private channels. An article in the *Federal Reserve Bulletin*, by Mr. Ernest G. Draper the Federal Reserve Governor, and Mr. Walter R. Gardner, Chief of Federal Reserve's international section stated the problem recently as follows: "If Lend-Lease disappears from the picture, the problem of how Europe and other foreign areas can obtain the means to continue their pur- If the problem can be solved in such a way that we can maintain our peace-time trade commensurate with our

chases of American products will arise in all its forms. war achievements, we shall continue to meet needs of the world, diminish the economic causes of war, and we shall also raise our own living standard." Adjustment of the Eden agreement to permit some British export trade to be resumed would represent a step towards the solution of post-war Anglo-American economic problems. It is understood that some modification was decided upon concurrently with the discussions here about the next year's Lend-Lease arrangements. The United States Lend-Lease aid to U.K. is expected to remain at about the same as the past levels, but it was understood that Britain would make reductions in certain categories of items received by Lend-Lease. Emphasis now would be placed entirely on munitions, petroleum products, food, and shipping. Thus reduction in a variety of items would enable Britain to resume exports to a limited extent in some other lines for which she may find productive capacity, and shipping space as war in Europe shortens. It was reported unofficially that the Lend-Lease figure decided upon for next year has been set at five and a half billion dollars subject to Congressional appropriations. Total Lend-Lease since 1941, according to latest estimate amounted to 28,270 million dollars, of which 43 per cent, went to Britain. The Eden Agreement which forbids export trade in Lend-Lease or similar products will remain in effect it was said, since its terms are sufficiently elastic to permit adjustments allowing a limited resumption in U.K. of exports. With its exports down to two-thirds in volume and one half in value last year compared with 1938, Britain's difficult economic situation is fully appreciated here. While his statement provided for the end of Lend-Lease at the end of the war, Mr. Roosevelt was emphatic that the United Nations partnership must grow stronger. He said: "For tasks of re-building a workable peace that endure we shall need all the strength that a permanent and stronger United Nations can provide in winning security against aggression, in building economic foundations for a more prosperous world, and in developing wider opportunities for civilized advancement for American people and for all other peace-loving peoples of the world."

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A DELHI DIARY

THERE is a crop of speculation as to who would succeed Sir Jeremy Raisman as Finance Member. The Viceroy does not appear to have yet made up his mind on the subject. The first question to be determined is whether the key portfolio should be entrusted to an Indian, be he a public man or a service official. The next question is whether any of the present Indian members of the Executive Council should be given charge of the Indian exchequer. The choice is going to be difficult. If the British Government do not mean to fulfil their pledge of self-government for India Sir Jeremy's successor would inevitably be a British financial expert. If the pledge is to be honoured half-heartedly then the Viceroy would appoint an Indian Finance Member and simultaneously strengthen his personal secretariat by inclusion of a British financial adviser. The only reliable information so far available is that the choice of an Indian to head the Finance Department has not been ruled out.

Whoever is selected will have to be a strong and very capable man. At present the Finance Department is groping in the dark. It will find its bearings only if strong leadership is provided by the new Finance Member. The outlook of the Department will largely determine whether post-war plans will be a flop or will yield fruitful results. How much finance will be made available for the country's development and how will taxation and borrowing be planned for the purpose are vital questions. No indication has hitherto been given of the Government's intention on these points. Again, public expenditure has grown to such enormous proportions that sooner or later the axe will have to be applied brutally. On what services will it fall? Will the mistakes made by the Inchcape Committee be avoided? Further, the State will come into the industrial field more and more. Many key industries may have to be owned and operated by the State; others helped by bounties and tariff protection. A broad-minded and shrewd Finance Member will guide the country safely through the difficult period which will follow the end of the war.

Shortly, budget estimates for the next financial statement will be framed. Indications are that the current year will record another peak of expenditure. The Finance Member's only hope in preventing this depends on how Lord Mountbatten acts within the next month or two. If the promised offensive against Burma begins and a large number of troops now stationed in India or raised and trained in this country move out of the country they will become the British Government's liability retrospectively. Hitherto they have been paid for by India under the head 'local defence.' The British Empire may not be a money-making racket, according to Lord Halifax. But is it also not a financial racket?

There has been much activity on the political front. Not publicly but in private consultations. The Viceroy has to undertake his annual pilgrimage to Clive Street and is doing some hard thinking to make a pronouncement from the platform of the Associated Chambers of Commerce. He realizes that India is not going to remain politically dormant for long. The internal situation, too justifies a review of administrative policies. There is now no justification for keeping in jail India's political leaders. They have to be let out, sooner or later. The problem of the future constitution has to be faced sooner or later. Why not sooner than later? Lord Wavell is shrewd enough to see that his chances of being a great Viceroy lie in acting quickly. His mind appears to be moving in the direction of setting up a constitution committee to prepare the ground for the formation of a constitution-making body. A quick decision on this subject will have favourable re-

action. If he were to approach political parties and interests for appointing their nominees on the committee there will be ready response. But Congressmen who can represent their party are in jail. Their release becomes, therefore, an essential preliminary. The present totalitarian regime in the Section 93 provinces will have to end. The Central Government will need reconditioning so that the many problems of a post-war nature may be tackled by those who can create and harness the necessary enthusiasm for facing the hard task of reconstruction.

It is natural that Lord Wavell while turning these matters over in his mind should feel that a radical change in the existing set-up is called for. The present centralized control and total British dominance of India have suited the war interests of Britain. Will the return of popular influence and authority in the sphere of provincial and Central Governments cause a set-back to the British method of promoting India's war effort? All these fears and suspicions can be dispelled by a frank talk with popular leaders. But the fear may be haunting the Viceroy that such a move, if it does not succeed, may cause the British stock to slump and make their 'friends' in India declare that once again they were being 'thrown to the wolves.' The Viceroy's forthcoming speech in Calcutta will show what conclusions he has come to. Or, his address to the Central Legislature in February next can provide an occasion for a political pronouncement. Since the last session has been prorogued it can be presumed that Lord Wavell wishes to speak to the two Houses of the Central Legislature. Any way, political quarters here believe that hesitancy and delay will cause the Viceroy miss an opportunity which may not recur.

A mild stir has been caused among the Indian Members of the Executive Council by the joint statement issued by two former Councillors, Sir Jagdish Prasad and Sir Nripendra Sircar calling upon them to press for the discontinuance of British recruitment to the I.C.S. and I.P. The fact is that the Indian members are not pulling as a team and that some of them are only too keen to oppose the proposal recruitment to the I.C.S. and I.P. The Executive Council was put to the test when the Government recently decided to draft military officers on to civilian jobs. The proposal that the selection should be on a basis of fifty British to fifty Indian was accepted by the Indian Members without demur. This is proved by the fact that when the Central Assembly voiced the popular feeling of resentment against the decision, they kept silent. Now that they have been put to shame by their predecessors the matter has again assumed lively interest. More will be heard on the subject during the Budget session.

The Food Department has withstood the pressure of the British commercial community in Calcutta asking it to continue to feed Calcutta from Central reserves. There are other areas which need the Centre's attention. Moreover, the Bengal Government's own reserves and the basic plan of food distribution make it unnecessary that Calcutta should continue to enjoy special protection. The Department has also recognized that there was weight in the criticism made in the last session of the Assembly that corruption was rampant. The Rationing Adviser, Mr Kirby and Mr Dina Nath, Food Regional Commissioner, have been appointed to inquire into the rationing system in Ajmere. The Department is also thinking of opening an Inspectorate Directorate. Mr Somerset Butler will head the Directorate. This is the Food Department's answer to the legislators who cried hoarse a fortnight ago against employing foreigners to posts which Indians can fill competently.

ARGUS.

Money Markets

Money Market Featureless—Speculators Push up Bullion Prices

Steel Share Looking up

(From Our Correspondents)

BOMBAY, Nov. 26, 1944.

EXCEPTING for a negligible rise of a pie to As. 8 per cent. in the average rate for the Treasury Bills of the Central Government, the money market was devoid of any noteworthy feature. Even the Treasury Bill borrowings of the Bengal and the Madras Governments to the tune of Rs. 6 crores have had no perceptible effect on the short term money market and the rates for call, three months' and six months' funds are unchanged.

Demand for bank accommodation seems to be a fair sized one in view of the continuous increase from Rs. 197.40 crores to Rs. 203.42 crores. But in the advance of scheduled banks since the beginning of this month obvious reason that the idle resources of banks are still large, although they, too, are rather fast shrinking. The cash balances of the scheduled banks with the Reserve Bank of India, for instance, which stood at Rs. 111.10 crores on the 3rd instant have declined to Rs. 95.80 crores by the 17th instant. During the same period, deposits too show no appreciable rise, those on the 17th instant being, in fact a shade lower at Rs. 810.33 crores as against Rs. 811.76 crores on the 3rd instant. The fall of nearly Rs. 16 crores in the cash balances of the banks is due more to investments in Treasury Bills and Government Securities than to the rise in advances. During these two weeks, the investments of the Imperial Bank of India alone have advanced by as much as Rs. 7.58 crores to Rs. 150.82 crores, as against which its cash balances have declined by Rs. 9.20 crores. Its advances portfolio is practically the same at Rs. 57.20 crores which suggests that it is the other scheduled banks which have been experiencing some demand for accommodation from the business community.

Treasury Bills

The amount invited remained unchanged at Rs. 6 crores, but the total offerings which aggregated Rs. 17.73 crores in the previous week dropped down to Rs. 9.61 crores and the average rate was Re. 0.8-0% p.a.

The drop in the offerings for the Central Government Bills is doubtless due to the diversion provided by the Provincial Government Bills, viz., Madras Government Bills for one crore and Bengal for Rs. 5 crores, the offerings against these being Rs. 3.10 crores and Rs. 10.35 crores, respectively. The average rate in both the cases was only As. 9 per cent. The Bengal Government has again invited tenders for another five crores and indications are that it may have to pay a slightly higher rate than during this week.

Gilt-Edged

The undertone of the gilt-edged market continues to be fully steady with an increasing volume of business in loans on 'tap,' namely 3 per cent. 1957 Victory Loan, 3 per cent. 1966-68 Funding Loan and 3½ per cent. Rupee Paper. The latter was quoted in the market at Rs. 100.1 throughout the week. The Reserve Bank is reported to have sold a large quantity of this loan at par and the main venue of their sales was Calcutta. Among the other dated loans, 3 per cent. 1946 and 3 per cent. 1953-55 gained an anna to close at Rs. 102.9 and Rs. 100.11 respectively. 3 per cent. 1963-65 loan which remained unchanged at Rs. 99.4

for quite a long time, met with good demand and closed As. 2 higher at Rs. 99.6.

Bullion

The bullion market was very active, the undertone being very strong. Although upcountry demand for both gold and silver was appreciably lower than last week, there was a strident advance in prices owing to the manipulations of speculators. The Reserve Bank's offerings of 300 bars of silver and 75,000 tolas of gold per day were absorbed at higher and higher rates as recorded below:

Day and Date	Gold			Silver		
Close of week ending	Rs.	a.	p.	Rs.	a.	p.
Sat. the 19th Nov. ..	65	1	0	117	8	0
Mon. the 21st „ ..	64	3	0	117	7	0
Tues. the 22nd „ ..	65	4	0	120	9	0
Wed. the 23rd „ ..	64	7	0	118	5	0
Thurs. the 24th „ ..	64	15	0	120	11	0
Fri. the 25th „ ..	65	10	0	122	8	0

(Highest since about 21st Oct.)

Between gold and silver, the latter monopolized the attention of "Bulls" to whom the shortage of floating stocks of silver provided plenty of scope to squeeze the bears. The rate for one week forward delivery which was standing at about Rs. 117.9 on the 19th instant moved up to Rs. 123.2 on Friday the 24th November owing to the activities of the "Bulls." Towards the close of the week, however, owing to the obstructive tactics of the bears who refused to do any trading and who decided to pay a *budla* of no more than a rupee at the time of the next settlement, the silver section ruled quiet, with the rate nominally standing at Rs. 122. Spot silver was quoted at a premium of As. 8 to As. 12.

The upward trend in the share market witnessed in recent days received a slight check during the week under review. Earlier in the week, there was plenty of profit-taking, especially in textiles, which wiped out a substantial part of the gains recorded earlier. As the week drew to a close, some recovery set in due partly to bear covering in the face of absence of sellers. Investment buying was of a selective nature and was mostly confined to scrips which are not usually active. Jobbing, however, was on a fairly substantial scale, but was mostly restricted to steels and a few of the miscellaneous shares. The turnover on the whole was satisfactory.

During the major part of the week, Steel shares ruled fairly steady. After declining from Rs. 2,136-4 to Rs. 2,102.8, Tata Iron and Steel Deferreds steadily advanced to close firm at Rs. 2,140. Ordinaries met with good investment support besides speculative buying and, after an initial decline of Rs. 3 to Rs. 394, finished higher at Rs. 402. The trend of this section is still strong and a further rise is not unlikely as many have now come to realize that, with its large programme of expansion in the post-war period, the Company's prospects are bright.

The popular scrips in the Textile Section were generally out of the picture. Substantial profit-taking early in the week brought down Bombay Dyeings from

the previous week's closing of Rs. 1,820 to Rs. 1,797.8 on the opening day. Thereafter, these shares fluctuated within a narrow margin and closed at Rs. 1,806.4, showing a net loss of nearly Rs. 14 over the week. *Centuries* closed 7½ points lower at Rs. 857.8 and so also *Kohinoors* by 4 points at Rs. 602. *Central Indias*, *Finlays*, *Gokaks* and *New Greats* all lost 4 to 6 points *Swadeshis*, however, were the only exception in that they finished this week 7 points higher at Rs. 573 on unconfirmed rumours that Tatas were contemplating a merger of all the cotton mills under their management. This rumour was perhaps responsible for the continued steadiness of Tata Mills which closed a shade higher at Rs. 72-4.

The E. D. Sassoon Group mills, which came into lime light a few weeks ago on reports that a group of Cawnpore Industrialists was negotiating for the purchase of the Managing Agency of these mills, are still holding the field, although I understand that negotiations have broken off in view of the very high prices demanded by Sir Victor Sassoon. *David Mills*, for instance, closed 72½ points lower at Rs. 1,200. *Edward*

Textiles gained further to Rs. 837-8 as also *Meyer Mills* to Rs. 227-8.

In the miscellaneous section, interest in *Associated Cements* was again revived and they closed 3 points higher at Rs. 244. *Balapurs*, which had gone up to Rs. 250 last week, finished lower at Rs. 242½ on reports that the prospects for the current year are adversely affected by the Bombay Government's Food Crop Control Order under which all the sugar manufacturers in the Presidency, having their own farms, are to devote half of their acreage under cane to food crops.

Among others, *Scindia Steams* were popular and strengthened to close at Rs. 33.9. *Tata Oils* were steady at Rs. 77½. A few deals were reported in *Wimcos* at Rs. 312-8.

Bank shares ruled rather quiet, with *Central Banks* and *Bank of Indias* meeting with plenty of offerings. In the insurance section, *Empire of India's* were the outstanding feature, the rate for such advancing by Rs. 177 to Rs. 1,052 on influential buying.

Coal Shares in Favour—Raw Jute and Manufactures Quite

CALCUTTA, Nov. 27.

THE Calcutta Stock Exchange has been definitely steadier in the past week and business has been on a larger scale. After Wednesday especially the rise in prices has been pronounced. But for the long week-end the rise in prices would have been more pronounced. There was a revival of investment buying as the technical position in the market had been corrected and sellers were not so anxious to do business. The sustained rise in bullion prices and the strength of the Bombay market had a helping influence. There has been a sudden revival in the demand for Coal shares on the reports that the labour position had considerably improved and that the introduction of mechanization methods would result in a large increase in raisings. Cotton shares also improved but Jute shares were rather quiet. There was no interest in other sections.

The *giltedged* section was steady but there was a decline in the quotation for 3½ per cent. Paper to par as the Government of India was a consistent seller at that level. There has been greater inquiry, however, for other loans 3 per cent. 1935-55 improved to Rs. 100|10 and 3 per cent. 1951-54 to Rs. 101|12.

Bank shares have not been very interesting but quotations were well maintained with the strength of the giltedged securities section.

Cotton shares were higher earlier in the week with *Cawnpore Textiles* at Rs. 14, *Kesoram* at Rs. 16|12 and *New Victoria* at Rs. 9, but the close was slightly easier, attention being concentrated in the Coal section.

The feature of the week has been the strength of the *Coal* section in hopes of higher dividends. Apart from the general improvement in prices selected counters have been eagerly taken up on the reports that new properties had been acquired by the said companies. *Deoli* and *Bengal Bhatdee* are instances in point. There was a sharp rise in prices for *Deoli* last week to Rs. 15|12. *Bengal Bhatdee* have improved in the last few days by more than five points to Rs. 15. *Ranee-gunje* also were higher by three points at Rs. 54. It is expected that a dividend of Rs. 1|8 to Rs. 1|12 per share might be paid by *Ranee-gunje* for the half-year ended September, 1944. In which case there is further scope for appreciation. *New Beerbhoom* have improved by two and a half points to Rs. 37|8. It is also rumoured that the South Karanpur Coal Company Limited might pay a dividend for the half year ended August, 1944.

The *jute* section has been rather quiet as there was a tendency to await developments in the jute and jute manufactures markets. Otherwise the publication of satisfactory earnings figures by jute companies would have had a stimulating effect on values. The results of the Bird and Heilgers group of jute companies published during the week make very good showing. Five companies have increased the dividends while the other five have maintained the distribution. The earnings are higher in all cases. The foster mills especially have done well. *Howrah* improved to Rs. 82|13 from Rs. 81|14. *Nuddea* were firmer at Rs. 130 on the increase in the dividend for the half-year ended September, 1944 to Rs. 2 per share from Rs. 1|8 per share. *Anglo-India* were Rs. 454 and *National* Rs. 31|6.

Engineering shares have been generally higher, *Indian Irons* being nearly a point better at Rs. 38-14 and *Steel Corporation* at Rs. 32|4 against Rs. 31|10. *B. I. Electric* were one and a half points higher at Rs. 16|4 while there was greater investment inquiry for *Jessop* at Rs. 24|4. *Burn and Co.* were Rs. 425 cum-dividend against Rs. 412 sometime back.

Sugar shares were neglected though *Buland* were inclined to be firmer at Rs. 44. *Tea* shares continued in good inquiry and the popular shares were in great request. *Bishnauth* were Rs. 42|12 and *Hasimara* Rs. 77.

In the Miscellaneous Section, *B.I. Corporation* were steadier at Rs. 6-15 against Rs. 6-8 and *Bararee Coke* at Rs. 31-6 against Rs. 29-12. There was a sharp rise in *Calcutta Tram* earlier in the week on bear covering to Rs. 54 but on the announcement that the Bengal Government had refused sanction to the proposal of the Calcutta Corporation to purchase the Calcutta Tramways, through an agent there was a slump in prices and the quotation towards the close was Rs. 46-8 after touching the lowest level of Rs. 45-8. As the Howrah Municipality has agreed to assign its rights under the agreement with the Tramways to the Calcutta Corporation and there is still time the Calcutta Corporation might make fresh efforts to acquire the tramways. On the basis of the purchase price payable by the Corporation the Calcutta Tramways Ordinary shares have a good break-up value.

Arrangements for the Clearing House scheme have been completed and it is now said that the Allahabad Bank will act as the Clearing agent. The scrips af-

ected are the four counters, *Howrahs*, *Indian Irons*, *Steel Corporations* and *Burrakurs*. The Clearing arrangement will come into force as from December 4, 1944.

As deliveries have been very nearly completed markets will be open again on every day of the week excepting Saturdays and holidays from December 4, 1944. On Fridays the working hours will be between 12 noon and 2 p.m. and on other days from 12 noon and 3 p.m.

The jute market has continued quiet though in the loose jute section business has been on a slightly larger scale. Mills are not prepared to enter into fresh commitments pending a clearer idea regarding the immediate outlook. There are reports that the Central Government might come to the aid of the Bengal Government to help in their plan of stabilizing jute prices. Prices have declined further for bottom grades. Mofussil markets also have been quiet though arrivals have been smaller.

It was suggested that the Central Government should buy large quantities of sacking in order to relieve the heavy goods section and ask mills to buy equivalent quantities of jute. The reports of a large order for sacking cloth were perhaps based on this suggestion, but it is said that the greater possibility is the conclusion of an agreement with mills to buy a specified quantity of jute in return for assured supplies of coal and transport facilities for the despatch of jute goods.

In loose jute European packing *Middles* and *Bottoms* were done at Rs. 15-12 and Rs. 12-12 per maund. *Indian District Tossa Middles* and *Bottoms* were Rs. 15-4 and Rs. 12-4 per maund.

In pucca bales business was very poor. There was no business for export while Mills purchased *Lightnings* at Rs. 74 and *Hearts* at Rs. 68 per bale.

The jute manufactures market was inclined to be firmer as it was said that with the lifting of restrictions on imports into the United States on private account and the reports of a new order for sacking cloth there might be a resumption of private buying.

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THE BUSINESS WORLD

INDIA AND GOLD

AN abnormal disparity between local prices and those in Britain and America, persistent sales at considerable national loss by the central banking institution of the country, and unabating purchases at fabulous prices have created unprecedented international interest in the Bombay bullion market during the recent months. The situation is attributed generally to the alleged abnormal psychology of the Indian to hoard the yellow metal. In the peculiar circumstances of the war, it is said, "all his instincts tell the cultivator to invest his surplus in precious metals." With unquestioning faith in the psychology as well as the prosperity of the cultivator, a policy of import of precious metals has been implemented with the ostensible purpose of fighting inflation and providing food to starving millions. Ever since Jean Bodin suspected it when precious metals were flowing into Europe from the New World, the economic faith had been that such an inflow had a definite tendency to raise prices. But the case for an anti-inflationary role for gold is true within its own assumptions. An examination of the trend as well as the various factors bearing upon it at different stages of the phenomenal rise of the price of gold reveals that many of the facile assumptions are only half-true.

During the early years of war when there were unmitigated series of reverses, the rise in the price of bullion was less than at the later stages. In August 1939 the price of gold was Rs. 36; the rise till December 1939 was by Rs. 5; by December 1940, Rs. 7; by December 1941, Rs. 9; by August 1942, Rs. 16; by December 1942, Rs. 36; by June 1943 Rs. 46; by December 1943, Rs. 39; and by November 1944, Rs. 29. Conspicuous increase is evident since August 1942, the climax being reached in summer 1943. The price was well maintained throughout 1944 at a high level, even D-day made little impression and it is only recently that early peace prospects have entered into speculative calculations effectively. The threat of war was, thus, not the chief impulse behind the rise in the price of gold. A constant trend of rise, starting as far back as 1930, when the price was no more than Rs. 24, has been accelerated during the years of war. The rise during the nine years till 1939 was by about 50 per cent. and since 1939 till now, that is, in five years, further 80 per cent. The events during the war have no more than caused speculative upward as well as downward gyrations round a constant trend. The gyrations have proved, on the whole, short-lived.

An examination of the different influences on the market at the various stages reveals also that the role of hoarding habit of the cultivator has been almost negligible. On the contrary, there is in evidence a surprising persistency in the up-country arrivals often at the height of speculation. During the early years of the war the price was governed by the external demand. As in the decade preceding the war the American hoarding propensity and the gravitation of the Kentucky vaults was the chief impulse to rise in the price. Every situation discouraging export brought the price down. With war, a new factor was the depreciation of sterling in terms of dollar. Till October 1939 the Reserve Bank purchased immense quantities on behalf of the British Equalization Account at Rs. 41 to Rs. 42 per tola. After the per oz. sterling price was pegged at 168 \$, export to Britain ceased, as the local price as well as the American price was higher than the British. But Britain wanted gold to get dollar, and India's gold served as an excellent

dollar-getter for her. Licensing of export was introduced, but it was not intended to restrict exports in anyway: the purposes of the measure were served after all dollar proceeds were turned over to the Empire pool. Shipping difficulties were the only impeding factor occasionally, otherwise gold flowed freely at \$35 an oz. to swell the U.S. hoards and augment the Empire dollar pool in 1940 as well as in 1941. And though no export figures are available, there is every reason to believe that they were considerable.

Even after Japan entered the war and the currency expansion was gaining momentum, for a time the gold price was held down at about Rs. 45 owing to doubts regarding export possibilities and the up-country arrivals were unaffected. There was a rising demand for sterling coins particularly from Burma and Malaya; it was only after the Reserve Bank stopped conversion to sterling and the coin advanced to a premium of about Rs. 8 over gold that an impulse which may be related to war danger or hoarding propensity came for the first time into play. With the fall of Singapore and worsening war situation in North Africa, the price touched Rs. 57 for a short period but recoiled to Rs. 50 in the beginning of July 1942. Then, the currency expansion was in full stride and the political issues appeared on the scene. Speculative interests buoyed up gold to Rs. 59 by the end of August, and to Rs. 72 in October. Gold fared as every other commodity and the curve for gold price follows in line with those of wholesale prices and note issue. What is of interest here is that the mythical up-country cultivator, for whose abnormal propensities many a recipe has been presented, was still nowhere on the scene. Gold itself was a camp-follower rather than the leader in the price movement.

At this stage U.S. declaration to lend-lease silver to certain countries had a marked reaction in bringing down the gold price to Rs. 61; and this fact indicates the lack of outside support to much of the transactions. Till March the arrivals had only halved, the price to Rs. 96-14 in May. But the hectic speculation while the offtake had doubled. In the inflation psychology which gripped the speculators, any news was good enough to take the price higher; and the role assigned to gold in the American plan and the sentiments displayed in America in its favour took tion was rather short-lived, the constant pressure of dishoarding in up-country at the very height of inflationary sentiment brought the price down to Rs. 71 in July. When the Reserve Bank emerged as a seller for unknown parties in August, the speculation in bullion was past its peak, but the price was well over that at any time earlier than October 1942. In view of its professed anti-inflationary purposes it could have been expected that through a consistent policy of supplying gold at lower prices the Reserve Bank would damp effectively the speculation. But it appeared on the market only intermittently when the prices were above a certain limit, which it appeared to be stabilizing. This pushed the price up to Rs. 75 in September, up to Rs. 86 in November, and down to Rs. 75 in December. The price was maintained at the high level of Rs. 71 from January 1944 to April, when speculation in silver stimulated activity in gold as well, and caused considerable gyrations. The Reserve Bank refused to go below Rs. 75-4 in July and the price was maintained about that level till September, when speculation appeared to be scared by the prospects of an early peace, with all its uncertainties so far as the channels

for investible funds were concerned.

An effort was made by the Reserve Bank to sell gold at the high price of about Rs. 74 direct to the cultivator by offering to sell in small quantities at Bombay, Calcutta, Madras, Cawnpore, Agra, Amritsar, Lahore and Patna. But most of those purchasing at these centres proved to be only the agents of speculators or war contractors and profiteers. The up-country demand at this stage was for a price less than Rs. 65. But the Bank's intimation to sell only at Rs. 70, intensifying German resistance and reports of Allied discords in Bulgaria which signified to the speculator a prolongation of the war, and the formation of a Bull syndicate put the Bears in a plight and the price recovered to Rs. 70. Another scare developed recently when forward deliveries were negotiated even for Rs. 51, but the Reserve Bank was prepared to sell only for Rs. 61 and the market recovered gradually to the high levels.

Apart from the fact that large profits are accruing to foreign governments through the gold policy or lack of policy of the Government of India during the war, it is time to consider whether there can be any justification for the present price, in the light of post-war prospects. India lost heavily while selling gold at low prices during the depression and early years of war; she must not do so again while buying it back in her artificial prosperity. Several facts need to be considered in this connection. Although the myth and magic about gold are known to have been exposed for the last two decades, it is nevertheless paradoxically true that the price of the metal in terms of every currency has been rising all these years. In 1928, the producers expected the world to surrender no more than 400 million dollars for all their gold: now they expect 1,500 million dollars. The policy of the Reserve Bank of India has attracted attention abroad. That it has time and again failed to pursue its professedly anti-inflationary policy and refrained from opportune action in period of scare has created the impression that it aims at maintaining a price at the high levels of 60 to 75 rupees a tola which is no less than 250 to 300 per cent. of the 1930-31 price and 175 to 210 per cent. that of 1939.

Behind the policy of the Reserve Bank not to go in for the exchange parity is believed to be the desire of the United States, which amassed gold while the world was in distress, to make it pay for the keep through dumping a small proportion of her hoards in countries that have little else to buy in their markets. The fact that the policy is not confined to India, which is said to possess a psychology for gold different from that in the rest of the world, and that this dubious anti-inflationary device is preferred for many of the liberated countries in Europe as well, lends support to this belief. The indirect over-valuation of dollar has obvious advantage so long the scramble for markets for goods

has not started; and even in the long run the United States with 80 per cent. of the world's stocks, with a strong economic position and control over appreciable proportion of annual production can easily bring about a permanent appreciation of her gold assets in terms of other currencies in case the pre-war demand persists for one reason or the other after the war.

The intricate ramifications of vested interests, which were not satisfied till gold was made an adjunct of the international credit system, may never realize that an expanding world economy has a greater urgency than the maintenance of the value of gold, and may continue to exert a contractionist pressure on international trade or borrowing. No doubt, the available evidence of possibilities of a further devaluation of dollar in terms of gold is scanty and inconclusive, and does not point to any certainty of a substantially higher price for gold than before the war; nevertheless the consideration deserves attention. The fact that most currencies in the world have been subject to inflation leads to the possibility that a further appreciation in the price of gold in terms of all currencies cannot be ruled out. There has been considerable rise in the cost of production. The Rand is said to have exhausted all its higher grade ore deposits. The production has declined considerably recently. But the production figures do not include U.S.S.R. production. The gold policy of the U.S.S.R. cannot be anticipated. Further how German gold is used after the war will be another factor. But more important than all these factors, so far as the supply of gold is concerned will be the policy of the United States which now holds 80% of the world's gold. It will depend upon whether the Americans realize that the only sensible use for the yellow metal can be that of a medium of expression of the aesthetic in man. The world will have to learn to go without the metal so long as the U.S.A. prefers to bury it in her vaults. There have been small transfers of gold from the U.S.A. to Latin America, and India during the war, but they hardly herald a future in which gold will be freed from national sentiments, and will be freely available for any sensible purpose. For being extensively used for such purposes gold will have to be much cheaper than it has been during the last decade. Much of the world has already learnt to do without gold, at higher price levels; therefore the fall in demand is likely to be sharp. It is likely to be a losing battle for those endeavouring to keep its price high through a monopolistic policy. The Indian prices, at present, are higher than what they can be expected to be when every possible allowance has been made for post-war factors which may sustain its price; and India is likely to lose heavily in her present transactions as she did during the depression. We can hardly expect an alien government to be very scrupulous in protecting the interests of the country when the profits accrue to those of their own. The speculator will possibly save himself as well as national interests by looking ahead in this respect.

NOTES

CLAIMS TO PARTNERSHIP

Commenting on a leading article in the *Indian Affairs* of London on British intentions of 'partnership' in business with Indians on an 'equal basis,' we stated last week that claims of foreign capital to participation in Indian industry under threat of withholding technical aid and machinery on any other terms are preposterous and cannot be countenanced by us. Further evidence is available this week to throw light on this British desire for 'partnership.' At a London meeting of the visiting Indian scientists

which was attended by the leading industrialists of Britain, Sir William Rootes, head of one of the bigger motor combines declared, "It would be a disaster if India attempted to set up her own exclusive automobile manufacturing plant. It would lack the opportunity for utilising the result of up-to-date research which would be a serious handicap if India wished to remain on a competitive basis." He thinks that India's entry into motor manufacturing should be gradual, because if she is tempted to start with some existing design, it will soon become obsolete. This absurd and mischievous suggestion hardly needs any

comment. What 'competitive' strength will India have if the industry is not at all given a start on the ground that technical progress is continuous? Is it suggested that India's automobile industry should wait until technological perfection is reached in that field or that India should be content with assembling and repair work? On the question of aircraft industry, the remarks of Sir Handley Page, a leading aircraft manufacturer reveal the same intentions. He thinks that 'heavy' research in aircraft should be centred in Britain, while 'ancillary' research might be located in Empire countries. He has not much to say about developing an aircraft industry commensurate with the size and strategic situation of India, though he is specially interested in training Indian technicians. Sir George Nelson, Chairman of the F.B.G., speaking on behalf of 25,000 British firms, referred to India and Britain marching hand in hand and said: "Together we will keep the Empire in proper relation to the United States and the U.S.S.R." To the head of the British industrial hierarchy, the value of India's industrialization is to be assessed only in terms of balance of power and profitable partnership. These frank statements of leading British industrialists clearly indicate that where heavy industries are concerned, they are not very anxious that India should develop them and that even in those cases in which they might permit some dose of development, it must be on their terms both in technique and capital which would tie up India to Britain technologically and financially for a long time to come. Such technological ties in heavy industries, history shows, are extremely difficult to disentangle.

ANTI-PROFITEERING SNAGS

An irresponsible Government which is charged with the task of maximum mobilization of resources for war effort naturally feels itself impelled to follow the line of least resistance. Thus our Government, not being able to elicit popular support and confidence in an adequate measure, could not hope to achieve that degree of success for its save-and-lend campaign which was possible, for example, for the British Government. In the circumstances our Government had to depend inevitably on inflationary printing of money against frozen sterling balances as 'backing' and hardly anything was done either to maximize our capacity for war effort by a systematic production drive or to distribute the burden equitably by instituting effective rationing and economic controls in time. It was only when the disastrous financial and economic policy of the Government led us to the brink of collapse that the Government woke up to the seriousness of the position or the awkward possibilities. Then began its zealous drives against profiteering, corruption and so on. It would probably be correct to say that profiteering and corruption are the incidence of a situation in which a Government, not able to command sufficient resources, has to impose economic burdens on a country utterly disproportionate to its capacity. A policy of dealing with the symptoms instead of touching the root causes, its naturally attended with many snags. The anomalies which have ensued from the antiprofitteering drive and the "landed cost plus" formula are well-known. Powerful foreign concerns, for example, often with international interests, are known to have evaded the meshes of the formula and kept the prices of essential supplies boosted up at artificial levels by quoting fictitious 'landed costs' through international manipulations, or for example, to cheat the Government of its legitimate dues by operating through make-believe subsidiary concerns. The inflationary situation itself was created by the massive pre-emptive purchases by the Indian and Allied Governments with the help of *ad hoc* money and nothing was done to alleviate the situation by a real

production drive; and again now in the name of curbing inflation, unregulated import of consumers' goods is being allowed without due regard either to the essentiality of such imports or to affording transitional safeguards for the industries which have grown up during the war in spite of the worst impediments and general unhelpfulness of the Government.

SPITING THE FACE

This anti-corruption drive has also its ironical aspects. For anti-corruption is not unoften correlated with counter-corruption. This danger is particularly acute when the executive itself seeks to add to its role of a prosecutor, that of a judge as well—something removed from the normal processes of law. Special tribunals appointed by the Government adjudicate on issues of alleged fraud or violation of terms of contract to which the Government itself is a party. The Department would sit as a judge over its own case and apportion punishment to any firm which may take the case to be adjudged independently by the usual processes of law, only if it is quite prepared to be black-listed and deprived of any prospects in relation to future contracts which may be given out by the Department. What is more serious from the point of view of the country and the war economy is that this punishment may be carried to ridiculous lengths. Thus for a mere technical breach of law, a firm may suddenly find its supply of coal and/or raw materials cut down either absolutely or to such an extent that after supplying the Government nothing is left over to meet urgent civilian demands. Who suffer most? Surely the war effort and the inevitable civilians. This is nothing short of cutting the nose to spite the face. We have often commented on how the shortage of coal and raw materials, further aggravated by the strain on the transport system, has held up our production, reduced our war effort and inflicted avoidable privations on the country. That the situation should be further aggravated by executive presumptions or a bottle-neck in imaginative faculties in high quarters is hardly a less serious matter.

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FROM THE PROVINCIAL ANGLE

(From Our Correspondent)

Madras Letter

MADRAS, Nov. 26.

THE food situation in the Province has been deteriorating and there may not be any improvement until February when the new winter crop comes in. The harvest of the first crop of paddy, otherwise known as the short crop, has concluded in the Southern and Central Districts as also in the West Coast and the yield has been below normal. Even the main crop has been affected in some of the Andhra Districts by the heavy rains while some of the other districts have suffered from drought. In the South, insect pests have had their toll. The Government recently reconsidered their purchase price of paddy and rice with reference to the cost of production of paddy and the prices of essential commodities, other than rice, which enter into the cost of living of the producer. And, as a result, they have increased the prices for the first sort and have made certain stipulations to the millers so that the producer may get a better price. While this is the case on the production side, a further cut in the rice rations upto one-sixth has been made not only in the Madras City but also in the belt area, the one-sixth ration being given in wheat.

The Industries Sub-Committee of the Post-War Reconstruction Committee has recommended to the Government of Madras to take immediate steps to carry out five deferred schemes of electric power development in the Province. It has been suggested that these should be taken up for execution within the next two or three years. The schemes include strengthening of the Pykara, Mettur and Papanasam units and also taking over the generating station of the Madras Electric Supply Corporation. Among the post-war schemes, the Machkund Scheme would be the biggest. Plans are also to be prepared for the Mettur and Yerkaud Hydro-Electric scheme in order to meet the power demand for special industries which might be established in the Mettur area. It would be relevant to mention here that the *per capita* consumption of electric power in Madras is only 7.5 k.w.h. while in the adjacent Mysore State it is 49.5.

The proposal of the Government of Madras to amend the General Sales Tax Act has met with a chorus of protest from the mercantile community and the Chambers of Commerce. The Government propose to amend the Act conferring powers of search, seizure etc., on the officers administering the Act. This, it is feared, may lead to harassing, teasing and even terrorising. Further, in Bengal and the Punjab, the two other Provinces which have introduced a similar Act, such provisions do not exist.

A fair amount of fresh buying was seen particularly in the textiles section.

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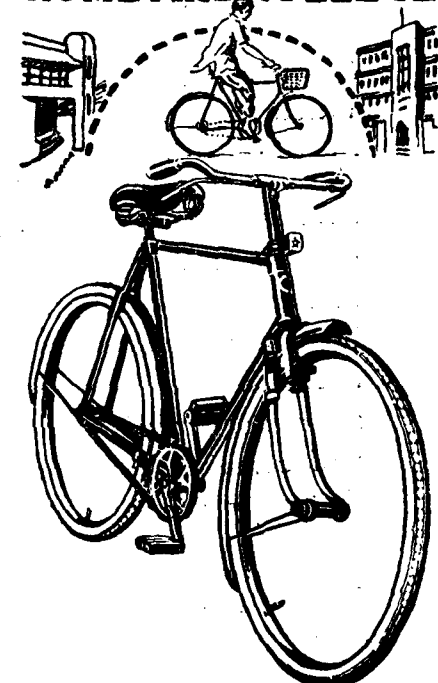
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At higher levels there has been some profit-taking but this seems to have been absorbed, though not by strong hands. Selective activity ruled again in the Planting Section and while scattered issues edged forward, many leaders made no important progress. In the textiles section, *Coimbatore Cottons* were put up to Rs. 263 and *Radhakrishnas* to Rs. 374. *Mettur Industries* changed hands at Rs. 282-8 and *Rajalakshmis* at Rs. 233. In the Planting section, *Travancore Rubbers* and *Vaikundams* were features rising to Rs. 23-10 and Rs. 22 respectively. Bank shares further appreciated during the period. *Indians fully paid* rose to Rs. 318 while the other two shares moved up to Rs. 195 and Rs. 129-8. Bank of Mysore improved to Rs. 372-8. *Reserves* were firm at Rs. 124. In the Mysore group of industrial shares, which were generally active, *Chemical Fertilizers* were done higher at Rs. 30-13. *Lamps* rose appreciably to Rs. 33-12. *Papers* were better at Rs. 24-5 c.d. Expansion of currency in recent weeks coupled the firm tone of the gilt-edged market. Three-and-a-half per cent. *Paper* was firm at Rs. 100-2 and a fair volume of business was done. Other dated loans were fractionally higher. There was little scrip offering in State Loans and Provincial Loans.

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AGRICULTURE

Mechanization of Agriculture

(By B. K. Goswami)

MANY and varied remedies, mostly patent nostrums, have been suggested from time to time for the improvement of Indian agriculture. It has been common to cite the glowing achievements of the U.S.S.R. and the U.S.A. and commend their practices as an example to India, but it should be borne in mind that the peculiar conditions that went to bring about such phenomenal successes in those countries do not obtain in India. More especially mechanization of India's agriculture and collective farming have been frequently suggested as the solution of our agrarian problems. The demonstrated possibilities of both these remedies in other countries cannot be denied but the peculiar conditions of our country not only belie the high hopes held out by these methods but forbid their wholesale adoption.

The outstanding difference in the conditions prevailing in Russia or the U.S.A. on the one hand and India on the other is that the former two countries have vast areas of cultivable lands—either virgin or in honeymoon—and a comparatively much smaller population. The reverse is true of India where the pressure of a large and increasing population and uneconomically small and dwindling holdings, exhausted through years of incessant cultivation present totally different problems calling for different remedies. It is well worth noting that wholesale mechanisation of agriculture was first of all in the world introduced in the U.S.A. immediately after the last Great War, and that it was necessitated by the shortage of labour that followed due to the casualties of war. As it was thus a fortuitous solution of an emergency situation though it caught on well and wrought wonders. If agriculture is mechanized in India it will throw out multitudes even a bagatelle of which no amount of industrial expansion, especially centralised and mechanised, can absorb. The magnitude of unemployment arising out of the demobilisation of agricultural labour as a result of mechanization and the insignificantly incommensurate possibilities of diverting it in industry and other occupations are generally not adequately realised.

It is perhaps, primarily, the human factor which renders the possibilities of mechanization of Indian agriculture less bright; but there is also the forbidding cost of motive power, which handicaps the agricultural machinery in showing their economic superiority over bullock power.

There are, however, fair prospects of success for a limited recourse of mechanisation on big estates, provided cheap motive energy is made available. Mechanically skilled hands, which formed another handicap, heretofore, will be abundantly available after the war. The labour let loose by these estates alone will not be so large as to be incapable of being absorbed in other channels. But it shall have disastrous repercussions in the rural economy of the country as a whole by dividing it into two unequal classes separated by vastly incongruous economic foundations. The peasant proprietors and small holders shall be set against an odd and iniquitous inland competition. The snail-like jolty little bullock-plough shall be constrained to enter the lists against the mighty and mobile tractor.

The heavy and wide-range nature as also the

initial heavy cost of mechanical equipment preclude its economic and useful employment on small holdings. The mechanical implements of agriculture have been devised by foreigners in accordance with their requirements. Very little research in Agricultural Engineering has been made in our country and it is still to be wondered if baby-tractors and baby reapers etc. could not be devised which could be used advantageously on medium-sized holdings. Another alternative to obviate the difficulties offered by the small size of holdings for the purpose of mechanization is collective farming but it must be realized that this again is chiefly a labour-saving measure and as such cannot prove as useful and profitable as in other countries. Only collective farming in itself without mechanisation can bring about results which can in no way be termed far-reaching. In other words collective farming replacing the present individual farming as such will be only tantamount to tinkering, in so far as it can do nothing more than provide better capital prospects, marketing conditions and financial security. On the other hand it is beset with grave disadvantages in its operation in view of our grossly ignorant and illiterate farming community given to tenacious, long-term factions and feuds, and having different interests in the land. There is very little chance of success for collective farming in our villages in almost all of which the cultivators have varied interests. The peasant proprietor, the landlord, the tenant, and the landless labourer paid in cash, fixed kind, or in terms of share in the produce, all look upon the land from different angles. For any collective system to be successful the one essential condition should be the similarity of interests of the different parties. The various systems of land-tenure varying from holding to holding and village to village make collective farming an utterly unfeasible proposition for adopting on an all-India basis. It may be tried with more or less success in areas where agrarian conditions are similar and ethical and educational status of the community is comparatively higher. It is high time that an experiment is made to gauge its possibilities. The most prospective site for such tentative enterprise is the land in the new canal colonies in the Punjab which has been granted to the University graduates. All possible factors, both natural and circumstantial, that can be desired are present there in the best manner. As will be seen from all that has been said no bold or broad measure is practicable without agrarian reform. Yet this problem of land-tenure, howsoever pressing, and deserving of radical reform it may be, involves such momentous political, sociological, and economic implications that no Government in our country, least of all the present one or its probable national heir are likely to touch, much less tackle, without jeopardizing their own political life. For the same reason perhaps most economists and statesmen have been either explosive blandly elusive or timidly evasive on this issue.

One supreme fact which has not been so far even been recognized is that along with human pressure there is an inordinate animal pressure on the land, especially bovine. The latter can be profitably reduced though not entirely eliminated. By far the biggest single item of expenditure of farming is the bullock labour. To adduce, concrete figures from a

study of 29 holdings in the Punjab* it forms as much as 17 to 32 per cent. of the total expenditure. As much as 14 to 38 per cent of the land is put under fodders, the value of which along with that of bhusa and stalks etc., varies from 20 to 44 per cent. of the total farm income, and though these feeds are shared by other live-stock on the farm, the share of the draft-animals is predominant. It may be noted that the percentage of expenditure is the highest on well-irrigated holdings, where more bullocks have to be maintained for the additional task of lifting water, and the lowest in the canal-colonies where a smaller number is kept. It is not possible to extend canal-irrigation to every land and some lands have necessarily to continue with well-irrigation, but if the ante-diluvian Persian wheels are replaced by power-driven tube-well pumps the bovine pressure on land can be considerably reduced. But experience has shown that owing sometimes to the initial high cost of the engines, but mainly and mostly to the recurring high charges of motive power the pump has not been able to beat the Persian wheel in cheapness except in very rare cases. To draw again from the above-mentioned study, where a com-

parison of the costs of lifting water has been made on twelve different lifts, the cost per acre-irrigation by the bullock-driven Persian wheels comes to Rs. 3.34 and while there are five lifts which have a lower cost, the minimum being Rs. 1.84, there are six other lifts which exceed the cost by bullock-driven Persian wheels, the maximum being Rs. 7.13.† The wholesale expansion of tube-well pumps, or, as mentioned above, introducing any mechanization are, therefore, essentially conditional upon a cheap supply of motive energy. Given that, it is primarily in this field that electric power can be best utilized by agriculture.

Above all mechanization and collective farming do not affect the chief ill of our agriculture which is the low yield of crops per acre. These measures have little in themselves to offer, at least directly, to help in increasing the same to any appreciable extent. For that we must look into the various causes and handicaps, which vary in different areas, and prescribe against them variously by exploiting technological potentialities with corresponding and *ad hoc*, not wayward, stereotyped, or mimic research. The net result will, no doubt, be nothing more than patchwork, but there is no help. Yet again, if mending is done cannily, comprehensively, and whole-heartedly there is no reason why we should not have our agricultural fabric made, though not smooth, glossy, spick and span, yet refurbished, and refurnished with such homely qualities that wear and serve well enough.

Lieah.

* "Farm Accounts in the Punjab"—1938-39, publication No. 75 of the Board of Economic Inquiry, Punjab, Pp. 11-16.

† "Ibid"—Page 95.

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Commodity Market

MADRAS, Nov. 26, 1944.

Hides And Skins

The Madras Groundnuts market ruled extremely firm throughout this week. There was no business with the British Ministry of Food as the Ministry do not seem to be interested to do business at £30 offered by the sellers. Crop movements have been affected by the recent heavy rains and arrivals were therefore small. "Offices" had to limit their purchases to small quantities. The yield of the crop in the Southern Districts is expected to be lower due to seasonal conditions, though there has been an increase in the acreage. There was a small volume of business in oil both with Calcutta and internal buyers. Cake met with good demand for agricultural purposes, particularly for the sugarcane fields.

Groundnuts

Since last week, 3,000 bales of kips have been taken on Supply Ministry's account. Arrivals were better, but the intake of the raw stock by the tanneries was falling away. A piquant situation has arisen with regard to the raw market by the Raw Hides Adviser insisting that tanned kip prices should be based on raw hides prices and the trade resists such move. The raw hides prices recommended by the Adviser are disproportionately higher and if enforced would leave nothing and therefore either it should be altered or the Tanner Kip Ordinance would have to be revised. The intervention of the Government of India has been sought for by the trade. Trade with the U.S.A. in tanned goat and sheep has been at a standstill owing to the non-availability of import quotas at the other end. Demand from the U.K. continued to be brisk though even the revised ceilings are unworkable for common and inferior selections.

HAPUR, Nov. 29, 1944.

Grains and Pulses

The general tendency of the local grains and pulses markets was rather quiet this week with fluctuations confined to narrow ranges. Arrivals of all grains from villages except of peas and maize were poor. The daily arrivals of wheat averaged hardly 40 maunds as against 80 maunds in the previous week. Peas arrivals continue to increase, the daily average being 300 maunds. The purchasers of the peas were generally the local stockists who anticipated a strong demand.

The following are the wheat rates in the assembling centres of U.P.:

Chandauli Rs. 9-8; Shamli Rs. 9-11-9; Sitapur Rs. 10; Kasganj Rs. 9-9; and Gonda Rs. 9-14.

The conditions of the standing *rabi* crops, on the whole, are reported to be satisfactory, but rains are needed for the development of the early sown wheat.

Gur

Prices of Gur have substantially declined on weak demand. The traders were not inclined to stock Gur at present rates but at some cheaper rates. The daily arrivals averaged 3,000 maunds.

Guwar

The Guwar market was cheerful in the initial

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stages of the week due to renewed buyings and considerable short coverings coupled with the absence of selling pressure but towards the close of the week the market developed a sagging tendency owing to some profiteering and Punjab traders' sellings. It is expected that the imports of Guwar will commence after a week. Guwar Magh opened at Rs. 6-12 and closed at Rs. 6-10-9 and the highest and lowest levels were Rs. 6-13-4½ and Rs. 6-9-3, respectively.

Wheat.—Ready Dara Rs. 9-12. Stock 265 *khattis*. The following are the latest quotations:—

Peas.—Rs. 6-6-3. Stock 133 *khattis*.
Barley.—Rs. 5-5-3. Stock 156 *khattis*.
Gram.—Rs. 6-10-9. Stock 51 *khattis*.
Maize.—Rs. 5-9-9.
Gur.—Rs. 6-8.
Urad.—Rs. 9-11-0.

NOTICE

BIRLA JUTE MANUFACTURING COMPANY, LIMITED.

The Directors of the above Company at their meeting held on the 22nd November, 1944, decided to pay an interim dividend of Re. 1 per share free of Income-Tax on Ordinary Shares and Rs. 3-12 per share less Income-Tax on Preference Shares, out of the profits of the Company for the six months ended the 30th September, 1944. The dividends are payable to the Share-holders on application on and after the 18th December, 1944.

Notice is hereby given that Share Transfer Books of the Company will remain closed from the 3rd December to 17th December, 1944, both days inclusive.

BIRLA BROTHERS LIMITED,

Managing Agents.

8, Royal Exchange Place,
Calcutta, the 23rd November 1944.

BHARATI CENTRAL BANK LIMITED

(Established In 1930)

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

Mg. Director:

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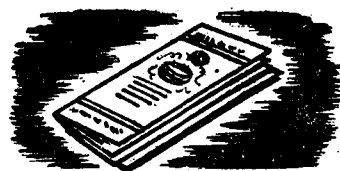
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VICTORY LOAN 1957

ISSUED BY THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA

AAA 1160

CURRENT STATISTICS

A—Finance and Banking

ISSUE DEPARTMENT

	(Rs. in lakhs)	17-11-44	10-11-44	19-11-43	1-9-39	17-11-44 compared with 1-9-39
Notes held in the Banking Dept. ..	7.78	8.77	9.83	9.87	— 2.09	— 2.09
In circulation ..	973.19	972.23	794.68	182.13	+791.06	+791.06
Total Notes ..	980.96	981.00	804.54	217.18	+763.78	+763.78
A. Gold Coin and bullion* ..	44.41	44.41	44.41	44.41	Nil	Nil
Sterling Securities ..	866.33	866.33	684.84	59.50	+806.83	+806.83
Total of A ..	910.74	910.74	729.25	103.91	+806.83	+806.83
B. Rupee Coin ..	12.38	12.42	16.96	75.87	— 63.49	— 63.49
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45	+ 20.45
Silver bullion under coinage ..	..	..	..	..	..	..
% of Reserve to Liabilities ..	92.842	92.838	90.643	63.149	+29.693	+29.693

IMPERIAL BANK

	(Rs. in lakhs)	17-11-44	10-11-44	19-11-43	1-9-39	17-11-44 compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other Accounts ..	238.40	240.74	202.58	87.26	+151.14	+151.14
Govt. Securities ..	147.00	145.76	126.44	51.03	+ 95.97	+ 95.97
Other Investments ..	3.82	3.71	2.60	96	+ 2.86	+ 2.86
Loans ..	8.77	8.76	12.97	7.66	+ 1.11	+ 1.11
Cash Credit Overdrafts ..	44.10	44.90	21.04	19.76	+ 24.34	+ 24.34
Bills discounted ..	4.33	3.82	2.88	2.95	+ 1.38	+ 1.38
Cash in hand, with R.B.I. and other Banks ..	40.47	43.78	46.69	14.69	+ 25.78	+ 25.78

BANK OF ENGLAND

	(£ '000)	15-11-44	8-11-44	17-11-43	31-8-39	15-11-44 compared with 31-8-39
Total Bullion ..	2,515	2,570	1,965	263,700	—261,185	—261,185
Public Deposits ..	6,000	16,800	8,500	31,100	—25,100	—25,100
Other Deposits ..	240,500	232,700	200,000	129,100	+111,400	+111,400
Of which Bankers' Deposits ..	186,100	177,000	147,300	90,100	+ 96,000	+ 96,000
Govt. Securities ..	217,900	212,700	170,200	113,100	+104,600	+104,600
Other Securities ..	14,100	15,800	16,600	31,000	— 16,900	— 16,900
Of which Discounts and Advances ..	7,000	11,100	1,200	6,400	+ 600	+ 600
Notes and Coins ..	25,200	27,700	38,300	34,200	— 13,100	— 13,100
Notes in circulation ..	1,117,300	1,174,900	1,013,700	529,500	+645,400	+645,400
% of Reserve to Liabilities ..	11.22	11.00	18.35	21.38	— 11.16	— 11.16

TREASURY BILLS SALES

(3 Months' Tenure)
(Rs. '000)

Date of Issue	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
June 1944 ..	50,62.50	30,00.00	0 7 3	..	8,52.50
July ..	37,36.75	16,00.00	0 7 9	..	13,76.00
August ..	60,45.75	20,00.00	0 7 8 1/2	..	8,92.50
September 22 ..	10,00.50	6,00.00	0 7 11	..	1,46.50
October 6 ..	12,80.75	6,00.00	0 7 11	..	2,70.00
" 13 ..	13,14.50	6,00.00	0 7 11	..	6,83.25
" 20 ..	15,00.50	6,00.00	0 8 0	..	2,71.00
" 27 ..	..	6,00.00	0 7 11	..	2,31.50
November 3 ..	..	6,00.00	0 7 11	..	27.00
" 10 ..	..	6,00.00	0 7 10	..	..
" 17 ..	..	6,00.00	0 7 11	..	..
" 20 ..	9,96.00	6,00.00	0 8 0	..	..

CLEARING HOUSE RETURNS

Centres	1943-44	1944	Sept. 1944	Oct. 1944	Nov. 1944
Bombay ..	20,42.31	6,91.78	1,96.21	1,54.77	129.10
Calcutta ..	17,40.12	7,01.92	2,24.41	1,73.14	144.27
Cawnpore ..	1,02.41	37.55	8.76	..	..
Delhi ..	1,21.08	39.35	10.69	..	..
Karachi ..	1,02.84	38.28	11.32	..	..
Lahore ..	78.82	30.36	8.25	..	..
Madras ..	2,00.02	78.25	22.37	16.30	12.21
Total ..	43,48.50	16,07.49	4,82.01	3,44.01*	275.58

* For three centres only.
† Progressive monthly total.

CASH POSITION

	(Rs. in lakhs)	17-11-44	10-11-44	19-11-43	1-9-39	17-11-44 compared with 1-9-39
Reserve Bank of India ..	8.03	9.00	10.01	35.13	— 27.12	— 27.12
Scheduled Banks ..	122.79	136.83	160.88	31.87	+ 99.83	+ 99.83

RESERVE BANK OF INDIA

BANKING DEPARTMENT

	(Rs. in lakhs)	17-11-44	10-11-44	19-11-43	1-9-39	17-11-44 compared with 1-9-39
Cash ..	8.03	9.00	10.01	35.15	— 27.12	— 27.12
Balances held abroad* ..	332.11	322.33	155.16	10.08	+322.03	+322.03
Investments ..	11.72	11.72	7.54	6.81	+ 4.91	+ 4.91
Bills discounted—	..	..	..	..	..	..
(a) Internal and External ..	..	..	..	..	..	..
(b) Treasury Bills ..	2	..	..	1.16	— 1.14	— 1.14
Loans & Advances to Government ..	62	94	4	31	+ 31	+ 31
Deposits—	226.89	213.43	67.76	14.38	+212.00	+212.00
(a) All Govts ..	219.79	207.37	56.19	14.89	+204.90	+204.90
Of which G. of I. ..	97.26	104.19	80.22	26.91	+ 70.35	+ 70.35
(b) Banks ..	10.13	7.67	8.65	1.24	+ 8.89	+ 8.89
(c) Others ..	..	..	..	..	..	..

* Including Cash and Short-term Securities.

SCHEDULED BANKS

	(Rs. in lakhs)	17-11-44	10-11-44	19-11-43	1-9-39	17-11-44 compared with 1-9-39
Demand Liabilities in India ..	610.25	613.55	484.92	134.36	+475.89	+475.89
Time Liabilities in India ..	200.09	198.27	143.56	102.24	+ 97.85	+ 97.85
Cash in India ..	26.90	27.03	22.05	6.70	+ 20.20	+ 20.20
Balances with Reserve Bank ..	95.80	103.80	78.83	25.17	+ 70.63	+ 70.63
Advances in India ..	203.43	201.00	151.69	101.52	+101.91	+101.91
Bills discounted in India ..	11.24	10.77	5.50	3.57	+ 7.67	+ 7.67

U.S. FEDERAL RESERVE BOARD

	(Million dollars)	16-11-44	9-11-44	18-11-43	31-8-39	16-11-44 compared with 31-8-39
Resources—	..	..	..	..	..	..
Total Reserves ..	18,782	18,799	20,250	14,661	+ 4,121	+ 4,121
Total Bills Discounted ..	375	401	34	(6,190)	+ 375†	+ 375†
Bills bought in open market ..	..	..	..	(550)	— (550)	— (550)
Total U.S. Govt. Securities ..	17,941	17,957	9,832	2,426	+15,515	+15,515
Liabilities—	..	..	..	..	..	..
F.R. Notes in actual circulation ..	21,104	21,015	15,947	4,609	+16,495	+16,495
Reserve Account ..	14,557	14,158	12,263	10,951	+ 3,606	+ 3,606
Total Reserve to Deposit and F.R. Liabilities ..	50.4%	50.6%	66.7%	86.9%	—36.5%	—36.5%

† Dollars 6,190 be deducted
Figures in brackets are actual and not in millions

TREASURY BILLS MATURITIES

	(3 Months' Tenure) (Rs. '000)	Date of maturity	Amount	Date of maturity	Amount
August 1944 ..	16,00.00	December 22 ..	6,00.00	..	6,00.00
September ..	30,00.00	..	29 ..	..	6,00.00
October ..	16,00.00	January 6 1945 ..	6,00.00	..	6,00.00
November ..	20,00.00	..	13 ..	..	6,00.00
November 25 ..	6,00.00	..	20 ..	..	6,00.00
December 1 ..	6,00.00	..	27 ..	..	6,00.00
" 8 ..	6,00.00	February 3 ..	6,00.00	..	6,00.00
" 15 ..	6,00.00	..	10 ..	..	6,00.00
Total outstanding: 78,00.00.	..	..	17 ..	..	6,00.00
..	..	..	29 ..	..	6,00.00

STERLING PURCHASES BY RESERVE BANK OF INDIA

	1943-44	April-Aug. 1944	Sept. 1944	Aug. 1944	Sept. 1943	Aug. 1943
Amount (£ in '000)	103,309	43,080	7,037	10,218	8,371	8,546
Average rate of purchases remained	..	..	..	£0-1-6 all.	..	..

EXCHANGE RATES (T.T.)

	(000's omitted)	Dec. 1, 1944	Nov. 24, 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%	3%
U.S.A.—New York	29 th Oct. 1942	1%	1 1/2%
Fed. Res.	27th Oct. 1942	1 1/2%	1%

B—General

INDEX NUMBERS OF PRICES OF INDIAN SECURITIES*
VARIABLE YIELD INDUSTRIAL SECURITIES

Year month	Govt. securities	Fixed yield securities	Cotton (22)	Jute (20)	Coal (13)	Iron & Steel (3)	Tea (19)	Sugar (38)	Cement (1)	Paper (28)	General Index (col. 3 to 10)
Columns	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1941-42	115.9	155.9	111.0	57.2	152.5	504.3	77.7	107.2	193.9	323.9	129.0
1942-43	115.0	144.9	146.6	53.9	161.3	441.5	86.9	141.7	235.9	359.9	138.6
1943-44	117.2	164.3	198.8	65.6	227.2	555.9	118.0	211.4	278.4	488.0	182.2
March 1943	116.1	157.1	196.1	59.5	182.8	513.5	107.2	160.1	278.9	421.0	162.8
April	116.1	157.9	196.1	63.3	189.7	544.1	112.4	190.3	297.7	483.4	174.5
May	115.8	159.8	198.9	63.8	187.9	542.5	117.0	187.2	289.8	469.7	170.7
June	116.1	160.2	191.8	66.9	201.0	569.4	117.9	203.0	291.1	478.8	174.8
July	116.8	160.8	177.6	62.7	198.5	512.1	113.3	191.7	272.9	461.6	168.8
Aug.	117.0	162.9	191.0	62.3	205.4	578.7	112.1	205.5	268.2	441.1	170.9
Sept.	117.3	164.1	192.6	64.8	227.4	534.5	116.0	181.6	274.6	471.0	176.3
Oct.	117.5	165.3	195.3	64.4	237.8	535.4	118.8	235.6	270.4	498.4	183.1
Nov.	117.6	165.6	200.4	67.3	243.8	549.1	119.1	233.0	281.1	496.9	188.9
Dec.	117.6	165.7	195.4	65.2	243.5	530.5	119.5	223.5	283.6	485.6	186.8
Jan. 1944	118.3	168.3	218.5	68.0	264.8	594.8	126.7	231.5	275.4	524.5	200.1
Feb.	118.2	169.1	225.3	69.0	264.8	574.4	123.7	227.2	272.3	509.7	196.2
Mar.	117.7	171.6	203.2	69.1	261.6	575.0	119.8	226.8	281.7	534.9	195.3

Number of shares taken into account are put within brackets just below the classes of securities.
* Prepared in the Office of the Economic Adviser to the Government of India.

BALANCE OF TRADE IN MERCHANDISE OF BRITISH INDIA
(Rs. in lakhs)

Months	Value	Exports Prices Indices	Imports Prices Indices	Re-exports	Total Exports value	BT
	Rs.		Rs.	Rs.	Rs.	Rs.
1942-43	110.45	130	187.63	102	194.70	+84.25
1943-44	118.85	132	199.21	125	210.17	+91.32
April 1943	9.37	164	15.63	118	16.14	+6.77
May	7.91	118	16.38	125	16.74	+8.83
June	8.68	137	17.99	129	18.26	+9.58
July	7.65	105	12.66	142	13.83	+6.18
Aug.	9.58	159	16.70	126	17.20	+7.62
Sept.	8.93	136	13.97	132	14.46	+5.53
Oct.	8.33	145	18.35	124	21.01	+12.68
Nov.	9.72	134	19.88	127	22.91	+13.19
Dec.	12.74	155	11.85	132	12.20	-5.4
Jan. 1944	11.85	120	16.53	117	17.06	+5.21
Feb.	11.72	109	23.18	117	23.74	+12.02
March	12.37	138	16.08	124	16.62	+4.25
April	12.63	...	16.21	...	16.97	+4.34
May	17.08	...	18.03	...	16.31	-7.7
June	14.36	...	18.90	...	19.19	+4.83
July	19.28	...	21.35	...	21.91	-2.62

Base (1927-28=100)

STATISTICS RELATING TO PRODUCTION
FOREIGN TRADE, PRICE ETC. 1943-44
JUTE—RAW AND MANUFACTURES IN INDIA
Jute Manufacture

Year	Production (tons '000)	Exports (tons '000)	Wholesale price of average Jute at Calcutta (July 1914=100)	Wholesale price of average Jute at Calcutta (July 1914=100)	Exports (tons '000)	Wholesale price of average Jute at Calcutta (July 1914=100)
1939-40	1276.9	1,083,321	570.0	...	...	...
1940-41	1108.1	924,118	243.5	...	...	...
1941-42	1253.8	898,461	314.9	...	...	...
1942-43	1042.3	619,282	242.8	...	...	...
1943-44	937.8	634,359	177.4	...	...	...
Jan. '44	80.4	41,151	199	21.3	121	...
Feb. '44	77.3	63,884	199	21.8	121	...
Mar. '44	94.9	58,704	199	10.9	129	...
April '44	90.3	53,892	200	14.4	123	...
May '44	93.5	56,200	200	9.7	125	...

Source: Monthly survey of Business conditions in India.

FOOD INDEX (WHOLESALE PRICES)*

Base: Last week of Aug. 1939=100

Week ending	Index	Increase or decrease
Average for July	236.9	+4.8
" August	237.3	+0.4
" September	234.2	-3.1
" October	233.9	-0.3
7th October	230.4	nil
14th "	232.5	+2.1
21st "	234.7	+2.2
28th "	234.6	-0.1
4th November	230.8	-3.8
11th November	237.7	+6.9

* Issued by the office of the Economic Adviser to the Government of India.

WORKING CLASS COST OF LIVING INDEX NUMBERS FOR CERTAIN CENTRES IN INDIA*
1943-44

Centre	Base	April 1943	May 1943	June 1943	July 1943	Aug. 1943	Sep. 1943	Oct. 1943	Nov. 1943	Dec. 1943	Jan. 1944	Feb. 1944	Mar. 1944
Bombay	year ending June 1934	225	227	232	236	238	245	246	248	247	238	230	226
Ahmedabad	" "	187	198	211	210	214	228	240	239	232	214	210	206
Sholapur	" "	163	171	184	194	194	211	210	214	207	199	200	201
Nagpur	August 1939	191	317	361	361	354	356	273*	289*	284*	287*	289*	273*
Jubbulpore	" "	279	309	317	312	319	301	301	323	328	326	323	320
Patna	Average for five years preceding 1914	302	333	577	483	513	393	391	365	337	343	349	325
Muzaffarpur	" "	257	273	363	381	389	426	426	438	378	339	357	332
Monghyr	" "	324	428	520	491	482	426	426	438	378	339	357	332
Jamshedpur	" "	300	307	449	453	496	408	401	385	331	339	320	315
Cuttack	" "	291	348	337	340	342	426	446	446	377	366	378	394
Jharia	" "	290	369	607	368	426	426	446	446	377	366	378	394
Ranchi	" "	275	313	482	495	426	426	446	446	377	366	378	394
Madras	year ending June 1934	172	173	179	161	181	183	184	185	189	183	199	201

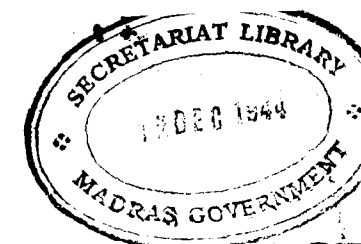
* Revised

* Published in the Monthly Survey of Business conditions in India.

C—Prices

INDIAN STOCKS AND SHARES

SECURITIES: Bombay	28-11-44 Rs. a. p.	20-11-44 Rs. a. p.	TATA SHARES: Bombay	28-11-44 Rs. a. p.	20-11-44 Rs. a. p.	Reserve	28-11-44 Rs. a. p.	20-11-44 Rs. a. p.
2 3/4% (1948-52) Def.	99 12 0	..	Tata Chemical	21 4 0	21 4 0	New India	135 4 0	135 12 0
3% (1946) Def.	102 9 0	..	" Oil	77 0 0	79 0 0	Lahore	83 4 0	..
3 1/2% G.P. Notes	100 0 0	..	" Power	1,930 0 0	1,917 8 0	United Com.	..	87 4 0
3% (1953-55)	..	..	" Hydro	208 8 0	203 0 0	Hindustan Com.	56 10 0	58 10 0
4 1/2% (1955-60)	..	..	" Steel	2,165 0 0	2,102 8 0	Bharat Def.	2 4 0	..
4 1/2% (1960-70)	112 13 0	..	" Pref. I	405 0 0	..	Pun. National F.P.	260 0 0	..
Calcutta	..	..	" Pref. II	232 8 0	232 8 0	" P.P.	191 0 0	..
3% (1945) Def.	..	102 8 0	STEEL ENG.: Calcutta	163 12 0	164 6 0	New Bank	..	..
3% (1949-52) Def.	..	102 2 0	Bihar Elec. Steel	..	..	Jup. In. Trust	..	..
3 1/2% G.P.	100 0 6	100 1 6	Brathwaite	12 4 0	12 0 0	Jup. N. Bank F.P.	..	..
TEXTILES: Bombay	..	..	National Iron	131 5 0	131 5 0	MISCELLANEOUS: Bombay	..	..
Ahmedabad	433 12 0	433 12 0	Indian Iron	38 11 0	38 2 0	Ajmer	15 0 0	15 0 0
Bombay Dyeing	1,812 8 0	1,797 8 0	Steel Cor. Ord.	32 3 0	31 14 0	Bom. Suburban	218 12 0	217 8 0
Central India	411 0 0	403 3 0	" Pref.	141 0 0	141 0 0	Alcock	453 12 0	461 4 0
Century	850 0 0	857 8 0	Jessop Ord.	..	..	B. I. C.	6 7 0	6 8 0
Colaba	255 1 0	225 8 0	Kumardhul	11 6 0	11 6 0	Belapur Sugar	236 8 0	244 0 0
Gokak	315 0 0	317 0 0	COALS: Calcutta	..	..	Bom-Burma	490 0 0	482 8 0
India Eleaching	185 0 0	187 0 0	Amalgamated	..	..	New	180 10 0	180 10 0
Kohinoor	603 0 0	597 0 0	Bengal	648 0 0	639 0 0	Bombay Steam	600 0 0	575 0 0
Phcenix	637 8 0	607 8 0	S. Karanpura	22 10 0	..	" Tram	150 12 0	150 0 0
Sholapur	7,400 0 0	7,400 0 0	Bhalgora	16 8 0	..	" Petrol	3 13 9	3 14 9
Simpex	271 0 0	260 8 0	Shivrasipur	41 6 0	39 14 0	Scindia Steam	33 12 0	32 12 0
Swadashi	579 0 0	581 0 0	East India	63 12 0	62 12 0	Shivrasipur	60 0 0	61 0 0
Vishnu	486 4 0	497 8 0	Equitable	12 8 0	11 14 0	Andhra Valley	1,830 0 0	1,860 0 0
Finlay	311 0 0	308 0 0	N. Damuda	35 12 0	33 2 0	Prem. Cons.	213 8 0	209 0 0
Morari	725 0 0	635 0 0	Standard	10 7 0	..	Indian Iron	38 8 0	38 2 0
Sassoon Ord.	15 2 0	15 4 0	Talcher	..	..	Indian Copper	3 0 3	3 0 0
" Defd.	3 1 0	3 5 6	SUGAR: Calcutta	..	..	Burma Corp.	4 0 6	4 3 0
Calcutta	..	..	Euland	43 4 0	..	Asst. Cement	244 12 0	240 0 0
Banars	13 4 0	..	Bakampur	16 11 0	..	Calcutta	..	..
Bengal Nagpur	..	..	Sambalpur	..	..	Bengal Paper	..	..
Cawnpore Textile	14 0 0	13 14 0	Esbund	..	15 10 0	Shree Gopal Pref.	19 12 0	19 0 0
Dunbar	280 0 0	274 0 0	Carew	27 12 0	28 4 0	I. P. P.	218 0 0	..
Egin Mills	67 10 0	68 0 0	Murree Brewery	..	27 6 0	Star	16 6 0	..
Kesoram	16 0 0	16 8 0	New Savan	21 6 0	..	Orient (ex-div.)	..	29 3 0
Muir Mills	409 0 0	..	Cawnpore	38 4 0	38 0 0	Titaghar	28 0 0	27 14 0
New Victoria	8 12 0	8 14 0	Champaran	..	..	Dalmia Cement	..	17 0 0
" Pref.	11 10 0	11 2 0	Lahore	..	..	Burma Corp.	4 9 0	4 10 0
" Madras	..	..	B. & C. Ord.	317 8 0	310 0 0	Indian Copper	3 1 0	3 0 0
Bangalore Wool	..	455 0 0	Bangalore Wool	..	455 0 0	Con. Tin	..	3 2 0
Cambodia	32 12 0	31 12 0	Colm. Pioneer	..	..	Madras	..	..
Colm. Pioneer	..	300 0 0	Pankaja	..	188 0 0	Andhra Cement	120 0 0	..
Madras	..	177 0 0	Vasanthi	303 9 0	303 8 0	Bruntons	..	..
Lakshmi	..	..	Madura	..	..	Mysore Che. Fert.	31 10 0	..
Lahore	..	..	Ajdhia Textile	7 1 0	7 4 0	India Steel Roll	8 3 0	..
Ajdhia Textile	7 1 0	7 4 0	Cawnpore Textile	13 11 0	8 10 0	Mysore Paper	17 14 0	..
Cawnpore Textile	13 11 0	8 10 0	New Vic. Ord.	8 9 0	8 10 0	Mettur Che. Ord.	17 14 0	..
New Vic. Ord.	8 9 0	8 10 0	Raza Textiles	80 0 0	78 4 0	" Def.	14 4 0	..
Raza Textiles	80 0 0	78 4 0	JUTE: Calcutta	..	..	Spencer	..	..
JUTE: Calcutta	..	..	Alliance	454 0 0	..	Lahore	..	37 12 0
Alliance	454 0 0	..	Anglo-Indian	..	..	Lahore Elec. (B)	..	145 0 0
Anglo-Indian	..	..	Birla Pref.	..	..	Jullundur	..	492 8 0
Birla Pref.	..	..	Barnagore	..	..	Dhrangadur	..	21 15 0
Barnagore	..	..	Chandany	530 0 0	529 0 0	Rampur Distillery	..	..



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ONE RUPEE

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Planning and Financial Policy

ALTHOUGH the planning work of the Centre and the Provinces is proceeding on the assumption, undoubtedly right in the context of the magnitude of India's war finance, that finance is not going to present a serious bottleneck, the fundamental conditions on the strength of which Government have made such an assumption give room for fear that the fiscal policy they propose to adopt in the name of reconstruction will have a serious deflationary effect on industry and employment immediately after the war. That section of the second report on reconstruction which pertains to finance starts with the assertion that the main resemblance between war-time and reconstruction finance is that they both necessarily involve a continuously high level of taxation and borrowing and that an all-out taxation policy by every agency of Government will be feasible. This is not only to overlook the outstanding fact that the country owes its high war-time taxable and borrowing capacity to the monetary expansion, but to forget that without initial measures to avert the slump which would set in if monetary expansion dried up suddenly, there will be left only a considerably shrunken taxable capacity for the Government to tap.

For the financial implications of planning to be clearly realized, Government should have (1) an estimate of the annual rate of expenditure contemplated on their own account, (2) the rate of private investment, visualized, (3) means of co-ordinating the two

magnitudes in relation to the available resources, in accordance with a system of priorities. The first will be available only, when the Central and Provincial plans over the entire field (a) have been got ready in detail; (b) split up into the immediate 5-year plans and the long-term plans covering 15, 20 and 25 years; (c) resolved again into capital and revenue accounts; and (d) made to dovetail into a financial plan in the light of resources and priority. This is far from being completed just now. The rate of private investment to be visualized is not independent of Government investment, but very much dependent on the assurance of positive help, freedom from inhibitions, tax policies, etc.

The annual rates of public and private investment contemplated are not available, but we may assume, without the least prejudice to the scale of Government planning, their directive role, their decisions as to allocations and priorities, etc., that the volume of private investment will be quantitatively more important in the economy as a whole, especially immediately after the war. Warrant for this inference is to be found in the statement of policy that private enterprise has still a major role to play in economic development and that except where State participation is decided on, industrial development will be out of private capital. Also it may be safely assumed that even in those fields of activity in which Government are proposing to take a direct interest, (e.g., agriculture, roads, etc., there will be a great deal of devolution to private enter-

prise, for private enterprise is surely not going to be superseded over the greater part of economic activity in which state intervention will in any case be inevitable. In respect of education, public health and such social services which would account for the greater part of capital expenditure by the State, Government have themselves admitted that such expenditure must eventually depend on an increase in national income and consequently in Central and Provincial revenues—which is equivalent to saying that an initial increase in national income by industrial and other development mainly by private investment is the pre-condition of subsequent increased social expenditure on beneficial services.

From this follows one important deduction as to the right type of tax and loan policies to be pursued after the war, especially in the initial years of transition and reconstruction—*viz.*, they must conduce to as high a degree of stimulation of private enterprise and employment as possible. Indeed this conclusion would be valid even if the volume of public investment were equal to or exceeded, that of private investment; For, as the Report on reconstruction planning itself admits in different places, without however drawing the conclusion, it must be ensured that in the first few years after the war, such schemes as would add to the national income and *taxable capacity* at once, *viz.*, all kinds of capital and consumer industries, should be given priority and this is going to be done mainly by private enterprise. If this priority were admitted, the case for appropriate tax and loan policies made above would be found to be unquestionable, whatever be the relative rates of public and private investment.

The essence of such policies would consist in: (1) the tax burden immediately after the war should not cramp industry and employment, (2) the borrowings of the State should not lead either to dear money or restriction on private capital being raised to develop the above kind of industries. The declaration by Government that reconstruction finance involves a high level of taxation clearly negates the first desideratum; the present administration of capital issues control threatens effectively to nullify the second.

The Government of India have estimated that a round figure of Rs. 1,000 crores would be available for the first five-year period taking effect from 1947-48, that half of the amount would consist of revenue surpluses and the other half of Government borrowings and that Rs. 500 crores can be got. out. of the open market by private investment. An aggregate new investment of Rs. 1,500 crores, over a period of five-years or an annual rate of Rs. 300 crores can most easily be achieved without the least threat of inflationary finance, having regard to the expanded volume of money, the increase in bank deposits, etc. In fact, as will be argued presently, that might well prove to be the minimum that would be needed as an anti-slump measure. But the tax element in it might prove so onerous, on Government assumptions, that the industrial sector of activity which needs every stimulus would virtually be cramped.

What are the assumptions on which Government feel confident of being able to raise Rs. 100 crores of *revenue surplus* every year? The Finance Member in his budget speech last year said that he had brought under review the post-war budgetary position of the Central Government in so far as the many uncertainties inherent in the conditions of the present and future permitted; and that "on the assumptions of a reasonably speedy rate of demobilization after the conclusion of hostilities, the maintenance by concerted international effort of full production and employment, and a determination on the part of the Govern-

ment of the day to utilize to the full the taxable capacity of the country" the above amounts could be mobilized. The Reconstruction Report only repeats these assumptions as if they constituted the essence of financial planning, whereas it must, on the face of it, be clear that these assumptions are all really question-begging in character. The objective of planning itself is full production and employment and a dependence on its attainment for taxable capacity to finance planning is surely odd.

The basic defect of Government's approach consists in their failure to realise that the buoyancy of war-time revenues is very largely an incidental by-product of the monetary expansion and inflated level of prices and that the raising of an annual revenue surplus of Rs. 100 crores entails assumptions as to the maintenance of a high price-level and expenditure by compensatory anti-slump measures. The high yield of income and excess profits taxes, excise duties, and of the various provincial sources proverbially *exiguus*, and the increased earnings of commercial departments owe their origin to the high level of prices and will shrink considerably in the event of a slump. There is reason to think that the yield of the E.P.T. has already reached its peak and will gradually taper off. The Provincial Governments have been required to forecast their financial position in the first post-war quinquennium, take credit for every possible tax measure and reduce every item of non-developmental expenditure incurred at present, so that as large a volume of resources might be available for development after the war as possible. The Central Government postulate that a reasonably speedy rate of demobilization after the war will prove possible and lead to a reduction in defence expenditure and a corresponding increase in development expenditure. But they overlook that the assumed taxable capacity is conditioned by the averting of a slump and the maintenance of the present scale of total expenditure. On any other assumption, a revenue surplus of Rs. 100 crores per year would entail intolerable burden with deflationary effect on enterprise.

Thus, from an anti-slump point of view, the maintenance of total expenditure would appear to be so imperative that public works absorbing considerable quantities of labour would have to be put through by the State immediately on the cessation of hostilities, even though the cost of such schemes might be higher than if they were delayed till a later date and though such schemes might not directly create additional taxable capacity. This might at first sight appear to contradict the tenets of policy laid down earlier in the article, *viz.*, that Government borrowing should not collide with private borrowing in the market and tax policy should favour private investment. But in reality no contradiction is involved, if (1) Government raise the money for the anti-slump public works predominantly by loans and not by taxation, and (2) they encourage the growth of all types of industries by a deliberate policy of liberal tax allowances for renovation and expansion and freer permission for the formation of companies for the purpose. Having regard to the large volume of investible funds available, the scale of Government borrowing is less likely to be a serious cause of restriction of industrial enterprise than the manner of operation of the capital issues control. But a fiscal policy which bears lightly on industry, but rests largely on loans, is an essential combination to meet the peculiar circumstances of the post-war transition because whereas the public works programme would serve to maintain the level of prices, stimulation of industries would add to employment and national income and directly to taxable capacity. And, a development programme which maintains a high level of total expenditure and em-

ployment at the same time as it creates additional taxable capacity, can be attained only by a combination of these two fiscal elements.

Any fear that a relaxation of the tax measures or of the restriction on capital issues will hold up essential schemes or public works contemplated by the Government themselves will be without foundation. For, in the first place, essential Government participations will surely enjoy priority. But secondly, and more importantly, companies formed to develop industries will no doubt raise internal finance as a first step, but when industrialization gets going and imports of capital goods commence, internal finance will get converted into external finance and Government, through the appropriate fiscal channels, get command of the internal finance so released for all their projects like public works, which are going to absorb only internal finance in the main. Not that Government will have to wait until such conversion takes place or sterling assets are released. Such a contingency will be improbable in view of the large

volume of domestic funds already in existence. Even if such a contingency were to occur, it is not fiscally insuperable without resort to creating new money.

In the light of the above, it will be seen how singularly inappropriate and mischievous is the fundamental financial canon of Government that tax burden will be at its height in the post-war period, whereas the circumstances of the situation demand that the stimulation of national income conducive to greater taxable capacity should be aimed at by exactly the opposite tax policy and that any other policy will be certain to kill the goose that lays the golden eggs and retard the much desired development of social services. In the absence of categorical assurance in respect of these aspects of fiscal policy, the forecasts of future yield of every conceivable tax and plans of increased expenditure on their strength, which the Government will be busy making in the next few months, will be not only infructuous, but positively dangerous.

Roles Reversed

IN a recent speech, Mr. Herbert Morrison, the British Minister for Home Security, made the profound remark that "America today is in a progressive stage of capitalist development as was Britain in the nineteenth century." We see signs of this reversing of roles between Britain and the U.S.A. in the economic world during the last one hundred years. In the later half of the last century, England stood all out for free trade and private enterprise. Though the campaign for free trade was fought with an almost religious faith in the principles of classical economics, it would not have made headway if it had not suited the economic needs of Britain. She had become the premier industrial nation of Europe. Her supremacy had been established in steel and textiles. Her ships carried the major part of the world's commerce. London had become the centre of world finance. Absolute free trade and unfettered private enterprise to take advantage of it became the corner-stones of British policy. For nearly half a century, they brought high dividends. From the beginning of this century, rivals rose up who first built up their industries under high tariffs but soon were strong enough to fight in the free markets. Still, British supremacy continued till the beginning of the first war. At the end of that war, British capitalism had passed the progressive stage and entered on its decline. In the interval between the two wars, British policy has been that of arresting decline rather than building for further progress. Yet her invisible income from investments abroad, from shipping, banking and commerce was large enough to preserve the system intact. So Mr. Morrison is not exaggerating when he says, "We have now reached a point where a case for nationalization rests upon hard facts—a slough of despond in which privately owned industry landed itself..... Although we must aim at America's results, we cannot attempt to copy her industrial structure. You cannot turn back the clock three-quarters of a century."

If we turn our attention to the U.S.A., we see a sharp contrast. In spite of the terrible experiences of the great depression of the last decade, America is turning to free enterprise and free trade with increasing faith. She is now the strongest protagonist of removal of trade barriers. The last Presidential election was not fought between the New Deal and free private enterprise. President Roosevelt had declared for the removal of controls on private enter-

prise as speedily as possible. His Government has been working consistently for the restoration of free trade. The main *quid pro quo* for Lend Lease aid to Britain was the latter's undertaking to co-operate for the lessening of trade barriers. This is the main objective of the International Monetary Fund. In the International Air Conference, a great battle is being fought between free competition advocated by the U.S.A. and controlled competition aimed at by Britain.

It is not difficult to understand why the roles of Britain and the U.S.A. have been reversed. In the fields of industry, transport and finance, the U.S.A. has succeeded to the supremacy enjoyed by Britain at the beginning of this century. In the International Monetary Fund, the quota of the U.S.A. is 2,750 million dollars against 1,300 million dollars for the U.K. As the basis of these quotas was, presumably the foreign trade of the members, these figures indicate the present estimates of the relation of these countries in post-war commerce. In the field of civil aviation, "the American industry is a thousand times superior to the British civil aircraft industry," to quote a *Reuter* report from London. Though the present war may for a time eliminate Germany and Japan, the main advantage from this elimination will accrue to the U.S.A. under free trade.

Has not the U.S.A. suffered severely from unrestricted private enterprise and competition and has she not derived immense benefits from the controls instituted under the New Deal? To the outsider, these questions may not seem to admit of any doubt. But the prevalent feeling in America is that the crisis of fifteen years ago was due more to short-sighted commercial and financial policies rather than to the inherent defects of private enterprise and competition. It is now freely admitted that imports into the U.S.A. should be as actively encouraged as exports. An even more significant admission is that the conversion of backward economies of Asia and Africa into progressive economies is an indispensable condition of maintaining and advancing American prosperity. It cannot be denied that, if the leaders of the U.S.A. can act vigorously on the latter conviction and help to modernize India, China and other backward countries, they may be able to ensure full employment for some time at least for the workers of the U.S.A. even under capitalism.

While the U.S. has taken the place of Britain as the chief defender of capitalism, there are vital differences between the two which may lead to entirely different results. Owing to her enormous area and resources and the size of the local market, the dependence of the U.S.A. on foreign trade will never be so great as that of Britain. Individual firms there may produce on a scale which can be achieved in Britain and other countries only by cartels and monopolies. This is the reason why British opinion is in favour of cartels which evoke so much antagonism on the other side of the Atlantic. American economy is also more balanced between agriculture and industry. All these factors tend to rule out the need of direct political influence to further foreign trade. So long as Britain was the leader of the capitalist world, capitalism was tainted with imperialism. If the U.S.A. can continue to be free of imperialistic tendencies in the post-war world, it will help the world to judge the merits and defects of the system in a less prejudiced manner. The next few decades will see a great race between Soviet Russia and the U.S.A. That the socialist system has produced remarkable results in Russia cannot be denied, but it can also be truthfully claimed that the capitalist system has produced no less remarkable results in the U.S.A. It may be argued that the tempo of Russian advance has been greater, but it is difficult to say how far it is due to the tempo of technical advance when Russia began her march and how far to the socialist system. It is only when the two countries have arrived at the same industrial level that their relative potentialities can be fully assessed. Unfortunately, the present war has post-

poned the day when the U.S.A. and the U.S.S.R. may be expected to be on the same plane.

What is to be Britain's future role? Will she be content to play the second fiddle to the U.S.A.? Or will she turn away from capitalism and follow Russian footsteps? Or will she take a middle path and evolve a new system in economics analogous to constitutional monarchy in politics? That Mr. Herbert Morrison and the Labour Party are groping their way towards some such compromise is clear from the speech already referred to. If Britain does manage to evolve a workable compromise, she may be able to preserve her individuality and leadership, though she may have no chance to rival the U.S.A. or the U.S.S.R. in wealth or power.

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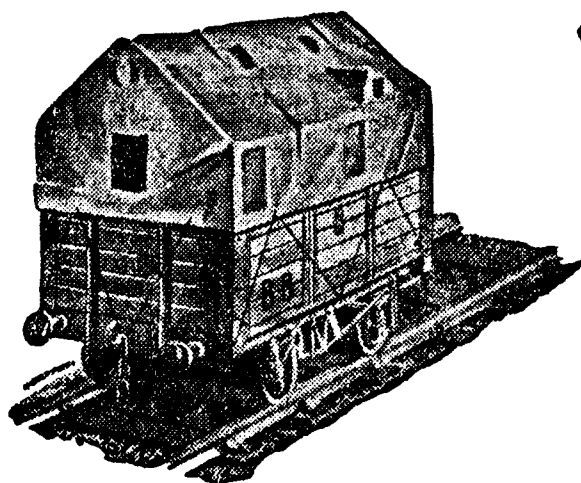
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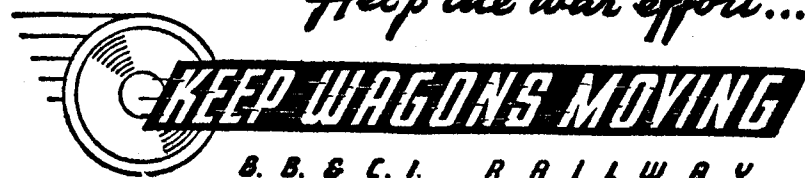
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The Week's Notes

THE LONG AND SHORT OF IT

While the Government is engaged in laying down long-range plans, there is a serious danger that the short-range and immediate tasks may be so severely neglected as to jeopardize the success of the long-range plans themselves. Any long-range plan must depend essentially on the fullest mobilization of our savings which would be possible only if the *existing* productive facilities remain fully mobilized and efficient so that national income and saving capacity may be kept at the highest level. The immediate and urgent task is, therefore, undoubtedly to keep our existing productive facilities fully mobilized and at the highest pitch of efficiency. But the Government's war-time economic policy, so far as it has been reflected in action or inaction, has not been always calculated to help the attainment of this primary immediate end. The ponderous machinery of economic control which the Government has at last set up through a process of trial and not inconsiderable error, has sometimes operated cumbrously and has even countered the primary ends in view. Economic controls may either play a positive and expansionary role, or function as a restrictive force. In India, thanks to the controls, a wide range of industries have almost continuously found themselves inhibited and frustrated much short of their full productive potentialities due to a multiple bottleneck of fuel, raw materials, imported equipments, transport facilities, fiscal policy and general administrative incompetence. The Government's stores purchase policy has not been helpful to industrialization. In regard to certain supplies which are essential for both defence and civilian needs, sometimes the Government takes up the whole of the domestic production for defence requirements, keeping the civil market reserved for foreign interests—no doubt with interesting post-war possibilities. Our equipments, roads and transport facilities are being worked to death, without financial and physical possibility of adequate replacement and renovation, to the serious detriment of our post-war competitive power. The fiscal system does not encourage the maximum diversion of resources to productive lines. For example, there is no pretext by the Government of desiring to have a tax system, as in other countries, which discriminates as between distributed profit (which is income) and undistributed profit used for capital expansion (which is industrial capital). The Government, consumed by its monetary preoccupations, is unable to recognize elementary economic realities and operates the capital issue control as if war effort consists in catching money in the name of long-range plans and scotching all short-range plans for adding to our economic capacity here and now. Surely, whatever adds to our economic capacity here and now adds to our capacity to shoulder ambitious long-range plans. The long and the short of it is simple. The Government cannot hope to cover up the failure of its short-range plans and the utter inadequacy of its present economic and financial policy by means of enchanting long-range plans drawn on paper. Even in regard to long-range plans, while there is talk of setting up a tariff board or liberalising the tariff policy, there is no sign of the Government constituting a central organ of a Supreme Economic Council with a strong representation of technical experts and industrial and commercial interests—a body which knows its business and is clothed with authority for the purpose.

LEASE-LEND IN NEW ROLE

It has been known for some time that negotiations have been going on between the British Government

and the Roosevelt Administration in regard to extension of Lease-Lend aid in its bearing on future Anglo-American trade relations. This week the "Special Lend-Lease Committee" of the United States consisting of the new Secretary of State, Mr. Edward Stettinius, Mr. Leo Crowley and Mr. Henry Morgenthau, has issued an important statement on the future of Lease-Lend from the point of view of Britain's export position. It said: "After the defeat of Germany there will be no impediment to the United Kingdom exporting articles so far as war conditions permit which were supplied under Lend-Lease and are obtained out of the United Kingdom's own production or purchased from the United States for cash." Thus would be removed the restrictions under the so-called "Eden Agreement," and Britain would in a position to resume partially her export trade. Agreement has been concluded fixing the programme of Lease-Lend aid to Britain during 1945 at \$5,600 million, a decrease of nearly 50 per cent. of the 1944 figure. This would cover the period between the end of hostilities in European theatres and that in the Far East. However, at this point Lease-Lend aid assumes a novel function. Lease-Lend was originally conceived in order to overcome all financial impediments in the way of the most advantageous pooling of the varied resources of the United Nations. But on the assumption that the collapse of Germany cannot be long delayed, the major or a large part of the Lease-Lend programme for the ensuing year would be to help Britain in transition and conversion to peace economy. According to report, the agreement reached between the Keynes delegation and the U.S.A. representatives for the continuance of Lease-Lend and Reverse Lease-Lend will have far-reaching consequences for British industry. The tight position in which Great Britain finds herself in regard to her international accounts as a result of the war, will be considerably eased by this extension of Lease-Lend aid and it would enable her to get the initial impetus without which the problem of her readjustment to the new economic set-up could not be solved except through a painful and tardy process. The use of Lease-Lend for purposes of international economic reconstruction and rehabilitation has indeed big possibilities. That the Roosevelt Administration should be so favourable to the idea of Lease-Lend, not for war effort of the United Nations, but to help Britain in her economic difficulties, flows from the realization that the prosperity of the United States, as of the world at large, depends importantly on the continued prosperity of Britain. But if world prosperity is indivisible, it is linked with the prosperity not only of Britain but also of other regions, and particularly with the rapid development of the backward areas. The United States will find that, willy-nilly, she cannot escape the international economic responsibilities which fall on her by reason of her overwhelming economic power.

THE DOLLAR POSITION

One immediate effect of this new Lend-Lease deal is expected to be an early recovery in Britain's export trade. If to this is added the benefit of a dollar grant-in-aid to Britain by the U.S.A., which is at present freely talked of as the other mission of Lord Keynes in Washington, the dollar position of Britain must show a striking improvement. Already there are admissions that the British Empire's dollar situation has eased, and reliable reports in London indicate that the authorities are thinking of making more liberal allocation of dollars to the sterling area countries. American estimates also point to the relative abundance of Britain's dollar resources. As pointed

out in our columns last week by our Special Representative in Washington, Britain's holdings of gold and dollar resources are estimated at \$3 billion out of a total of \$17 billion. The latest monthly letter of the National City Bank of New York gives even a higher figure. The amount of gold held outside of the U.S.A. has increased from \$10,750 mn. at the end of 1941 to \$14,670 mn. in June, 1944; and that of foreign banking funds in the U.S. from \$3,500 mn. to \$5,930. By the end of 1944, the two together are expected to total \$22 billion, whereas at the present rate of dollar accrual due to American foreign expenditure a further big increase in 1945 is certain. If to this are added some \$3 billion foreign holdings of American stocks and bonds and \$35 billion foreign direct investments in the U.S.A., the dollar resources outside of the U.S.A. would well exceed \$30 billion, which contrasts with only \$5 billion gold and dollar resources held by foreigners in 1919. Of this huge amount, a good deal must be on Britain's account. Our latest despatch from Washington states that private dollar loans to Britain are now well under way. In the light of these facts, the justification for commandeering India's dollar resources has ceased to exist and the demand for segregating the whole of our favourable balance of trade with the U.S.A. for India's use is overwhelmingly right.

FAILURE IN THE AIR

The Chicago Air Conference has broken up without reaching any agreement on the fifth freedom of the air. In the words of Mr. Adolf Berle, the President of the Conference, Britain and the U.S.A. came to a 'head on' clash. The bone of contention is the American claim to unlimited operation of the fifth freedom of the air, i.e., the right to pick up and set down passengers in intermediate countries on an international route, including intermediate points in the same country. Britain, France and many other countries were unwilling to accept this position, as undoubtedly it would mean the domination of the air by the U.S.A. and the deprivation of the rights of small nations. Various compromises were tried without success. One was the Canadian 'contracting out' clause which would allow two or more countries to group themselves in refusing the fifth freedom. Britain, which originally stood for international regulation of traffic and rates, compromised on the issue, hoping that in any international route the allocation of an 'irreducible' volume of traffic to her would mitigate the rigours of the fifth freedom. All this failed. Now the Americans are again presenting their original proposals as a 'take it or leave it' alternative and it is likely Britain, France and certain other countries will withdraw from the Conference. Britain's fear is that her aircraft industry does not possess the type of planes sufficient in number to ply international services and she might take three years to make up the deficiency. Meanwhile American planes will have covered the entire field. Then Britain pleaded for a breathing time for 'backward' and 'war-devastated countries' and exploited the sentiment of small nations that their local traffic would be stifled. But America has not resiled from her position and Britain in turn is going to refuse the Privileges the U.S.A. will be asking for and refrain from asking any herself until her bargaining power is improved. Meanwhile, the Indian delegate has reserved decision on the U.S. proposals and emphasized reservation of cabotage rights. As for external air services, India is nowhere in the picture, because even Britain has been worsted.

THE POPULATION COMMITTEE

The Government of India have constituted a small expert committee under the chairmanship of Mr.

W. M. Yeatts, formerly Census Commissioner, to examine and advise the Government of India on the available data relating to the growth of population in India. It has been realised more and more that any economic planning in India must be essentially related to the massive demographic pressure under which our economy has been straining in recent decades. The Bombay Plan proceeded on the assumption that our population would continue to increase at the annual rate of 5 million—a figure arrived at by calculating the simple arithmetical average of the last intercensal growth of our population. Such a crude assumption for a period covering 15 or 20 years or the best part of a generation, is of course, wholly gratuitous and could be condoned only by reason of the absence of adequate data. Recently there has been very great advance in the science of demography and elaborate, scientific methods of "population projection" have been worked out. Unfortunately in India, particularly in view of the fact that the tabulation of census figures in the 1941, census was curtailed, the corpus of primary census materials which normally provides a basis for a forecast of future population growth, is not available or properly organized. The task of the present committee is merely to review what materials exist and to consider whether they form an adequate basis for a forecast. It is quite clear therefore that the present committee is merely a pilot enquiry into the aspect of data organization in a field which requires urgent and detailed survey. In Great Britain, a Royal Commission has already been working for a long time to report exhaustively on the population problems facing Britain. Naturally the population problem facing Britain is vastly different from that facing us. But our problem is no less urgent and requires no less exhaustive study. But the task is not merely to forecast future population growth on the basis of life and mortality tables relating to past years. For in a country like ours struggling at the bottom of the economic and social ladder, it is essentially a dynamic problem, because, as we showed in a previous issue, the very advent of the planned economy would profoundly affect the mortality and survival rates with only a lagging fall in the birth-rate. With a planned economy, initially our population problem will tend to worsen. What is required includes *inter alia* also a comprehensive enquiry into the socio-economic background.

THE CENTRE AND CALCUTTA

The Food Member's announcement last week that the Government of India's undertaking given last year to feed Calcutta should now be withdrawn has provoked much hostile comment in Bengal. A great deal of the criticism is due to a misreading of the implications of Sir J. P. Srivastava's statement. It will be recalled that the Centre assumed the specific responsibility of feeding Calcutta at a time of grave emergency, when the province was still in the throes of the great famine, there was an overall shortage of food, the harvest prospects were uncertain, rationing was yet to be introduced in the urban areas and an efficient procurement machinery was yet non-existent. The Centre's decision at that time was dictated as much by a distrust of the Provincial Government's ability to feed the strategically important population of Calcutta as by a genuine desire to see that the burden placed on the Bengal Civil Supplies Department was as light as possible in the initial stages. It cannot be questioned that the food situation in Bengal has now improved, although difference of opinion is possible on the extent of the improvement. The Food Member himself believes that the improvement is very substantial and the province is now "practically self-supporting." In support of his view, he stated that the Bengal Government have succeeded in procuring nearly 1,000,000

tons of rice and that "very large stocks of rice will be carried over as a reserve for the next year after the current demands of deficit districts have been met." He has also estimated that when the procurement operations are completed, the figure of reserve might touch the 500,000-ton mark as against the requirements of Calcutta, including Greater Calcutta, of 350,000 tons a year of rice. Assuming these estimates to be sound, the Central Government would be justified in their decision to divest themselves of the specific responsibility of feeding Calcutta. The effect of this decision is not, as has been misunderstood or misinterpreted by critics, that henceforth the Government of India do not care whether Calcutta eats or starves, but that from now on the Provincial Government is primarily responsible for feeding Calcutta as for feeding the rest of Bengal. The Bengal Government, however, are entitled, just as any other Provincial Government to apply to the Centre for allotment of imports to make good provincial deficits, if any. In other words, the Central Government is still ultimately responsible for feeding Calcutta, as it is for feeding other parts of Bengal or of the country at large. Only, a specific responsibility assumed by the Centre in a state of emergency has been relinquished on the ground that the state of emergency has passed.

STATES AND PLANNING

An unprecedented crisis in the affairs of the Indian States is reported to have occurred as a result of the statement of the Crown Representative that the existing treaties cannot be considered inviolate and inviolable and that they must be adjusted to suit the needs of modern times. The Crown Representative is said to have asserted that, the Princes can not stand on their rights of sovereignty and thus prevent the development of civil aviation and other communications including roads, railways, posts and telegraphs, and that economic considerations may require Indian states to line up with the British India in regard to taxation, labour laws and other matters. That competitive conservatism of the different parts does not frustrate India's economic progress is an obvious need of the situation. Whatever incongruity or inconsistency there might be in the latest Viceregal interpretation of the sanctified pledges, the recognition of the fundamental economic unity and the need of an integrated working of the economy of the country is apparently, a progressive approach towards the liquidation of some of the anachronistic vestiges on the path of a comprehensive planning in India. When India plans her economy in future aiming at the maximum possible development within a given period the setting up of a final All-India organ in economic matters or a Supreme Economic Council will be inevitable—without necessarily implying an extreme concentration of power and initiative at the centre. The very size of the country and diversity of conditions demand local and regional responsibilities in respect of living standards, and so long as the centre is incapable of maintaining satisfactory universal standards it must tolerate regional variants of its general policies. Indian States constituting a third of the country with a fourth of its population have only three per cent. of India's industries. The conditions in the Indian States in this respect are, in fact, not very different from those in large parts of British India itself; for owing to certain factors there has been a tendency towards regional and local concentration of industrial development in India in the past. The best way to remedy the situation is not parochial policies but a planned distribution of industrial location aiming at a universally rising standard of living.

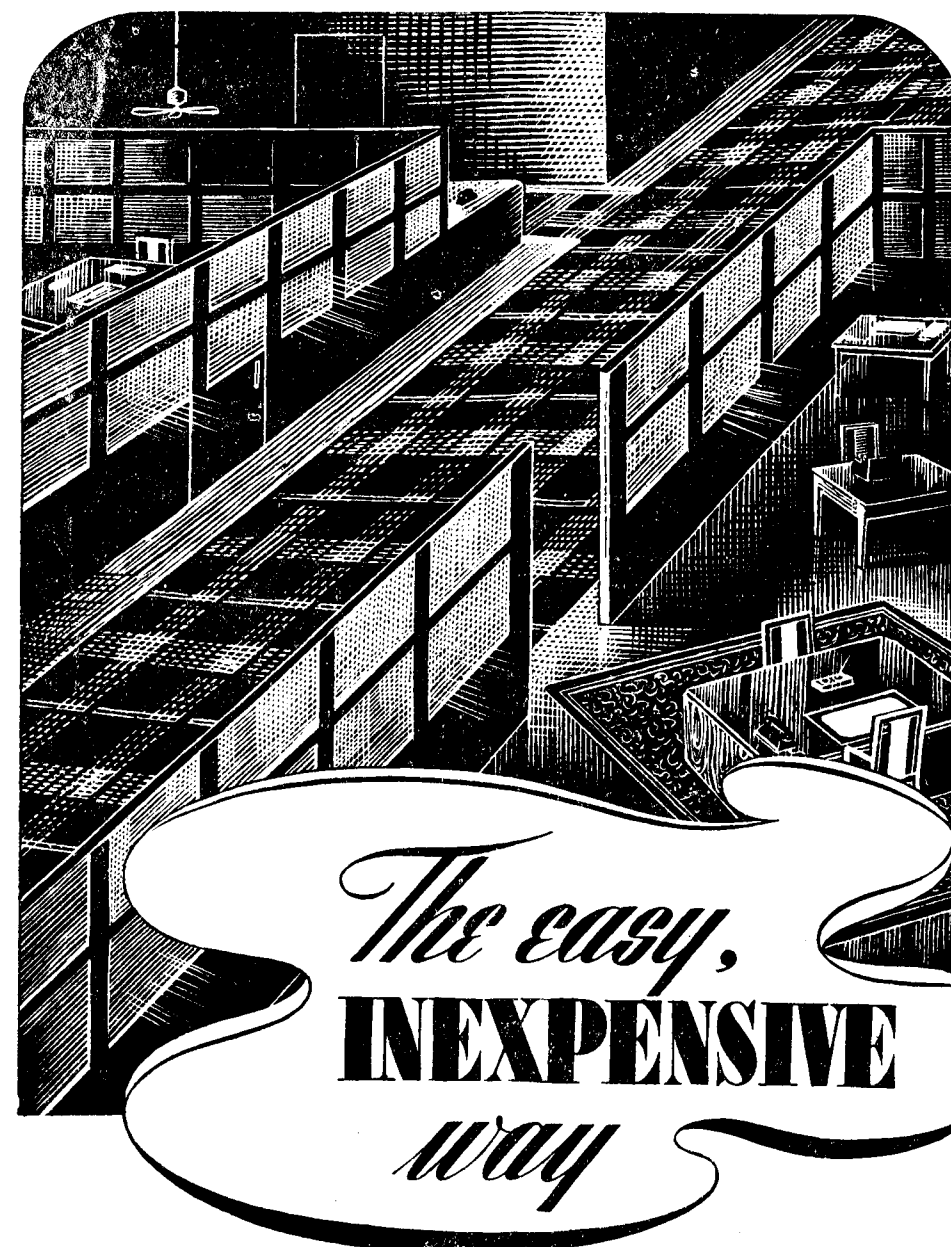
Local initiative and enterprise will be vital for the success of planning, and the efforts some States have made during recent years and many propose to make after the war for the economic uplift of their areas need encouragement. Within the framework of central policies the regions need not find a harmonious development at all difficult. But the assumption in this case as in all our post-war planning is a government at the centre representing the wishes of all India. Policies central or regional unrelated to popular wishes can hardly release the forces necessary for the economic transformation of the country.

ADVENTUROUS AGRICULTURE

The May number of the *Indian Farming*, issued just now, gives an interesting illustration of the high productivity of intensive farming. A small *zamindar* in the hill district of Kangra is the hero of the story. An educated young man with a good opinion of himself, he wanted to try out new ideas on the three acres of irrigated land, which, with much misgivings and after not a little persuasion, his father agreed to place at his disposal. Shafiq—that is the lad's name—went to work early in 1941. Till then, the three acres had been producing annually 32 maunds of rice and 17 maunds of wheat. But, Shafiq's view of profitable agriculture happened to be different. He decided to retain only one acre under rice and wheat and put the other two under more economic crops. His production chart for the agricultural year 1942-43 is as follows:

Produce	Area (Acre)	Yield (Mds.)
Rice	1	14
Wheat	1	7
Summer vegetables	1	68
Ginger	¼	85
Maize	¾	Sufficient for feeding bullocks in summer. Green cobs also used as human food.
Potato (winter) ..	½	28
Potato (spring) ..	¾	55
Early winter vegetables ..	¾	92
Winter vegetables	¼	
Onion	½	35
Papita	In hedges only	9
Vegetable seeds ..	Small plots from the usual crops,	Sufficient for own use, also sold worth Rs. 36.
Berseem	¼	Sufficient for providing green fodder in winter.
Teazel	¼	Sold produce worth Rs. 1,300.
Honey	One hive.	11 lb.

Thus, the changed system of cropping has given some 360 mds. of high-value vegetables, summer and winter feed for a pair of bullocks and teazel worth Rs. 1,300, all at the expense of 18 mds. of rice and 10 mds. of wheat. It is a pity that the balance-sheet for this production has not been worked out; nevertheless, it is quite clear that Shafiq has scored hands down over his old-fashioned, cereal-centred father and others of his ilk. Nothing succeeds like success and the adventurous young farmer, it is reported, is now engaged in planting 1½ acres with fruit trees.



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SPECIAL ARTICLES

Wanted an Investment Board

By P. S. Narayan Prasad

THE control of investment is an important aspect of the work of economic planning. The proposed re-incarnation of the Tariff Board, with powers for the control of investment appended to it, recognizes this importance. But if planning is to be real and effective, a Tariff Board having investment control as a subsidiary occupation cannot do this work effectively. The purpose of this article is to show that the work of investment control will have so many ramifications that only a separate Investment Board—working, of course, as an adjunct to other planning bodies—is absolutely essential.

Broadly speaking, the aims of investment control are as follows: Such a Board may be expected to pursue two lines of activity—the control of investment, which is necessary in any substitution of a planned for a *laissez-faire* economy; and the financing of industrial development according to a carefully worked out scheme of priorities. This work, involves the planning out of the details of control suggested in general terms by the planning authority and the actual administration of projects; and would be so varied that only a full-time Board completely given to this task can tackle it. In the industrial countries, even independently of suggestions for planning, the creation of investment boards as a part of the machinery for industrial control has been recognized for a long time; and, once planning is to be taken up seriously, its creation becomes the more imperative, for the control of the erratic causes of unregulated private enterprise—often subject to the pulls of sectional interests at variance with the social good or speculative excitements ending in a wasteful misdirection of capital. But, of course, this Board would be useful in performing, not only the negative function of preventing waste, but also some positive functions allied to planning.

But, even apart from planning, economists have advocated control of investment as offering the only safe remedy both for the control of the periodical trade cycle, with all its appendant evils, as also for the right ordering of a balance between production and consumption. This advocacy is due partly, to the recognition that a manipulation of monetary policy through the rate of interest *per se* does not provide an adequate safeguard against the trade cycle unless supplemented by investment control. Especially would this be needed in a country like India where the Reserve Bank's control over the money market is as yet incomplete and the size of the country and the extensive provincial interests render a perfect central control of monetary policy very far from perfect.

Further, in a planned economy, investment policy needs to take account of the problem of a fair distribution of the cost of industrialization in real terms between the present and future generations. This has to be worked out, particularly, through a suitable public loan policy the absence of which may lead to the insidious emergence of a trade cycle from too great a tightening of the belt giving rise to an under consumptionist spiral. Moreover, in a planned economy it is necessary to eliminate by control the tendency inherent in the system, for the rate of interest to remain at a higher level than the marginal efficiency of capital, resulting in offering an excessive reward for capital, which in turn sets in motion forces which culminate in a trade cycle. This tendency of

the rate of interest to remain above the 'natural rate' has to be remedied by a proper timing of the investments—a work which is as necessary an adjunct of economic equilibrium as the control of the rate of interest itself. It is also to be recognized that allied with a proper monetary policy the control of investment offers the means for controlling, in the interests of public good, the deplorable consequences of some of the rentier aspects of capitalism without having to eliminate some of its inherent conveniences like free enterprise, the price mechanism, etc. In other words, control of investment is to be envisaged, not only from the narrow angle of ordering priorities, but the larger stand-point of being an ally of an economic policy that seeks to restore, to the extent possible, the relation between function and reward, the glaring violation of which is one of the monstrous accompaniments of an unregulated economy. To what extent an Investment Board in this country may be expected to aim at these objectives, may be a matter for opinion, but that these are the real aims of investment policy would not perhaps be denied—for without these, planning is bound to be only nominal.

More concretely, it is desirable to have in this country an Investment Board organized on an inter-provincial basis. This should work in co-operation with a central industrial bank having branches in as many of the important industrial centres as possible. Together, they might function as a financing agency for industries which may be planned for development and supervise and licence the issue of all new floatations to work out the plan. They might even take up the work of issuing shares, at least for the State planned industries, if not for others also, and under-write new floatations as is done by the German industrial banks. In other words the Board will also have to be an agency for providing investment capital for the provision of which no facilities exist in this country. Where assistance is offered to private industry this may be granted subject to the obtaining of a representation on the directorate which may be useful as a means for harmonizing the interests of the consumer and producer and safeguarding the shareholder from the reckless promoter and his depredations. And the inside knowledge gained by such representation may be of use in arbitrating between the claims of capital and labour.

The creation of an Investment Board of this type will have numerous advantages. It can be used as an agency to mobilize the community's savings and make a better use of those now misdirected for want of guidance. Its intimate contact with industry will give it an insight into its affairs; and experience gained by one branch may be of use in tackling the problems of another. The experience of industrialization as a whole could be consolidated for future guidance. While its control on public issues would enable it to check the intrusion of undesirable foreign capital and the starting of mushroom concerns, it may itself become a centralized agency for negotiating for foreign capital. It can also be useful as a mechanism for centralizing and co-ordinating the various sources of credit and capital, like the private banks, co-operative societies, insurance reserves, etc.

Of course, there are difficulties in the way of establishing a Board with such wide—and also, necessarily, in the exploratory stages, somewhat vague—

functions. But if created with a financial status of its own, there is no reason why it should not function successfully; and given a certain measure of inter-provincial co-operation, its financial aspect may not offer a formidable difficulty. To start with the Board might issue its own stock, Government themselves, will have to probably share in the subscription to the extent necessary for retaining control over policy and administration—provided, of course, it is a National Government. It should, further, be possible to borrow on Government security from funds in various reserves like those of insurance companies, private trusts and endowments.

In addition to all these, it may even be considered whether the participating governments (*i.e.*, central and provincial) could provide for its capital by earmarking funds from certain uniformly imposed items of revenue for a given period. For example the imposition of a uniform inheritance tax and its accumulation for a period of five or ten years may be quite a convenient method and it can be justified on grounds of economic theory. It is only out of such properties as are thus taxable that the necessary savings are likely to arise and the burden of this taxation would be

mitigated by the fact that the accumulation is to be put to productive uses likely to enhance the taxable capacity of the community. This method of financing will have the further advantage that it would cause the least inconvenience to those sections of the community who may not be able to pay for industrialization, but may be indirectly compelled to do so by the fall in real wages brought about through inflationary or unregulated financing of industry.

It might be said in conclusion that the actual details both as regards the organization, functions, and methods of financing the Board may turn out to be different in the actual realization. But, having in view the very large number of useful functions which such a Board could perform, it will probably be conceded that without some such mechanism, independently of the Tariff Board, the control of investment in the best manner would not be possible. Such control seems to be indispensable to the success of any variety of planning even as its absence would be perhaps a guarantee of its failure.

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(From Our Special Representative)

WASHINGTON, Dec. 4, 1944 (By Cable).

OPPOSITION to Congressional ratification of the Bretton Woods conclusions is, of course, expected. But what is interesting is the confidence of the Administration in getting them through Congress. Mr. Acheson, Assistant Secretary of State, gave the House Sub-Committee on Foreign Trade a comprehensive picture of what the Administration proposed to do and in it the ratification by Congress of the I.M.F. and the Bank fills a large place. Bankers, who are loud in their opposition, have not yet been able to present a united report. It is reported that not all agree with Mr. Winthrop Aldrich in his opposition to the Fund. Those friendly towards India strongly hope that India will join the I.M.F. not only because she will not lose anything thereby but also because an independent international status which India had at Bretton Woods which her delegates fully—though unsuccessfully—exploited will contribute to her increasing strength. It is also clear, judging from my experience here, that the exclusion of blocked balances from the Fund is not the result of any inherent fault in the original plan but was a concession obtained at diplomatic level.

General Eisenhower's appeal for more supplies has had immediate effect here. Reconversion to civilian production which had been permitted recently has been stopped and orders have been issued drastically modifying the 90-day period programme for return to civilian manufacture. As a result, no new civilian production is to be authorized in areas where manpower is short. The report is that already the order is producing a favourable effect and labour which had been coming out of war plants is returning to them in large numbers. But this halt to reconversion is a temporary phase brought about by a sudden upsurge of demands from war fronts.

The Lend-Lease Agreement between America and Britain for 1945 reflects the next phase of the war when, after Germany's defeat, the need for the present volume of supply may well be reduced. The Agreement provides, therefore, for the supply of only 5.5 billion dollars worth of goods, which represents a reduction by 43 per cent. over the current year. But the importance of the new Agreement lies in two or three things. In the first place, Britain has definitely made it clear that she should from now begin to reconvert her war economy to civilian production with a view to recapturing her export trade. Secondly, while the fundamental principle of Lease-Lend that no supply should be directed to re-export for private trade benefit still continues to govern it, so far as such supplies go to the maintenance of domestic consumption it is legitimate. Britain under the new terms can get food, pre-fabricated houses and other materials intended for the maintenance of her essential war-time economy. These supplies will automatically release Britain's own resources for the building up of her export trade; for example, pre-fabricated houses will release British steel. Manpower in Britain will be released for the purpose of producing civilian goods both for home consumption and export trade. Thirdly, each country will proceed to reconversion on the same percentage basis, that is, if America reconverts 40 per cent. of her war industry Britain will also have the same right. Of course, Britain can pay in cash for such materials as she needs for production for export. But in this connection, it is useful to note that arrangements for big dollar credit to Britain through private channels are well under way. The Johnson Act, which precludes

loans to default countries (of whom Britain is one), is shortly to be repealed, and Mr. Acheson's nine points include repeal of the Act. On the whole, Lord Keynes' Mission has met with surprising success. Official opinion has been influenced to such an extent that it is even suggested as a definite policy that America should do nothing to reduce Britain's trade with India and other countries and that it is to America's interest to keep Britain's trade strong in the East. This, of course, by no means represents American business opinion which is highly critical of Lend-Lease terms and finds in this the first indication of President Roosevelt's intention to continue Lease-Lend for the post-war reconstruction of Britain.

How about India? While Britain hopes to increase her consumption, the Government of India are doing nothing to remove the appalling scarcity of essential goods. India's reconversion and reequipment needs are even more urgent. For these purposes the entire amount of her dollar resources appropriated to the sterling pool should be released. Further, in the credit which Britain is arranging in the United States, a definite portion should be allocated for India's needs so that thereby some of her sterling may immediately be converted into dollars.

The question of the effects of taxation on industry and investment is engaging the attention of business men here, who have appointed committees to make a thorough study. Meanwhile, strong expression of his views by Mr. Schram, President of the New York Stock Exchange, has come in for wide notice. Mr. Schram, in an address to the Executive Club, Chicago, declared that the "most serious defect in the tax structure was the discouragement of the flow of venture capital. The nation must have a tax system which will stimulate the flow of venture capital into productive channels. We must not continue to handicap business and then charge it with being unable to provide jobs." His suggestions include a reduction in burden on American corporate enterprise, provision of incentives for investment in plant and equipment, encouragement of investment in new enterprises and helping the creation of a nation of investors with direct stake in business enterprise as proprietors.

In a very significant report presented by an influential committee of the National Planning Association, complete reversal of America's attitude to imports is strongly urged, if she is to make most of her post-war trade opportunities and fulfil her obligations as the world's principal creditor nation. The Committee reports that projection of pre-war American policies into the future, assuming the national income of 170 billion dollars, would give the country exports in 1950 of 7 billion dollars with imports of 5 billion dollars. The balance would be made up by 300 million dollars net outgo on account of service items and 1,700 million dollars in net capital outflow, of which 1,000 million dollars would be in long-term investment. The report adds that the "failure of this country to export capital at a rate substantially greater than 1,000 million dollars would be little short of disastrous from the world's point of view." And it recommends a budget for 1950 in which there would be exports of 10 billion dollars of long-term capital investments abroad. This view is likely to gain the ear of the Administration, which has a proposal for the expansion of the lending authority of the Export and Import Bank along with the repeal of the Johnson Act. America cannot any longer cling to old foreign trade and investment policies of her non-industrial and debtor period.

Washington Letter

Targets For Trade
(From Our Washington Correspondent)

WASHINGTON, Dec. 4, 1944 (By Cable).

THE Washington National Planning Association, comprising leaders of business, labour and agriculture, in a report on post-war export and import goals issued last week, said that the United States should boost export trade to \$10 billions annually within the next six years and in the same period reach an annual import rate of \$6 billions. The Association further said that these goals were necessary to aid in making dollar exchange available to other countries and in the maintenance of full employment in America. The United States will be able to take leadership in expanding world trade only if she "vigorously supports" the World Bank for Reconstruction and Development proposed at Bretton Woods and adopts various corrective measures in respect of the tariff system and offers encouragement to foreign investment. The report advocates that tariffs in the U.S.A. should be systematically and gradually reduced instead of being scaled down abruptly. It holds that \$10-billion export goal cannot be achieved under the present policies, but believes that tariff reduction would enable foreign countries to buy products which the United States needs to sell and to repay United States loans. It proposed that private and public capital investments should be increased by taking special measures making them more secure and thus speeding world reconstruction and development. It has recommended the establishment of a Commission on National Foreign Trade Policy to study tariff laws and develop proposals for gradual and selective reduction thereof. The members of such Commission would be chosen from both the Houses of Congress, Departments of State, Commerce, Agriculture, Treasury, Labour, Tariff Commission, Foreign Economic Administration and Office of Co-ordination of Inter-State Affairs. It expressed the opinion that support for the World Bank was specially necessary as a means to increase the flow of foreign investments. It has further recommended that further measures for increasing foreign investment, namely, "the extension of underwriting powers of the Export and Import Bank and the Reconstruction Finance Corporation, removal of regulations directed at restriction of foreign loans, establishment of a Foreign Investment Commission composed of representatives of appropriate federal agencies to co-ordinate information and exercise general supervision over investments and American participation in establishing some adequate mechanism for the stabilization of international exchange," should also be taken. It has recommended that the long-term capital exports be increased to \$3 billion annually.

Dr. P. S. Lokanathan, who is here for consultation with high Government officials, visited the chairmen of two of the most important committees of the House of Representatives, Mr. Clarence Lea of the Inter-State Foreign Commerce Committee and Mr. William Colmer of the Special Committee on Post-War Economic Policy Planning. He also saw Mr. Harry White, author of the Stabilization Plan, Mr. Marriner Eccles, a Governor of the Federal Reserve System, and several others. Dr. Lokanathan said that Mr. Lea had promised utmost help to promote post-war trade with India and said that he felt it was necessary for the two countries to be acquainted better with each other and have more contacts. Dr. Lokanathan suggested to Mr. Lea that he would be able to advocate, in the interests of the promotion of trade, that India should be provided with greater technical knowledge. In this task America could contribute much if she made training facilities available for Indian industries here in branches such as

chemistry, engineering, etc. He also suggested that there was ample room for the expansion of India's trade without the reduction of her normal volume with England. He expressed the opinion that India could increase particularly the importations of machine-tools and capital goods from the United States without injury to British trade. He said that Mr. Colmer seemed to be specially interested in the political aspects of India's trade but he told Dr Lokanathan that the United States was, for the time being, wholly pre-occupied with matters relating to the war but she sympathized with India. Dr. Lokanathan said that he told Congressmen that one way to help to improve the relations between the two countries would be the publication of more Indian news in the U.S. press, remarking that, considering the great international responsibility of the United States, particularly in the post-war period, the U.S. public could not afford to be ignorant of the problems that confront the rest of the world. He said he was somewhat disturbed at the paucity of news in the United States relating to various nations.

The U.S.A.'s war-production, which has lately not been meeting the demands in certain critical categories, will soon be supplemented by production in liberated industrial plants in France, Belgium and the Netherlands. Mr. James F. Byrens, Director of War Mobilization and Reconversion, sometimes known as Assistant President, making an announcement of the plan to use European plants, last week pointed out that it would not only provide badly needed military supplies but also lessen the strain on shipping facilities which was such a serious problem at present. Mr. Byrens was quick to emphasize that production in these liberated plants would by no means decrease demands for the increased war-production in the United States. Among the items expected to be produced in European plants, whose production was retarded here on account of acute man-power situation, are heavy duty truck tyres, truck parts and tentage, stocks of which have been for some time on a critical production list here along with heavy artillery ammunition, heavy field artillery, some other equipment like assault transports and bombers, etc. Demand for these items, Mr. Byrens said, will be greater than can be met with all available facilities at home and abroad. As an example of the aid that such production can provide, he referred to the facilities available in France and Belgium for re-treating tyres. They can reclaim thousands of tyres that would otherwise have to be discarded and make them promptly available to General Eisenhower, whereas otherwise he would have to wait for the entire supply of tyres from American factories. It was reported here at the same time that ample labour supply is expected to be available to man the French, Netherlands and Belgian factories. It was emphasized that the programme could not affect the American labour market, because factories will produce only those items that are being produced in this country in areas where there is a critical labour shortage. Agreement for carrying out the production programme in the liberated areas of Europe was reached by Mr. Byrens, the Under-Secretary of War, Mr. Robert P. Patterson, and "high military personnel." Steps were taken at a time when the Man-power Director, Mr. Paul V. McNutt, had found that a man-power shortage of the "utmost seriousness" exists in certain areas of critical production. Mr. Byrens had said bluntly that unless the condition was remedied within a "reasonable period of time" he would have to take "drastic" action as to the production of new commodities for civilian use.

A DELHI DIARY

THE Princes have dropped a brick. Their Standing Committee has "resigned" *en bloc* and its consequence was a terrible rebuff to Lord Wavell who had called the session of the Chamber of Princes and had prepared his first address to the gilded Chamber. "Paramountcy is paramount"—this dictum is really at the root of the whole trouble. The Princes cannot escape blame for bringing about the present situation. It was they who paid fabulous fees to British K.C.s in order to establish the fact that their relations were directly with the Crown and that the future self-governing India should have no authority over them such as was exercised by the Government of India when it was wholly white or had a majority of Britishers on the Executive Council. Now they wish to escape the very noose they had put round their own neck. All that Lord Wavell and Sir Francis Wylie have done is to tighten the noose!

What the Princes see clearly is that sooner or later, probably sooner, their number will be reduced from six hundred and odd to about 25 units. Groupings or mergers will be the method. The Britishers see Indian capital drifting towards States and apprehend that the so-called sovereignty might result in the building up of some heavy industries in the States. They scotched with difficulty the Mysore-cum-Walchand enterprise in regard to motor industry; spasmodic efforts of this kind may not do in the post-war period. The States must fall into line with an all-India economic plan, and such a plan will be of British make in so far as the present Government can help it.

The motive of the Princes is not altogether patriotic. Many of them visualize a dwindling privy purse, and, as did the British barons long ago, they wish to invest in industries and become multi-millionaires. Some of the Rulers such as those of Bhopal and Rampur have heavy personal stake in factories. Bhopal-Noon and Rampur-Srivastava combinations are well known. The Princes want industries to grow in their States in their personal interest and also because it would raise the standard of living of their people. That only 3 per cent. of India's industries are located in the States which constitute a third of India in land and a fourth in population is a strong argument in favour of special consideration to be given to the States. The Nawab of Bhopal said as much while speaking to the first meeting of the newly formed All-India States' Conference. "The States must make up the great leeway in respect of their industrial development if they are not to retard the progress of the country as a whole," he said.

British Indian reaction to the Wavell-Bhopal deadlock is one of qualified support to the plea for special consideration to the Indian States and also to the plan for an all-India economic plan. Unfortunately, the Political Department's outlook is vitiated by the imperial consideration that India as a whole should play her part to rebuild British finance and trade while the Princes' attitude is born largely of selfish motives. But political quarters are keen on seeing that the controversy would lead to the abolition of the Chamber of Princes. Lord Linlithgow kept this effect body only as a source of strength against the Congress movement. Lord Wavell may feel it is a thorn on his side. Certainly, the resignation of about three dozen Princes from the Standing Committee is meaningless unless they withdraw from the Chamber and bring about its dissolution, by abstaining from further participation in that body's affairs. One thing seems clear: The Princes have not played their cards deftly. If they had said, "Yes, we stand unequivocally for an

all-India economic plan. But you yourself say that after the war British India will get self-government. Let a National Government be formed now or after the war and we shall gladly co-operate with such a Government unreservedly. Until then, we will go our way and you go yours. We have a great leeway to make up in the matter both of internal reforms and industrial development, and we mean to do our best to make it up before a full-fledged National Government is formed. If, however, you form an interim Government, we will co-operate with such a Government"; such an attitude would have outwitted any wily diplomat.

Sir Ardeshir Dalal conferred this week with a number of leading industrialists on the question of importing capital goods. He certainly heard some plain-speaking. What India needs is, he was told, a strong Economic Council which would recommend sound industrial policy and be a guide, friend and philosopher of the Departments of Commerce, Finance, and Industries and Civil Supplies. The industrialists made it clear that the talk of a post-war Utopia of the Government's imagination should not make them ignore the immediate present. Much of what the future will yield would depend on how the present opportunity was exploited. A non-official committee, it was recommended, should scrutinize all new company flotations, and taxation and borrowing policy should be adjusted to the needs of vigorous industrial development. The Government was leaving little capital in the hands of the public to lay a nest-egg for future or to finance new enterprises. The existing industries needed to be nurtured.

The Viceroy has left on tour and will deliver his annual address to the Associated Chambers of Commerce in Calcutta. He will claim credit for what his departmental secretaries call "achievements" in such spheres as coal, food, transport, and the working of control measures. He is not expected to make a political pronouncement but will probably make a sympathetic reference to the Sapru Committee's effort at conciliation. The fact that he sent for Mr. Jinnah (at the instance, it is said, of Sir Sultan Ahmed) to counteract the impression that he had flirted with Mr. Bhulabhai Desai shows the way his mind is still working.

ARGUS.

The Eastern Economist

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CONNAUGHT CIRCUS,
NEW DELHI.

Money Markets

Better Demand For Funds—Bullish Sentiment in Stock Exchanges.

(From Our Correspondents)

BOMBAY, December 3, 1944.

SLIGHTLY better conditions were noticeable in the money market during the week under review. Trade demand for funds showed some improvement which enabled the banks to evince greater interest in short-term deposits. Three months deposits which were going begging at $\frac{1}{4}$ per cent. hardened to $\frac{1}{2}$ to $\frac{3}{4}$ per cent. Six months funds were well absorbed at as high a rate as one per cent. It is stated that some of the banks were even prepared to pay as much as $1\frac{1}{4}$ per cent. Call money, however, continued to be dull, the rate for such remaining unchanged at $\frac{1}{4}$ per cent.

The upward trend of bank deposits has continued, as may be seen from the fact that the demand liabilities of scheduled banks rose from Rs. 610.2 to Rs. 612.3 crores while time liabilities were nearly a crore higher at Rs. 201.6 crores on November 24. It is very significant that not only this increase in working capital, but some part of the previous deposits has been utilized by the scheduled banks in increasing their advances during the period under reference from Rs. 203.4 to Rs. 207.9 crores. In other words, while the banks received about Rs. 3.5 crores of fresh deposits, they increased their advances by Rs. 4.5 crores. Taking into account also the fact that their balances with the Reserve Bank were also lower by Rs. 6 crores on that date, one gets a picture of a rising trend of bank advances side by side with the usual additions to their investment portfolio. The growth of advances is probably not a flash-in-the-pan and is probably derived from advances against commodities, principally, cotton. Advances against bullion may also have contributed in a small degree to the greater usability of funds for banks. Increase in tax payments is perhaps another factor. But it is doubtful if many of the scheduled banks really enjoyed the demand for money evident in the rise under advances, and certain privileged members of the banking system have probably experienced the bulk of the demand for money.

Treasury Bills

As was to be expected, the Government of India were able to place their weekly quota of Rs. 6 crores Treasury Bills in the market at an average rate of Re. 0-7-11 per cent. In spite of the fact that tenders at the lower rate of Rs. 99-14-0 were allotted 51 per cent., the average rate has come down by a pie. Tenders at Rs. 99-14-3 should therefore have been fairly large. The total of applications at Rs. 11.3 crores is not so high as one might expect. This is probably due to the fact that the Bengal Government sold Rs. 5 crores of Treasury Bills the very next day. The market must have felt quite confident of obtaining a pretty good rate which in fact transpired to be Re. 0-9-5 per cent.—nearly $1\frac{1}{2}$ annas above the Central discount rate. In fact, applications for the Bengal Bills were not even Rs. 6 crores. This suggests a curious absence of competitive bidding. One would have normally expected that with the certain prospect of higher rate, larger applications might have been put in. The results of the tenders show that the tenderers had more or less come to an understanding amongst themselves as to the rate at which they would bid for the Provincial Treasury Bills. This emphasizes the glaring absence of a policy on the part of the authorities to place Provincial Treasury Bills at rates consistent with the rates paid by the Central Government. As we have often pointed out, a distinction between the Central and Provincial Govern-

ments in this matter is absurd. It will be the turn of the Assam Government, next week, to be similarly mulcted, as the Government has invited tenders for Rs. 2.5 crores for Treasury Bills. Again, the practice of issuing provincial Bills only a day after the Central Treasury Bills has still not been reversed, though it is worth a trial by the authorities.

Gilt-edges

In spite of the substantial offerings of $3\frac{1}{2}$ Rupee Paper by the Reserve Bank, this security is still keenly sought and is quoted at Rs. 100.1. Apart from the attraction of the higher yield available on Paper (3.49 per cent.), there is another reason impelling investors to go in for $3\frac{1}{2}$ per cent. Rupee Paper. A glance at the price of the various securities will show that there has been no further improvement in a good many of them during the week. The fact is that almost all the loans are fully priced at the current levels and the investor has to turn to one or two securities only. Thus $3\frac{1}{2}$ per cent. 1954-59 has moved up by four annas higher at Rs. 116-14-0 and Rs. 117-14-0. It is true that the 3 per cent. 1957 Victory Loan is still quoting at a discount of an anna, but on a close examination of gilt-edged prices, the conclusion suggests itself that the investor would very much welcome a new type of security, especially as all the short and medium dated securities are fully priced. Whether the authorities have any intention of issuing a new loan will be known after the turn of the year.

Bullion

The trend of the bullion market during the week under review was erratic. After a continuous rise in the early part of the week, silver began rapidly to decline, while gold, which was barely steady in the first half of the week, tended to move up. Speculative activity continued on a large scale. Opening at Rs. 122.12, ready silver shot up to Rs. 124.4 on Wednesday. The rate for one week forward also advanced from Rs. 120 to Rs. 123.2, owing to the manipulations of the "Bulls" who tried once again to squeeze the "Bears." Subsequently, however, prices dropped on continued poor demand from upcountry as also on reports that large supplies were expected from Kathiawar and some of the distant North Indian States. The rate for forward and spot dropped to as low as Rs. 118.14 and Rs. 120, respectively.

Gold witnessed a temporary setback during mid-week when the rate for spot fell to Rs. 63.10, as against the opening level of Rs. 65.8 but rallied towards the close to Rs. 64.13. The closing, however, was quiet at Rs. 64.4. Excepting on one or two days, the demand for ready gold was quite steady and that, too, on a slightly higher scale than last week. But owing to large stocks in the market this had no effect on the premium for ready gold which remained as low as 4 annas.

The Reserve Bank of India continued to sell, as in the past week, 300 bars of silver and 75,000 tolas of gold per day. The rates at which the Bank's offerings were taken up during the week under review are given below:

	Silver	Gold
28-11-44	.. Rs. 123 12 0 and over	Rs. 65. 1 0
29-11-44	.. " 124 4 0	.. 63 12 0
30-11-44	.. " 121 5 0	.. 64 2 0
1-12-44	.. " 119 10 0	.. 64 0 0

Stock Exchange

Buoyant conditions were witnessed in the Share Market. There was an all-round improvement in prices, with Steels and Textiles giving the lead. Much of the business reported on the Exchange is said to be on speculative account, but one section of the market holds the view that considerable buying has been done by persons with large monthly incomes who, it is argued, cannot be bracketed with speculators.

The flare up in the share market was due partly to the possibility of inflation intensifying further in the coming months and partly to Mr. Churchill's statement in the House of Commons on Wednesday, warning against "any indulgence in the feeling that the war will soon be over." In fact, a sustained rise in prices materialized only after this statement of the British Premier.

In the Steel Section, a large volume of business was reported. The speculative nature of such will be evident from the fact that buying was mostly confined

to Tata Deferreds which moved up from Rs. 2,140 to Rs. 2,182.12. As against this, *Ordinaries* improved by only Rs. 4.8 to 406.8.

Textile Shares ruled strong, with almost all the speculative counters recording substantial gains. The week's closing rates were almost the highest recorded during the past two months. *Bombay Dyeings* advanced from Rs. 1,806.4 to Rs. 1,847.8, *Central Indias* from Rs. 410 to Rs. 423.8. *Kohinoors* gained Rs. 14 to Rs. 616. *New Greats* improved by Rs. 10 to Rs. 422½ and *Swadeshis* from Rs. 573 to Rs. 592. The maintenance of interim dividend at 8 per cent. was responsible for the spectacular rise in *Simplex* from Rs. 265 to Rs. 288.

Among miscellaneous shares, *Belapurs* were easier at Rs. 239.8, while *Associated Cements* evoked good demand, the rate improving from Rs. 244 to Rs. 247.8. *Scindias* gained a rupee to close at Rs. 349 on better post-war prospects. Bank and Insurance shares were steady and so also the public utilities.

Firmer Tone—Coal Scripts in Favour

CALCUTTA, Dec. 4, 1944.

AFTER early quietness, the Calcutta Stock Exchange has been firmer during the week. A larger volume of business has been passing and coal shares have been again in the forefront. But for the mixed showing of the Bombay market on Friday the close would perhaps have been better. One of the reasons for the strength of the markets is the British Premier's statement that the war would take longer to finish. But this week's rise in prices has not been entirely due to the statement. The technical position has considerably improved and signs of the overbought position that were noticeable sometime back have disappeared. The clearing arrangement in respect of the four counters, *Indian Irons*, *Steel Corporations*, *Burrakurs* and *Howrah* comes into force from today and the first clearing will be on Monday next. The outlook for the jute industry is regarded more hopeful with the forecasts of a large increase in demand from the United States. In Bombay, textile mills' earnings have been encouraging. After being depressed for several weeks operators have therefore been keen to take up prices. The undertone in several sections is firm.

In the gilt-edged securities section there are no outstanding features. The 3½% Paper was sticky at Rs. 100-0-6, but short and medium-dated were firmer with a rise of two annas.

Bank shares have been uninteresting as also cotton shares. There was a slight rise in response to the Bombay market, but the improvement in rates is negligible. *Cawnpore Textiles* were Rs. 13-12 and *Elgin* Rs. 67-4. *Kesoram* were four annas higher at Rs. 16, but *New Victoria* were quiet at Rs. 8-6. There was good enquiry for *Dunbar* and there was a rise in the quotation to Rs. 297.

Good buying of coal shares has not raised prices as much as it did during the last week. But there is a general rise, with *Bengal* ten points higher at Rs. 658. *Bhalgora* were one point higher at Rs. 17-8, while *Burrakur* were likewise marked up to Rs. 41-10. The greater interest in coal shares is mainly due to the hopes of a large increase in earnings, referred to last week. The Macneill group of shares also were higher, *Dhemo Main* being Rs. 26-10 against Rs. 25 and *Equitable* Rs. 64-15 against Rs. 63-12. *New Beerboom* were firm at Rs. 38-2. There was good buying of *Kuwardi* and the quotation is now very much higher at Rs. 18-2. *Talcher* were steady at Rs. 11 and *South Karanpura* Rs. 23-1.

Jute shares were rather quiet. Possibilities of increase in exports created a slightly better feeling in the market. *Howrah* improved from Rs. 82-2 to Rs. 83-12. The bigger shares were ten to twenty points higher, *Anglo-India* being Rs. 460, *Fort*

Gloster Rs. 834 and *India* Rs. 708. *Megna* were firmer at Rs. 119 on the declaration of a higher dividend of Rs. 5 per cent. for the half-year ended September 1944. *National* were Rs. 32-4, *Nudea* Rs. 128 (ex-dividend). There was good buying of *Presidency* which were done up to Rs. 11-2.

Engineering shares have been generally firmer with *Indian Irons* at Rs. 38-15 and *Steel Corporations* at Rs. 32-15. There has been good inquiry, particularly for *Steel Corporations*, and speculation regarding the interim dividend for the year ended December, 1943, has already started. *Indian Standard Wagon* changed hands at the higher level of Rs. 89 while *Jessop* were Rs. 244 and *Bridge and Roof* Rs. 23-12.

In the Miscellaneous section, there is still speculative activity in *Calcutta Trams*. As the position in regard to the exercise of the option of the *Calcutta Corporation* to take over the Tramway is confused, quotations have been fluctuating within wide limits. *Bardree Coke* were higher at Rs. 32-6, *British Ceylon Corporation* at Rs. 18-8 (ex-dividend) and *Indian Wood Products* Rs. 32. Paper shares have been higher with *Bengal* at Rs. 223 (ex-dividend) and *Titaghur* at Rs. 28-14.

The raw jute market has been interesting during the past week. A firmer goods market and steadier up-country advices have contributed to an increase in rates for loose jute by more than four annas per maund. Business passing has been on a larger scale, but has not been such as to cause an upswing in prices. The rise in values has therefore been mainly due to the firmer ideas of dealers and the hopes of holders that it would be possible to get higher prices early next year.

In the loose jute section, business has been on a slightly larger scale with prices higher all round. European packing *Middles* and *Bottoms* were better by four annas at Rs. 16 and Rs. 13 per maund, while *Supervised Jat Middles* and *Bottoms* were sold at Rs. 15-8 and Rs. 12-8 per maund. *Bottoms* alone commanded a premium of four annas per maund.

No business has been reported for export as overseas buyers are not willing to pay the prices asked for. Mill business also has been poor.

The jute manufactures market has been firmer as some orders have been placed by the Government of India on behalf of the U.N.R.R.A. It is expected that more orders would be coming. Among the orders received during the week is one for 15,000 bales of *Twills* for early shipment. There are no mill sellers for hessian below maximum rates for any position. Second-hand sellers at a discount have mostly disappeared. In the heavy goods section prices have improved and *B. Twills* are now quoting Rs. 61, two points higher.

DECEMBER 8, 1944.

THE EASTERN ECONOMIST

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THE BUSINESS WORLD

MARKET RESEARCH

MARKET research has been described as the "assessment of the magnitude and nature of a market." It is a study of consumer preferences—what goods and services are preferred by consumers and why; and how the latter may be persuaded through propaganda to prefer other goods and services. Its importance in a competitive economy will be readily appreciated. The individual producer can increase his sales by producing more nearly what the consumers desire and making the products available at the times and places, and in the quantities, in which they are wanted. He can also attract more custom by inducing the public to buy goods of his brand rather than of his rivals, or by inducing them to spend their money on the commodity he turns out rather than on its substitutes. Generally speaking, he strives to increase sales by adopting both ways. He resorts to advertisement to push up his wares; he also offers the public what he thinks it wants. Market research assists him in both respects: it gives him the data necessary to plan production in such a way that he is more successful than before (or more successful than his rivals) in catering to consumer preferences; it also gives him the data necessary to plan the sales organization in such a way that the latter can function as a more effective instrument than before (or as a more effective instrument than his rivals) in persuading the public to buy what he has for sale, or what his plant is already equipped to produce. Of course, even without the aid of market research, the producer can adjust his manufacturing and marketing policies in the light of his sales figures. But this he can do only through intelligent guesswork and a costly policy of trial and error, for dwindling sales would only denote that something is wrong somewhere; they cannot indicate whether the product needs modification (and if so in what respect—in flavour, colour, odour, shape, utility, handiness, beauty, style, packing, or in any other attribute—), or the price is too high, or the advertising ineffective. Well-planned market research, on the other hand, would render unnecessary this blind groping in the dark by placing before the manufacturer a clear map of consumer preferences, behaviour and attitudes and thus enable him to find out what has gone wrong or where and decide upon the appropriate remedial action.

But it is not only in a competitive economy that market research has its uses. On the other hand, neither individual monopolies in a system of private enterprise nor a centrally directed economy may safely dispense with its services. For the former, it constitutes a reliable means of forecasting danger from potential competitors or of gauging incipient popular opposition to their production or sales policies. In the case of the latter, it attains to a position of special importance, in the absence of the normal price mechanism, as the only agency through which the productive organization can become aware of the exact and changing nature of the consumers' preferences. Further, where the centrally controlled economy has, on the one hand, to discourage sudden changes in consumer demand and, on the other hand, to adjust it to the varying yields of productive organizations, the output of which cannot be exactly controlled, e.g., agriculture, market research can place at its disposal data on consumer response to advertising so that it may plan on the basis of such data, the most effective form of propaganda to influence consumer preferences in the manner required.

cerns as a guide to both their manufacturing and their marketing policies; it is applicable in both competitive and monopolistic conditions; and, in some of its forms, is not only of use as an aid to profit-making, but serves the community at large by facilitating the adjustment of supply to consumer preferences." The social utility of market research, indeed, is unquestionable. In a competitive system, the profit motive, generally speaking, impels the competing producers to strive to produce a closer approximation to the most satisfactory possible product, with the result that there is a tendency for consumers to be continually getting more nearly what they desire; successful market research accentuates this already-present tendency. In a directed economy, it is the means whereby the central planning authority can learn of the needs of the consuming public and consequently plan its production programme to meet such needs. The question may be asked: what is the social utility of market research when its data are used as the basis for competitive advertising? The answer, of course, is that while competitive advertising may in itself be socially wasteful, the social utility of market research in that context is that it can help to make even competitive advertising less expensive than it would otherwise be; it is obvious that a more scientifically planned advertising campaign would achieve the same effect with less expenditure of resources.

There are many kinds of market research. The most typical is the investigation by sample of consumer preferences. The estimation of consumer purchasing power in the various income groups and in different parts of the country, the study of how in fact the public uses its purchasing power, the study of the marketing system including the organization of wholesale distribution as well as retail outlets, and investigations into the best sites for the location of chain stores, other shops, places of entertainment, etc., in which pedestrians passing different sites are counted and their movements studied, are some of the forms which market research has taken in the industrially advanced countries. Clearly, what type of market research can produce the most satisfactory results depends on the context. Thus, if a soap-manufacturer wants to know why his rival's product is preferred in a certain area, the investigation by sample of consumer behaviour and attitudes in that locality becomes relevant and may help him to find out for which of its attribute exactly is his rival's product desired by the consumers in that area. Again, if it is a case of a ghee-manufacturer wishing to push up sales in a particular locality given largely to the consumption of banaspati, it becomes necessary for him to estimate the consumer purchasing power in that locality in order to judge whether a reduction in price would have an adequate effect on the elasticity of demand for ghee and induce a sufficient number of people to consume ghee instead of banaspati so that the reduction in profit per unit may be made worth while by reason of increased turnover. To take one more instance, suppose a cinema-proprietor has decided upon the type of entertainment he wants to offer—a luxury picture-house, instead of a cheap one,—but has not yet made up his mind as to the locality, where it is likely to prove most paying, he may make a wise decision on the basis of a study of which among the several sites in view is most likely to attract the type of patrons, who can afford his price.

In this country, with the art of commercial advertising still in its swaddling-clothes, the possibilities of market research are only imperfectly grasped,

Market research, then, is, in the words of Mr. Frederic Brown, "a proper activity of business con-

with the result that many intrinsically good commodities are not able to command the sales, which a slight alteration in one of their attributes might perhaps encourage, while a number of advertising campaigns have proved to be flops, some of them succeeding only in causing irritation and creating hostility among the public. And yet the need for manufacturing and sales policies based on intelligent market research is greatest in this country for two principal reasons. Much of the consumer preference for foreign products is occasioned not always by their intrinsic superiority, but simply because they are foreign, or have been in the market for a long time, or have a particular packing, or because of some other accidental attribute. Only intelligent market research can enable our manufacturers to overcome such prejudices by appropriate

adjustments in production and marketing techniques. In the second place, an Indian producer ambitious to establish a national market for his product has to cater for the requirements and preferences, and often for the prejudices and fancies of a vast consuming public spread over a sub-continent and composed of sharply differentiated economic, social, dietary and religious groups. He can do this successfully only if he has mapped out the terrain through an exhaustive investigation of consumer behaviour and attitudes in the various parts of the country as well as in the various groups, economic, social, religious, etc. It is necessary, therefore, that our manufacturers should show greater readiness than they have done hitherto to enlist the powerful aid of intelligent market research.

NOTES

POST-WAR SHIPPING PLANS

The Shipping Policy Committee are reported to have under consideration a memorandum on the Government's post-war shipping policy, which postulates the following objectives:

(I) An increased share of the coastal trades, including trade with Ceylon and Burma (the present share is estimated at between 20 and 30 per unit.)

(II) A substantial share in the near trades, e.g., Persian Gulf, East Africa, Malaya and Dutch East Indies;

(III) A fair share in the Eastern trades, especially those trades of which Japanese shipping will have been dispossessed; and

(IV) A fair share also in the trade between India, on the one hand, and the U.K., the Continent of Europe and North America on the other.

There are obvious deficiencies in such a statement of aims. For instance, there is absolutely no case whatsoever for not reserving coastal trade entirely to Indian shipping. There is no question of our being satisfied merely with an "increased share," whatever that may mean. Similarly, certain special categories, such as the Haj traffic, and the transport of passengers and goods between India on the one hand and Burma and Ceylon on the other should be reserved for Indian shipping. In the case of other traffic, the Government should actively negotiate with the shipping interests of other countries to secure for Indian shipping a share of international traffic in proportion to the volume of international trade. The world's tonnage, despite the sinkings, has enormously expanded during the war and it is very likely that leading shipping interests will be sorely tempted in the post-war period to set up rings and partition the world's carrying trade. In such a contest, our infant shipping industry is bound to get a raw deal unless the Government come boldly to the rescue. To do this effectively, they should have complete freedom of action to reserve coastal and certain other traffic to Indian shipping and negotiate with the shipping interests and the Governments of other countries. It is doubtful whether Whitehall will allow them such freedom in view of the vested interests of British shipping in our foreign trade. At any rate, whatever be their post-war plans and the prospects of success, the Government should do at least this much immediately, as evidence of their good faith: firstly, they should make good the loss of tonnage suffered by Indian shipping due to enemy action and

secondly, in view of the improved war situation, they should release the Indian tonnage commandeered for war purposes.

THE CENTRAL SUGAR COMMITTEE

The sugar industry in India is the second largest industry of the country, representing an investment of Rs. 33 crores with an annual outturn of *gur* and sugar aggregating Rs. 100 crores in value. It provides employment to 3,000 graduates, well over 100,000 skilled and unskilled workers. With the fortunes of the industry is closely linked up the prosperity of about 20 million cultivators, the value of the sugarcane crop being estimated at Rs. 60 crores annually. It is, therefore, of the utmost importance that such measures are adopted as would help to raise the industry to a high standard of efficiency and competitive strength. The main problem to be tackled is an agricultural one. The average yield per acre of sugarcane in India is as low as 34,944 lbs. as compared with 70,302 lbs. in Egypt and 113,570 lbs. in Java and this in spite of the fact that no less than 75 per cent. of the area under sugarcane is under improved varieties of cane. The sucrose-content of the sugarcane is also low as compared with Java, Cuba, Hawaii and the Philippines with the direct result that the competitive strength of the industry is substantially diminished due to the high price that has to be paid for sugarcane. As the Tariff Board pointed out, "the only hope of the industry ever being able to compete on equal terms with other countries is a reduction in the price of raw material." And this can be achieved by the production of improved varieties of cane with a higher sucrose-content and the adoption by the cultivators of more scientific methods of cultivation and crop-rotation, the greater use of fertilizers and the provision of irrigation facilities. Much has been done in this connection. But there remains yet a lot to be done. We, therefore, welcome the constitution of the Indian Central Sugar Committee whose first meeting was recently inaugurated by the Hon'ble Sir Jogendra Singh. The functions of the Committee would be "to undertake the improvement and development of the growing, marketing and manufacture of sugarcane and its productions. It would initiate agricultural, technological and economic research on sugarcane, *gur*, sugar and their by-products. It would help in improving cultural practices, one of the primary needs of the industry, and also take steps to improve crop forecasts and statistics. The Institute of Sugar Technology will be placed under the Committee, which would also serve as an advisory body to the Provincial and Central Governments on all matters which fall within its prescribed functions. To enable the Committee to perform its functions satisfactorily, the Government of India have decided to place the entire

proceeds of the Sugar Excise Fund at its disposal and automatically grant it an interest-free loan, should the Committee's income fall short of its needs owing to an adverse fluctuation in the production of refined sugar. The Committee will also be entitled, in the event of a deficit of funds, to incur loan expenditure to the extent of Rs. 11.75 lakhs in the year, subject to the condition that this loan would be replaced with the first surplus that arises subsequently. The Committee has been given the power to select the place for its headquarters.

THE SINGARENI DEAL

The Nizam's Government have recently acquired the shares and debentures of the Singareni Collieries Company, held by the Hyderabad (Deccan) Company, together with rights and concessions held for mining coal and other minerals within Hyderabad State. Mr. Ghulam Mohammed, the Finance Member, giving the details of the transaction at a Press conference, claimed that his Government has obtained a net gain of Rs. 22,00,000 by paying in all about Rs. 1,10,00,000 for assets aggregating to about Rs. 1,32,00,000 at the current market rate. He also pointed out that no credit has been taken of the sum of Rs. 45,00,000 shown in the Company's balance-sheet as the value of the concessions and rights surrendered, or of the value of the plant, building site, etc., of the leases surrendered. In this connection, it is interesting to recall the comments made by the *Economist*, London, in its issue of the 22nd July. Writing under the caption *A Profitable Liquidation*, that journal remarked, "According to a statement made last week-end by the Board of the Hyderabad (Deccan) Company, the Nizam's Government has made an offer of £708,000 for the principal asset of the concern, the Singareni Collieries Company. The shares of the Hyderabad Company are of £3 denomination. They have rarely stood as high as 35s. in recent years until a few weeks ago, and on the eve of the announcement they were quoted at 38s. If the offer is accepted, the Board expect to make a distribution of the order of 68s. per share." After pointing out that over the past decade, the average dividend on the capital has been about 3¼ per cent. and that there is no apparent reason to expect an early improvement in earnings from the Colliery Company, the *Economist* puts the question, "What, in these circumstances, suggests to the Nizam that he should bid almost double the best price recently quoted for the shares?" and proceeds to find the answer in the "quite abnormal exchange position." It argues that the Nizam's Government, presumably, holds a huge and growing accumulation of sterling which it will be by no means easy to convert into goods, except over an extended period during which there is no certainty as to the purchasing power of either sterling or rupees and comes to the conclusion that the Nizam's Government may have been prompted by the consideration that it may be "worth paying a very high premium to be certain of getting real assets now for its sterling holdings." Apart from the financial implications, the transaction, in itself, is welcome as making for the liquidation of non-Indian interests in an industry of the national importance of coal mining.

CARTELLISED PURCHASES

The advance which the technique of cartellized purchase of raw materials from relatively unorganized raw material producers has made on the international plane during the war is typified by the hide and skin trade of India. Owing to a rise in internal prices, the exporters wanted an upward revision of prices; but it is evident that the new agreement arrived at by the purchasing countries will have the effect of spreading

out and insulating demand so as to maintain the existing prices. A Combined World Planning Scheme, the details of which are not available, appears to have been adopted in which at least the U.K., the U.S.A., South Africa and Canada are participating. Shipments of hides and skins will for the present be freely licensed to the U.K. only, and the U.S.A. will not effect any purchases. Licences will be granted for limited quantities only for Canada and South Africa. No allocation is being made for shipment to other countries. When the more urgent U.K. deficiencies have been made up, the U.K. and the U.S.A. will purchase approximately in the following ratios: Tanned sheep: the U.K. 5, the U.S.A. 1; and tanned goat: the U.K. 7, the U.S.A. 3. If either country's purchases exceed the above ratio, they will then reduce or cease such purchases until the other country has purchased sufficiently to adjust the position. The U.K. and the U.S.A. will operate on a common price schedule based on London selections. Canada and South Africa will follow the same schedule. It is evident that the procedure of purchase goes a long way to eliminate competition and determine internationally the price for India's hides and skin. A heavy responsibility rests with the Government of India to safeguard the interests of the country. So far it appears to be doing no more than licensing and allocating export quotas in consultation with foreign purchasers. It appears that India must sell her goods at internationally determined prices, be paid for in uncontrolled gold, and through an irony of fate be blamed at the same time for building up sterling balances through a sort of international profiteering.

TEXTILE CONTROL

WARNING TO ALL DEALERS

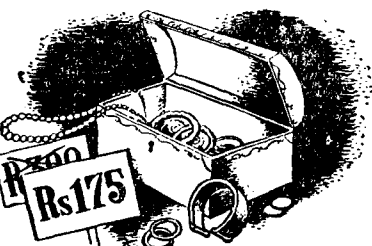
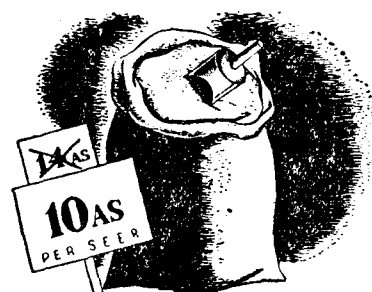
In Notification No. T.B. (1) 29/44 in the *Gazette of India* of the 4th November, 1944 Clause 14 of the Cotton Cloth and Yarn (Control) Order, 1943, has been amended. After 31st December, 1944, it will be an offence under the Order for any dealer to buy, sell or hold any cloth or yarn manufactured in India and packed before the 1st August 1943, or texmarked cloth or yarn packed after the 31st July 1943, and before the 1st January 1944.

Any cloth of yarn whether manufactured in India or imported must in future be finally disposed of within twelve months from the last date of the month marked on the goods; such cloth or yarn may not be kept in unopened bales after six months from that date. The amendment further states that a bale or case shall be deemed to be unopened if the hoops or other bindings and all other outer covering have not been removed.

All dealers are warned that no extension will be given by the Textile Commissioner in the time for disposal stated above unless the holder can show that he was unable to dispose of the goods due to causes entirely beyond his control. Dealers who contravene the above provisions will render themselves liable to cancellation of their dealer's licence and to prosecution, and Courts are empowered to confiscate the goods in respect of which the offence is committed.

M. K. VELLODI,
Textile Commissioner,
GOVERNMENT OF INDIA.

SEEING IS BELIEVING



falling prices prove the wisdom of saving for the future

If no one had saved money last year and early this year; if Government had not introduced strict price controls and increased the manufacture of bazaar goods, prices would still be fantastically high, as they were last year.

But private savings and administrative action by Government have brought prices down. People who foolishly invested in jewels, property, commodities and goods have seen their investments shrink before their very eyes.

And this is not the end. The downward trend will persist. Be wise. Don't be caught by falling prices.

These, as before, are today's best investments: every time prices fall an anna, these investments improve in value: Co-operative Societies, Insurance, Savings Bank Account, Post-Office Savings Bank, Government Loans and National Savings Certificates.

⚡ Do without luxuries. There is plenty of time after the war for new clothes, new furniture, new houses, new cycles and motor cars. Save money now to spend it then.

Save

ALL YOU CAN AND INVEST ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

AAA 1114

FROM THE PROVINCIAL ANGLE

(From Our Correspondents)

Bombay Letter

BOMBAY, Dec. 2, 1944.

WHEN the Hon'ble Sir Ardeshir Dalal was recently in Bombay, at a meeting with the Indian Merchants' Chamber, he stated that the Government had sent a questionnaire to the various industries in order to assess their post-war requirements of machinery. He also stated that orders for such requirements should be registered with the Government so that Government might give priority assistance to these orders. The idea is that Government assistance will enable Indian industrialists to secure their requirements more expeditiously than if they tried on their own. However, official quarters complain that there is very poor response to this inquiry from the Government. The reason for this cannot be any inability on the part of our industrialists to assess now their post-war requirements. The real reason is that the whole position is very obscure. It is emphasized that it is not enough to give information as to post-war machinery requirements, but that orders must be booked now and registered with the Government. How can this be done when the terms and conditions as to price, delivery, etc., are not known? Sir Ardeshir promised a Government *communique* clarifying the whole position, but this has so far not been published. Some sceptics feel whether behind this solicitude on the part of the Government for our industries, are not some other motives? Is our Government canvassing business for U.K. machine manufacturers? Are our industrialists to be forced to purchase from U.K. only? Will this information about possible trends of our industrial development be used by H. M. Government to apply the necessary checks where there is a possibility of competing with U.K. industries. It is upto the Government to assure the industrialists on these points first and then proceed with the task of booking and registering orders.

Mills' Claim For Aid

The millowners in Bombay have addressed a letter to the Government of India claiming assistance for rehabilitating cotton textile industry. They have presented the Government with concrete proposals. They want that the expenditure to be incurred for reconversion of the industry to peace-time working should be

Bengal Letter

CALCUTTA, Dec. 3, 1944.

SIR M. VISVESVARAYA recently visited Calcutta to preside over the Bengal Provincial Indigenous Manufacturers' Conference and a meeting of the All-India Manufacturers' Organization. In the course of the addresses delivered by him, Sir Visvesvaraya pleaded for a planned development of industries. From the point of view of this province, however, his views regarding the need for the development of rural industries in Bengal are particularly interesting. Sir Visvesvaraya thinks that the destitution and starvation that we now find in Bengal cannot be radically dealt with except by the development of rural industries. This development can be done only through the collective and organized effort of the people of Bengal. You cannot expect much help from the present Government, observed Sir Visvesvaraya, nor can you expect the people of other provinces to come to your rescue. Village committees consisting of trusted representatives of the people should be organized to take up the drive for the establishment and expansion of rural industries. In Sir Visvesvaraya's view, this means hard work for the leaders of the people, but the job has to be done.

Governors' Conference

At a conference at the Government House, his

allowed as an expenditure and adjusted in the last E.P.T. assessment, should such conversion take place within a reasonable period after the war or should the E.P.T. be removed whichever was later. It was further suggested that special sums for repairs and renewals which could not be undertaken during the war period should be allowed as a reduction for the purpose of the E.P.T. even though the same may not have been utilized. This concession was to be given on the understanding that of these sums the amount remaining unspent within a reasonable period after the war was to be regarded as income in the last year's E.P.T. Loss in value suffered by mills in respect of plant and equipment provided as part of the war effort, should be allowed as a deduction. In the same way, loss in value of stocks held by the mills at the end of the war should be allowed to be set off against the income of the last year of the E.P.T. by allowing the assessee to off-set this against the income of the last year of the E.P.T. by giving him an opportunity to reopen the last E.P.T. assessment. The reply which the mill industry will receive from the Government regarding these proposals will show how far the Government is prepared to stand by the Indian textile industry after the war in view of its having co-operated with the Government during the war time so wholeheartedly.

Reduction In Sugar Area

With a view to increasing the food supplies of the Province, the Bombay Government have decided to impose a 50 per cent. reduction in the acreage sown for sugarcane during 1945-46 season. This will be done by bringing the growers of sugarcane within the scope of Bombay Growth of Food Crops Act, 1944. As a result of negotiations between the Government and the sugarcane interests, certain special conditions have been imposed on the production of sugarcane as an alternative to the requirements under the Act of keeping a certain fixed minimum proportion of the land under food crops. These conditions are that the companies shall grow an area under food crops at least equal to the area under sugarcane. In the case of areas where sugarcane was grown previously, 50 per cent. of the total of such areas should be under food crops. This decision of the Government to increase food supplies of the Province will be welcomed in a deficit province like Bombay.

Excellency Mr. R. G. Casey, Governor of Bengal, met the representatives of the Calcutta Press and discussed with them the efforts he is making to secure inter-provincial co-operation in regard to the import of certain essential commodities into Bengal. Mr. Casey had invited the Governors of Bihar, Assam, the United Provinces and Orissa with a view to exploring the possibilities of such co-operation. The position of Bengal is that she is dependent on other provinces for the supply of many foodstuffs required by her even in peace-time. Under war conditions this dependence has increased greatly due to the presence in Bengal of the members of the fighting services and of labourers from outside the province. So far as foodgrains are concerned, the Central Government have taken upon themselves the responsibility of their equitable distribution on an all-India basis. But in regard to many other commodities like butter, ghee, oilseeds and cattle, Bengal is experiencing great difficulty in securing her supplies. This is due to the fact that the neighbouring provinces which supply these commodities to Bengal have imposed various restrictions on their movement. At the Press conference, Mr. Casey revealed that as a result of discussions with the Provincial Governors the prospects are hopeful in several directions.

Sind Letter

KARACHI, November 28.

The Government of India have requested the Provincial authorities to prepare a blue-print on Sind's post-war schemes in conformity with their provincial financial resources in the first five years of the post-war period and in relation to the needs of the population. Mr. Roger Thomas, new Minister of Agriculture and Post-War Reconstruction, who is himself an agriculturist and cotton-grower, has not yet set himself to the task, but increased production of cotton and rice, expansion of the existing irrigation system, better facilities for technical education and starting of industrial enterprises on a small scale for the manufacture of cement, glass and textile products are being actively considered. It is learnt that a revenue stabilization fund is also being opened and war-

time profits by sale of food-grains and lands will form the nucleus of this fund. Nearly five crores of rupees may be available for the post-war scheme before the end of the war through this fund.

Cotton Prospects

Deep anxiety has been expressed in Karachi commercial circles over the decision of the United States to provide subsidy for American cotton exports and the dangerous implications of this move to Indian cotton trade have already been brought to the notice of the Government of India. During this week, a cotton conference is taking place in the United States to which, it now appears, India has not been invited, although Liverpool cotton interests are fully represented. In view of the expressed desire of Liverpool interests to resume futures market and private trading, cotton dealers here urge that the Government of India should convene a conference of Indian cotton interests particularly the Indian Central Cotton Committee, the East India Cotton Association, the Karachi Cotton Association and representatives of cotton-trading provinces with a view to reviewing the present position and to chalk out an all India policy which may be considered while an international post-war cotton plan is adumbrated.

Commodity Market

HAPUR, Dec. 6, 1944.

Grains and Pulses

The prices of grains and pulses during the week remained quiet with small fluctuations. Arrivals of all grains from rural areas were very poor, but they are pouring in in large quantities from the Punjab centres by rail.

The following are the latest quotations of wheat in the main centres of the country:

Hapur: Rs. 9-12-0; Amritsar: Rs. 7-12-0; Lyallpur: Rs. 8-15-0; Cawnpore: Rs. 10-14-8; Calcutta: Rs. 10-7-0; Delhi: Rs. 10-1-6 to Rs. 10-5-6.

The weather and crop conditions in U.P., and the Punjab are generally fairly satisfactory, but good rains are needed for the development of crops. In Nagpur and Chanda districts of C.P. the germination of wheat crops is reported to be unsatisfactory, but in other parts, the crops are progressing under excellent weather conditions.

According to the latest reports received from overseas, the weather and crop conditions in the countries of Northern Hemisphere, are reported to be satisfactory while in those of Southern Hemisphere, they are quite the contrary. The wheat crop in Australia is estimated not more than 48,000,000 bushels, this being almost equal to the smallest production during recent years which was produced in 1919-20 when only 46,080,000 bushels were harvested. This is due to the extremely dry weather conditions and damages by swarms of grass-hoppers. It has been stated officially that the yield of wheat in some areas was likely to be one bag per acre instead of the usual seven or eight. This year's yield would be insufficient even for domestic consumption of Australia, but it is fortunate that the old wheat carry over has been estimated at 100 million bushels. Due to this surplus stock, Australia may be able to export wheat like last years. Conditions in United States have generally been favourable for the development of the early sown wheat. The latest estimate of winter and spring wheat crops are estimated at 1,408,881,000 bushels as against 836,298,000 bushels estimated last year. This year's yield is the highest record, the previous largest being produced in 1915.

Gur

Prices have now slightly improved on scattered trade demand. The daily arrivals averaged 4,000 maunds.

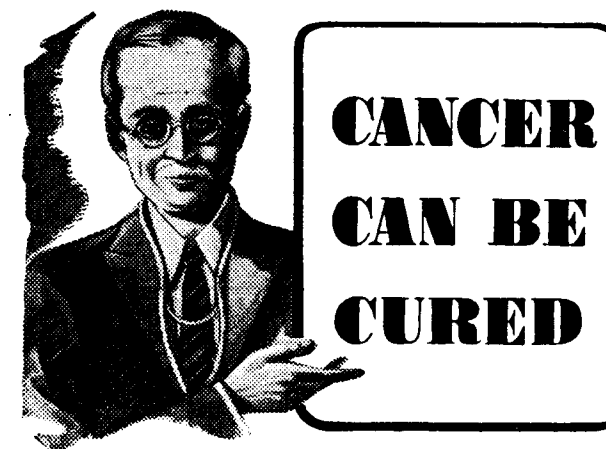
Guwar

Prices have substantially declined in sympathy with lower spot values, increased arrivals and speculative liquidations. Turnover was active throughout. The following are the latest quotations:

Wheat: Ready Dara Rs. 9-12-0, Stock 336 khattis. Gram: Rs. 6-10-9, Stock 51 khattis. Barley: Rs. 5-5-3, Stock 156 khattis. Peas: Rs. 5-9-9, Stock 146 khattis. Arhar: Rs. 6-6-3, Stock 130 khattis. Guwar Magh: Rs. 6-7-6, Gur Rs. 7.

PRESS NOTE

The Government of India have agreed to cover Marine War Risk Insurance on cotton piecegoods and yarn transported by sea from Bombay to Calcutta for a further period of one month from 1st December 1944. The terms and conditions will be the same as those which were operative during the month of November 1944.



Medical science is slowly, but surely winning the great battle against Cancer. The usual sites of this dread disease are the stomach and breast; any organ, however, and even the bones and skin, may be attacked.

There is no pain and little warning in the early stages. Be on the safe side and have yourself examined periodically; don't neglect even the smallest symptoms of ill-health, especially if you are over 40.

Some of the commonest symptoms are an unusual lump or thickening, especially in the breast; any noticeable change in the size or colour of a wart; a sore that will not heal; and persistent indigestion.

If you suffer from any of these, consult a qualified doctor immediately—the chances of cure depend entirely upon how early Cancer is recognised and treated.

This warning is issued in the interests of Public Health in India. These interests and those of the signatories of this advertisement are identical.

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TO GIVE YOU TOOLS YOU NEED

To meet the growing need of expanding Indian Industries for accurate and scientifically correct tools, Bharat Tools Factory has been set up in Bombay.

Neat, well-equipped, housing the latest type of precision machinery, this factory turns out, under European supervision, BATU TOOLS that are unexcelled in quality and precision.

ALL BATU TOOLS are treated by Modern thermal process, and are of high degree of accuracy with a tolerance of ± 0.003 usually.

Tested and approved by Government of India's Workshops. BATU TOOLS conform to British Industrial Standards.

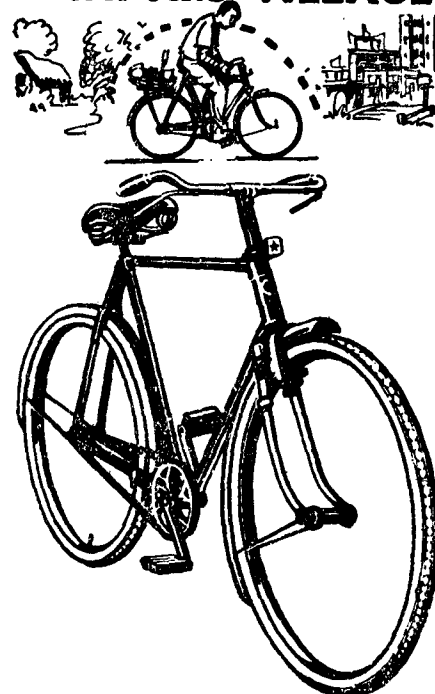
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Reamers, Milling Cutters, Taps, Little Giant Dies, Circular Dies, Slitting Saws, End Mills, Etc., Etc.

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Inspector of Agencies, Northern India Territory, 9, New Asiatic Building, Connaught Circus, New Delhi.

Branch Office: Kaiserbagh Circus, Lucknow. Organiser for Rajputana: Ajmer Road, Jaipur. Sole Agents for C.P. & C.I.: Messrs. Khandelwal Bros., Chowritazar, Delhi.

FOR LIFE INSURANCE

THE OLDEST LIFE OFFICE IN INDIA

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT						BANKING DEPARTMENT						
(Rs. in lakhs)						(Rs. in lakhs)						
	24-11-44	17-11-44	26-11-43	1-9-39	24-11-44 compared with 1-9-39		24-11-44	17-11-44	26-11-43	1-9-39	24-11-44 compared with 1-9-39	
Notes held in the Banking Dept. ..	8.07	7.78	10.31	9.87	— 1.80	Cash ..	8.36	8.03	10.48	35.15	— 26.79	
In circulation ..	973.09	973.19	794.37	182.13	+790.96	Balances held abroad* ..	339.23	332.11	184.03	10.08	+329.15	
Total Notes ..	981.16	980.98	804.68	217.13	+763.98	Investments ..	11.92	11.72	7.59	6.81	+ 5.11	
A. Gold Coin and bullion ..	44.41	44.41	44.41	44.41	..	Bills discounted— (a) Internal and External ..	..	..	..	..	..	
Sterling Securities ..	863.33	866.33	684.84	59.50	+806.83	(b) Treasury Bills Loans & Advances to Government ..	2	2	(25)	1.16	— 1.14	
Total of A ..	910.74	910.74	729.25	103.91	+806.83	Deposits:— (a) All Govts ..	239.31	226.89	73.08	14.38	+224.93	
B. Rupee Coin ..	12.58	12.38	17.10	75.27	— 63.29	Of which G. of I. ..	228.40	219.79	62.40	14.33	+214.02	
Rupee Securities ..	57.84	57.84	58.33	37.39	+ 20.45	(b) Banks ..	91.29	97.26	84.08	26.91	+ 6.33	
Silver bullion under coinage ..	..	..	..	..	..	(c) Others ..	12.55	10.13	8.10	1.14	+ 11.31	
% of Reserve to Liabilities ..	92.823	92.842	90.627	63.149	+29.674	* Including Cash and Short-term Securities.						
IMPERIAL BANK						SCHEDULED BANKS						
(Rs. in lakhs)						(Rs. in lakhs)						
	24-11-44	17-11-44	26-11-43	1-9-39	24-11-44 compared with 1-9-39		24-11-44	17-11-44	26-11-43	1-9-39	24-11-44 compared with 1-9-39	
Fixed Deposits, Sav- ings Bank, Cur- rent and other Accounts ..	238.23	238.40	206.84	87.26	+150.97	Demand liabilities in India ..	612.30	610.25	492.41	134.36	+477.94	
Govt. Securities ..	147.38	147.00	127.96	51.03	+ 95.35	Time liabilities in India ..	201.60	200.09	145.01	102.24	+ 99.38	
Other Investments ..	3.84	3.82	2.64	93	+ 2.83	Cash in India ..	28.19	26.90	21.78	6.70	+ 21.50	
Loans ..	9.73	8.77	13.21	7.66	+ 2.07	Balances with Re- serve Bank ..	89.98	95.80	82.64	25.17	+ 64.81	
Cash Credit Over- drafts ..	43.25	44.10	20.51	19.76	+ 20.49	Advances in India Bills discounted in India ..	207.99	203.43	152.43	101.52	+106.47	
Bills discounted ..	3.64	4.33	4.68	2.95	+ 69	..	11.62	11.24	5.66	3.57	+ 8.05	
Cash in hand, with R.B.I. and other Banks ..	40.54	40.47	47.91	14.69	+ 25.85	U.S. FEDERAL RESERVE BOARD						
BANK OF ENGLAND						(Million dollars)						
(£ '000)							30-11-44	23-11-44	2-12-43	31-8-39	30-11-44 compared with 31-8-39	
	29-11-44	22-11-44	1-12-43	31-8-39	29-11-44 compared with 31-8-39	Resources:— Total Reserves ..	18,768	18,768	20,203	14,661	+ 4,103	
Total Bullion ..	2,536	2,542	1,827	263,700	—261,164	Total Bills Dis- counted ..	593	474	53	(6,190)	+ 593	
Public Deposits ..	11,600	7,700	12,930	31,100	— 19,700	Bills bought in open market ..	..	..	..	(550)	+(550)	
Other Deposits ..	262,300	246,800	225,600	129,160	+133,200	Total U.S. Govt. Securities ..	18,553	18,411	10,447	2,426	+ 16,127	
Of which Bankers' Deposits ..	207,000	192,200	168,000	90,100	+116,900	Liabilities:— P.R. Notes in actual circulation ..	21,370	21,225	16,343	4,609	+ 16,761	
Govt. Securities ..	243,400	209,900	204,300	113,100	+135,300	Reserve Account ..	14,761	14,719	12,562	10,951	+ 3,810	
Other Securities ..	13,000	14,600	24,900	31,000	— 18,000	Total Reserve to Deposit and P.R. Liabilities ..	49.4%	49.7%	65.6%	86.9%	— 37.5%	
Of which Dis- counts and Ad- vances ..	5,100	5,600	6,100	6,400	— 1,300	† Dollars 6,190 be deducted. Figures in brackets are not in millions but the actuals.						
Notes and Coins ..	25,100	27,100	21,000	34,200	— 9,000							
Notes in circulation % of Reserve to Liabilities ..	1,189,500	1,180,400	1,030,800	529,500	+663,000							
..	4.75%	8.88%	8.21%	21.28	+16.63%							
TREASURY BILLS SALES						TREASURY BILLS MATURITIES						
(3 Months' Tenure)						(3 Months' Tenure)						
(Rupees in lakhs)						(Rupees in lakhs)						
Date of issue	Amount tendered	Amount accepted	Average rate	Inter- est	Sold in favour of Dept.	Date of maturity	Amount	Date of maturity	Amount			
June 1944 ..	50.63	30.00	0 7 3	..	8.52	Aug. 1944 ..	16.00	29 ..	6.00			
July ..	37.37	16.00	0 7 9	..	13.76	Sept. ..	36.00	Jan. 6 1945 ..	6.00			
Aug. ..	60.46	20.00	0 7 8½	..	8.92	Oct. ..	16.00	..	13 ..	6.00		
Sept. 22 ..	11.24	6.00	0 7 11	..	1.47	Nov. ..	20.00	..	20 ..	6.00		
" 29 ..	10.01	6.00	0 7 11	..	2.70	" 25 ..	6.00	..	27 ..	6.00		
Oct. 6 ..	11.32	6.00	0 7 11	..	6.83	Dec. 1 ..	6.00	Feb. 3 ..	6.00			
" 13 ..	10.89	6.00	0 8 0	..	2.71	" 8 ..	6.00	..	10 ..	6.00		
" 20 ..	12.81	6.00	0 8 0	..	2.32	" 15 ..	6.00	..	17 ..	6.00		
" 27 ..	14.15	6.00	0 7 11	..	2.27	Dec. 22 1944 ..	6.00	..	29 ..	6.00		
Nov. 3 ..	15.01	6.00	0 7 11	..	3.19	Total outstanding: 84.00		March 3 ..	6.00			
" 10 ..	10.16	6.00	0 7 10	..	1.27	STERLING PURCHASES BY RESERVE BANK OF INDIA						
" 17 ..	17.74	6.00	0 7 11	..	1.10	1943-44	April-Aug. 1944	Sept. 1944	Aug. 1944	Sept. 1943	Aug. 1943	
" 24 ..	9.61	6.00	0 8 0	..	1.96	Amount (£ in '000)	103,309	43,080	7,037	10,218	8,371	8,546
Dec. 1 ..	11.29	6.00	0 7 11	..	..	Average rate of purchases remained	£0-1-6 all.					
Total outstanding: 84.00						EXCHANGE RATES (T.T.)						
CLEARING HOUSE RETURNS						(000's omitted)						
(Rs. in lakhs)						Dec. 8, 1944.						
Centres	1943-44	Apr.-July 1944	Sept. 1944	Oct. 1944	Nov.† 1944	Bombay on London (s.)	1-5 31/32		1-5 31/32			
Bombay ..	20,42.31	6,91.78	1,96.21	1,54.77	176.9	Bombay on New York (Rs.)	332½		332½			
Calcutta ..	17,40.12	7,01.92	2,24.41	1,73.77	191.93	London on Bombay (s.)	1-6		1-6			
Cawnpore ..	1,02.41	37.55	8.76	..	..	London on New York (s.)	4.02½—4.03½		4.02½—4.03½			
Delhi ..	1,21.08	39.35	10.69	..	..	New York on London (s.)	4.03		4.03			
Karachi ..	1,02.84	38.28	11.32	..	..	BANK RATES						
Lahore ..	78.82	30.36	8.25	..	..	Date of last change	Previous Rate	Present Rate				
Madras ..	2,00.02	78.25	22.77	16.30	16.77	Bombay ..	28th Nov. 1939	3½%	3%			
Total ..	43,48.50	16,07.49	4,82.01	3,44.01*	3,85.19*	London ..	26th Oct. 1939	3%	2%			
* For three centres only. † Progressive monthly total.						U.S.A.—New York	29th Oct. 1942	1%	1½%			
						Fed. Res.	27th Oct. 1942	1½%	1%			
CASH POSITION						RESERVE BANK OF INDIA						
(Rs. in lakhs)						(Rs. in lakhs)						
	24-11-44	17-11-44	26-11-43	1-9-39	24-11-44 compared with 1-9-39		24-11-44	17-11-44	26-11-43	1-9-39	24-11-44 compared with 1-9-39	
Reserve Bank of India ..	8.36	8.03	10.48	35.15	—26.79	..	..	..	..	..	..	
Scheduled Banks ..	118.17	122.70	104.42	31.87	+96.31	..	..	..	..	..	..	

Rs. 15,50,00,000 invested in
3% Victory Loan 1957
from April 1, to July 1, 1944.

Rs. 15½ crores invested by the people of India in this Loan in three months is a clear proof that it is the BEST INVESTMENT available. Do not delay. Put your Savings in 3% Victory Loan 1957.

IT GUARANTEES
YOU

- Freedom from risk.** The money you invest in this Loan is guaranteed to be repaid at par on 1st September 1957. It is backed by the wealth of your country. It will never depreciate.
- Freedom from worry** about the yield on your capital. Interest at 3% per annum, payable half-yearly, is guaranteed. The dividend warrants will be automatically sent according to your instructions.
- Freedom to invest** any amount without limit until further notice.
- Freedom to encash.** Your securities are saleable in the market at any time before the Loan is redeemed, should you require ready money.

QUICK FACTS
ABOUT THE LOAN

- The Loan is issued at par and will be redeemed on the 1st September, 1957.
- The Loan will be on tap until further notice.
- Interest is paid half-yearly on the 1st of March and the 1st of September.
- It is easy to purchase. Apply to your Bankers, or to the Reserve Bank of India in Bombay, Calcutta, Madras, Delhi, Cawnpore or to Branches of the Imperial Bank of India in other places or any Government Treasury.

Spend Less—Save more

INVEST IN

**VICTORY
LOAN 1957**

ISSUED BY THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA.

INDIAN STOCKS AND SHARES

5-12-44
Page 2

	5-12-44	28-11-44		5-12-44	28-11-44		5-12-44	28-11-44
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
SECURITIES: Bombay								
23½% (1948-52) ..	..	99 12 0	" Oil ..	..	77 0 0	Reserve ..	135 0 0	..
3% (1946) Def. ..	..	102 9 0	" Power ..	1,905 0 0	1,930 0 0	Lahore ..	..	..
3½% G.P. Notes ..	..	110 0 0	" Hydro ..	207 8 0	208 8 0	United Com. ..	68 8 0	..
3% (1953-55) ..	..	..	" Steel Defd. ..	2,216 4 0	2,165 0 0	Hindustan Com. ..	57 0 0	56 10 0
4½% (1955-60) ..	..	..	" Ord. ..	405 5 0	405 0 0	Bharat Def. ..	2 7 0	2 4 0
4% (1960-70) ..	..	..	" Pref. I ..	236 4 0	232 8 0	Pun. National F.P. ..	..	260 0 0
Calcutta ..	..	112 13 0	" II ..	163 12 0	163 12 0	" P.P. ..	..	191 0 0
3% (1945) Def. ..	..	..	STEEL ENG.: Calcutta			New Bank ..	..	..
3% (1949-52) Def. ..	..	..	Bihar Elec. Steel ..	12 4 0	12 4 0	Jup. In. Trust ..	..	..
3½% G.P. ..	..	110 0 6	Braithwaite ..	13 8 0	..	Jup. N. Bank F.P. ..	..	..
TEXTILES: Bombay			National Iron ..	39 1 0	38 11 0	" P.P. ..	..	..
Ahmedabad ..	431 4 0	433 12 0	Indian Iron ..	32 12 0	32 3 0	MISCELLANEOUS: Bombay		
Bombay Dyeing ..	1,843 12 0	1,812 8 0	Steel Cor. Ord. ..	..	141 0 0	Ajmer ..	15 0 0	15 0 0
Central India ..	418 8 0	411 0 0	" Pref. ..	..	..	Bom. Suburban ..	218 12 0	218 12 0
Century ..	860 0 0	850 0 0	Jessop Ord. ..	..	..	Alcock ..	487 8 0	453 12 0
Colaba ..	233 8 0	255 1 0	Kumardhubi ..	..	11 6 0	B.I.C. ..	..	6 7 0
Gokak ..	322 0 0	315 0 0	COALS: Calcutta			Belapur Sugar ..	237 0 0	236 8 0
India Bleaching ..	187 0 0	185 0 0	Amalgamated ..	..	..	Bom.-Burma ..	501 4 0	490 0 0
Kohinoor ..	613 0 0	603 0 0	Bengal ..	663 0 0	648 0 0	" New ..	182 8 0	180 10 0
Phoenix ..	607 8 0	607 8 0	S. Karanpura ..	..	22 10 0	Bombay Steam ..	615 0 0	600 0 0
Sholapur ..	7,400 0 0	7,400 0 0	Bhalgora ..	17 5 0	16 8 0	" Tram ..	151 12 0	150 12 0
Simplex ..	283 8 0	271 0 0	Burrakur ..	..	41 6 0	" Petrol ..	3 13 6	3 13 9
Swadeshi ..	578 0 0	579 0 0	East India ..	33 12 0	..	Scindia Steam ..	35 4 0	33 12 0
Vishnu ..	495 0 0	495 4 0	Equitable ..	65 7 0	63 12 0	Shivrajpur ..	61 8 0	60 0 0
Wing ..	..	311 0 0	N. Damuda ..	..	12 8 0	Andhra Valley ..	1,825 0 0	1,830 0 0
Morari ..	..	725 0 0	Standard ..	..	35 12 0	Prem. Cons. ..	215 0 0	213 8 0
Sassoon Ord. ..	..	15 2 0	Talcher ..	11 7 0	10 7 0	Indian Iron ..	313 10 0	38 8 0
Sassoon Defd. ..	..	3 1 0	SUGAR: Calcutta			Indian Copper ..	3 1 0	3 0 3
Calcutta ..			Buland ..	44 4 0	43 4 0	Burma Corpn. ..	4 8 6	4 0 6
			Balsamur ..	..	16 11 0	Assam Corpn. ..	245 0 0	245 0 0

Benares	..	13	2	0
---------	----	----	---	---

Bengal Nagpur	13	5	0
Calcutta Textile	13	5	0

Bengal Nagpur ..	..	..	..	Belsund ..	..	..	Bengal Paper ..	228	0	0			
Cawnpore Textile ..	13	5	0	14	0	0	Shree Gopal Pref.	..	..	..	19	12	0
Dunbar ..	303	0	0	280	0	0	I.P.F. ..	220	0	0	218	0	0
Egin Mills ..	66	0	0	67	10	0	Star ..	..	..	..	16	6	0
Kesoram ..	16	5	0	16	0	0	Orient (ex. div.) ..	29	8	0	..	..	..
Muir Mills ..	..	..	..	409	0	0	Tiltaghur ..	28	10	0	28	0	0
New Victoria ..	8	6	0	8	12	0	Dalmia Cement ..	16	12	0	..	..	..
" " Pref. ..	10	13	0	11	10	0	Burma Corpn. ..	4	8	0	4	9	0
Madras ..	..	..	..	..	..	..	Indian Copper ..	3	2	0	3	1	0
B. & C. Ord. ..	319	8	0	317	8	0	Con. Tin ..	3	2	0	..	..	..
Bangalore Wool ..	457	0	0	..	..	..	Aluminium Corpn.	16	9	0	..	..	..
Cambodia ..	32	8	0	32	12	0	Madras ..	..	..	..	..	..	..
Colm. Pinner ..	..	..	..	..	..	..	Andhra Cement ..	119	0	0	120	0	0
Fankaja ..	300	0	0	..	..	Mysoor ..	Bruntons ..	14	8	0	..	..	..
Sitaram Spg. ..	188	0	0	..	..	Dooan ..	Mysoor Cha. Fert.	31	14	0	31	10	0
Vasanthha ..	306	0	0	303	9	0	India Steel Roll ..	8	2	0	8	3	0
Madura ..	..	..	..	..	..	Travancore Sugar ..	Mysoor Paper ..	17	14	0	17	14	0
Lakshmi ..	176	0	0	..	..	South India ..	Mettur Che. Ord.	17	14	0	17	14	0
Sarda ..	164	0	0	..	..	PLANTINGS: Madras ..	" Def. ..	7	7	0	7	7	0
Lahore ..	..	..	..	..	..	Cochin Malabar ..	Spencer ..	14	8	0	14	4	0
Ajudhia Textile ..	7	5	0	7	1	0	Chembra Peaks ..	..	..	..	..	..	..
Cawnpore Textile ..	13	7	0	13	11	0	Woodlands ..	..	..	..	..	..	..
New Vic. Ord. ..	8	2	0	8	9	0	Thurmabadi ..	47	5	0	..	..	..
Raza Textiles ..	..	..	..	90	0	0	Travancore Rubber ..	..	..	..	..	..	..
JUTE: Calcutta ..	..	..	..	..	..	..	TEA: Calcutta ..	..	..	..	..	..	..
Alliance ..	..	..	..	..	..	..	B'snath ..	42	13	0	..	..	..
Anglo-Indian ..	460	0	0	454	0	0	Central Cachar ..	94	0	0	..	..	..
Birla Pref. ..	..	..	..	..	..	..	Hasmara ..	77	0	0	..	..	..
Barnagore ..	213	0	0	..	..	..	East India ..	17	12	0	..	..	..
Champdany ..	..	..	..	..	..	..	Tezpre ..	20	12	0	..	..	..
Ganges ..	..	..	..	530	0	0	EANKS & INS.: Bombay ..	..	..	..	..	..	..
India ..	..	..	..	..	..	..	Central ..	84	12	0	83	8	0
Howrah ..	83	6	0	82	12	0	Imperial F.P. ..	2,020	0	0	2,015	0	0
Kamarhaty ..	661	0	0	654	0	0	P.P. ..	502	8	0	505	4	0
Kankannarah ..	..	..	..	548	0	0	India ..	188	0	0	187	8	0
Nuddia ..	..	..	..	127	0	0	Reserve ..	135	4	0	135	4	0
Standard ..	..	..	..	..	..	..	New India ..	82	0	0	81	4	0

* Provisional
 & CERTAIN CENTRES IN INDIA†

Commodity and unit	Quality	Market	Latest Quotations Rs. a p.	†Juts—Raw (per bale of 400 lbs.	(1) Firsts	Calcutta	
*Wheat per md)	Average	Amritsar	7 14 0	†Bags (per 100)	(2) Lightnings	"	79 0 0
	Superior	Lyallpur	8 2 0	†Cloth (per 100 yds	B. Twills (Read	"	74 0 0
	Ready		8 5 0		Hessian Cloth 8	"	59 0 0
	Dara	Hapur	9 12 0	†Tea (per lb.)	10½	"	22 2 0
	No. 1.	Calcutta	10 0 0	Coffee (per cwt.)	Nilgiri—Peaberr	"	28 12 0
		Cawnpore	10 7 0	†Sugar per md.	Indian market	Bangalore	8 9 8
	Dara	Amritsar	10 10 8	ex-factory)	First Crystals	Cawnpore	148 0 0
*Rice (per md.)	Basmati Old		20 0 0				16 4 6

FOOD INDEX (WHOLESALE PRICES)+

*Linseed (per md.)	Ready B. Bold	Bombay	10 10 0
	Ready B. Small	"	10 7 6
		Calcutta	10 8 0
	Ready B. Bold	Cawnpore	8 8 0
	Yellow	"	14 3 6
	Black	"	11 14 0
*Mustard (per md.)	Ready Bold	Bombay	10 0 2
*Groundnuts (per md.)	Karnels (Coro-mandel)	"	"
	Desi	Madras	9 14 0
	Pahar	Cawnpore	11 0 0
*Potatoes (per md.)			
†Oils epr gr.):			
Linseed	Ready	Bombay	10 1 0
Castor	Ready	"	10 8 0
Coconut	Ready	"	10 6 0
†Cotton—Raw			
(per candy)	IOC Mar. 45	"	416 0 0
†Piecegoods per yd.)	Std. Quality	"	1 6 3

† Time of India, dated 5th December 1944.
 † Indian Trade Journal dated November 30, 1944.

GOLD AND SILVER PRICES†

		GOLD			SILVER		
		(Rs. per fine tola)		(Rs.)	(Rs. per 100 fine tolas)		
		Spot	Forward	Sovereign	Spot	Forward	
Nov. 29	1944	64 7 0	64 3 0	..	124 0 0	121 12 0	
" 30	"	64 10 0	64 8 0	45 0 0	122 2 0	120 12 0	
Dec. 1	"	64 12 0	64 10 0	45 0 0	120 12 0	118 12 0	
" 2	"	64 6 0	64 2 0	45 4 0	120 4 0	118 0 0	
" 3	"	..	..	..	..	..	
" 4	"	63 13 0	63 12 0	45 4 0	113 12 0	113 7 0	
" 5	"	64 14 0	64 10 0	45 4 0	121 4 0	120 4 0	
" 6	"	..	..	..	..	..	

London (Dec. 6, 1944) per std. oz. 28-8-0 23-1/3d. (Ready).
 New York (Dec. 6, 1944) per std. oz. 44-3/4 cents 44-3/4 cents.
 † At Bombay.

1341/25/9/45-ov

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THE EASTERN ECONOMIST

Vol. 3 No. 23

NEW DELHI, DEC. 15, 1944.

ONE RUPEE

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TIN CONTAINERS

DO A LOT OF FIGHTING Too!

No—We don't mean that tin containers are marching into battle in martial array—but that tin, being an essential war material, is fulfilling other more important needs than serving as containers. Composite cardboard containers, however, have come into their own and have proved to be a boon in relieving the acute war-time shortage of tin-plate. Today cardboard containers, made in all varieties and shapes, are proving not only very useful but most attractive; they are moisture proof when made from Waterproof Board.

To suit various purposes boards are available in different weights and grades. Simplex, Duplex, Triplex and Coloured Triplex Boards, and Waterproof Board which retains its resistance to moisture when scored and creased.

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Planning and Foreign Enterprise

ON one vital respect of their planning policy, the present Government can no longer postpone making decisions or announcing them without becoming more suspect than ever before in the eyes of the people. Do they intend imposing such restrictions on foreign capital and foreign technical tyranny as would be called for in the nation's interest without prejudice to the pace of development; or are they going to let in foreign capital and technique unhindered to gain control over vital sectors of economic activity, as ever before? This important question was raised at the last meeting of the General Policy Committee at Bombay by Mr. J. R. D. Tata, who asked what protection Government would give to national industries against competition from foreign concerns firmly established in the country, enjoying superior advantages of research and technique. Sir Ardeshr Dalal could only point to the clauses of the constitution which permitted the operation of those companies, though he undertook to see that "there was no uneconomic competition."

Even in the two decades of tardy industrialization when "discriminating" protection held the field, the national character of the progress made was very considerably nullified by the foreign companies and India Limiteds which sprang up behind the Indian tariff wall. In the context of the huge industrial drive after the war, about which the Government are so loud, a policy which lets foreign enterprises operate

unregulated can only prove to be an unmitigated calamity.

Signs are not wanting of growing foreign aspirations to participate in India's development. The World Capital Bank minimizes the risks of international private investment, and U.S. business men are already taking a measure of the frontiers of foreign investment. The lending powers of the Export-Import Bank and Reconstruction Finance Corporation are to be increased, and private loans to the capital-hungry lands are to be freely made. The recent Business Conference at New York produced abundant evidence of American desire to take a hand in India's industry as participants rather than accept foreign Government bonds. Americans promise to be generous with their money after the war, but at present the dollar is very dear.

Meanwhile, despite the heavy load of external debt which Britain has taken not one step to repay, her industrialists are looking to India as a fertile field of after-war investment. We have had occasion before to refer to the advocacy by the *Indian Affairs* of London of claims to "partnership on an equal basis" and to statements of similar substance made by British industrialists at the meeting of the Indian scientists' mission. In fact, the Indian scientists have furthered this tendency. They have given encouragement to British plastic manufacturers seeking to

establish themselves in India, while two of the biggest radio companies are already reported as having started negotiations for projects for assembling radio components in India. Already three expert scientists have been fixed for the Tata Institute and one fuel expert for the Government of India while apparently orders have been placed on British firms for scientific instruments. British industrialists seem thus quietly to be determining the priorities and capital and technical needs of India, well in advance of her Government's sanction or decision.

Not that India is opposed to any kind of foreign assistance. Indeed, the chief bottleneck in the way of rapid development even after the war is feared to be the paucity of trained technical personnel and capital goods. It will be a mistake, however, not to distinguish (1) between imports of capital goods which are paid for out of our own resources and those which accompany foreign financial assistance, (2) between capital equipment which is available only on condition of our acceptance of foreign loan and that which is not so hedged in with conditions, and (3) between different kinds of offers of assistance which would make for varying degrees of dependence on foreign technical personnel. In the earlier stages of our economic evolution, say, particularly in the nineteenth century, these distinctions perhaps were not material and we perhaps needed foreign financial and technical aid and for a continuously long period, though it by no means follows that the influx of foreign capital did actually result in positive benefit. For, foreign capital exploited without imparting *expertise*, and Dadabhoi denounced the drain. But today India is only dependent on foreign technical help, and not on financial assistance. Barring a heroic rate of development which would compress the progress of generations within the fraction of a life-time, our accumulated external assets and domestic resources must be adequate for any high rate of expansion that might be visualized by a Government even of our own choice.

A policy for the regulation of foreign enterprise must take account of this all-important change in our status. The findings of the Indian Fiscal Commission and the External Capital Committee on this question were governed so completely by the assumed desirability of importing foreign capital as an aid to rapid industrialization that they did not favour serious restrictions on foreign concerns. Even the minority recommendations of the Fiscal Commission, which were in part supported by the External Capital Committee, are today completely out of date and do not meet the needs of the situation. The whole question requires consideration *de novo* from a national angle. The urgency of early action has been increased by the menacing growth of foreign companies and their subsidiaries registered in India to take full advantage of the policy of protection. Their share in rubber, soap, cigarettes, boots and shoes, chemicals and other larger protected industries is important and growing, and they are able effectively to stifle Indian enterprise, both large scale and small.

The following general principles of regulation of foreign enterprises may be enunciated:—

(1) Speaking generally, all those industries and other types of investment which are intended to be undertaken by private enterprise should reasonably be regarded as the exclusive field for Indian ownership, management and ultimate control.

(2) In respect of those industries and projects of which State ownership is decided upon, internal capital should have priority over external capital.

(3) Foreign companies should not be allowed to acquire special privileges or exclusive rights of exploitation of the natural and irreplaceable resources of the country or a share in key industries or industries important from the point of view of national defence.

(4) As far as possible, foreign participation rights, if found inevitable, should be restricted to a share in the capital without voting strength such as debentures and not allowed in voting capital.

(5) The above principle will apply also to the external loans Government and public bodies may raise in case of unavoidable necessity, i.e., the external creditors will be entitled only to a fixed rate of interest and not to powers of control.

(6) As far as practicable, other things being equal, offers of technical assistance which do not entail foreign participation rights should be preferred to those which do.

(7) In those cases in which foreign finance is tagged on to technical aid, suitable provisions should be inserted to secure that Indians are given full training in all the technical processes and that ultimate transfer is made to Indian hands according to some time schedule.

(8) In regard to those foreign enterprises which are already established in India, the policy could be given effect to by (a) provisions regarding training of Indians, (b) periodical inspection of the ownership of shares of voting capital to enforce predominant national ownership, and (c) transfer to public or private agencies after a period of time if the above aims of policy are not subserved.

It will be readily seen how far from the ideal is the actual state of affairs in India. But are not our large planning aims, too, equally removed from realities? The only sensible course would be to realize the obstacles and overcome them. Principally they are two: (1) constitutional and (2) technological. Technologically, India has such an enormous leeway to make up that foreign aid will be indispensable to a greater degree than will be the case with other countries and that reflects sufficiently on Britain's record in India. But since technical progress is a rapid and continuous process and no country, not even the most advanced, can afford to be wholly independent of others, the handicap could be overcome by sustained efforts in technical training and research.

Sir Ardeshir Dalal has spoken of schemes under preparation for sending 500 students for technical training abroad and setting up a Central Technological Institute, a Central Agricultural College, an All-India Medical Centre, etc., not to mention importing foreign technicians. The Indian scientists are already making contacts with scientists in Britain. But all this will fall of their purpose, *viz.*, raising the technological standards in India, if they just serve as the outlet for second-rate British science graduates and mechanics. They should aim at such fundamental research as would enable India largely to stand on her own feet as early as possible and also to secure certain technical triumphs which would make scientific exchanges with other countries more equal and fruitful to us. Care should also be exercised that the bargains made do not tie up India to particular patents, processes and plants so inextricably that subsequent disentanglement cannot be made except at the cost of the industry, especially on occasions of national crisis. Heavy and key industries are peculiarly vulnerable to this danger.

The political difficulty is, no doubt, the more important one to overcome, and if that is surmounted and India can deal with foreign nations on an equal footing, technological difficulties will prove much simpler to solve. Particularly on the question of restrictions on foreign concerns, Sir Ardeshir took shelter under the existing constitutional provisions. The 'safeguards' against commercial 'discrimination' are by far the most obnoxious among the fiscal provisions of the 1935 Act, which deprive the country of powers over vital affairs. But this plea cannot be pressed too far. For, the Government themselves have given expression to many of the principles laid down above. Para (e) of Section VIII on Industrial Development in the Second Report on Reconstruction Planning is enough evidence of such acceptance. What is required now of the Government of India is to convey the policy to His Majesty's Government and get the requisite constitutional sanction. Even H.M.G. can have no valid objection to this claim. Sir Stafford Cripps during his mission to India gave an assurance on behalf of H.M.G. that there will be no special protection for British capital or commercial interests in India; this was repeated by the Secretary of State for India in the Commons and the Under-Secretary of State for India in the House of Lords in July 1942 in the statement that "a guarantee of special protection for British commercial interests in India would not be a condition for the acceptance of whatever consti-

tution Indians might evolve." If, as so often proclaimed, H.M.G. still stand by the Cripps proposals, Sir Ardeshir and the Government of India should expect very little difficulty in making a start in the application of those principles even now at this crucial stage of planning.

In this, as in every other aspect of policy, the vicious political base of the present Government renders all its plans rightly suspect. There is a large, yet undefined field of economic activity covering essential industries, public utilities, etc., reserved for State ownership or management. Coming from the present Government, how else can it be interpreted except as reservation for foreign enterprise, technical and financial? The pronounced predilection of some of the Government's industrial planners for State ownership is certainly no measure of their enthusiasm for communism; the subordinate branch of an Imperial Government cannot be guilty of it. It is only an act of reservation for foreign interests. Meanwhile, Indian enterprise is being kept cut of important fields by the twin instruments of undefined State activity and capital control, both of which aid the foreigner to gain vantage positions without let or hindrance. Without positive safeguards against such economic penetration, how can there be any confidence that the substantial benefits of post-war planning will accrue to the people of this country?

Lease-Lend

THE new Lease-Lend Agreement for the period covering the ensuing year, which has been concluded recently between America and Britain, certainly marks a striking success for the Keynes Mission which has been carrying on negotiations with the Roosevelt Administration for some time; but it also registers the growing ascendancy in the counsel of the Roosevelt Administration of the 'international' school of economic philosophy. Originally conceived in the interest of the optimum pooling of Allied war resources without having to pay heed to financial limitations, the militant section of commercial interests in the United States often tended to look upon the Lease-Lend machinery as an excellent means and opportunity for extension and entrenchment of American trade interests throughout the world. No doubt the Master Lease-Lend Agreement signed between the two Governments, provided in Article VII that the *quid pro quo* of Lease-Lend aid rendered would also include the subscribing by the beneficiary Governments to certain tenets of economic liberalism—which, it is widely feared, could only lead, in the existing circumstances, to the progressive entrenchment of the overwhelming economic power of the United States throughout the world. But even the actual operation of Lease-Lend aid also has been having important effect on the current trade relations of the aided countries. It was at first feared that the immense demand on American resources that would be made by her defence and Lease-Lend programme, would place her at a comparative disadvantage in export markets in relation to her competitors who might be receiving Lease-Lend aid from her free of present cost. Consequently, it was provided that the supplies which would be provided under Lease-Lend, would be distributed and employed solely in the interest of the war-effort of the United Nations and would not be made available for the direct or indirect benefit of private commercial interests. Thus the so-called 'Eden Agreement' prevented British export trade in items received under Lease-Lend. This and other clauses were indeed intended as essential safeguards for American commercial interests. But because of the fact that economic resources are, to a large extent, both complementary and substitutable in relation to

one another and by reason of the very volume and comprehensiveness of American aid under Lease-Lend, the United States has been so far enjoying almost an effective (if indirect) veto over British trade and industrial policy. Before the advent of Lease-Lend and with the pressing need for hard currencies, the export trade was regarded as an essential part in Britain's financial war-effort. It was only with the abatement of her need for foreign exchange resources with the coming of Lease-Lend aid, that Britain could regard her export trade only as a diversion of her manpower and shipping resources and a detraction from total war-effort to that extent. Thus her export trade was left to dwindle by nearly two-thirds in volume from the pre-war level while American exports have gone up.

With the prospect of an early termination of war in the European theatre and partial demobilization and reconversion which would be effected then, the relationship of Lease-Lend aid not only with this reconversion process but also with the problems of the rehabilitation of international commercial relationships, had to be defined afresh. The economic resources of the United States are so vast that she has been able to carry on her gigantic war production and massive Lease-Lend programme without essential diminution of her general standard of living, which has indeed improved in certain respects. Britain, on the other hand, with her comparative smallness of resources but with the commitments of a Great Power, has been forced to use up a large part of her overseas and domestic investments, accumulate a large overseas debt and otherwise emerge with a much worsened international economic position. While the United States could simultaneously carry through large-scale reconversion process, an export drive, a Lease-Lend programme and even some improvement of domestic consumption level and yet put through a quantum of war-effort sufficient in the context of the Far Eastern theatre of war,—for Britain, with the comparative smallness of her total resources, a deliberate choice would be involved. If left to herself and her own resources, Britain would be unable to carry

through any extensive reconversion to peace economy, export drive or improvement of general consumption level until at the end of the war both in the European and the Asiatic theatres of war. This would give a predominant and one-sided slant to the world economy in favour of the United States.

The new Lease-Lend Agreement flows from a realization of the necessity of a balanced rehabilitation of the world economy and is conceived essentially in terms of the "key-nation" approach to it. The governing concept is that the continued prosperity of the world would depend essentially on the continuance of stable prosperity in the two major clusters of economic power in the world, viz., the United States and Great Britain. If these two major centres of economic power continue to be stable and prosperous, the entire world economy would very easily find its level and balance. It, therefore, falls on the United States, even at some immediate sacrifice to herself, to help Britain regain her economic aplomb and not to take too much advantage of her enormous economic power. The motif behind the new Lease-Lend arrangement is expressed by the U.S. Treasury statement that the United States will not take "undue competitive advantage" over Britain in exports or reconversion to civilian output and that "equitable" reconversion will somewhat relieve the "differential strain" on Britain's civilian economy regarding living conditions, housing and exports.

Thus, as America's "Special Lend-Lease Committee" said, Lend-Lease shipments of steel and some other raw and fabricated materials to Britain would be halted on December 31, 1944, as the result of "equitable" reconversion principle worked out in conference by Lord Keynes and Dr. White. Raw materials supplied after December 31, 1944, would be limited to Britain's requirements for consumption, the manufacture of war materials and the maintenance of essential war-time economy—supplies in excess of this minimum criterion being paid for in cash. The United States will advance just so much war materials to Britain as will enable the latter to release sufficient manpower and resources and so reconvert her industry to peacetime production at the same percentage rate as the United States. In other words, the United States will slow down her own rate of reconversion and take a corresponding quantum of war effort off Britain's back.

Britain has made it clear that she would now be preparing for reconversion of her economy with a view to recapture of her export markets, and the new Lease-Lend Agreement is intended to help Britain in this regard. Of course, even now she cannot receive under Lease-Lend materials for re-export for private commercial purposes, she would receive food; pre-fabricated houses and other materials for the maintenance of her essential economy, which would enable her to release manpower and resources for production for domestic and foreign markets. By this self-denying ordinance, the United States imposes on herself a voluntary handicap, in order that the United States and Britain may have an even and fair start in the race of post-war commercial rivalries. The significance of this self-denying ordinance will be realized when we remember that soon after the collapse of Germany, the vast block of market represented by Europe and Russia will open up, with a tremendous spurt of pent-up demand. Again while Britain finds herself in some economic difficulties, the United States finds herself saddled with a great increase in her productive capacity in the course of the war, until today, in accordance with Mr. Stacy May, testifying before a Special Committee on Post-war Economic Policy and Planning of the House of Representatives, "the United States' total production capacity now comprises nearly one-half of the total capacity of the world" and "in some

lines of production of goods, we will have a productive capacity of a size at least twice that is likely to be needed to meet the maximum domestic requirements."

The new Lease-Lend Agreement, therefore, marks a definite turning point in the evolution of foreign economic policy by the Roosevelt Administration, newly strengthened after the recent elections. The United States is taking upon herself at least some of the economic responsibilities for the rehabilitation of the world economy. The United States has agreed to take upon herself a good slice of the economic war burden now on Britain, forgo some of her competitive advantages in commercial rivalries and in general thus to help Britain out of her economic plight. In some American quarters there is even the suggestion that America would undertake not to do anything which is calculated to undermine Britain's commercial interests, particularly in the East. However, if indeed we think in terms of an expanding world economy, such efforts to partition world markets with effete idioms of restrictionism need not detain anybody. The Roosevelt Administration has indeed taken the first step to indicate its intention of extending the Lease-Lend machinery to help the post-war economic rehabilitation of Britain. Nevertheless, if prosperity is indivisible, Britain is not the only, nor even the most important, area that will demand the salutary support of the enormous economic power of the United States in the interest of the healthy and balanced development of the world as a whole. In particular, the devastated territories and dislocated economies in Russia and the European continent could be rapidly put back in order, only if they receive large-scale support by means of international loans, or probably, better—judged by the pitiful debacle experienced in respect of international loan operations after the last war,—through the fruitful mechanism of Lease-Lend. In an age of dynamic change when the international accounts of the various countries are apt to undergo rapid shifts, the old mechanism of international equilibrium has serious limitations which could more easily be negotiated by the new and promising technique of Lease-Lend. And it is not merely with respect to the rehabilitation of war-devastated territories, but even in regard to the systematic development of backward territories and other international constructive economic efforts, as for global war strategy, that the new technique could play a creative role.

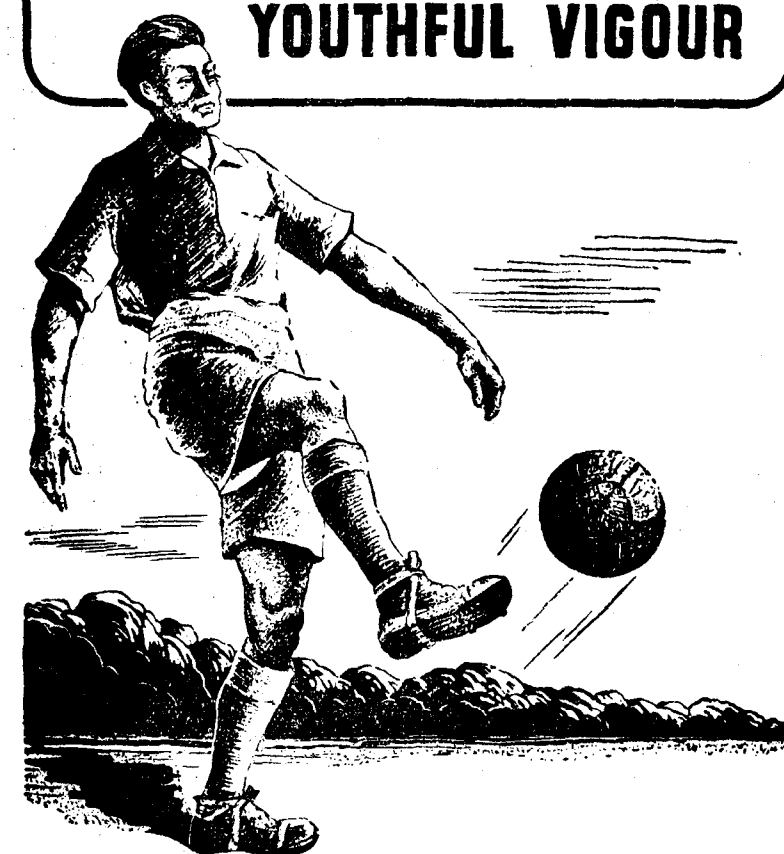
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The Week's Notes

PLANNING AND THE CONSTITUTION

The recent Second Report on Reconstruction Planning started by almost bypassing the constitutional aspects of planning, and it adduced at least three reasons for this cavalier attitude. Firstly, it stated that it has been the experience of other countries with federal constitutions, the constituent States of which enjoy a measure of autonomy far greater than that enjoyed by the provinces in India, that for the purpose of economic development they have to come together and formulate a common policy in the general interests for the country as a whole. Secondly, as "whatever form the future constitution takes and whatever autonomy the future Provinces or States of India enjoy" they will all benefit in an equal measure by the plan for economic development, the constitutional issue is not affected. Thirdly, there is already "general agreement as to the measures necessary over a great part of the field" so that the task of co-ordination would not be so difficult. However, it has become more than clear recently that the plans put up by the Centre and by the Provinces have not been fitting into one another smoothly like hands in a pair of gloves, and the task of so-called "co-ordination" has become one of more than usual difficulty. The provincial attitude is reported to be that the Centre should subsidize provincial schemes, but that the Provinces should not be asked to fit into all-India plans evolved at Delhi; and that every Province is preparing its own *ad hoc* schemes which have no relation to broad economic aims visualized by a master plan for the whole of India. It is clear that such unco-ordinated planning would lead to economic waste and probably serious readjustments which may hamper our economic progress. The attempt of the Centre to get approved by the various Provinces a "key" all-India master plan, is said to be meeting with stubborn opposition. A part of this difficulty must be attributed to the very structure of Federal Government as such, but no less important is the present political deadlock. If democratic and responsible Governments were functioning in all the Provinces and at the Centre, the unifying influence of the great all-India political parties would itself have made the task of co-ordination so much easier, unless, of course, the two great parties came to balance each other into an equilibrium of inaction. While in a vast country like India, there must necessarily be a large measure of regional devolution, effective planning would to a great extent be conditioned by the existence of a Centre which can act in the last resort.

CAPITAL GOODS FROM THE U.S.A.

The published summary of the report of the Indian Trade Commissioner in America reads less like an objective account of the economic and commercial conditions of the U.S.A. from the Indian point of view than like a tendentious picture intended to divert the attention of Indian business from the U.S.A. to Britain. The Trade Commissioner seeks to give three discouraging signs about imports of machinery from the U.S.A.: (1) Wages and costs of production in the U.S. are high and it should not be assumed that machinery of good quality cannot be obtained cheaper elsewhere by the time India requires delivery, especially because surplus equipment will be available for disposal. (2) Industrialists and manufacturers in the U.S. are most reluctant to take time out for furnishing technical details on the off chance of orders materializing after a delay of three or six months, when capital goods can be sold at home over the counter at attractive prices to meet home demand. (3) With solid business obtainable with Russia, China, Latin American republics, etc., if India is to wait for new machinery, the chances of getting it seem to be re-

mote. All the three arguments betray a superficial survey of the American economic situation which at once misrepresents actual trends in the world of American business and overlooks the fundamental factors of American economy. The supposed higher costs and prices of the U.S.A. furnish the base for the stock argument in the British press that America's exports will suffer on that score. But in reality, even if American capital equipment is to be paid a higher price, it may be worth while paying it, because recent enquiries have revealed the enormous technical superiority of American machinery and paying a higher price on superior equipment may be truer economy than paying a slightly smaller price on out of date plants. The other two arguments miss the basic fact of American economy, *viz.*, that full employment at home can be maintained only by exports and loans and Americans are quite willing to change their policies to achieve it. All indications, including the first-hand reports of Indian business men who have visited the U.S.A., point to the willingness of American business men to help India rather than a tendency to look away from her. The only point of common sense in the Trade Commissioner's remarks is that for such of our requirements of capital goods from the U.S.A., we must go there for spot purchases. Foreign demands on the U.S.A., will be naturally heavy, but that only underlines the necessity, already felt, of giving Indian entrepreneurs the widest facilities of travel and contact with American business to enable them to conclude fruitful deals in time.

SHIPPING POLICY

The text of Mr. Walchand Hirachand's speech at the recent meeting of the Policy Committee on shipping and his statement to the Press on the proceedings of the meeting are a forthright indictment of the lighthearted way in which Government are playing with the fortunes of a key national industry. The Committee met just for two hours, had no concrete proposals placed before it for consideration and Government spokesmen neither gave any indication of the steps under contemplation by Government nor answered the fundamental questions put to them. In the light of this, the high sounding statements by Government, setting out as objectives of policy, the creation of a merchant navy, the reservation of coastal trade, acquisition of share in foreign carrying trade, etc., can only be looked upon as empty words. Briefly, the following points demand categorical assurance from Government. (1) Are they prepared to guarantee that the merchant navy they talk of will be owned, managed and controlled by Indian nationals and that British interests with an Indian label and under national masquerade will not enter and gain control. (2) Do the Government propose to replace the shipping tonnage lost by Indian interests during the war, seeing that the cost of replacement has gone up so considerably due to loss at sea and rapid obsolescence that without Government help the financial structure of the shipping concerns will break under the strain? (3) Will the Government take steps and start negotiations with a view to securing the entire coastal trade for Indian shipping, and as suggested by Mr. Walchand, 66 per cent. of the carrying trade, with adjacent countries, 50 per cent. of India's overseas trade with U.K. the U.S.A., and other foreign countries and not less than 33 per cent. of the trade in the Orient, including the share of the Axis powers to be kept out after the war? (4) What facilities will the Government grant for the development of an Indian ship-building industry after the war? Government cannot get away without facing these issues squarely by resorting to pious and empty statements which will deceive nobody.

"NEW ECONOMIC POLICY" IN FRANCE

The trials and tribulations which France went through during the four years of German occupation, could not fail to leave indelible impression on her national life. The very rigour of the economic demands by the occupying power, again, forced her economy out of its bearings: more than 2½ million of prisoners and forced labourers have been working in Germany and her industries have been regimented, concentrated, transferred and bombed out. After liberation, the French Provisional Government was no doubt faced with the immediate task of relief and reorganization. But the more fundamental and long-term economic issues could not be evaded for long. The initial struggle among opposing social forces seems now to have been temporarily resolved and the de Gaulle Government is busy formulating an economic programme which can be accepted by wide sections of the French public. During the years of occupation, due to the inflation and general anarchical conditions, there has been a decided growth in inequalities of wealth and also, with the worsening of economic and political conditions, an accumulation of hatred against the 'collaborationists'. The common ground behind the "new economic policy" is to "create a new social order, an 'economic democracy' in place of the old 'tyranny of the trusts' and the power of the '200 families.'" The general state of economic disorganization presents the de Gaulle Government with a fluid situation and as near an approach to a *tabula rasa* as could be hoped for. The de Gaulle Government is energetically taking up its task of economic reconstruction and regeneration and its declared intention is to break-up pre-war industrial trusts and monopolies and pave the way for a planned national economy. Due to breakdown in power supply and transport facilities, industrial production is barely 40 per cent. of pre-war level and all parties are united in giving priority to industry—partly also because of its importance in national security and as a reaction against the Vichy's "back to the land" policy. It has been pointed out that the infiltration of German capital and controls and the German concentration of industry involving the closing of many small firms which abounded in pre-war France, facilitate the transfer of large industries to State control and the demand for the break-up of the big trusts—especially the *Comité des Forges*—and the confiscation of the property of the business magnates who 'collaborated' with Germany, still further facilitate nationalization of industry. The coal mines and the Renault automobile works have already been nationalized. France is undoubtedly in the melting pot and startling developments cannot be wholly excluded. But the balancing of the new social forces as seen in the working out of the "new economic policy" leaves no doubt that France, old revolutionary France, is groping her way to a new economic and political form.

DEAR RAW MATERIALS

British exports, said Lord Keynes, must be pushed up to at least 50 per cent. over the 1938 level if Britain is to live. Can Britain do it? Political power apart, Britain's capacity to export must necessarily depend on her ability to stand on a level of competitive strength where she would be able to sell as cheaply, if not cheaper than, other countries. So far, in point of technical efficiency, as recent reports have vividly pointed out, British industry has been much behind the industries in other countries and Britain's prosperity and economic strength has been helped beyond measure by her ability to obtain cheap supplies of essential raw materials. Even when the materials were obtained from within the country, the possibility of obtaining them through imports served as an effective check on high prices.

This was also responsible for the comparative docility of English industrial labour, for the cheap raw materials enabled industrial employers to pay higher wages relatively to those earned by their confreres elsewhere, and since the same principle, namely, the preference for cheaper supplies from abroad was applied to food as well, this automatically ensured for the labourers a comparatively high standard of living. But the triumph of protectionism in the thirties has resulted in the abandonment of this principle with consequent adverse effects on British exports which have been more or less the victims of a "persistent anaemia." And things look bleaker in the future. The war with its greater emphasis on output "without counting the cost," as it were, has further tilted the balance to the disadvantage of the industries. This is a serious portent for the future, and a number of industries are beginning to get apprehensive; the chemical and steel industries are getting alarmed at the rise in coal prices, and the motor industry has begun grumbling at the high cost of steel as compared with American steel.

SOME FACTUAL POINTERS

Coal is undoubtedly the most serious raw material problem for British industry; its prices already on the upward swing in the "thirties, both absolutely and relatively to prices elsewhere, has doubled since 1939." In October 1943, Lord McGowan made the astonishing statement that the "pithead prices in the U.S.A. were lower than in this country by the equivalent of 10s. a ton, that is by an amount little less than the total pre-war cost of coal at the pit in this country." This is a specially serious threat to British industry which must needs depend on coal, as it does not stand in an advantageous position in the availability of extensive water power resources. So with steel. A British motor factory, "with the most excellent opportunities for knowing the exact state of affairs in both the countries," revealed that the price charged for "auto-body extra deep drawing cold rolled sheets" at the then prevailing rates of exchange was £14 and £18½ per ton in 1939 and 1944 respectively while the British prices were £21¼ and £29¼ per ton respectively. In regard to chemicals, Mr. W. D. Scott, in a paper, has prepared the price list of basic materials in terms of percentage of the American prices of the same materials.

British Prices of Basic Chemicals Expressed as Percentages of American Prices

	%		%
Acetic Anhydride	151	Cresylic Acid	93
Acetone	167	Formaldehyde	105
Alcohol, Bntyl	182	Napthalene	81
" Ethyl	64	Phenol	159
" Methyl	131	Phthalic Anhydride	110
Benzene	272	Soda ash	149
Calcium Carbide	144	Sulphur	206
Caustic Soda	121	Sulphuric Acid	208
Chlorine	135	Urea	152

Thus in three sets of essential raw materials Britain may be presumed to be labouring under the handicap of high price. Other examples are not difficult to cite. In the post-war period, will it be possible for her to eliminate this drawback? The British attitude towards cartels, which would in all probability thwart such an attempt, is one of the weak spots: the opposition of vested interests inside the country who have large stakes in certain industries created and sustained by the conditions of the war is another. Then, Britain will also have to battle against the growing unwillingness of the raw material producing countries to continue as such. But without this Britain will not be able to initiate a really solid industrial revival; for, as *The Economist* has pointed out, "high conversion

costs and dear raw materials are a combination that make exports unsaleable and the domestic cost of living excessive." And Britain will have to contend with both. This is a serious threat to politically subordinate countries. India in particular must be wary of being hustled into buying machinery at such high cost from Britain.

OIL DIPLOMACY

Early this year, a scare developed in the United States that she was depleting her oil reserves so fast that in spite of her paramount position as the world's supplier of oil at present, she will have to face shortage in immediate future. The artificial scare proved to be only a precursor of an announcement of a deal by Mr. Harold L. Ickes between the U. S. Administration and two oil companies, seeking to forestall all interests, particularly the British, in the newly proven fields of Saudi Arabia. An agreement was reached between Britain and the United States in August last, at Washington "to respect all valid concessions, contracts, and lawfully acquired rights, and to discountenance any attempt to interfere with these tracts and rights." The two powers controlling most of the world's oil considered themselves natural and unquestionable trustees and announced their intentions to use their position well. Events soon revealed, with Russian successes on the war front, that oil affairs like other international affairs could no longer be settled by means of convenient arrangements between British and American oil interests alone. It was in the true spirit of the Washington Agreement that the U.S.S.R. sought concessions in Iran. She is in a strong position in this respect in Rumania and Poland as well. The want of convenient territorial bases will put the United States at a disadvantage in the game of getting concessions and rights from the politically weak peoples of Middle East as well as the Eastern Europe. Mr. H. Ickes is thus no longer for rugged individualism in international oil matters and in his latest announcement of United States' policy calls for "a just and workable world understanding on oil." He now assures there is plenty of oil for all nations, of course, including the United States, and considers any international scramble over it unseemly. The purposes of controlling oil resources now is set out with less ambiguity as a cheaper and more efficient method of policing the world than armies and navies. But the efficiency of this method of policing the world will no doubt depend upon the sincerity of faith in international purposes and can hardly be assured if all oil reserves are under the control of only a few leading powers. No protestations of goodwill towards peaceful nations stood in the way of the United States supplying oil to Japan before Pearl Harbour. Nor can the control by only a few powerful nations satisfactorily assure equitable supplies or prices for the rest of the world in future.

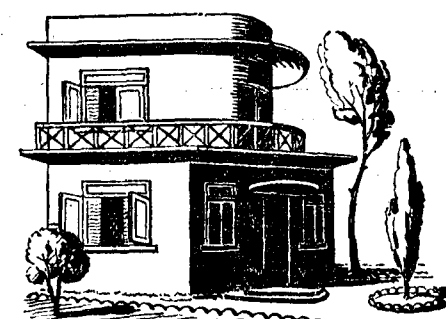
TOWARDS ACCURACY

The Statistician to the Imperial Council of Agricultural Research is reported to have succeeded in evolving a large-scale sample technique for estimating crop yields with a high degree of accuracy. The method was tried in the Punjab and the U.P. for assessing the size of the wheat crop during the last crop season and the results have been very satisfactory. In the Punjab, by sampling 108 acres out of a total of 9 million, the net outturn for the province was estimated at 3,448,700 tons with a sampling error of just over 1 per cent. The official estimate under the old method was 3,277,000 tons—in defect by 171,700 tons. The plan adopted for the improved survey was based on the principle of random stratified sampling with tehsils as the strata, a village as the primary unit of sampling within a stratum, a field as the unit of sampling within a village and a plot 65" by 33"

as the ultimate unit of sampling within a field. The survey was conducted in 27 out of the 29 districts of the Province (excluding Lyallpur and Simla) and touched 748 villages which were, for each district of the province, proportionate in number to the area under wheat, but equally distributed among the tehsils of the district, and at random within each tehsil. Within each village three fields were selected, and within each field one plot of 1—20th, the selection in both cases being made at random. Harvesting, threshing, winnowing and weighing were concluded in one day. The final estimate, however, includes allowances for 'driage,' owing to the divergence of this procedure, necessary for accuracy and speed, from the general practice which allows a week or two for drying between harvest and threshing, and also for the different yields of wheat sown pure or mixed with other crops. Uniformity of practice was obtained by Central training of the senior staff concerned in all the details of the experiment, Central selection of the villages and also a Central check up of the process of experimental crop-cutting. The cost of the survey barely exceeded Rs. 27,000 for the whole province. The Government of India, it is understood, propose to extend the scheme to principal crops in all provinces where area statistics are known. This decision is to be welcomed in view of the importance of accurate basic agricultural statistics for the formulation and administration of proper food and agricultural policies, calling for detailed schemes of crop planning and production and marketing control.

POOR RELIEF

Perhaps, Delhi deserves to be congratulated for attempting to tackle satisfactorily the beggar problem for the first time in India. Laws regarding vagrancy are old enough, but they have been generally of little practical importance in the absence of destitute homes and workhouses. It is intended to establish a settlement on the outskirts of the city consisting of a remand home for new entrants, an infirmary for the disabled, a workhouse for the able-bodied, and a hospital. The colony will be able to accommodate 300 inmates. The recurring cost of the scheme is estimated to be a lakh annually. Half of this amount will be borne by the Central Government, and one-third by the combined municipal area of Delhi and New Delhi. Rest of the expenditure will be available from interests on endowment funds which amount to no less than Rs. 6½ lakhs by now. This may appear, on the whole, to be a very old-fashioned method of tackling the problem of poverty with little chance of success under Indian conditions. If the provisions of relief are going to be at all humane, and consistent with minimum living standards, the settlement will prove to be a preferable place than home to millions in India. There is no doubt some amount of professional begging which may be deterred, but its extent is generally exaggerated. Further, professional begging, in our country, flourishes in such respectable guises that it may prove quite intractable. This measure, thus, may fail to solve the problem of beggars in Delhi—the fact that it is local in application will make it more difficult to achieve; but the extent to which it helps to relieve individual distress, it must be welcomed. The fundamental need is, no doubt, for measures which may bring about surplus economy for the country as early as possible. Without such measures no tinkering with the problem of eradicating poverty in particular localities can have much chance of success. It may only lead to futile restrictive measures through unimaginative tackling. But so long India cannot provide for comprehensive social security, there is room in her economy for less ambitious measures largely based on public benefaction such as the present one. Other cities may well emulate Delhi, and the Central Government as well as the Provincial Governments must assist them.



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ISSUED BY THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA

AAA 1109

Controls in a Planned Economy

By N. S. Pardasani

THE adoption of a programme of planning necessarily raises the question of devising and instituting appropriate controls in a planned economy. While the need for such controls has been admitted all round, the exact significance of such controls does not seem to have been realized in the various official and non-official plans published so far. Schedules of development in different directions have been put forward and target figures indicated without any preliminary examination of the practicability of economic restrictions and controls that will have to be adopted to secure the necessary results. The experience of war-time controls in India has shown that unless such controls are thought out in advance, are comprehensive and are instituted in a logical order at early stages, their efficacy may be of a very low order.

Objectives of Controls

The essence of economic control is the *conscious* and *direct* intervention by the State to so regulate an aspect of economic life as to secure a desired end with the least expense of time and resources. The character, scope and technique of controls required in a given situation would depend upon two factors: (1) The objectives which the controls are expected to fulfil, and (2) the social framework in which they are to operate. The controls must, further, be devised in the light of the existing system of organization of production and distribution with special reference to the prevailing degree of centralization, combination or otherwise of ownership and management in business enterprise, the existing channels of trade and the system of transport and communication. In some degree, even the availability of such factors as administrative personnel, public co-operation and the quality and scope of statistical data may be serious limiting factors, but these may generally be regarded as amenable to organized effort, when planning extends over a fairly long period.

The objectives of controls in a planned economy are broadly three: Efficiency, Equity and Security (including full employment). The first refers to securing a degree of coherence or self-consistency, stability and co-ordination so as to make for the prescribed tempo of development according to schedule. It will also aim at avoidance of wastage of resources, natural as well as human. The second refers to the proper distribution of the necessary benefits and responsibilities so as to accord with the community's notion of justice. This latter, though not strictly economic in its character, except when it affects efficiency, is in no way less important than the former. Besides, the two objectives are by no means entirely distinct since promotion of equitable relation often leads, by way of psychological reactions and in extreme cases even by physical reactions, to increase of efficiency. Moreover, a given system of distribution has its effects upon the volume of savings and investment and thereby upon the maintenance or otherwise of a particular level of output. The criteria of efficiency and equity may not always point to the same conclusions regarding policy, even as they may not always be in conflict. It is, therefore, necessary to bear in mind their interdependence no less than their separateness. The third objective of security includes measures for the prevention of the lowering of the standard of living of the poorer classes beyond a certain level and, in particular, to the prevention of unemployment on a large scale. These broad considerations may be further analysed to yield the following specific objec-

tives of controls from the point of view of administering them:—

- (1) Insulation of the national economic system against the possibility of international dislocation.
- (2) Maximization of the volume of output by preventing the diversion or wastage of scarce resources.
- (3) Regulation of the commodity price structure and income structure so as to prevent inequitable distribution of the total output.
- (4) Standardization and regulation of wages, stabilizing industrial relations and securing "full employment."

Each of these may now be taken, one by one, to see what definite measures of control will be needed for the attainment of each of these objectives.

Insulation of National Economy

With regard to the first objective of insulating the national economy, the necessity of such a step is quite clear. For, unless a country assumes powers to safeguard its own policies from disturbance originating in other countries, it will find its plans completely upset. This does not mean that national planning would logically lead to a *closed* economy or to complete self-sufficiency. It only means that the relations with the outside world should be placed on a *definite* and *certain* basis and provision should be made to prevent violent dislocations from producing their effects on the national economy. The controls required in pursuance of this first objective would be: (1) Import and Export Controls; (2) Exchange Control; (3) Control of Capital Movements; and (4) Control of Migration. These Controls will aim at securing the following ends:—

- (1) Preventing the export of certain goods (mostly raw materials and foodstuffs) essential for implementing the plan;
- (2) Ensuring the receipt of certain capital goods and other essential materials;
- (3) Protection of certain industries by tariff duties and import quotas, leaving scope for bilateral or multilateral agreements;
- (4) Provision for the levy of safeguarding duties against practices like dumping, currency depreciation and monopolistic discrimination.
- (5) Regulation of capital movements so as to conserve the resources for national purposes, prevent speculative transactions and stabilize exchanges in accordance with the broad principles of the monetary policy chosen;
- (6) Regulation of special movements, so as to leave enough, and neither more nor less than enough, of the precious metals for monetary and other "approved" purposes; and
- (7) Management of foreign exchanges so as to avoid short-term fluctuations, genuine or speculative, but not so as to adhere to any rigid parities in the face of clearly changed circumstances.

Volume of Output

In order to secure the second objective of maximizing the volume of output, controls will be necessary to prohibit certain lines of production altogether and to limit the activities of certain others; to standardize production of certain goods so as to eliminate certain types of "competitive" waste arising from product-differentiation; to regulate monopolistic combination of a restrictive character so as to secure full advantages of mass production; to control the size, location and methods of production of every enterprise so as to prevent uneconomical production; to prevent industrial warfare by providing for com-

pulsory settlement of certain types of disputes; and lastly, to prevent wastage in the form of a large percentage of population being unemployable or unwilling to work. In India, the difficulties in the way of enforcing such controls will be specially felt in the rural sphere. Here, the *minimum* requirements for the attainment of this objective in the agricultural field appear to be:

- (a) the consolidation of holdings or co-operative farming on a compulsory basis;
- (b) the strict limitation of the interests of non-cultivating classes in the produce of land;
- (c) the compulsory liquidation of rural indebtedness in case of petty farmers; and
- (d) the maintenance, side by side, of State farms or collectives on new lands brought under cultivation.

The maintenance of the volume of output will also necessitate the adoption of controls (1) to secure the necessary volume of savings, and (2) to make the savings available in the required forms of investment. The first will imply schemes of compulsory savings, deferred pay, limitation of dividends, etc., so as to ration purchasing power. The second will lead to controls over certain types of hoarding and investment and, in particular, over the cash rates and investment policies of the banks so as to prevent certain types of transactions.

The third objective of controlling the price structure of commodities and factors so as to prevent injustice may lead to controls with the following specific objects:

- (1) Distribution of certain essential goods at prices low enough to be within the reach of all;
- (2) Taxation of profits and incomes so as to enforce ceilings on income;
- (3) Prevention of certain types of unearned incomes or their regulation within prescribed limits;
- (4) The levy of certain suitable taxes like Death duties, property taxes, steeply graded income taxes so as to moderate large inequalities especially when they are not a measure of services performed in the present or in the immediate past; and
- (5) Regulation of monopolies, trusts and combines so as to limit their activities and opportunities for making profits at the cost of the community.

It may, at first, appear that logically there is no point in trying to control both the price structure of commodities and the income structure, since under a price mechanism, the latter is automatically determined by the former. But, in a planned economy, the automatic effects of commodity controls may not always produce the effects, which could be called equitable, on the income structure. Further, controls on commodity prices and incomes may be necessitated by the particular methods adopted by financing the plan. India, whose population is largely rural, whose production in agriculture and arts and crafts wholly unorganized and dispersed, whose methods of transport are ill-developed, whose administrators are untrained and therefore incompetent for such purposes and whose population is illiterate and politically hostile to attempt to understand and co-operate in the execution of these measures by a Government not responsible to the people, will find the task of enforcing a full-fledged price control a stupendous one—a draft upon its human resources. It is considerations such as these that must put a limit to the amount of currency expansion as a method of financing the plan.

The objective of Full Employment raises vitally different problems for countries at different stages of economic development. For advanced countries like the United Kingdom or the United States of America, the problems are chiefly those of preventing cyclical fluctuations, safeguarding the economy against international monetary and commercial

disturbances and overcoming frictional unemployment. In India, the problem is primarily one of raising the level of economic development, thereby creating all round opportunities for gainful employment. The controls required for securing full employment will therefore be largely those required for securing maximization of total output, though each specific control will, for that purpose, have to be so framed as to aim both at maximization of output and full employment.

Measures of social security, whether they are looked upon as controls or not, will have to be designed to guarantee a standard of living to the poorer sections. Standardization of wages with a view to their regulation and fixation of minima by suitable Trade Boards will be practicable in the few principal organized industries. Relief and insurance measures to assist the workers (both agricultural and industrial) in time of enforced unemployment, sickness, accident etc., will have to be organized at a level which can be borne by the community and in a way which is not unfair either to the worker or to the industry concerned. Rural labour is likely to offer an almost impossible problem in this direction, but progress from the more to the less organized occupations may reduce the problem to manageable proportions.

The analysis given above may be scrutinized to see if the different portions will hang together and will produce a fair degree of efficiency, equity and security with which we started our inquiry. To the champions of private enterprise, pure and simple, it may strike as all too cumbrous, unnecessary and over-reaching, but the lack of such controls will only create a profiteer's paradise while the show lasts, and will, in no case, lead to a planned economic development of India. There is, in this country, a very real danger that the operations of controls might be deliberately postponed till a very late stage of planning when their power to do good may be very limited and, in any case, when much preventable mischief might already have been caused. In fact, it may be asserted that any "plan" for the economic development of a country must not merely be a time-table or a series of schedules suggesting percentages of progress to be made but must indicate the methods or "controls" by which such progress can be reasonably hoped for.

In case, however, the enforcement of controls hampers private enterprise so seriously as to lead to diminution of total output or to other wasteful consequences, the advisability of substituting State enterprise may be investigated. Of course, in certain directions, the case for State enterprise is so strong that it need not wait at all for such a stage to arise. The extension of the scope of State ownership may, instead of resting on a *priori* or doctrinaire grounds, be considered by an expert body on severely practical grounds. The limits of economic control may be the starting points of socialization. If it is asked whether such a form of controlled capitalism would not by the force of its logic, lead to greater and greater measure of State control till it is transformed into complete socialism, the answer seems to be in the affirmative; though since even in a socialist society some room can be logically found for a healthy exercise of private initiative, there is no reason why we may not be able to rear up a structure in which private enterprise, instead of being completely dethroned, is allowed only those channels of development where its powers of doing good may as far as possible be retained, but its powers of doing harm are effectively curbed. If the institution of the controls suggested above is successful, it should lead to a wider distribution of the benefits of economic development and therefore to the creation of more favourable circumstances for the growth of liberty, equality, security and democratic content of a society.

Bombay.

THE WORLD ABROAD

Growing Interest in Foreign Trade

(From Our Special Representative)

NEW YORK, Dec. 11, 1944 (By Cable).

EVIDENCE of America's growing interest in foreign trade particularly trade with India is daily accumulating. The State Department has affirmed that the reabsorption of men employed in war work and the policy of full employment cannot succeed without a large increase in the volume of export trade after the war. If unemployment is to be held down to two millions, at least 55 millions, it is said, must be employed and the national output will have to be increased to about 170 billion dollars. The president of the McGraw Hill Publishing Company in a recent press statement observed that the East was hungry for a type of products which America was uniquely situated to supply, but he appealed for a wise import policy by which she might also increase her Eastern imports and for a farsighted programme of development loans to the Eastern countries. There are however some in high authority who hold the view that America should proceed cautiously in granting foreign loans lest they, in combination with internal backlog demand and large idle purchasing power should create an inflationary pressure upon scarce supply. However that may be, the business community is very trade conscious. Last week a group of twenty men representing various sections of Chemical and industrial concerns plied me with questions as to what sort of development was going to take place in India, what type goods we would want from American sources and what they could buy from us in turn. They were very much concerned also with questions of Imperial Preference and non-discrimination. Would India be politically free to buy and sell and do as she liked? What about our taxation policy? Would it be discriminatory to their margin of profit? Again at a private luncheon given by the President of the American Power Company associated with the Tata Hydro concerns in India great interest was evidenced. It is clear from my talks and their conversations that India could buy goods from America of the kind she wants and also import the requisite technical skill without necessarily inviting capital participation if capital be not needed by her. The general view here is that industry will be glad to afford training to men sent by firms which seek to import machinery although it would be advisable to put through an organized scheme of industrial and technical training such as Sir Ardeshir has in view. The visit of the Industrialists Delegation is looked forward to with keen expectancy. Plans for reconversion of industry are already well under way. For the moment they are held in abeyance in response to the call to meet urgently needed critical battle front items.

The National Association of Manufacturers which held its Annual Conference last week has made public the results of interesting survey among nearly 2,000 manufacturers which indicated "that post-war employment in manufacturing industry will exceed the prewar level by 30 per cent." Manufacturing industry can supply only 25 per cent. of all jobs, but if other segments of the economy can equal this performance, the report says, the goal of providing 55 million post-war jobs is certainly a possibility. The survey also indicates that 61 per cent. of the manufacturing industry will be able to start to leave production the very day she receives a signal for conversion and 49 per cent will be able to swing over into full production that same day. An additional 27 per cent. will be able to resume civilian production within four weeks after the date while an additional 17 per cent. will

reach full production within that period. The report adds that "within eight weeks after the green signal 95 per cent. of all industry can complete conversion with 76 per cent. concerns in peak production." Shortages of working capital may perhaps delay the process in some cases, but many companies will have ample working capital. Industry has also chalked out a programme for reabsorbing three million war veterans in suitable jobs after making a survey and providing a training scheme to qualify those handicapped for certain jobs. The disposal of war surpluses is being made in large quantities and results now, on an average, in about 65 per cent. of the cost being recovered. The principles governing disposal are broadly similar to those enunciated in India. But quite recently a new step has been taken by which the Reconstruction Finance Corporation will erect a vast chain of warehouses at key points throughout the country so that the "greatest merchandizing job on record" involving billions of dollars worth of surplus war goods may be disposed of in an orderly fashion. The reconstruction programme is expected to be started immediately.

Cotton has been the subject of a special enquiry by a Congressional Committee during the past two weeks and all sections of it from farmer to manufacturer and retailer have presented their own points of view. The most remarkable testimony was given by Dean, Acheson, Assistant secretary of the State Dept. Two points were of special interest; his condemnation of the present policy regarding cotton; "the plan to market cotton surpluses after the war at world prices which were below production costs here amounts to subsidising our exports of cotton. Where other countries have subsidized their exports in world markets we have looked upon the practice as unfair to our domestic producers and exports and Congress through countervailing duties has opposed the importation of subsidized goods." Commodity surpluses, he went on, should be dealt with on the basis of international co-operation otherwise the world will go back to the practices of economic warfare which preceded the outbreak of the war. Mr. Acheson is not opposed to helping the cotton grower, but only to the manner in which it was to be granted. This point was also brought out by Mr. Claude Wickard, Secretary of Agriculture, who put forward a proposal by which the domestic and the world price of American cotton will be the same but, income payments would be made to the farmers for a limited period to help them to convert their acreage partly or wholly to other uses. Meanwhile manufacturers have asked for tariff protection with a view to compensate them for having to buy cotton at higher prices internally on account of Govt. policy. Thus the vicious circle goes round and round. The Committee is expected to report shortly and the future of American Cotton and Cotton Industry will depend upon the wisdom with which sound economic policies are devised. The prospects for the industry seem none too bright as Rayon has become a formidable rival.

Under the spur of Pearl Harbour day the sixth War Loan of 14 billion dollars has been oversubscribed. But the sale of E. bonds that is bonds bought by individual investors was much below the target of five billion dollars, but propaganda efforts will not cease until December, 16, when the loan closes.

Optimism and an unbounded confidence of the American people belonging to every section of the community are amazing and inspiring. Poverty and

riches, they say, are relative. An American who has to forego his butter at lunch feels the pinch of war. The editor to the *New York Times* who is printing 200 pages every Sunday and 40 pages on other days complains that owing to paper shortage and control he is unable to carry more news about India and promises co-operation after the war. Out of a million words of news that he gets he is unable to find room or more than 100,000 words. The New York citizens whose purchases in one large centre alone amount to one million dollars a day feel the lack of many goods which they want. I appreciate their complaints. They have shown to the world that the biggest war can be

Washington Letter

Post-War American Foreign Trade

(From Our Washington Correspondent)

WASHINGTON, Dec. 11, 1944 (By Cable).

THE aim of the United States, or more accurately stated the necessity of the U.S.A., to go heavily into export business in the post-war period was given one of its most emphatic expressions to date last week in a statement by the Assistant Secretary of State, Mr. Dean Acheson. Under the immediate direction of Mr. Hull in recent months Mr. Acheson has been largely responsible for developing foreign economic policies and now, under Mr. Stettinius, is stated maintain liaison with Congress on behalf of the State Department. Mr. Acheson told the War and Reconversion Congress held in New York by the National Association of Manufacturers that the U.S.A. must find markets abroad "in the neighbourhood of 10 billion dollars" in order to provide three million jobs in industry and foreign outlets for an agricultural production of another one million for the U.S.A. In addition to adequate domestic policies to encourage such a trade volume Mr. Acheson told 500 industrialists assembled there that they must help in the "creation of circumstances favourable to increased trade" throughout the world. These, he listed, were firstly, a reasonable stability of exchange rate for considerable periods of time, secondly an assurance that exporters will be paid not in some blocked foreign currency, but in American dollars. Thirdly, the elimination of exchange discriminations and multiple currency systems, and fourthly, reduction of tariffs to reasonable levels. After remarking the progress made at Bretton Woods in respect of the exchange rates of currency systems Mr. Acheson significantly stated "we can make the total employment, production and income greater if for some years we are prepared to make a portion of our production and our savings available to foreign countries through excess exports largely in capital goods. The additional real income available within the United States as a result of such a programme will exceed by several times the net real product thus exported." During the War and Reconversion Congress meetings it was noted that a number of prominent businessmen were arriving at the conclusion that the U.S. should abandon its foreign economic policies whatever resemblance they have had to the "muddling through" technique and establish a close relationship between foreign economic and foreign political policies. In the words of Mr. Edward Riley, Vice-President of the General Motors Corporation, this would end international economic relations on a "catch-as-catch-can basis"

It was realized of course that what the proponents of such policies had in mind was not universally shared in the business world either in the U.S.A. or Britain. In America there are apparently groups who are will-

conducted without making terrible inroads into necessary consumption. The total output has increased by 75 per cent. above 1939 levels. The output for civilian use is valued at 100 billion dollars and the per capita civilian consumption has increased well above the pre-war level. America is not only fortunate in her resources, but also in that she has given no heed, to Jeremiads be they Government Officials, politicians or Economists who assert that during war consumption of essentials should be reduced and that increased production is not possible without entrenching upon war requirements.

ing face the import implications of the U.S.A.'s position as a creditor nation committed to underwrite an expanded volume of exports both in consumers goods and capital. Other groups appear to refuse to face these implications. In Britain divergent viewpoints exist between those who favour an expanding world economy and are willing to try their hands at competition on the basis of low cost efficiency production and those who favour restrictions with preferential trading and cartel-protected production. The latter type of British thinking was given the credit, in many American and foreign quarters, for the policy pursued by the United Kingdom Delegation in the recent Chicago Civil Aviation Conference. If the British-viewpoint had prevailed there is little doubt that the Air Commerce would have developed in the post-war period only under the regiment of controls, each country having a share of business guaranteed, but little opportunity to expand beyond that point. Many American business men and officials feel that the prospects of an expanding world economy would considerably be dimmer if victory should be won by the advocates of such restrictive policies. For that reason an unusual burden is imposed on the U.S.A. Restrictionists have well-founded doubts as Mr. Riley said 'as to the willingness of this country to accept an import trade balance as our position as an important creditor nation demands.' He added that both security and freedom would be "seriously jeopardized" if either Britain or the U.S.A. fails to do "what is clearly indicated", by which he presumably meant that they should put trade on the most favourable and the freest basis consistent with the best interests of their peoples. On this point the meeting was told by Sir Arthur Guinness of the Guinness Hyphen Mahon, London that the best time to lower trade barriers would be the commencement period of active business such as is expected immediately in the post-war.

Cartels were given a chatiment at the meeting by Robert Gaylord, President of the National Association of manufacturers and President Ingersoll of the Milling Machine Company. He said "if other nations choose to sanction them 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. He warned too that Government Cartels can lead to conflicts bearing the seeds of war. Mr. Wilbirt Ward, President of the Bankers Association for foreign trade and Vice-President, of the National City Bank, New York told the industrialists that it was important not to overlook the possibility of internal generation of capital in financing rehabilitation and expansion. He was questioning whether the State Department's foreign trade policy places over emphasis on credit. He said that gold and for-

eign exchange held outside the United States, for example, had expanded from seven billion dollars four years ago to 17 billion dollars at the present moment. In addition, he said there was the growing volume of Sterling Balances now estimated at eight to 12 billion dollars. The meeting also heard Mr. K. P. Chen Chairman of Board of Shanghai Commercial Savings Bank say that unless there is an effective link between the Chinese market and the United States manufacturers the future trade relations between the two countries would be unstable. He warned that sooner or later China will be self-sufficient in cotton, wheat and other agricultural products formerly bought abroad.

PRESS NOTE

Within a view to remove any misunderstanding that may exist among the dealers about the present procedure regarding the despatches of cloth from the City of Bombay to destinations within or without the Bombay Surplus Area the Textile Commissioner desires to make it clear that no permits are necessary for despatch of goods from one destination to another within the Bombay Surplus Area. Licensed cloth dealers and Commission Agents whose place of business is in Bombay City can alone obtain a permit for despatch of goods from the Bombay Surplus Area to destinations outside that Area. Up-country dealers holding licences valid in their own Province or State or holding licences issued by the Government of Bombay, but having their place of business outside the Bombay City limits, can make purchases in the Bombay market, but they will have to arrange for despatches to places outside the Bombay Surplus Area through dealers or commission agents who hold Government of Bombay dealers' licences and having their place of business within the City limits.

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CONNAUGHT CIRCUS,
NEW DELHI.

A DELHI DIARY

THE Viceroy's address in Calcutta to the Associated Chambers of Commerce has been received coldly in political and commercial quarters in the capital. It is new only in its refreshing phraseology. Otherwise it is a twice-told tale—a synthesis of the speeches delivered during the past 12 months by the Government's War, Home, Finance, Food and Planning Members. What it means in simple words is that the British people and not Russians are top dogs, that India has profited during the war and has made very little sacrifice compared to England, that her post-war development must keep a balance between industry and agriculture and that the British pledges about self-government are sincere, and only Indians are to blame because they are flying at each other's throats. He did not, in the true Imperialist style, rule out Pakistan, but did not think such a 'surgical operation' is necessary. He repeated the Cripps offer. In a word he said to Mr. Mealing, President of the Associated Chambers of Commerce: "You and I think alike; we are here as India's friends and mean to stay in India in India's interest. Let Indians come together if they can."

The most serious aspect of the Viceroy's address was, however, his forecast that taxation at the war level would continue for many years after the war and so would controls. And what is even worse, he indicated that the peak of India's sacrifices may be reached in 1945. His reference to the present Executive Council as a National Government was no less serious. It was a plain indication that India must be prepared for the continuance of the present regime indefinitely. All told it is a bleak prospect, financially, industrially and politically. The Commander-in-Chief, General Sir Claude Auchinleck, forestalled the Viceroy when he told a Press conference on Tuesday what he thought of India's defence problems. He has set up an Army Reorganization Committee on which there is no Indian non-official member. He tried to explain this away by suggesting that only military problems are to be considered, but when cornered by questions Sir Claude conceded that non-official witnesses could be called by the Committee. General Auchinleck is outspoken and he did not conceal from the conference his direction to the Committee that it must proceed on the assumption that India will remain a part of the British Commonwealth and that she must count on outside assistance to meet aggression by a major power. Which means that in the sphere of defence at any rate and that is the most vital in any self-governing constitution—India is not to stand on her own feet, but is to be a part of the British security system. Which further means that India will remain the British Empire's reservoir of man-power and Britain will provide the industrial power for fighting a modern war. The statements made by the Commander-in-Chief and Lord Wavell's address in Calcutta thus show how the British mind is working.

Political quarters believe that the British Government wants the present totalitarian regime to continue in India during the war and for sometime there-

after in the interest of British war effort. Otherwise there was nothing to prevent Lord Wavell making a direct appeal for the setting up of a national government by political parties. He knows that the political situation today is such that even a moderate gesture, if sincerely made, would evoke response.

Another proof of the Government's changed angle about India's future is provided by the proceedings of the Committee which considers the question of utilization of India's mineral resources. When Burma and Malaya were lost there was a sincere desire to tap India's mineral wealth and all sorts of concessions were given to foreign concerns and personnel to do exploratory work. But now that the war is being won the Committee's work has ceased to interest the Government. All that is needed is that India's resources should be taken in raw form to Britain and manufactured there. The Committee which held a meeting today with Dr. Ambedkar in the Chair heard some plain speaking from certain non-official members of the Committee on the subject.

Some concern has been caused in commercial quarters here by a London report that hereafter lend-lease raw materials used by Britain for export trade will have to be paid for. The British holdings in the American continent were largely used up during the "cash and carry" period. What is left is not enough to finance the new arrangement. It is clear then that the U.K., will rely largely on her Empire resources for financing purchases in the U.S.A. India has already suffered in the past through her dollar resources being used in the Empire Dollar Pool. It was hoped that these resources would be released for India's use. The Finance Department is silent on the subject, but Sir Jeremy Raisman will face an angry legislature next February.

For the first time since it was constituted as a separate office the Department of Industries and Civil Supplies has begun to think of studying the problem of industries as such. Mr. D. Veera, former Joint Chief Controller of Imports, has been appointed Deputy Secretary in the Department to deal with the problem of standardization in production and other industrial problems.

The position of Indians in South Africa is Delhi's headache these days. White Hall does not sanction economic war against the Union. The Indian members of the Executive Council who voted in favour of economic sanctions, wish to pursue the matter to its logical end. Field-Marshal Smuts has made matters worse. He has repudiated the Pretoria Agreement and added to the black Pegging Act two other Ordinances passed by the Natal Provincial Council. It appears that this question is now engaging serious attention of Delhi, and that important decisions are impending.

ARGUS.

Money Markets

Improvement in Bank advances—Speculative Demand for Bullion

(From Our Correspondents)

BOMBAY, Dec. 10.

FAIR demand for funds was noticeable in the money market during the week under review. The short-term rates remained practically at the levels mentioned last week. The six months' deposits were well absorbed at one per cent, to 1¼ per cent. This indicates that, in the ensuing five or six months, banks anticipate a good demand for funds. The rate for one year loans remains at 1½ per cent. The Scheduled Banks' statement for the week ended December 1, 1944, fully reflects the improvement in the trade demand for funds. As compared with the previous week, the statement under reference shows a marked rise of well over Rs. 6 crores in advances and bills which together stand at the record high level of Rs. 225.63 crores. Balances with the Reserve Bank of India have further declined from Rs. 89.97 crores to Rs. 85.95 crores. The improvement in deposits has been only Rs. 1.66 crores, which is negligible considering that, in the recent past, these used to record a strident advance week after week.

The improved trade demand for funds has not as yet affected the Treasury Bill borrowings of either the Central Government or the Provincial Governments. The response for the bills of both has continued to be good. During the week under review, the offerings for the Central Government's bills aggregated Rs. 13.29 crores, as against Rs. 11.28 crores a week ago, with the tender limit remaining unchanged at Rs. 6 crores as in the past three months. The average rate of accepted tenders was the same as last week at Re. 0-7-11 per cent. per annum. Among the Provinces, the Assam Government was the only borrower, the amount of its borrowings being Rs. 2.5 crores. The total amount offered was Rs. 3.66 crores, the average rate being Re. 0-9-0 per cent per annum which compares favourably with Re. 0-9-5 per cent. paid by the Bengal Government in previous week, though unreasonably higher than that for the central bills.

The Orissa Government will be on the market next week for Rs. 50 lakhs. This is probably the first time this young province resorts to short-term borrowing. It would be interesting to see at what rate its treasury bills are placed.

The volume of investments in the securities market has been lower, and security prices are slightly lower. In the main, the gilt-edged section has been featureless.

Reserve Bank

Currency has been expanded in the week ended December 1 against the transfer of Rs 5 crores of sterling securities from the Banking to the Issue Department of the Reserve Bank. In that week balance held abroad are higher by Rs. 3 crores in the statement, which puts sterling accruals for that week at Rs. 8 crores. The bulk of it should of course have been placed to the credit of the Central Government. This is, however, masked by the fact that Central Government deposits are up over the week by only Rs. 3 crores at Rs. 231.6 crores. The explanation is not difficult to find. In the first place, the December 1 statement should be reflecting the usual disbursements relevant to the beginning of the month; secondly, there should have been numerous interest payments on the various central loans. These are the 2½ per cent 1948-52, 3 per cent 1963-65 and 4½ per cent. 1958-68 on which the half-yearly interest comes to roughly Rs. 1.6 crores. December is a month of heavy interest payments on the public debt, and at the end of this month, the Central Government deposits should be appreciably lower considering that even sterling credits are not increasing as they used to do formerly. It is curious that ways

and means advances to the provincial governments are still shown at Rs. 45 lakhs, while the item 'Other Government Accounts' remains pretty high at Rs. 11.83 crores. This suggests that the latter item consists to a great extent of foreign governments' balances. The not too affluent state of provincial cash balances is also borne out by the large amounts of treasury bills placed with the market.

Bullion

The bullion market was once again erratic, although fluctuations were relatively narrow as compared with the previous week. Ready demand was poor for both gold and silver, which, coupled with the continued sales by the Reserve Bank of India of 300 bars of silver and 75,000 tolas of gold every day and substantial arrivals from upcountry, has resulted in accumulation of stocks. The effect of this development is reflected by the fall in the premium for ready metals, from about Rs. 2.8 last week to mere two annas for silver and from about 8 annas to one anna for gold. Such a low premium for ready has once again attracted the bears. Although they have not as yet indulged in any large-scale short selling, those having outstanding sales have preferred to carry forward their commitments.

Prices during the week moved chiefly according to the whims of the speculators. After declining to Rs. 118.4 early in the week, silver for one week delivery advanced to Rs. 122 during mid-week on fresh speculative buying but declined again to Rs. 120.6 on Friday. On Saturday, however, it again advanced to Rs. 122.4, but finished quiet at Rs. 121.4. Similarly gold after declining from Rs. 64.9 to Rs. 63.12 in the beginning of the week improved to Rs. 65.4 on Wednesday. In the latter half of the week, it moved between Rs. 64 and Rs. 65.2 and closed quiet at Rs. 64.14.

Stock Exchange

The upward trend in shares was witnessed last week gathered strong momentum during the first-half of the week under review with the leading scrips in steels and textiles recording the week's highest on Wednesday. In the second-half of the week, there was a reversal of the trend. Under the pressure of heavy profit-taking, prices declined and, excepting in the case of Steels, the gains made during the week were practically lost.

As already mentioned the highest levels of the week were recorded during mid-week while the lows (excepting in the case of steels) occurred in the latter half of the week. It is noteworthy that the rise of nearly Rs. 100 in Tata Defds., occurred practically in the first three days and 50 per cent. of this rise materialized on Wednesday alone. The emphasis laid on this feature of the fluctuation in values is just to show that the rise was entirely due to uneasy bear covering in the face of speculative buying which during the week was chiefly a one man show. The speculative nature of the trading will also be evident from the fact that, whereas Tata Deferreds jumped by Rs. 100, Tata Ordinaries staged a rise of only Rs. 6½. A decline of Rs. 32 in the case of Deferreds towards the close reveals the measure of profit-taking that ensued towards the close.

The improvement in Textile Shares was in sympathy with the Steels, but the higher levels attracted, as usual, a bout of profit-taking. Even the closing rates are still very high from the point of view of genuine investors. It may be mentioned here that the present levels are 20 to 30 per cent. higher than the lows recorded in September last on rumours of early termination of the European War.

The profit-taking witnessed towards the close of the week seems to be the prelude to the year-end liquidation. With the approach of the Christmas and New Year holidays operators have evidently been inclined to square up their open positions and, in the next few days, we shall probably witness dull sessions.

Improvement in Raw Jute Market—Activity in Coal and Engineering Shares

CALCUTTA, Dec. 11.

TODAY is the first Clearing day under the new scheme, and tomorrow the Settlement day. It is said that operators have been anxious to show a clean slate and that the position in respect of the four counters affected by the clearing arrangement is neither oversold nor overbought.

Gilt-edged Securities have been steady with 3½ per cent. Paper around Rs. 100-1. Short and medium-dated loans have been in good request.

Cotton shares have been absolutely uninteresting. Except for a slight interest in *Dunbars* there is no important rise in prices. As a matter of fact, it is reported that the balance-sheets of *Elgins* and *Cawnpore Textiles* for the half-year ended September, 1944, may not make encouraging reading. There was, how-

Early in the week coal shares were very active with *Barrakurs* being done up to Rs. 42-14, and *Bengals* Rs. 67-4. *Equitables* also were as high as Rs. 67-2. *S. Karanpura* on expectations of a rise in earnings report for the last half-year were in great request and were marked as high as Rs. 26-8, but there was a slight recession in price to Rs. 25-12. *Bokaro* and *Ramgur* were nearly 3 points higher at Rs. 44. There has been knowledgeable buying of selected coal shares, and it is confidently expected that the bigger collieries will be able to report a large increase in earnings. Fur-

Business in jute shares has been rather restricted. There has been no broadening of interest so far in spite of the fact the jute and jute manufactures markets were inclined to be firmer on reports that prospects for the next year were quite satisfactory and that it would be possible for mills to maintain their earnings at high levels. Only the increase in the local stock figures for the month of November, has prevented any broadening of interest. *Hourahs* were

In the Engineering section *Indian Irons* were very active and were done up to Rs. 40 on reports that there are possibilities of a bonus issue by the Company. So far there is no confirmation of these reports. News regarding the Orissa bombing resulted in a decline in prices to Rs. 38-12, though at the time of writing the quotation is again higher at Rs. 39-6-0. There is considerable speculation regarding the interim dividend of Steel Corporation for the year ending December, 1944. The market will not be surprised if it happens to be slightly lower. The dividend paid on the last occasion was 6 annas per share and the final dividend 8 annas per share. Total distribution for the current year is estimated around 12 annas per share. *Indian Standard Wagon* were very firm at Rs. 89; *Marshall's* were slightly better at Rs. 4-15; *National Iron and Steel* had some inquiry at Rs. 13-8.

Sugar shares were neglected. Only *Buland* were better at Rs. 45-8 (*cum-dividend*). Dividend for the year ended May 1944 has been maintained by *Buland Sugar Company* at 20 per cent., but the bonus is higher at 5 per cent. against 2½ per cent. A similar distribution also has been paid by the *Raza Sugar Company* for the same accounting period. Both these companies have been able to effect a large increase in earnings, thanks to the plentiful supplies of cane. After the

Investment business has been next to nothing and transactions are being confined chiefly to the favourites. Well informed brokers anticipate further profit-taking which may lead to a further fall in prices. The Stock Exchange will close for the year-end holidays on the 23rd instant to re-open on 2nd January, 1945.

publication of the report *Carew and Co.* are rather quiet at Rs. 28-6.

Tea shares remained firm with *Bishnauth* further higher at Rs. 44-2, *Patrakola* at Rs. 1,246-8, and *East India* at Rs. 17-8.

In the Miscellaneous section, *Bararee Coke* were a shade easier at Rs. 39-14, but *Karanpura Development* were in great request and were done up to Rs. 33-10. *Calcutta Trams* fluctuated within wide limits, though the close was at the highest levels around Rs. 52. Negotiations for the purchase of the *Calcutta Trams* are still going on, but it is not yet clear whether the Tramways will be run as a department of the Corporation or by an agent appointed by the same body. The last day for receiving tenders has been postponed to December 12. So far not even a single tender has been received. *B.I. Corporation* were sticky at Rs. 6-12.

Paper shares were easier with *Titaghur* at Rs. 28-9 and *Bengal* at Rs. 228.

The jute market was steadier and a larger amount of business was reported in the loose jute section. The greater interest shown by buyers and the smaller arrivals in up-country centres naturally resulted in an increase in rates by over 12 annas per maund in the past two weeks. In the mofussil centres especially sellers are very firm in their ideas, and it is expected that it will be possible to dispose of all the crop at a better price next year especially as greater emphasis is being laid at the present moment regarding the possibility of larger exports both in jute and jute manufactures in 1945.

In loose jute European packing *Middles* and *Bottoms* were done at Rs. 16-12 and Rs. 13-12 per maund with *Supervised Jat Tossa Middles* and *Bottoms* being done at Rs. 16-4 and Rs. 12-4 per maund, *Bottoms* alone being done 4 annas higher.

In *pucca bales* section there was some business for export, *Dundee Daisee* 2/3 short group being sold Rs. 85 per bale and long group at Rs. 76 per bale. Mills also purchased *Firsts* at Rs. 79 per bale and *Lightnings* at Rs. 74 per bale.

The jute manufactures market remained firm throughout the week, though there was some disappointment with the local stock figures for the month of November. There were no second-hand sellers in the hessian market for early deliveries and it has been possible for mills to do business for both 9 and 11 porters for April-June delivery.

In the heavy goods section steady conditions prevailed, though no important business was reported and there has been inquiry only for special varieties. *B Twills* were done at Rs. 62.

Hessian stocks were 29.15 crore yards against 28.77 crore yards at the end of October while sacking stocks were 26.04 crore yards against 25.82 crores. The increase in Hessian stocks for November was on civilian account while in sacking it was on military account. As there were reports that the steam-driven mills could not continue working on account of the shortage of coal supplies, even the small increase in stocks has come as a surprise to the market.

THE BUSINESS WORLD

FUTURE OF RAW COTTON

INDIA is the second largest producer of cotton in the world, supplying, in 1941-42, 5,980,000 bales of raw cotton grown on 23.5 million acres as against 13,047,000 bales put on the world market by the U.S.A. grown on an area smaller than the cotton acreage in India, to wit, 22.2 million acres. The area under cotton in India has often suffered fluctuations with changes in the price of cotton, as for instance in 1915-16, owing to a severe fall in cotton prices brought about by the stoppage of exports consequent upon the breaking out of hostilities in the previous year. Below that, the area has never since fallen, while the highest peak was reached in 1925-26 both in regard to acreage (28.4 million acres) and outturn (6.2 million bales). From an average yield of 2,296,000 bales at the commencement of this century, however, output has increased to 5,903,000 bales in 1940-41, while the cotton acreage in

the corresponding period has increased from 13,803,000 acres to 23,286,000 acres. Cotton cultivation is scattered over many parts of India with different soils and climate. Bombay, C.P. and Berar, the Punjab, Madras, Sind and the U.P. are the more important cotton growing areas; in point of acreage Bombay topped the list in 1942-43, while from the point of view of outturn in bales the Punjab occupied the most important place supplying 1,366,000 bales. The country grows a large variety of cottons. In the past few years, however, thanks to the efforts of the Indian Central Cotton Committee and the Agricultural Departments, an upward trend has been noticeable in the production of improved varieties with special emphasis on the growing of long staple cotton as would be seen from the following table:

(In 1,000 bales of 400 lbs.)									
	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39	1939-40	1940-41
Long staple over 1" ..	11	24	51	85	47	54	72	66	161
Long staple 1" & medium staple ¾" ..	1,306	1,361	1,209	1,766	2,057	1,717	1,790	1,794	2,551
Short staple below ¾" ..	3,301	3,672	3,537	4,016	4,130	3,951	3,189	3,049	3,313

The present war has further helped to reduce the percentage of the area under short staple; some of the provinces initiated a growless-short-staple campaign to help in the Grow-More-Food campaign. Perhaps, however, the more important factor which helped to produce this result was "the sudden closure of the outlets brought about by the war in the West as well as in the East"; and "long-staple cotton of over 1", which was about 3 per cent. of the total cotton production in 1941-42, had increased to nearly 5 per cent. in 1942-43, while short-staple cotton had decreased from 55 per cent. in 1941-42 to roughly 40 per cent. in 1942-43." In common with other agricultural produce, the yield per acre in India is very low as compared with other countries; in 1937, for instance, it was as low as 89 lbs. in India as compared with 550 lbs. and 270 lbs. in Egypt and the U.S.A. respectively. The efforts of the Indian Central Cotton Committee in the improvement of the quality of cotton have resulted in an improvement in the per acre yield which has risen from 89 lbs. to 111 lbs. in 1938-41. But this improvement would seem very small when we remember that between 1920-32 Egypt improved her per acre yield by 230 lbs., and the U.S.A. by 83 lbs. while the improvement in the case of India over a longer period has been no more than a mere 22 lbs.

India at present produces from 5 to 7 million bales and the internal consumption normally leaves a surplus of from 2 to 4 million bales. The internal consumption of Indian cotton in the country has been increasing over the past two decades, and from 1,835,943 bales of pressed and unpressed cotton consumed by the Indian mills in 1923-24, their consumption rose to 4,025,395 bales in 1941-42. The outbreak of the present war with the resulting choking off of the foreign sources of supply and of markets and the enhanced demand for textile cloth which has necessitated an enormous increase in production by the Indian mills have together led to a greater consumption of Indian cotton by Indian mills. The consumption of cotton in the twelve months ended August 1943, for instance, was 4,280,817 bales against 4,025,395 bales in 1941-42 and 3,617,143 bales in 1940-41. But owing to the fact that the supply in India of cotton above 1½" is nil, and of cotton above 1-11/16" staple is small and uncertain, the country stands in need of imports of these finer qualities of cotton until such time as our own production is in-

creased, in order to be able to produce better quality cloth. In 1941-42, for instance, India consumed 59,742 bales, 126,636 bales and 214,174 bales of American, Egyptian and Indian cotton respectively. Imports have been continually, generally speaking, rising with the progress of the Indian textile industry. In 1936-37, for instance, the quantity of raw cotton imported rose from the pre- and post-war average of 12,000 tons to 66,000 tons. In 1937-38 it registered a further increase of 38,000 tons. During the present war years, however, the quantity imported as also the quality of supplies has been fluctuating "in accordance with the changing war situation, the varied acreage and crop policies adopted by other producing countries, the size of their crops and the availability or otherwise of shipping facilities." The total imports of foreign cotton by sea, however, were lower in 1942-43 than in the previous year by 49,973 tons. India has also a considerable export trade in cotton. The pre-war average of India's export stood at 430,000 tons. In 1939-40 the quantity exported still stood at 526,000 tons although a tendency has been noticeable during the preceding years for a decline in volume. The outbreak of the present war has resulted, due to the reduced offtake by the U.K. and Japan, in a further decline in exports which fell to 387,000 tons in 1940-41 and to 257 tons in 1941-42. On the export side, the greater bulk of our total cotton exports was taken off by the U.K. and Japan as the following table would show:

Countries	1938-39	1939-40	1940-41
	bales	bales	bales
U.K. ..	411,000	473,000	291,000
Japan ..	1,211,000	1,056,000	705,000

While it is true, as the I.C.C. Committee has pointed out, that "it is difficult to forecast with any degree of accuracy what the requirements of the various cotton markets for cotton after the war may be," it may be said, nevertheless that the prospects of cotton exports to Japan are none too bright for, as has been said, "It is unlikely that the Japanese mill industry would be left unscathed in view of the heavy Allied pounding of Japan's industrial centres that may finally accentuate." Experts have estimated that it will take several years after the war before Japan could build up her cotton textile industry. Even then it is open to doubt whether Japan would continue to consume the same quantities of Indian raw cotton in view of the tendency already

visible in the past few years for Japan to become "independent of Indian and American cotton supplies" and the uncertainty in regard to her capacity to have an equally flourishing textile industry in the post-war period caused by the growth of textile industry in India and China. Chinese offtake of Indian cotton, which showed a remarkable increase in 1939-40 and 1940-41, was in the main an outcome of reduced production in China "owing to the Sino-Japanese war— and comparatively large exports to Japan and it is reasonable to believe that it would again revert to the comparative insignificance which it had in, say, 1938-39. Lancashire, our other main customer, must of necessity revert more and more to the consumption of finer staple if she is to maintain her position in the international cotton trade. It is necessary therefore, that the production short staples should be discouraged in the post-war period. The progress of the Indian textile industry will, however, lead to a greater demand for medium and long-staple cotton. At present she consumes about 6 lakh bales of foreign cotton, mostly of staple above 1" while the production in the country of similar cotton up to 1-11/16" in staple amounts at present to only some 161,000 bales. The Indian textile industry, let it be emphasized, is after all the best customer for our cotton farmer. Its requirements should therefore be constantly kept in mind and all efforts made to cater to them as fully as possible. It is therefore, gratifying to note that considerable progress in the direction of improving the staple of Indian cotton has already been made in the cotton-growing areas. In Madras Presidency for instance, "some very good progress has already been made.....where the varieties Co. 3 and Co. 4 with staple length of 1-11/32" to 1-11/16" are making headway in the southern districts of the province." In the Punjab, too, there is a possibility of further expansion in the area under Punjab American 289-F(K-25 and 289-F-143. In Sind

the Indian Central Cotton Committee has financed a five-year programme aiming at the production of a superior cotton strain with a staple longer than 1-11/16". The hope has been expressed that "before long.... India will be able to produce such cottons which at present are being imported." Further, with an acreage actually greater than that of the U.S.A., India's contribution to the total world output is almost half as much only. India's yield of cotton per acre is almost the lowest. Something has been done; but that there is yet immense scope for this kind of good work can be inferred from the fact that in 1942-43 only half of the area under cotton was under improved varieties. Extension of irrigation, control of diseases and pests and the extension of the area under improved varieties are some of the ways in which the problem can be tackled. While it is true that the future of our raw cotton depends very largely on domestic consumption, the needs of the export trade should not be lost sight of as this commodity has been one of our important exchange procurers. There is much to be said for the view that our interests in the international markets can be best fostered by an active policy of co-operation with other producing countries in evolving international agreements that would secure fair and stable prices and reasonable exports quotas. The need for vigilance on the part of the Government is great particularly in view of certain recent trends in the U.S.A.'s cotton policy, such as their decision to subsidize exports and the drive to capture liberated European markets by offering to supply subsidized cotton on lease-lend terms. This country cannot view with equanimity developments of this sort which may take away her pre-war markets from her and should therefore actively seek the collaboration of other cotton producing and consuming countries for the working out of proper international marketing schemes.

NOTES

CLOTH PRICES

Since the institution of textile control, prices have been revised four times and ceilings progressively lowered. Nevertheless, current prices are still somewhere near 300 per cent. of pre-war levels. As clothing is a primary necessity, it is imperative that it should be not a whit more costly than it need be and the public are far from being satisfied that the possibilities of price reduction have been fully exploited. Sir Akbar Hydari's recent announcement that the next six monthly list of textile prices would show a reduction is, therefore, welcome. But, it is highly unlikely that the promised cut will be substantial in view of reductions already achieved and for the reason that, under prevailing conditions of high costs, it is difficult to lower the ceilings considerably, without very possibly putting out of commission a large volume of marginal production and consequently aggravating the cloth shortage. This, of course, raises the general issue of the Government's E.P.T. and general tax policy in relation to the requirement of securing maximum industrial production. But even the assurance of cloth to consumers at control prices has been increasingly jeopardized in the last two months by the menacing growth of black markets. A crusade against the black marketeers was launched in April and May last. But the effects of the measures have worn off and Sir Akbar Hydari, backed fully by the Textile Control Board, has been compelled to warn the dealers that if they do not set their business in order within the next two months,

Government will not hesitate to take the necessary steps to enforce control. The Textile Commissioner has added that these words are not intended as an idle threat, but Government mean business. We trust these warnings will not be lost on the cloth dealers.

CARDAMOM PLANTERS IN DISTRESS

Cardamom is an important cash crop in some of the districts of South India and also in certain parts of Cochin, Mysore and Travancore States, grown exclusively or in combination with tea and coffee, etc. India, being the only country where cardamom is grown in any substantial quantities, she had a large export trade with some foreign countries in this valuable spice. Our principal customers were the U.K., Sweden and the Middle Eastern countries, Sweden, Norway, and Denmark taking off 50 per cent. of our total exports. The area under cardamom was estimated at 150,000 acres with a crop yield of roughly 1,500 to 2,000 tons per annum. During 1935-36 and 1939-40, India exported, on an average, about 625 tons a year. In 1935-36 the value in money-terms was only Rs. 18.93 lakhs, but it rose to 31.52 lakhs in 1937-38, and in 1942-43 it rose, after a drop in the previous year to a peak of Rs. 45.80 lakhs. And the same year the Government of India imposed restrictions on the exports of cardamoms with the result that the exports fell off during the current year to Rs. 13.11 lakhs. In taking this drastic step of imposing wholly unnecessary restrictions on the export of a commodity which involved only small quantities and could not, there-

fore, be defended even on the plea of shipping short-ages especially because in the case of Ceylon there did not exist any such restrictions Government took a very ill-advised step. It is indeed a strange contrast to view the step-motherly attitude manifested so often in the case of agricultural produce in this country by the Government of India and other Allied Governments with the sympathetic treatment meted out to farmers in other parts of the world. The U.K. have found it possible to purchase the entire surplus wheat crop on a negotiated price from the Australian Government and the dairy and meat products of New Zealand. So has been the case with Egyptian cotton. In India on the other hand not only that nothing has been done to help the Indian farmer through any such schemes, even comparatively small mercies have not been shown. These restrictions are a case in point. These restrictions resulted in a severe shrinkage of exports as the quotas were based on a year which was not a typical year, because exports in that year were comparatively small and prices fell from Rs. 300 to 385 per cwt. prevailing in 1942-43 to Rs. 85-115, during the current year. The inequity of this measure becomes even more glaring when we note that prices in Ceylon are even today as high as Rs. 225 per cwt. It has even been claimed that the ruling Indian prices do not even cover cost of production and in the presence of surplus stocks in the country it is feared that the restrictions would cause considerable loss to the growers. There is, therefore, a very strong case for the abolition of the 'restrictions and we are glad to learn that the Government of India are likely to relax, if not altogether, remove, these restrictions. We hope that these restrictions will be abolished in toto.

TEA INDUSTRY AFTER THE WAR

Tea is our most important plantation crop. Between 1920-21 and 1937-38, the all-India acreage has increased from 709 millions to 824 millions, a trend of continuous expansion, which has been kept unbroken even during the 'depressed' early 'thirties and in the

context of the International Tea Exports Regulation Scheme set up in 1933. This has been made possible by increased internal consumption; the tea habit has spread rapidly in the country during the last 10 or 15 years. The war has given a fillip to the tea trade. Tea drinking has proved to be a war-time necessity and an increased demand has been occasioned both by the rise in domestic tea consumption, especially in urban areas and industrial centres, as well as by the increased demand abroad. The latter, perhaps, is due partly to increased consumption under war strain; but it is due to a greater extent to the non-availability of East Indies production to allied countries, which has more than offset the effect of the loss of axis markets. Our pre-war exports were near the 300 million lbs. level, while the war-time exports had gone up to 400 million lbs. There are reasons to believe that this increased magnitude of export trade would continue to be maintained after the war. In the first place, it has been reported that since the Japanese occupation of Java and Sumatra, tea planting has been discouraged in those islands in favour of rice and cotton and although the switch over to tea, when peace returns, need not take an unduly long time, the dislocation would inevitably give a lead to other exporting countries. Secondly, and this is more important, the superior quality of Indian tea, as reports show, has won considerable good-will in important markets, such as Australia and New Zealand; consequently, the relative cheapness of Java tea may not be able to exercise the same amount of competitive power after the war as before it. Indian tea, therefore, may look to a high level of export trade in the future. This does not mean, however, that the tea industry will have no problem to face. For one thing, tea planting has been extended in many producing countries during this war and unless consumption itself gets stabilized at its present high level, the possibility of over-production and the need for production and marketing control schemes cannot be altogether discounted. Further, the Indian tea industry will find effective competitors in the producers in Ceylon and China and may have to adopt special marketing policies to maintain and develop its markets in the U.K., U.S.A., Canada and Australia.

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FROM THE PROVINCIAL ANGLE

(From Our Correspondent)

Madras Letter

MADRAS, Dec. 9.

THE Madras Post-War Reconstruction Committee has approved certain proposals to deal with the problem of the demobilized soldiers. These are, briefly, the opening of co-operative land settlements, co-operative workshops and civil labour battalions and finally, the training of the men for clerical and secretarial posts in co-operative and education departments. The first proposal received the greatest attention and in this connection, the statement that the Government would avoid the mistake, made after the last war, of setting apart poor and unsuitable lands on an individual basis has been welcomed. It has been urged that in the choice of a profession, inclination and aptitude are important and therefore the ex-soldier should be made to fit in the general economy of the country with the least friction. In connection with the scheme of land settlements, there has been much discussion on co-operative and mechanized farming. Dr. B. V. Nath, Director of Agriculture, Madras, suggested that co-operative farming which was a golden mean between capitalism and socialism could be adopted in India with advantage. Madras should raise seven million tons of rice, nearly two millions more than what she is producing now, to feed her people. The Director claimed that co-operative farming would not only give a better outturn, but would also reduce the cost of production without upsetting social traditions and conditions. Mechanization might be possible to bring into use large tracts of uncultivated land, but as a regular process of cultivation, he said, "it was not likely to be unmixed blessing."

Transport Ownership

The report of the Transport Sub-Committee's proposal to restrict the ownership of the transport system to large operating concerns with workshop facilities has been condemned almost unanimously and has been finally remitted back to the Committee with instructions to draw up plans for either nationalization or municipalization of the transport services. There was a majority in favour of municipalization which would give the local bodies a chance to augment their slender resources but ultimately the decision was deferred.

Starvation deaths have spread to this Presidency also. Cases have been reported not only in the City but also in Trichy. In this context, it has been amazing to read that over 20,000 bags of rice brought from far away places to relieve the distress in Malabar, and stocked without any protection for rain or sun have been allowed to waste. Most of these bags have been condemned as unfit for human consumption, but these have since been ordered to be sold at least as cattle food, of course at a ridiculously low rate. It would be relevant to mention here that in connection with their policy of making foodstuffs and other necessities of life available to the public at reasonable prices, the Government expect to incur an expenditure of Rs. 116 lakhs in the current year. But it would be interesting to note here that out of this amount, cost on the saff alone comes to Rs. 50 lakhs.

Cloth Quota

The fixation by the Textile Commissioner of the per capita consumption of cloth in the Southern deficit zone at 10 yards as against 18 yards in certain other provinces has evoked widespread protest not only from the mercantile community, but also from the consuming public. According to this scheme, Madras Province and the States in this zone will get only 9,000 bales as against 14,000 bales which was being imported till recently. If the new scheme

is to be enforced, the present cloth shortage will develop into a famine. The Provincial Government are taking up this matter energetically and are fighting for a more equitable distribution.

The Stock Exchange

The Stock Exchange enjoyed more activity in the past fortnight. The main influence continued to be the duration of the war and its psychological effect played a great part. The textiles section witnessed good investment support, possibly on post-war prospects and share values rose by about ten points. *Buckingham*s were feature rising to Rs. 320. *Cambo-dias* had a heavy turnover, the quotation ranging from Rs. 32-8 to Rs. 38-4. *Rangavilas* at Rs. 178, *Saradas* at Rs. 190 and *Sitarams* at Rs. 189 were the other active scrips. The Rubber Production Commissioner warned the producers that deliveries of rubber were seriously short of expectations and not up to the requirements to earn even the minimum bonus for the next quarter. Since then, there has been a slight improvement, but a quieter tendency prevailed in the Planting section. Share values have also been marked down fractionally. With reports of good profits made by South Indian Banks, there was greater activity in local bank shares. *Indian Fully Paid*s rose to Rs. 32-8. In the Miscellaneous section, on reports that the Company was issuing some right shares, *Mysore Lamps* improved from Rs. 30-8 to Rs. 35-14. The gilt-edged market was quiet with 3½ per cent. Paper quoting Rs. 100-1.

TEXTILE CONTROL

WARNING TO ALL DEALERS

In Notification No. T.B. (1) 29/44 in the *Gazette of India* of the 4th November, 1944 Clause 14 of the Cotton Cloth and Yarn (Control) Order, 1943, has been amended. After 31st December, 1944, it will be an offence under the Order for any dealer to buy, sell or hold any cloth or yarn manufactured in India and packed before the 1st August 1943, or texmarked cloth or yarn packed after the 31st July 1943, and before the 1st January 1944.

Any cloth of yarn whether manufactured in India or imported must in future be finally disposed of within twelve months from the last date of the month marked on the goods; such cloth or yarn may not be kept in unopened bales after six months from that date. The amendment further states that a bale or case shall be deemed to be unopened if the hoops or other bindings and all other outer covering have not been removed.

All dealers are warned that no extension will be given by the Textile Commissioner in the time for disposal stated above unless the holder can show that he was unable to dispose of the goods due to causes entirely beyond his control. Dealers who contravene the above provisions will render themselves liable to cancellation of their dealer's licence and to prosecution, and Courts are empowered to confiscate the goods in respect of which the offence is committed.

M. K. VELLODI,
Textile Commissioner,
GOVERNMENT OF INDIA.

SALUTE THE SOLDIER



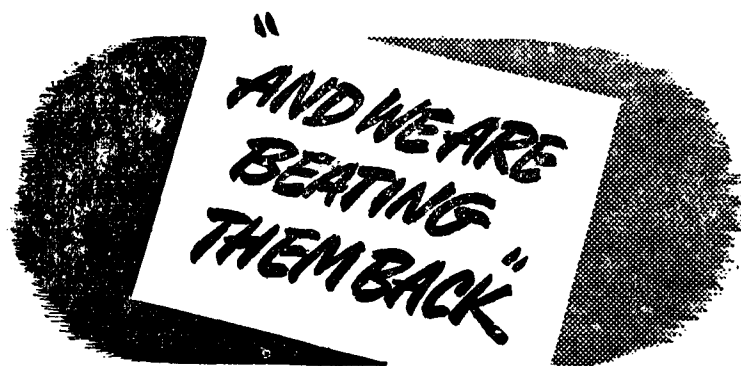
LET US SALUTE THE SOLDIERS WHO DEFENDED INDIA

NOW that Japan's defences are crumbling and their armies are being pushed back, let us thank those who have done it... let us salute those who are fighting for our freedom. Theirs was a difficult task magnificently performed.

THE jungles of Kohima, slopes of Palel, tracks of Ukhrul—to-day these names are no longer in the news but they will long remain in the memory of those gallant men who were there, who fought for them and recaptured them.

ON trackless paths our men advanced, mud-bespattered, clammy with sweat, wet with incessant rain and loaded with their guns and equipment. HOW DID THEY ENDURE IT? No words can tell. *But they did endure it.* It was a war of endurance. It was under such conditions that our men fought and defeated Japan's fanatical forces.

LET US SALUTE OUR SOLDIERS WHO PROVED THAT WE CAN BEAT THE JAPANESE...



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BOOK REVIEWS

BOOKS RECEIVED

THE PLANNING OF AGRICULTURE: By P. N. Singh Roy. Published by the British Indian Association, 18, British Indian Street, Calcutta, 1944. Pages 88. Price Rs. 2-8-0.

OUR ECONOMIC RESOURCES: By R. D. Tiwari. Published by New Book Company, 188/190, Hornby Road, Bombay, 1944. Pages 137. Price Rs. 7-8-0.

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POST-WAR RECONSTRUCTION AND PLANNING: By U. N. Ghosh. Published by S. Chand & Co., Lahore, 1944. Pages 49. Price Re. 1.

CO-OPERATIVE DISTRIBUTION IN BOMBAY: By M. P. Nagarsheth. Published by the Bombay Provincial Co-operative Institute, 1944. Pages 82. Price Rs. 2-8-0.

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INDUSTRY

Rayon Manufactured in India

By E. V. S. Maniam

VARIOUS methods are now being adopted for the manufacture of rayon in industrially advanced countries but the two popular methods now in vogue are (1) the Viscose process, and (2) the Acetate process. The manufacturing is of a highly technical nature—the raw materials needed too are many; it also requires skilled and expert technical staff and costly and cumbersome machines.

Taking the Viscose process first, the chief raw materials needed are wood-pulp, which is obtained from soft-wood like pruce, silver fir, hamlock and the like and for the Acetate process cotton linters, spinners waste or low grade cotton are generally used. Recent researches have shown that cellulose suitable for rayon manufacture could be obtained at 50% less cost from young pine trees. Rice straw, rotting beech, sound beech and flax refuse can also be advantageously utilized. Beechwood though a purely cellulose material, has the special property of producing a wool like fibre in appearance and is more suitable for the manufacture of imitation wool.

The other materials required (for the Viscose process) are caustic soda, carbon bisulphide, sulphuric acid, glucose and sizing materials, sodium sulphate, zinc sulphate, sodium hypochlorite, hydrochloric acid, sodium carbonate (soda ash) softening oils, and dyes. And the Acetate process requires more of acetic acid, acetic anhydride, acetone and auxiliaries like sulphuric acid, sodium carbonate (soda ash) sodium acetate, softening oils and sizing materials and dyes (special dyes). We also require large quantities of clean and pure water especially for the Acetate process. The minimum requirement is something like 1,000 gallons per one lb. of rayon produced. The viscose process requires something like 70 gallons per 1 lb. of rayon.

In India at present we are very much deficient in alkalis and acids (specially sulphuric acid and acetic acid) and coal tar dyes. Of course in several centres we have large deposits of pyrites for the extraction of sulphur for use in the manufacture of carbon disulphide. The sulphur deposits newly discovered in Baluchistan (which though only of 42% purity) might also to an extent solve this difficulty. Though we are not manufacturing much of acetic acid now, our sugar factories throw out large quantities of molasses, and these can easily form the raw material for producing this important chemical. Suitable softening oils and sizing materials too are not available in such large quantities now but there is no inherent difficulty in their manufacture within our own borders. So also is the case with dyes, and these are very important, as we will explain shortly. We may require a highly specialised kind of dyes such as the Solacet range of Azo dyes. For the Viscose process indigenous dyes might be suitable and by proper researches they can be made locally in India itself. Thus the setting up of this industry will in addition pave the way for several other industries like chemicals, dye-stuff, etc.

Dyes and dyeing as we just said play an important role in the art silk industry. As an author observes: "In an attempt to imitate real silk, the chemist actually surpassed the natural fibre itself in the realm of lustre, so much so that at present he is actually worried over it, and is trying to lessen the lustre of the artificial fibres by a

special treatment called the "delustering". The principle underlying this is the "precipitation of some foreign substance inside the rayon either during or after the manufacture, but there is always the danger that such "chemical baths" cause the fading of some of the dyes mainly as a result of oxidation of glycerine through the influence of light.

The total value of imports of artificial silk manufactures into India during 1940-41 was Rs. 5,44,00,000. Artificial silk yarn was imported to the extent of 33.9 million lbs. valued at Rs. 2,65,00,000, Japan topping the list and supplying as high a figure as 94% of the total. Imports of piecegoods made entirely of artificial silk was over 53.5 million yards valued at Rs. 2,45,00,000 while goods of artificial silk mixed with other materials totalled 4.8 million yards valued at Rs. 28,00,000. Now due to war conditions and Japan being on the other wise, most of our mills, who were depending on the foreign yarn, are hard hit. Hundreds of establishments big and small, have been closed down and thousands of workmen rendered idle. It is estimated that over a sum of Rs. 2,50,00,000 has been invested in the industry which annually produce about 5,00,00,000 yards of art silk cloth. The imports of woven cloth into this country as already shown are indeed great and this only indicates that indigenous industry has a great scope for expansion, especially because India has vast resources of raw materials for its manufacture.

The textile Industry in India, we may observe here, has made great progress during the past quarter of a century (the production figure has gone up by over 400%) but this increase has not been achieved on an "even keel", if we may so use the term. For while our dependence on foreign countries for woven clothing has gone down, the raw materials required for its manufacture have to be imported from outside. The increased output of manufactured cloth by our mills is to a great extent due to the use of "superior" cotton imported from foreign countries. Indian cotton which is of a short staple variety is considered unsuitable for use by our mills. Foreign countries who are industrially advanced take our cotton at very low price and after converting them into rayon sent them back to us as artificial silk. In many parts of the world artificial silk has not only been successfully competing with cotton and genuine silk, but is virtually ousting them from the markets (specially in Germany, France and Italy where we are told over 50% of the clothing now in use is made out of this material). In India we can also convert our short staple cotton into staple fibre or rayon. And with few modifications our cotton mills can handle them and produce as fine a count of yarn and use as they now do with American, African or with Egyptian cottons.

Artificial silk, it is asserted by Experts, can be produced by the Acetate process from cotton and cotton waste and this has certain advantages over the stuff produced by the Viscose process, with wood pulp, as the chief raw material. The main constituent in the raw material required for manufacturing rayon is cellulose. Soft wood when converted into pulp, chemically treated and purified contains only 50% cellulose while cotton contains about 90% cellulose. Thus the latter is cheap and economical. Of course in Europe and America, it is

advantageous for them to use wood-pulp which they could get in large quantities from Norway and Sweden at much cheaper rates than short staple cotton which they have to bring all the way from India. But the position here in India is just the reverse. But even in case it be found that the use of cotton be uneconomical, we can go in for cotton linters which is still cheaper. The production of linters in this country has been estimated at over 2,00,00,000 lbs. and these can easily be used for this purpose. The artificial silk that is being manufactured in the U.S.A. and Germany whose fibre is described as "superpolyamide" has proved equal in appearance, but stronger and cheaper than real silk. It is being extensively used for the manufacture of hosiery and even for making parachutes and aeroplane components.

A move in the direction of "experimenting" on the possibilities of manufacturing rayon from wood pulp and cotton linters with a view to making artificial silk manufacturing industry independent of the over-seas supply of raw materials especially yarn was made by the Industrial Bureau about 5 years ago. The work afterwards was entrusted to the Indian Central Cotton Committee and the Board of Scientific Research. It was announced that they had completed the preliminaries and that they were awaiting the Report of the American Experts on the tests carried in the U.S.A. on the suitability of Indian cotton linters. A pilot plant too was purchased to work out and estimate the economic and industrial

possibilities of the production of rayon in India. It is said that sufficient information has been collected relating to the trend of production by the viscose and acetate processes, costs of raw materials and factory equipment and technical details of the manufacturing processes. What further development the scheme has made (from the hands of the authorities) and where it now stands, it is not exactly known.

It is a welcome news now that our captains of industry have taken up this matter seriously in their own hands and that plans are well on their way to perfection for the establishment of this industry on a large scale basis in India. It is also very gratifying to note that the Government have promised every facility including protection against foreign competition for a period of 10 years after the cessation of hostilities for the "Art" Silk Industry.



DESPITE THE 'ACTS OF GOD'

In less than five minutes the Bihar Earthquake of 1934 accounted for the loss of over 7,000 human lives in addition to a considerable destruction of property.

The actual loss of life will never be known, but it is quite certain that a considerable number of able bodied earning members of the families in affected areas perished; and the damage to property denied their surviving dependants of whatever financial security they possessed.

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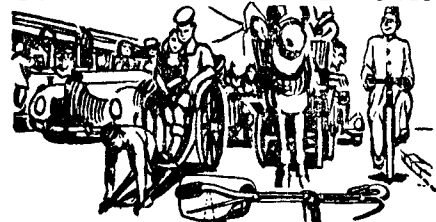
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Mr. R.M.S. Gopalachari Madras,
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COMMODITY MARKETS

(From Our Correspondents)

MADRAS, Dec. 9.

Groundnuts

The Madras Groundnuts market ruled very firm throughout the fortnight under report. The recent rains have damaged the crops in the districts to some extent and the yield will therefore be lower than expected. A large volume of business has been done in the past three months for delivery this month and hence sellers were busy collecting the crop, drying them and completing their deliveries. They were therefore not interested in any fresh business and the volume of business done during the period was small. For nearly a month now, there has been no business with the British Ministry of Food and one prominent European seller to the Ministry stated that the Ministry do not seem to be interested in the present higher tendency of the market and they can afford to keep away, having purchased over a lakh of tons during this season. There was very good demand for oil from Calcutta during the early part of the period, but fell away towards the close. A fairly large volume of business for forward was also done. Cake continued to be in very good demand for manure purposes.

Yarns

Scarcity of yarn was the main feature of the markets of the Presidency. In the Chittoor district, not a very prominent weaving centre, nearly 15,000 looms remain idle, according to the Government Textile Officer, since only 500 bales have been made available as against the normal requirements of 2,000 bales. If this is so, the difficulties of other prominent handloom weaving centres can be imagined. It has been very difficult to obtain fine counts of yarn. Arrivals from mill centres were restricted and according to market circles, there would at least be a reduction of 50 per cent. in November as compared with the previous month.

Grains and Pulses

Prices of all foodgrains and pulses except of peas and Arhar showed quiet feeling with fluctuations confined to narrow ranges. Peas and Arhar markets were easy in absence of trade demand. Arrivals of wheat from rural areas continue to be very poor, averaging hardly 20 maunds daily. The daily arrivals of peas averaged 150 maunds.

The following are the latest quotations of wheat in the main centres of U.P.: Hapur Rs. 9-12 to Rs. 10; Chandausi Rs. 9-8; Shamli Rs. 9-12; Sitapur Rs. 10; and Gonda Rs. 9-14.

According to reports received from different places, the conditions of the standing Rabi crops are reported to be fairly satisfactory, but rains are badly needed in the up-country centres. In some places wheat plants are withering due to lack of moisture. The sowing of wheat in Chhatisgarh Division and Chanda district of C.P. still continues.

Gur

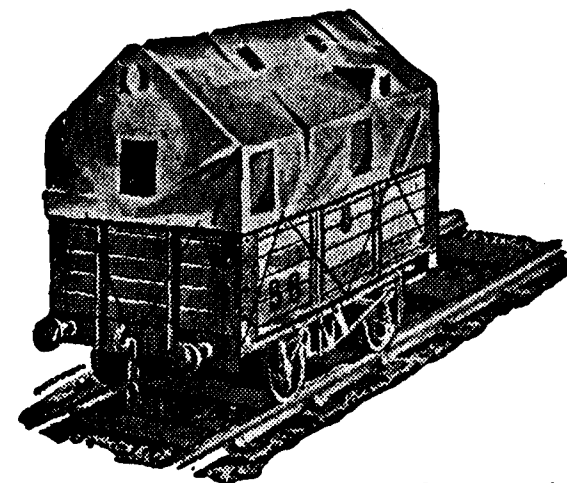
Market maintained an upward tendency on good trade support. The U.P. Government have decided to allow exports of 3,62,000 tons of gur to other provinces by the end of June 1945. Arrivals averaged 5,000 maunds daily.

Guwar

The guwar market during the early days of the week manifested firm tendency on rumours that some traders were contemplating to bring about cornering in guwar prices, but later on it became quietly easy in sympathy with lower Narnaul and Bombay advices and increased arrivals. Turnover was moderate and fluctuations were narrow.

The following are the latest quotations: Wheat: Ready Dara Rs. 9-12; Stock 425 khattis. Gram: Rs. 6-10-9; Stock 51 khattis. Barley: Rs. 5-5-3; Stock 156 khattis. Peas: Rs. 4-13-3; Stock 146 khattis. Arhar: Rs. 6-2-6; Stock 130 khattis. Maize: Rs. 5-8-3; Jowar: Rs. 5. Guwar: Magh Rs. 6-7-3, Gur: Rs. 7-4.

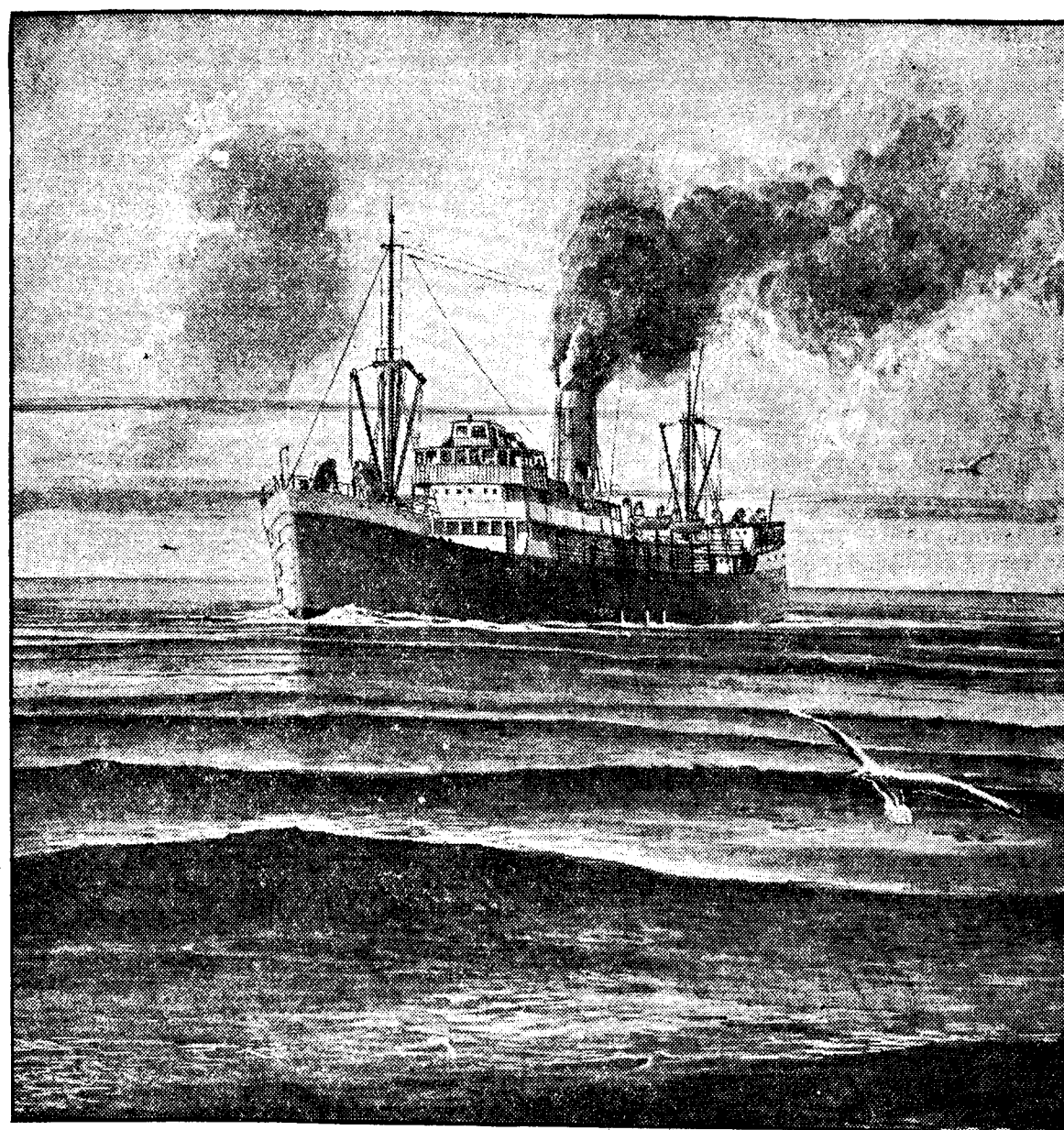
Wagon or warehouse



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

Help the war effort...

KEEP WAGONS MOVING
B. B. & C. I. RAILWAY



Traders of the Seven Seas

India's post-war future will depend to a large extent on the exchange with other countries of her raw and manufactured produce.

Shipping these goods across the "Seven Seas" will be of paramount importance.

Indian ships built of Tata Steel will help to promote the growth of India's post-war trade.

TATA STEEL

ISSUED BY THE TATA IRON & STEEL CO., LTD. HEAD SALES OFFICE: 102A, CLIVE STREET, CALCUTTA.

CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT (Rs. in lakhs)					BANKING DEPARTMENT (Rs. in lakhs)				
1-12-44	24-11-44	3-12-43	1-9-39	1-12-44 compared with 1-9-39	1-12-44	24-11-44	3-12-43	1-9-39	1-12-44 compared with 1-9-39
Notes held in the					Cash				
Banking Dept. ..	8.22	8.07	7.43	9.87	..	8.45	8.39	7.54	35.15
In circulation ..	977.66	973.09	804.43	182.13	Balances held	..	..	..	..
Total Notes ..	985.99	981.16	811.85	217.18	Abroad*	342.25	339.23	160.66	10.08
A. Gold Coin and	..	..	..	..	Investments ..	13.55	11.92	7.59	6.81
bullion ..	44.41	44.41	44.41	44.41	Bills discounted—	..	..	..	..
Sterling Securities	871.33	866.33	692.84	59.50	(a) Internal and	..	..	..	..
Total of A ..	915.74	910.74	737.25	103.91	External ..	..	..	..	..
B. Rupee Coin ..	12.30	12.58	16.27	75.87	(b) Treasury Bills	..	2	(25)	1.16
Rupee Securities ..	57.64	51.64	53.33	37.87	Loans & Advances	..	..	..	..
Silver bullion under	..	..	..	..	to Government ..	..	..	..	..
coinage ..	..	..	..	..	Deposits:—	..	..	..	..
% of Reserve to	..	..	..	..	(a) All Govts ..	244.28	239.31	57.35	14.33
Liabilities ..	92,886	92,823	90,811	63,149	Of which G. of I.	231.61	238.40	47.73	14.33
					(b) Banks ..	89.40	91.29	94.41	26.91
					(c) Others ..	12.29	12.55	9.37	1.14

IMPERIAL BANK (Rs. in lakhs)

1-12-44	24-11-44	3-12-43	1-9-39	1-12-44 compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other				
Accounts ..	237.20	238.23	208.91	87.26
Govt. Securities ..	148.37	147.38	119.82	51.03
Other Investments ..	3.84	3.64	2.64	95
Loans ..	10.14	9.73	13.19	7.63
Cash Credit Over-	..	..	..	..
drafts ..	43.21	43.25	20.10	19.76
Bills discounted ..	5.03	3.64	5.03	2.95
Cash in hand, with	..	..	..	..
R.B.I. and other	..	..	..	..
Banks ..	35.22	40.54	58.23	14.69

BANK OF ENGLAND (£ '000)

6-12-44	29-11-44	8-12-43	31-8-39	6-12-44 compared with 30-8-39
Total Bullion ..				
..	2,412	2,536	1,667	263,700
Public Deposits ..	9,700	11,600	6,300	31,100
Other Deposits ..	238,300	262,300	207,200	129,100
Of which Bankers' Deposits ..	181,600	207,000	154,600	90,100
Govt. Securities ..	200,900	248,400	150,600	113,100
Other Securities ..	13,800	13,000	16,100	31,100
Of which Dis-	..	..	..	..
counts and Ad-	..	..	..	..
vances ..	24,000	5,100	8,200	6,400
Notes and Coins ..	48,700	25,100	56,400	34,200
Notes in circulation	1,203,700	1,189,500	1,045,300	529,500
% of Reserve to	..	..	..	..
Liabilities ..	19.64	4.75%	26.40%	21.38%

TREASURY BILLS SALES (3 Months' Tenure) (Rupees in lakhs)

Date of issue	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Dept.
June 1944 ..	50.63	30.00	0 7 3	..	8.52
July ..	37.37	16.00	0 7 9	..	13.76
Aug. ..	60.46	20.00	0 7 8 1/4	..	8.92
Sept. 22 ..	11.24	6.00	0 7 11	..	1.47
Sept. 29 ..	10.01	6.00	0 7 11	..	2.70
Oct. 6 ..	11.32	6.00	0 7 11	..	6.83
Oct. 13 ..	10.99	6.00	0 7 11	..	2.71
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 ..	17.71	6.00	0 8 0	..	1.96
Nov. 24 ..	9.61	6.00	0 7 11	..	61
Dec. 1 ..	11.29	6.00	0 7 11	..	..
Dec. 8 ..	13.30	6.00	0 7 11	..	..
Total outstanding:	84.00	..	..	..	..

CLEARING HOUSE RETURNS

(Rs. in lakhs)					1-12-44 compared with 1-9-39
Centres	1943-44	1944	1944	1944	1944
Bombay ..	20,42.31	10,31.75	1,71.64	1,76.49	44.08
Calcutta ..	17,40.12	11,14.20	1,93.08	1,91.93	40.99
Cawnpore ..	1,02.41	53.60	7.75	..	..
Delhi ..	1,21.08	57.89	11.05	..	..
Karachi ..	1,02.84	57.36	8.86	..	..
Lahore ..	78.82	45.48	7.42	..	..
Madras ..	2,00.02	1,16.46	17.74	16.77	4.39
Total ..	43,48.50	25,21.48	4,42.40	3,85.19*	89.43*

* For three centres only.
† Progressive monthly total.

CASH POSITION (Rs. in lakhs)

1-12-44	29-11-44	3-12-43	1-9-39	1-12-44 compared with 1-9-39
Reserve Bank of India ..	8.45	8.36	7.54	35.15
Scheduled Banks ..	114.27	118.16	115.23	31.87

SCHEDULED BANKS (Rs. in lakhs)

11-12-44	24-11-44	3-12-43	1-9-39	compare	1-12-44 compared with 1-9-39
Demand Liabilities					
In India ..	613.11	612.30	497.01	134.36	+478.75
Time Liabilities in India ..	202.43	201.60	147.85	102.24	+100.19
Cash in India ..	28.32	28.19	22.03	6.70	+21.62
Balances with Reserve Bank ..	85.95	89.98	93.15	25.17	+60.78
Advances in India	213.80	207.99	153.69	101.52	+112.28
Bills discounted in India ..	11.83	11.62	5.73	3.57	+8.26

U.S. FEDERAL RESERVE BOARD (Million dollars)

7-12-44	30-11-44	9-12-43	31-8-39	7-12-44 compared with 31-8-39
Resources:—				
Total Reserves ..	18,768	20,168	14,661	+4,077
Total Bills Discounted ..	383	593	108	(6,190)
Bills bought in open market ..	..	..	..	(550)
Total U.S. Govt. Securities ..	18,311	18,553	11,061	2,426
Liabilities:—	..	..	..	..
F.R. Notes in actual circulation ..	21,477	21,370	16,528	4,609
Reserve Account ..	14,184	14,761	12,569	10,951
Total Reserve to Deposit and F.R. Liabilities ..	49.9%	49.4%	64.1%	86.9%

† Dollars 6,190 be deducted.
† Less \$6,190, 47.9%.

TREASURY BILLS MATURITIES (3 Months' Tenure) (Rupees in lakhs)

Date of maturity	1944	Amount	Date of maturity	1945	Amount
Aug. ..	..	16.00	29 ..	..	6.00
Sept. ..	..	36.00	Jan. 6 1945 ..	..	6.00
Oct. ..	..	16.00	13 ..	..	6.00
Nov. ..	..	20.00	20 ..	..	6.00
Dec. 1 ..	..	6.00	27 ..	..	6.00
Dec. 8 ..	..	6.00	3 ..	..	6.00
Dec. 15 ..	..	6.00	10 ..	..	6.00
Dec. 22 1944 ..	..	6.00	17 ..	..	6.00
Total outstanding:	84.00	..	29 ..	..	6.00

STERLING PURCHASES BY RESERVE BANK OF INDIA

Amount (£ in '000)	1943-44	1944	1944	1944	1943	1943
..	105,310	50,117	9,285	7,037	8,947	8,371

Average rate of purchases remained £10-1-6 all the time.

EXCHANGE RATES (T.T.)

('000's omitted)		Dec. 15, 1944	Dec. 8, 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	..	1-8
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%

ABSORPTION AND RETURN OF CURRENCY

	Circulation*		Increase (+)		Decrease (—)		Lakhs of Rupees	
	Notes	Rupee Coin †	Total 1+2	During the month	Progressive from April	During the month	Small Coin	Progressive from April
1938-39	1	2	3	4	5	6	7	8
1939-40	189.10	...	...	...	...	...	...	...
1940-41	238.55	...	...	...	...	...	...	...
1941-42	257.66	...	...	...	...	...	...	...
1942-43	410.06	...	...	...	...	...	...	...
1943-44	643.58	...	...	...	...	...	...	...
1944-45	832.49	...	...	...	...	...	...	...
September 1943	759.68	...	...	...	...	...	...	...
October	782.03	123.81	905.84	+5.04	+22.41	+1.40	+1.63	+0.39
November	794.37	125.15	919.52	+12.28	+138.51	+1.34	+1.57	+10.96
December	840.80	130.26	971.06	+46.43	+197.22	+5.11	+1.84	+12.80
January 1944	853.63	133.35	987.03	+12.83	+210.10	+3.09	+1.60	+14.40
February	857.50	135.32	1,002.82	+13.82	+223.92	+1.97	+1.91	+16.31
March	832.49	137.33	1,019.82	+14.99	+238.91	+2.01	+2.15	+18.46
April	896.80	138.75	1,035.55	+14.31	+243.91	+1.42	+1.63	+1.68
May	910.32	140.93	1,051.25	+13.52	+278.33	+2.23	+2.06	+3.74
June	911.37	141.90	1,053.27	+21.05	+43.88	+9.2	+3.17	+5.63
July	921.96	140.25	1,062.21	— 9.41	+39.47	— 1.65	+1.64	+7.27
August	927.01	138.96	1,065.97	+5.05	+43.52	— 1.29	+1.72	+8.99
September	941.25	139.68	1,080.93	+14.24	+53.76	+7.2	+2.75	+10.66
October	953.54	140.32	1,093.86	+15.29	+74.05	+6.4	+2.59	...

* At the end of period. † Quaternary rupee coin and Government of India one rupee notes.
Source: Statistical Summary Reserve Bank of India October, 1944.

ECONOMIC ADVISER'S INDEX NUMBERS OF WEEKLY WHOLESALE PRICES OF CERTAIN ARTICLES IN INDIA†

Groups	1940-41	1943-44	Nov. 1943	Dec. 1943	Jan. 1944	Feb. 1944	March 1944	April 1944	May 1944	June 1944	July 1944	Aug. 1944	Sept. 1944	Oct. 1944
1. Food and tobacco	41	44	43	44	44	44	44	44	44	44	44	44	44	44
2. Other agricultural commodities	108.6	270.6	270.9	262.9	264.4	260.7	257.8	253.1	258.8	265.9	273.7	266.4	262.8	262.0
3. Raw materials	121.4	184.9	189.1	183.3	193.3	194.8	198.7	199.4	203.1	204.3	203.8	202.1	203.1	205.5
4. Manufactured articles	120.0	251.7	256.9	251.8	251.3	251.0	252.3	261.2	262.7	259.4	260.7	262.4	259.1	255.7
5. Primary commodities	113.4	233.3	235.6	231.4	234.1	232.8	232.0	232.4	235.5	240.0	244.0	239.2	237.8	238.4
6. All commodities	114.8	237.2	240.1	235.7	237.8	236.7	236.3	238.3	241.2	244.1	247.5	244.1	242.3	242.0
7. Chief articles of export commodities	113.9	237.4	240.7	234.6	235.1	233.8	232.9	235.5	241.6	248.0	250.1	245.3	242.8	242.6

† Reproduced from Statistical Summary of R.B.I., October 1944.

RURAL AND URBAN RETAIL PRICE INDEX NUMBERS†

Groups	1940-41	1943-44	Nov. 1943	Dec. 1943	Jan. 1944	Feb. 1944	March 1944	April 1944	May 1944	June 1944	July 1944	Aug. 1944	Sept. 1944	Oct. 1944
1. Food and tobacco	41	44	43	44	44	44	44	44	44	44	44	44	44	44
2. Other agricultural commodities	108.6	270.6	270.9	262.9	264.4	260.7	257.8	253.1	258.8	265.9	273.7	266.4	262.8	262.0
3. Raw materials	121.4	184.9	189.1	183.3	193.3	194.8	198.7	199.4	203.1	204.3	203.8	202.1	203.1	205.5
4. Manufactured articles	120.0	251.7	256.9	251.8	251.3	251.0	252.3	261.2	262.7	259.4	260.7	262.4	259.1	255.7
5. Primary commodities	113.4	233.3	235.6	231.4	234.1	232.8	232.0	232.4	235.5	240.0	244.0	239.2	237.8	238.4
6. All commodities	114.8	237.2	240.1	235.7	237.8	236.7	236.3	238.3	241.2	244.1	247.5	244.1	242.3	242.0
7. Chief articles of export commodities	113.9	237.4	240.7	234.6	235.1	233.8	232.9	235.5	241.6	248.0	250.1	245.3	242.8	242.6

† Reproduced from Statistical Summary of R.B.I., October 1944.

RAILWAY STATISTICS (CLASS I ONLY)

Groups	1940-41	1943-44	Nov. 1943	Dec. 1943	Jan. 1944	Feb. 1944	March 1944	April 1944	May 1944	June 1944	July 1944	Aug. 1944	Sept. 1944	Oct. 1944
1. Food and tobacco	41	44	43	44	44	44	44	44	44	44	44	44	44	44
2. Other agricultural commodities	108.6	270.6	270.9	262.9	264.4	260.7	257.8	253.1	258.8	265.9	273.7	266.4	262.8	262.0
3. Raw materials	121.4	184.9	189.1	183.3	193.3	194.8	198.7	199.4	203.1	204.3	203.8	202.1	203.1	205.5
4. Manufactured articles	120.0	251.7	256.9	251.8	251.3	251.0	252.3	261.2	262.7	259.4	260.7	262.4	259.1	255.7
5. Primary commodities	113.4	233.3	235.6	231.4	234.1	232.8	232.0	232.4	235.5	240.0	244.0	239.2	237.8	238.4
6. All commodities	114.8	237.2	240.1	235.7	237.8	236.7	236.3	238.3	241.2	244.1	247.5	244.1	242.3	242.0
7. Chief articles of export commodities	113.9	237.4	240.7	234.6	235.1	233.8	232.9	235.5	241.6	248.0	250.1	245.3	242.8	242.6

C—WAGONS LOADINGS

Groups	1940-41	1943-44	Nov. 1943	Dec. 1943	Jan. 1944	Feb. 1944	March 1944	April 1944	May 1944	June 1944	July 1944	Aug. 1944	Sept. 1944	Oct. 1944
1. Food and tobacco	41	44	43	44	44	44	44	44	44	44	44	44	44	44
2. Other agricultural commodities	108.6	270.6	270.9	262.9	264.4	260.7	257.8	253.1	258.8	265.9	273.7	266.4	262.8	262.0
3. Raw materials	121.4	184.9	189.1	183.3	193.3	194.8	198.7	199.4	203.1	204.3	203.8	202.1	203.1	205.5
4. Manufactured articles	120.0	251.7	256.9	251.8	251.3	251.0	252.3	261.2	262.7	259.4	260.7	262.4	259.1	255.7
5. Primary commodities	113.4	233.3	235.6	231.4	234.1	232.8	232.0	232.4	235.5	240.0	244.0	239.2	237.8	238.4
6. All commodities	114.8	237.2	240.1	235.7	237.8	236.7	236.3	238.3	241.2	244.1	247.5	244.1	242.3	242.0
7. Chief articles of export commodities	113.9	237.4	240.7	234.6	235.1	233.8	232.9	235.5	241.6	248.0	250.1	245.3	242.8	242.6

FOOD INDEX (WHOLESALE PRICES)†

Groups	1940-41	1943-44	Nov. 1943	Dec. 1943	Jan. 1944	Feb. 1944	March 1944	April 1944	May 1944	June 1944	July 1944	Aug. 1944	Sept. 1944	Oct. 1944
1. Food and tobacco	41	44	43	44	44	44	44	44	44	44	44	44	44	44
2. Other agricultural commodities	108.6	270.6	270.9	262.9	264.4	260.7	257.8	253.1	258.8	265.9	273.7	266.4	262.8	262.0
3. Raw materials	121.4	184.9	189.1	183.3	193.3	194.8	198.7	199.4	203.1	204.3	203.8	202.1	203.1	205.5
4. Manufactured articles	120.0	251.7	256.9	251.8	251.3	251.0	252.3	261.2	262.7	259.4	260.7	262.4	259.1	255.7
5. Primary commodities	113.4	233.3	235.6	231.4	234.1	232.8	232.0	232.4	235.5	240.0	244.0	239.2	237.8	238.4
6. All commodities	114.8	237.2	240.1	235.7	237.8	236.7	236.3	238.3	241.2	244.1	247.5	244.1	242.3	242.0
7. Chief articles of export commodities	113.9	237.4	240.7	234.6	235.1	233.8	232.9	235.5	241.6	248.0	250.1	245.3	242.8	242.6

† Issued by the office of the Economic Adviser to the Government of India.

INDIAN STOCKS AND SHARES

Groups	1940-41	1943-44	Nov. 1943	Dec. 1943	Jan. 1944	Feb. 1944	March 1944	April 1944	May 1944	June 1944	July 1944	Aug. 1944	Sept. 1944	Oct. 1944
1. Food and tobacco	41	44	43	44	44	44	44	44	44	44	44	44	44	44
2. Other agricultural commodities	108.6	270.6	270.9	262.9	264.4	260.7	257.8	253.1	258.8	265.9	273.7	266.4	262.8	262.0
3. Raw materials	121.4	184.9	189.1	183.3	193.3	194.8	198.7	199.4	203.1	204.3	203.8	202.1	203.1	205.5
4. Manufactured articles	120.0	251.7	256.9	251.8	251.3	251.0	252.3	261.2	262.7	259.4	260.7	262.4	259.1	255.7
5. Primary commodities	113.4	233.3	235.6	231.4	234.1	232.8	232.0	232.4	235.5	240.0	244.0	239.2	237.8	238.4
6. All commodities	114.8	237.2	240.1	235.7	237.8	236.7	236.3	238.3	241.2	244.1	247.5	244.1	242.3	242.0
7. Chief articles of export commodities	113.9	237.4	240.7	234.6	235.1	233.8	232.9	235.5	241.6	248.0	250.1	245.3	242.8	242.6

WHOLESALE PRICES OF PRINCIPAL COMMODITIES

Commodity and unit	Quality	Market	Latest Quotations Rs. a. p.	†Jute—Raw (per bale of 400 lbs.)	(1) Firsts Calcutta	...	...
*Wheat per md)	Average Superior	Amritsar	9 12 0	†Bags (per 100)	...	...	...
*Rice (per md.)	Dara	Hapur	10 0 0	†Cloth (per 100 yds)	...	...	...
*Linseed (per md.)	Ready B. Bold	Calcutta	10 7 0	†Tea (per lb.)	...	...	...
*Mustard (per md.)	Ready B. Bold	Cawnpore	10 10 8	Coffee (per cwt.)	...	...	...
*Groundnuts (per md.)	Ready Bold	Amritsar	10 10 5	†Sugar per md. ex-factory)	...	...	...
*Potatoes (per md.)	Ready B. Bold	Calcutta	10 8 0		...	...	...
†Oils epr qr.)	Ready	Bombay	0 6 0		...	...	...
†Cotton—Raw (per candy)	Ready	Bombay	10 9 0		...	...	...
†Picegoods per yd.)	Ready	Bombay	10 6 0		...	...	...

GOLD AND SILVER PRICES†

(Rs. per fine tola)	(Rs. per 100 fine tolas)	(Rs. per 100 fine tolas)	(Rs. per 100 fine tolas)
Spot	Forward	Spot	Forward
Dec. 7 '44	64 13 0	64 11 0	45 4 0
" 8 "	64 12 0	64 11 0	45 8 0
" 9 "	65 0 6	65 0 0	45 8 0
" 10 "	65 5 0	65 2 0	45 8 0
" 11 "	65 5 0	65 2 0	45 8 0
" 12 "	65 10 0	65 8 0	45 8 0
" 13 "	65 10 0	65 8 0	45 8 0

London (Dec. 13th 1944) per std. oz. 28-8-0 23-1/3d. (Ready).
New York (Dec. 13th 1944) per std. oz. 44 1/4 cents 44 1/4 cents
† At Bombay.

THE EASTERN ECONOMIST

Vol. 3 No. 24

NEW DELHI, DEC. 22, 1944.

ONE RUPEE

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There will be no issue of the Eastern Economist dated December 29, 1944, on account of the Christmas holidays. The next issue will, therefore, come out on January 5, 1945.

"Not Built Like Angels"

IT is only one of the anomalies of our subordinate political position that the annual address by His Excellency the Viceroy to the Associated Chambers of Commerce, Calcutta, representing the British commercial interests in India, should usually be looked forward to almost with the measure of expectancy such as is associated with the speech from the throne in Great Britain. Certainly Lord Wavell has known India for long—long enough even in his present capacity, for, according to his own showing, since taking over on the 20th October, 1943, he has done in his empire much more than the equivalence of circumnavigating the world. During these fourteen months of his regime, he has been ever careful not to raise too much hope in public mind, and if his present address is indicative of the general policy and approach of his Government, it has served to extinguish any hope in any quarters that a new constructive and imaginative lead would be forthcoming at an early date. The bulk of the address dealt with economic matters—war-time as well as post-war; yet the general principles which ap-

pear to be implicit in His Excellency's approach, seem almost to warrant that the vital economic interests of the nation are likely to go severely by default now as much as after the war.

Take the most glaring of His Excellency's major economic premises, viz., that "the year of our greatest economic strain and effort" still lies ahead of us. The end of hostilities in the European theatre may indeed be within a measurable distance of time, but, His Excellency reminds us that this will not be the end and the war in the Far Eastern theatres will have to be waged mainly from the Indian base. This will mean additional draft on the resources of India and "in fact India may have to play an even more important and perhaps even more onerous role in 1945." If the Government of India has committed itself to the principle implicit in this, we fear it has already played its pitiful subservient role and acquiesced in the sacrifice of our vital and legitimate interests. For what are the facts? The calculations are that after the de-

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feat of Germany, even if the Soviet Union keeps out of the war in the Far Eastern theatre, the combined Allied military power would be so much greater in relation to the requirements of the Far Eastern war, that the Allies could carry through a partial demobilization and reconversion to peace economy programme to the extent of about 40 per cent. Of course, the economic power of the United States is so great in relation to that of Great Britain, that the United States will be able to carry through a re-conversion of very much more than 40 per cent. and yet sustain a sufficient quota of Allied war-effort, while Britain will be unable to carry through any substantial measure of reconversion to peace economy. Consequently, under the new Lease-Lend Agreement, it has been arranged that the United States will advance just so much war materials to Britain as will enable the latter to release sufficient man-power and resources and so reconvert her industry to peace-time production at the same percentage rate as the United States. In other words, the United States will slow down her own rate of reconversion and take a corresponding quantum of war-effort off Britain's back.

If such is the fair and equitable principle which has been urged and accepted by Great Britain for the allocation of the burden of Allied war-efforts, surely it should also govern, *mutatis mutandis*, the intra-empire allocation of war-effort. But instead of accepting this principle, the British Government taking advantage of India's political dependence, has apparently decided to put an additional burden on India after the defeat of Germany while at the same time that she is herself planning a partial demobilization and reconversion of industry to peace footing to the extent of probably 40 per cent. and a vigorous export drive throughout the world, not excluding India. Simultaneously as a more crushing war burden would be put on India, she is apparently to be subjected to a systematic commercial and industrial onslaught by Britain. Can there be any doubt that the correct principle in the context of India would be to allow India also to reconvert her economy to peace footing after the defeat of Germany to the extent of nearly 40 per cent., by Britain herself taking a little burden off India's strained back just as the United States has agreed to take some burden off Britain's back in order to allow the latter to reconvert at the same percentage rate as herself?

Instead of advancing this clear and legitimate right of India in inter-Allied counsels, Lord Wavell's Government has apparently reconciled itself to the idea of a further addition to the crushing burden on India and has persuaded itself that she is really capable of bearing such additional burdens. According to Lord Wavell, the economic disaster which we experienced lately was due not to the heaviness of the quantum of burden forcibly placed on us, but due to the "dislocating strain of a violent unexpected jerk" after Pearl Harbour. As he puts it, "Now that we are already taking the strain, with all our muscles of production, supply, finance and transport braced, it is easier to support some additional burden, heavy though the total load will be, than it was to withstand the original shock." Today Britain's economic war-effort is running at the rate of about Rs. 8,000 crores per annum while India's effort is at the rate of about Rs. 700 crores. If Britain reconverts to the extent of 40 per cent. she gets a relief to the extent of about Rs. 3,200 crores per annum. Surely then instead of putting additional burden on India, Britain is capable of taking off from India's heavily strained back a burden of a petty Rs. 280 crores per annum and allow India also to reconvert to the extent of 40 per cent?

The light-heartedness with which Lord Wavell contemplates the placing of a further burden on India, flows from his appreciation of the enormous burden which we have been bearing. He thinks we have got off very lightly; in fact, "in terms of property, of man-power and of money, India has gained during the war years rather than lost," and in order to increase this gain even further, he proposes a further increase of our burden. But such incredible economic theory cannot conjure away the grim fact that during the war our human and material capital has suffered grievous depreciation and deterioration: Millions have died of famine and tens of millions more, particularly the growing generation, have been devitalized. Our mechanical equipments (including the road and the transport system) have been worked to death under strain of war-effort, and the Government's fiscal and general economic policy have left little possibility of their adequate re-equipment and renovation. A nation cannot lift itself by its own bootlaces or grow richer by dint of a "waterlogging" plethora of money created against blocked sterling balances. Lord Wavell's facile optimism was aptly anticipated and countered by General Auchinleck himself only a few days before the former spoke: "The idea is prevalent in some quarters that this vast country has been affected only to a very small degree by war. That is not true in my opinion. I think even the humblest in India have been affected by this war. They too are bearing the burden of war. The world outside does not realize how very small the margin is on which the Indian peasant lives; the fact that because of war he may be unable to get the few dozen yards of cloth he needs for himself and his family means as much to him as the greater deprivation of comforts that people in the U.S.A., or the U.K. suffer." Lord Wavell may complacently congratulate himself that "Bengal is in a much happier position; convalescent at least if not wholly recovered." But when the proposed additional burden is imposed on India and becomes concentrated on the debilitated population of Bengal, the advance base of operation, Lord Wavell might discover too late and to his horror that he had assumed too much. Lord Wavell has assured us that his Government has got in hand a 'comprehensive programme' to improve the capacity of the railways and clear up the railway mess which, according to his confession, has been caused by his personal lack of foresight in July 1941. But he has not assured us that he has also got an equally comprehensive programme to maximize here and now our economic capacity to bear the present war burden, by a systematic and all round strengthening of our industrial structure here and now through positive Government action and clearly formulated fiscal and economic policy.

Neither can his approach to our post-war problems kindle much new hope. It is barely commonplace to remark that after the war we have to do much constructive work in order to bring India "to her proper position in the world, as keeper of the peace and as a leader of prosperity, thought and learning in the East." But he chose to dilate on only two aspects of post-war planning, *viz.*, the old naive agriculture vs. industry controversy and the so-called financial problems. He dwelt on the price of rapid industrialization but did not dwell on the price which we have been paying and will further have to pay for not industrializing rapidly enough. The nature of the social cost of uncontrolled nineteenth capitalism is well-understood; so are the reasons for the excessive and avoidable human cost of the first five year plan in Russia. But to ascribe all this "to a loss of balance of between agriculture and industry" involves a strain on elementary economic theory. Such vague terms as "balance between agri-

culture and industry" have been used by all parties to prop up their respective predilections for or against industry or agriculture. But surely it is high time somebody attempted to give the term precise and definable technical contents, such as we attempted in a previous issue. As it is, the use of the term by His Excellency can only be interpreted as a calculated damper.

Turning to the fiscal and financial aspect, His Excellency was no more encouraging. He could only say that after the war, we shall have to maintain "a war scale of taxation." That after the war we shall have to adjust our fiscal system in the light of modern ideas of progressivism and social justice, admits of no doubt. But at the same time the fiscal system must be so conceived that it does not clog our industrial progress. Lord Wavell remarked that "by their policy of taxation the heads of the Government can prevent the profits of industry becoming concentrated in the hands of the few and from being used for luxury rather than to finance progress." The correct principle accepted in many responsible quarters is that there should be high and steeply graduated taxation on individual incomes, but, in consonance with the spirit of an expansionist economy, there should also be a positive encouragement of expansion of industrial capital—working and fixed. The essential distinction is between distributable profit (which is income) and undistributed profit which is ploughed back (which is industrial capital). A fiscal system which in the name of sheer money-catching or even social justice stands in the way of large-scale industrial development, is clearly out of tune with our new economic temper of expansionism. The present fiscal system undoubtedly takes inadequate cognizance of the requirements of re-equipment, renovation and expansion of our industrial capital and the competitive position of our industries is being steadily undermined in relation to the considerable technical strengthening of industries which has oc-

curred during the war in other countries which have a fiscal system cognizant of the essential requirements of industrial progress. The maintenance of what Lord Wavell calls the "war scale of taxation" certainly cannot mean the maintenance of the war structure of taxation. There is need of a clear-headed formulation of a fiscal policy in relation to our industrial development.

Even Lord Wavell's reference to the liquidation of the sterling balances and appeal for Indo-British co-operation in economic development are interpreted in certain sceptic quarters as meaning that India's planning would be merely subsidiary to and essentially in the interest of Britain's own planning. Certainly the disastrous financial and economic policy which has been pursued by the Government during the war, does not inspire widespread confidence in the ability of the Government to make post-war plans without reference to superior outside interests. During the war, the Government lacking ability to secure popular support, have commandeered Indian resources through a process of naked inflation without paying heed to our minimum civilian requirements. Again after the defeat of Germany, Lord Wavell proposes to put even more burden on India, although both Britain and the United States are planning to re-convert to the extent of about 40 per cent. Always our essential interests and legitimate rights are being lightly sacrificed or going by default at home and abroad. No wonder confidence is not inspired and even well-intentioned planning is suspected to be merely schemings for energetic imperial exploitation. Lord Wavell quoted Kipling that until "we are built like angels, not men" we must have controls. But, equally, until our Controllers are "built like angels not men," they must in their turn be amenable to democratic control. This is the head and front of the demand for national government as an essential prior condition for successful planning by the people, of the people and for the people.

International Currency Experience

DESPITE the handicaps of the war, the Secretariat of the League of Nations has been issuing quite a number of useful studies on economics in the last two years. It has made a study of the problems of transition from war to peace economy. It has analyzed the economic fluctuations in the U.K. and the U.S.A. in the early years after the last war. It has published books on how Europe's overseas needs were met after the last war and on the relief deliveries and loans made in 1919-1928. On the all-important question of commercial policy, its studies on quantitative trade controls, trade relations between controlled and free-market economies and the network of world trade are important contributions. In the field of monetary policy, *International Currency Experience*, drawing lessons for the future from the rich and varied monetary history of the inter-war period, is the latest addition to the League's output of economic literature. Surely, even if the League of Nations as such were wound up, the secretariat would stay in the future security organization of the United Nations as the useful agency for the recording, pooling and analysis of international economic information.

But there the good words must stop. In fact, the practical usefulness of this admirable record of work is almost completely vitiated by the doctrinaire obsessions and the free trade, gold standard, de-control preferences of the League's tradition. The economists of the League's secretariat have enhanced their reputation neither for academic objectivity nor for economic realism by reading history in the light of

out-of-date dogmas which fail to feel the contemporary 'climate' of economic and political opinion. For, would any study on monetary and commercial policy which looks upon all controls on exchange and trade as evils to be abolished at the first opportunity and which aims at exchange stability and untrammelled trade as the all-important aim of economic policy stand the least chance of serious consideration by any practical statesman today? And, yet this is precisely what the League's studies are advocating.

These policies became discredited even in the thirties due to the depression, and academic and official opinion was quick to recognize it in Britain, although British treasury officials, experts and economists, who served on many of these international inquiries, gave lip-service to these out-worn creeds. But today, confronted with the immense difficulties of the post-war years especially in respect of exports and external debt, opinion in Britain, both academic and official, has not hesitated to pour scorn over such policies. From the point of view of backward countries like India, acceptance of the economic recipes of the League's pundits would be the surest way of perpetuating our economic bondage and stagnation.

What are the lessons to be learnt from the story of international monetary relations in the inter-war period? No other period of equal duration affords so great a variety of experience; in no other period were so many experiments deliberately or fortuitously under-

taken; in no other period was the influence of extraneous events on monetary relations or of monetary policy on economic conditions greater. The first lesson that the work under review draws is the need for stable, as opposed to fluctuating exchanges. The disadvantages of freely fluctuating exchanges are luridly painted. Freely fluctuating exchanges contain an element of risk inimical to international trade, not altogether or effectively eliminated by forward exchange; as a means of adjusting the balance of payments they entail constant and costly shifts of labour and productive resources between production for the home market and production for export; they cannot promote the desired improvement in the balance of payments because by causing further expectations of fluctuations they cause speculative transfers of funds and ultimately self-aggravating movements of this kind produce "explosive conditions of instability."

The case for stability of exchange rates may or may not be valid. But it is difficult not to condemn the intellectual dishonesty of an attempt which seeks to strengthen the case for stability of exchange rates, by presenting as the alternative to it, freely fluctuating exchanges determined from day to day by the forces of supply and demand in the market, especially in view of the clear admission that "freely fluctuating exchanges were by no means common." The only example of the kind in the pre-depression decade on which the League study fastens is the history of the French franc particularly in 1924-26, when there was no stabilization or pegging or intervention by the authorities. Other examples after 1930 are of the pound sterling in the first few months after September, 1931, the American dollar in 1933, and the French franc at certain times during 1937. The lesson to be learnt is not that currency relations in 1919-39 were rendered chaotic by uncontrolled exchanges and that we should get scared by them, but that monetary wisdom in 1929-39 had so far improved over the earlier decade that the exchanges were either controlled or after brief intervals of decontrol, stabilized at a new level. With the experience gained in exchange control during war, the dangers of violently fluctuating exchanges can only be regarded as ludicrously fanciful.

Likewise, the analysis of exchange control is marred by the assumed desirability of abolishing it. The defects of exchange controls, as operated by Germany in particular, are well-known. They entailed discrimination, restriction, bilateralism, blocking, etc. But exchange control is only a tool and can be worked so as to be non-discriminatory and expansionist. But, to assume, as the study does, that exchange control has been discredited because of being associated in the people's mind with war and preparation for war and strangling trade, is to abandon all pretence to a 'technical analysis of the subject.' The study quotes with approval the earlier adverse verdict of a League enquiry on clearing agreements. But was not the evolution of the clearing system a most far-reaching and fruitful product of monetary experimentation, which received the approval of Dr. Paul Einzig as early as 1934 in opposition to the League's experts and attained crowning recognition at the hands of Lord Keynes in his proposals for a clearing union? The study dismisses as outside the scope of monetary policy the vital question that exchange control can be employed as the instrument of national planning, although it is anxious to emphasize that ultimately exchange control will disrupt the international price mechanism. It is unwilling to concede exchange control even for checking capital transfers on the ground that it will be used for other purposes also, whereas the Bretton Woods proposals actually emphasize the necessity for control over capital movements. That the League's

opposition to exchange control is only an ancient prejudice is borne out by the fact that the very stability of exchange rates has been imperilled by the uncontrolled flow of funds from one country to another, which are inevitable in a free market, free exchange economy.

By far, the most interesting and also useful part of the study pertains to the functions, form and distribution of international currency reserves. A system in which rates of exchange are kept stable over considerable periods requires some form of international liquidity or reserves, by means of which to cover the gaps in a country's external balance. The maldistribution of gold, failure of foreign investment and depression cut into those reserves, but there should be an international reserve mechanism in the future which should be able to "cope with all short-term differences in the international accounts including differences of a 'cyclical' nature," and which should afford individual countries some "leeway," by some kind of pre-determined credits as under the Bretton Woods plan.

But even this suffers from the basic defect of the whole approach of this and other studies of the League Secretariat, viz., inadequate realization of and emphasis on the desirability of subordinating the nice, free trade, notions of economic and monetary 'equilibrium' to the generally accepted objective of full employment by national planning. The potentialities of the technique of planned economy, as abundantly proved by the Russian example and mobilization for a total war, stress that a nation under planned economy, with the necessary controls, especially external controls, can achieve a much higher rate of progress than will be ever possible under an unplanned economy which awaits external stimulation; and that the best way of fostering world trade would itself be to sustain full employment at home.

For backward countries like India, with a burning desire to quicken their pace of progress, the criteria of economic and monetary equilibria, entailing rigid exchange rates, free markets and a synchronization of their rate of development with that of the rest of the world which has already made great headway, can not be acceptable. Their progress in future is not to be conceived solely or simply in terms of the secondary repercussions which flow from higher levels of employment in the leading industrial countries, however, welcome those repercussions be. The pattern of world trade and finance has changed beyond recognition since the free trade *cum* gold standard doctrine was propounded in the 19th Century. Diffusion of technical knowledge, spread of industrialization, growth of synthetics, revolution in debtor-creditor relationships, the vastly improved technique of economic planning—all these cry aloud for the re-formulation of the theory of international trade. And, the Secretariat of the League of Nations will justify itself only when it devotes itself seriously to this task.

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The Week's Notes

OUTLOOK FOR 1945

Lord Wavell's pointed reference to the 'more onerous role' India will have to play in 1945 and his blunt assertion that "the year of our greatest economic strain and effort may still lie ahead" should cause serious concern in the country. His confidence that because we are already taking the strain it is easier to support some additional burden than it was to withstand the original abrupt shock amounts to dangerous complacency. Has he not heard of the last straw on the camel's back? Presenting the budget last year, the Finance Member made it clear that no further substantial overall increase on India's resources could be met without grave risk of economic collapse and promised an early lightening of her burdens. Nothing has since happened, not certainly the sterile attempts at economic control and the poor success which has attended on them, to warrant Vice-regal optimism that all our sinews of production, supply, finance and transport are braced enough for bearing the burden. The burden, let there be no mistake about it, is not going to be a trifling addition. Even optimistic estimates have not understated the resources of Japan, and the weight which will have to be thrown against her. Lord Wavell should be the very last person not to realise the strain which a major assault on Japan from India as the base will impose on our entire economic system. All indications suggest that it will be several months before the hostilities cease on the continent and India can expect no reasonable or substantial relief from overseas next year, i.e. precisely when the strain on her, and the need for relief will be the greatest. The fact that hundreds of persons have ceased to die in an obtrusive manner in Bengal in the past few months is slender evidence of a food position beyond danger. The danger signals are reappearing in the south, while the 'Grow More Food' campaign has failed. The import of certain types of consumer goods which incidentally catered to the higher income groups, while killing nascent industries, is hardly proof that the pressure on the slender margins of the population has been eased. The Commander-in-Chief recently testified to the weight of the burden. The situation in respect of coal and transport has certainly not improved to the extent of meeting the needs of the situation. Not one essential industry or branch of trade has failed to feel the crippling effects of the dangerously muddled coal and transport position, with immediately felt repercussions on civilian consumption. To the increased flow of 'financial irrigation,' the best defences against water-logging that have been or can be put up will be no match. The apparent stability in the price level in the last six months is unreliable; it conceals serious elements of instability and certainly covers only control prices. To impose the burdens of the far-eastern operations on an economy creaking with so many strains is most surely to invite a calamity of far greater magnitude than that which shocked the world in 1943.

PUBLISH THE REPORT

It is understood that the Woodhead Commission, which was appointed to inquire into the Bengal famine in particular and the food problem of the country in general, has practically concluded its labours; the interim report has been completed and the final report also is in an advanced stage of preparation. At least one of the commissioners has already been released to take up his duties as the Adviser to the Government

of Madras, and others would be dispersing shortly. There has been a considerable disquiet throughout the country—and indeed throughout the world—about the tragic happenings in the unhappy province last year. It was only under pressure of public opinion and after a calculated delay that the Commission was appointed to conduct inquiries—although under circumstances and terms of reference which did not prove satisfying to every quarter. The Commission itself conducted its inquiries *in camera*, ostensibly not to stir up too much controversies in Bengal. However, now that the Commission has concluded its inquiries, it is essential that its findings should be published at the earliest opportunity. Already there are stories going round about the disquieting nature of some of the findings of the Commission. There are startling stories about corruption and maladministration, particularly at the top, which were rampant in Bengal during those crucial days and which must bear a major responsibility for the disaster. It is suggested that some august personages have been covered by the network of evidences which have come to the Commission and that some suppression of facts or whitewashing would be expected. Again, it would be recalled that official quarters have always underestimated the measure of the havoc in spite of warnings by independent and competent observers who were summarily dismissed by those who should have known better as "over-dramatizing the situation." Even when the tragedy could no longer be concealed from the gaze of the world, Mr. Amery continued to say that the toll of the Bengal famine "did not exceed one million," although a scientifically conducted sample survey by the Calcutta University could not put it at lower than 3 or 4 million—that is, up to before the malaria epidemic imposed its gruesome surtax. It is said that the Commission has found the estimate by the Calcutta University as substantially nearer truth. Light is the best antiseptic and it is necessary that the public should know the true facts about those days. The Report of the Commission should be published in full without suppressing facts or exonerating personages or administrative systems. Although Lord Wavell has assured us that "Bengal is in a much happier position, convalescent at least if not wholly recovered," the danger is not past. The famine and the aftermath of epidemic have reacted disastrously on the health and stamina of the people. The Far Eastern operations after the defeat of Germany would probably put tremendous pressure on India and particularly on Bengal as the advance base, and the situation may get out of control unless we are severely forewarned. While unnecessary political recriminations should be avoided, the public have a right to know the facts and the full facts.

INDUSTRY AND E.P.T.

The concrete proposals presented by the Bombay Millowners' Association to the Government regarding allowances in respect of E.P.T. to facilitate the industry's rehabilitation after the war require the immediate attention of the Government. Indeed without essential amendments to the E.P.T., it would be idle to expect industrial firms, in particular textile firms worked at such high pressure, to place orders for brand new machinery which can be obtained only at costs far in excess of those before the war. The suggestions made by the textile industry are: (1) Expenditure incurred for reconverting the industry to peace basis should be allowed as an expenditure and should be adjusted in the last E.P.T. assessment, subject to such conversion taking place within a reasonable period

after the war. (2) Special sums for repairs and renewals which could not be undertaken because of the war should be allowed as deductions from E.P.T., on condition that sums unspent within a reasonable period after the war are to be regarded as income in the last year's E.P.T. (3) Loss in value suffered by mills in respect of plant and equipment provided as part of the war-effort should be allowed as a deduction. (4) Similarly, loss in value of stocks held by mills at the end of the war, should be set off against the income of the last year of the E.P.T. These proposals raise the fundamental issue of tax burden and its retarding effects on modernization and expansion and should concern all industries. The claims for tax allowances will, no doubt, vary from industry to industry, according as whether or not it is a purely war-time installation with no peace prospects, according to the state of technical equipment on the outbreak of the war, the subsequent rate of depreciation and obsolescence and such other factor. The cotton textile industry has effected a considerable degree of standardization and technical reorganization to meet the needs of the war, has again worked at extreme pressure on machinery and before the war stood badly in need of modernization which has had inevitably to be postponed. It should not happen that our tax policy leaves it, even after the spell of war prosperity, with inadequate reserves to rehabilitate itself; for that would mean a serious undermining of the international competitive position of our industry, especially because many other countries, having a fiscal system not so inimical to industrial progress and enterprise, have been able to achieve considerable technical progress even during the war.

INDIAN STATES AND ECONOMIC UNITY

On a map of India the inter-locking stretches of the territories of British India and the Indian States make an inextricable pattern. Historians have advanced the view-point that these remnants of old Indian sovereignties which are the present Indian states, have been deliberately kept in being by the imperial power, as a structure of breakwater against Indian political discontent; however, the system has also its disadvantages from the economic aspect, as the war-time experience has amply emphasized. Although the whole of India is an effective currency area, the existence of the patchwork of Indian states with their differential economic and fiscal development and administrative separateness, cut up the economic unity of India to no inconsiderable extent. Taken as a whole, the Indian States are definitely more backward than the British Indian provinces, as regards industrial development. Recently, there has been a trend in the Indian states making some leeway in regard to their industrial backwardness as compared with the provinces, although even now they have a much smaller share of industrial development relative to their population. During the war again, particularly due to the differential fiscal pressure, there has been a noticeable tendency for industries to migrate from the provinces to the States. Few of the Indian states levy income tax on their subjects and the States have not fallen in line with the provinces in the matter of levying Excess Profit Tax. As a result there has been a flight of capital and enterprise to the States like Jaipur, Gwalior, Indore and Bhopal, where new industries have grown up or found refuge under a less exhausting fiscal pressure. With a view to evade tax, contractors and firms supplying the Central Government and the Defence Department have tended to locate factories and head offices in the Indian States until it has become today a glaring anomaly. It is understood that the recent crisis precipitated by the Princes, had a direct connection with the attempt by

the Central Government to man-handle this fiscal disunity and enforce on all-India basis measures of economic control. The immediate cause is said to be the recent order issued by the Textile Directorate directing that payments in respect of supplies of goods emanating from Indian States shall be made to the manufacturers, suppliers or contractors in British India only and that the income therefrom would be liable to tax in British India. It is alleged that many of the Princes are financially interested in these industries and concern; and further many of them have been actively helping to undermine economic controls instituted by the Government of India. By standing on their treaty rights which protect them and their subjects from taxation in British India, the Princes have brought a vital issue to a head. The issue of maintaining the economic unity of India has to be faced, if our post-war planning is not to be seriously hampered.

BOMBAY'S MILK MEASURES

The laudable efforts of the Government of Bombay in the direction of ensuring better milk supply to their capital city have not received the attention they deserve. Bombay's milk problem is no easy one. While the population of the city has increased from about 15 to about 25 lakhs, there has been practically no increase in the supply of milk. Although there are over 50,000 heads of milch cattle in the city and its suburbs and about 16,000 retail milk vendors, there is a very serious over-all shortage, with the result that milk is being sold at nearly four times the pre-war rate. The Bombay Government have had the wisdom to realise that in such circumstances price control could have only made a bad situation worse. They have given priority, therefore, to measures for improving milk supply and have attempted (a) to conserve milch cattle, (b) ensure adequate feeding and (c) discourage non-essential consumption. Thus, they have prohibited the slaughter of animals either in milk or in calf or fit for breeding and sanctioned a scheme of subsidies to encourage the export of dry cattle for the purpose of salvage to breeding areas. The rationing of cottonseed and oilcakes has been undertaken, while arrangements are under contemplation for bringing other cattle feeds also under the scheme. In order to make more milk available for essential consumption, they have (a) prohibited the use of milk in the preparation of any article other than tea, coffee, buttermilk, ghee and butter for distribution in a public place or sale at any place, (b) stopped the distribution of any beverages in which milk is used, other than tea and coffee, at parties or functions where more than 49 persons are present, (c) ordered the closure of hotels, restaurants and tea shops at 11 p.m., and (d) encouraged factory canteens to use condensed milk in the tea served by them. The most commendable aspect of the Bombay Government's milk policy, however, is their scheme of subsidized distribution of milk, which was confined, in the first instance, to children below two years of age. The Bombay Municipality are administering this scheme under which some 34,000 children have been receiving milk at half the prevailing market rate. The scheme has now been extended to benefit children up to six years of age and expectant and nursing mothers for the period from the fourth month of pregnancy to the end of the second month after delivery. The scheme is expected to cost Rs. 50 lakhs per year.

It is easy, perhaps, to criticise this aspect or other of this milk policy and it is legitimate, of course, to suggest improvements. The Bombay Government, however, are to be warmly congratulated on their bold and sympathetic attitude to a vital

aspect of public welfare. Calcutta's need has not been less than Bombay's, nor has that of Madras appreciably so and yet neither the Bengal nor the Madras Government have bestirred themselves seriously to tackle the problem as the Government of Bombay have done.

CULTIVABLE WASTE

Recently, Rao Bahadur Dr. B. Viswanath—late of the Pusa Institute and the present Director of Agriculture, Madras,—was reported to have declared that it was a myth to say that there existed large tracts of cultivable waste land, that most of the cultivable lands in the province is already under cultivation and that what is needed is that more attention should be paid to increasing the fertility of the soil. That soil fertility should be increased is a matter on which there can be no two opinions and this independently of the question whether there are or not large tracts of cultivable waste. On the latter question, however, the views of the Director of Agriculture, Madras, do not seem to coincide with those held by many others, including the agricultural experts to the Government of India. It will be recalled that the Second Report on Reconstruction Planning does not agree that "much of the area now classified as cultivable waste is not in fact capable of being cultivated on a paying basis" and suggests that "the position is not so hopeless as might appear"; firstly, the Report proceeds to point out, there is scope for expansion of irrigation facilities that would bring new land under cultivation; secondly, enormous areas of land in the Deccan and Rajputana which suffer from a low rainfall can be made productive by contour bunding, afforestation and anti-erosion measures, combined with modern dry-farming methods; thirdly, considerable areas of water-logged or salt lands can be reclaimed in canal areas, and coastal lands drained or protected from flooding; fourthly, badly eroded areas can be rehabilitated and eventually brought back into cultivation; and fifthly, mosquito control measures may render habitable areas, which are now highly malarial. We may also add that even if some of the 'cultivable waste' is unsuitable for the growing of field crops, it may still be utilized for pastures, agricultural forests, etc. In view of the massive and mounting pressure of the population on the land, the attitude, which on *a priori* grounds would give up 100 million acres of our land area as unsuitable for agricultural purposes, is very much to be deprecated. It is important that an expert and intensive survey of our land resources should be carried out, the extent of the 'cultivable waste' satisfactorily determined and its potentialities for crop cultivation, grazing, fuel forests, etc., studied and assessed against the background of modern techniques of land development and large-scale capital expenditure undertaken by the State to extend the frontiers of our agriculture.

MINIMUM WAGE

The question of a statutory minimum wage is likely to occupy more attention in the future, when the progress of economic development raises in a more insistent form problems of social security and a more equitable distribution of wealth. Very few, perhaps, will be inclined to dispute the theoretical and practical grounds for the enforcement of a minimum wage, but very few also can be blind to the many and complex difficulties that would confront minimum wage legislation in this country. For instance, how are we to bring in the great mass of agricultural labourers and workers in cottage industries and other unorganized industries, whose employment in those

occupations are seasonal, part-time and often subsidiary to other means of livelihood? Even if this problem is solved by ignoring it, *i.e.*, by confining minimum wage legislation to the organized industries, other difficulties would still remain to be solved. The most important of them may be mentioned. The Platt Mission has reported that the average American worker produces from one and a quarter to ten times as much in an hour as the average English worker in the cotton textile industry. Nobody has worked out the comparative productivity of the worker in this country, but given our demonstrable inferiority in the mechanical factors (such as modern machinery, application of scientific methods to the utilization of labour, the greater standardization of product, etc.), and also in the human factors (such as the standard of health, vitality, education, technical training, etc., of the labour force and also of the managerial personnel), our Production per Man-Hour—P.M.H., for short—should be very low. If the minimum wage is to be related to the P.M.H., it will fail of its purpose, since it cannot be a decent wage. If, on the other hand, it is to be on a level higher than is warranted by the P.M.H., it would not only seriously cripple the competitive power of our industries to the ultimate ruin of the worker as well as of everybody else, but it would also encourage the substitution of machinery for human labour at a pace rapid enough to cause a severe degree of unemployment, social dislocation and individual distress. The conclusion, then, cannot be resisted that this country will have to travel a long way towards greater efficiency of the mechanical and human factors of production and the creation of massive opportunities of employment before anything in the nature of a minimum wage legislation can be contemplated. In the meanwhile, a suggestion recently made by Mr. Samuel Courtauld, the well-known rayon manufacturer, deserves to be seriously considered by our industrialists. The idea is that a combination of time and piece-rate should be tried so that the worker's wage will not fall below a certain level, whatever his output, so long as he is employed, but will rise on a piece-rate basis when his productivity rises above a certain point. Mr. Courtauld revealed that such a system is "being discussed in one large industry" in the U.K.—the rayon industry, perhaps?

ARMY REORGANISATION

One important aspect of the task before the Defence Reorganization Committee will be to determine some fair principle whereby the composition of the Indian army is made on the widest geographical basis possible. The over-all size of the Indian army, being not only a technical military question, but one which impinges on world politics and security, may be difficult to decide upon except very tentatively. Sir Firoz Khan Noon, then Defence Member, stated last February that of the present army of 1¼ millions, at least 1¼ to 1½ millions will have to get back to civil life, suggesting that the size of the peace-time standing army will be about half a million. The Willcox Committee may or may not find this correct. But, whatever the over-all size of the army, nothing need deter the Committee from considering in detail the question of the fair distribution of recruitment to or composition of the army province-wise. The Commander-in-Chief at a recent press conference said that the Committee was taking the widest possible basis and that he was himself working on the same principle. He even made it clear that the principle should be followed, not for political reason or to ensure that a particular race or class had a place in the forces, but "barely for reasons of expediency and in order to make the best possible use of available material in

the country." If this principle is going to be acted upon, it seems very necessary to draw attention to the glaring deviations from its observance, which, having been the rule of expediency in the past, have brought about a disproportionately large place in the army to some provinces and classes, with a corresponding maldistribution also of the benefit of defence expenditure. Today, out of 1¼ millions in the Indian army, the Punjab alone accounts for 600,000 or one-third; Madras 260,000; U.P. 200,000; Bengal and Bombay 100,000 each; Bihar 40,000; C.P. 25,000; Assam 10,000; Sind 5,000; Orissa 3,000; N.W.F.P. 70,000. Madars, U.P. and the Punjab together account for more than 1 out of 1¼ millions. It is only the relatively wide incidence of recruitment during the present war which has brought about at least this pattern of distribution. Before the war, the greater part of the army was from the Punjab and the bulk of Central defence expenditure went to that province and sustained its purchasing power in depression, when the rest of the country was over-taxed for it and suffering. Not that we need grudge the Punjab this benefit. But if equitable composition of the army, and with it equitable distribution of employment and spending power are to be aimed at, the share of each province might be fixed in proportion to the size of its population. Since the myth of 'martial' and 'non-martial' races has long since been exploded, this basis should not be difficult to adopt in practice even in the immediate post-war years. Only the scale of demobilization for each province will have to be fixed in accordance with this principle of equity.

CHINESE IMMIGRATION IN NEW ZEALAND

By removing the poll tax on the Chinese and the discriminatory limitation of the numbers of Chinese carried in relation to a ship's tonnage, New Zealand has removed a blot from her legislation and set a worthy example to British dominions in placing Orientals, at least, on a footing of formal legal equality; so far the problem of Asiatic immigration with which New Zealand was concerned has related only to the Chinese, there being no tendency of inflow from any other part of Asia. New Zealand has thus tackled with a problem which has immediate practical implications for her; and therefore, perhaps, it will not be correct to assume that she intends to treat Indians differently from the Chinese. The step New Zealand has taken is more worthy of appreciation because she actually possesses a greater homogeneity in her population than any other dominion. The homogeneity is a result of a century of discriminatory immigration, and the present step towards race equality is a reversal of a very old policy. The New Zealand Company declared in 1840, that its aim was "to transplant English society, with its various gradations in due proportions, carrying out our laws, customs, associations, habits, manners, feelings,—everything of England, in short, but the soil." The effect of this policy is strikingly reflected in the racial composition of the New Zealand population today. The per cent. distribution is as follows: British 91.0 (of which English 53, Welsh 1, Scots 22, Irish 15); other Europeans 4.03; Asiatic (principally Chinese) 0.45; and Maori 4.52. The agitation for the restriction of Chinese immigration began in 1870's on the part of the European gold miners, and gained strength at the end of the decade, when because of the movement of the Chinese to the towns, certain urban elements joined the miners in advocating legislation. It was in 1881 that the first restriction bill was passed whereby a poll tax of £10 was imposed on each Chinese entering and ships were limited as to the number of the Chinese they could carry. These restrictions were made more severe in the succeeding decades. The system of restriction which existed

recently was enacted in 1920, and under this system all immigrants except persons of British birth or parentage were required to submit entry permits from the Customs Department and the matter of desirable and undesirable immigrants was left entirely to the discretion of the Minister of Customs, regardless of the origin of the immigrants—with one important exception. In addition to securing this permit, the Chinese were required to pay a poll tax of £100. Now that the onerous tax has been removed, the Chinese immigration to New Zealand will depend upon how the Minister of Customs uses his discretion.

GREECE AND POLAND

There was unmistakable political opportunism when Mr. Churchill raked up the Polish question while the British labour was contemplating whether to deplore or regret over his Greek policy. A sentimentalism exists about Poland in Britain which owes not the least to propaganda at the early stages of the war when Britain came into the conflict over the Polish issue. Any parallelism which exists between the case of Greece and that of Poland does not go further than to show that in Poland as well as in Greece Britain was supporting old regimes that had proved to be positively anti-democratic, and that in either country British policy was oblivious to the popular forces which the destruction of old regimes had liberated and which gained strength during foreign occupation. In pre-war Poland the legal responsibility of the executive to parliament or to the people had been substituted, after the economic depression by 'responsibility to God and History.' The constitution said, "The power of the state which is one and indivisible is concentrated in the person of the President." The President had over-riding powers in every sphere and also possessed absolute authority to nominate his successor. Even the legislature was representation mainly of the landed interests. The purpose of the old Polish State appeared to be little more than maintaining the hegemony of the landed classes, agrarian situation being far from harmonious. The eastern frontier of the State was a standing injustice to the White Russians and Ukrainians which the newly formed Russian Soviet Government had accepted at a moment of their defeat at the hands of Germans by the Treaty of Brest-Litovsk in 1918. The historic Curzon line represents a desirable deal which British people have ever accepted, and involved no territorial concession to Russians at the cost of the rights of any people. However, the policy of strengthening Poland with a depopulated and devastated East Prussia may contain within it seeds of further trouble. No amount of territorial enlargement can really make a modern Poland capable of truly independent foreign policy. In so far as the chief strength of a small nation rests today not on strategic, but moral factors, such a policy can only weaken Poland, and make her cling to her great neighbour more desperately. Despite the fact that Poland will get two hundred miles of Baltic seaboard, the consequence will be that Britain will not be assured thereby of a Baltic approach to her Balkan policies. Perhaps, Mr. Churchill realizes it already, for this evidently accounts for his anxiety to have a pliant government in Greece which may act as a spearhead for British policy in the region, in addition to securing British power in East Mediterranean. But through supporting King George II, whose association with the unpopular fascist regime of Metaxas is a living memory to the Greeks, Mr. Churchill has landed himself in a weak position. A weak and unpopular regime dependent on the British might in the Mediterranean will be a liability rather than an asset to Britain's Balkan policies.



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SPECIAL ARTICLE

India's Population and Health Problems

By Satya Swaroop

ONE of India's immediate problems is her increasing population. At the beginning of the seventeenth century her population was estimated at roughly 100 millions. By about 1750 it had increased to about 130 millions. A century later it stood at approximately 150 millions. Thereafter, the rate of increase became accelerated and at the beginning of the present century the population was enumerated at 284 millions. During the next 40 years, another 105 millions had been added to India's population and the figure is now believed to have almost reached the 400 million mark. This addition of 105 millions by itself equals the entire population living in the area comprising Afghanistan, Iran, Iraq, Saudi Arabia, Syria and Lebanon, Turkey and Palestine on the north-west and the area comprising Burma, Siam, French Indo-China and Malaya on the eastern frontier. The net result is the same as if, during the present century, the entire cohort of men, women and children of all these countries had marched into India and grafted itself on her soil. It has to be fed, clothed and looked after. Almost half of this addition (over 50 millions) has occurred during the last 10 years alone.

The intercensal increases have by no means been uniform. The two periods during which the increases were low are 1891-1901 and 1911-1921 due to the extraordinary incidence of famines and epidemics. If we ignore these two decades as unusual, and regard the other three intercensal increases as indicative of the general tendency of the population to grow, the one ineluctable conclusion is that even the rate of increase is becoming accelerated. During 1901-1911 the percentage of real increase was 6.4, in 1921-1931 the percentage of real increase was 10.6 and during 1931-1941 this rate increased to 15.0. These three rates of growth in themselves form an increasing series.

Such an enormous increase in a country which has a pitifully low standard of living raises enormous and complex issues requiring immediate consideration from workers in various fields.

The following table, setting out some of the main vital statistical indices of health, reflects broadly the present position. Figures for the year 1937 are quoted as these are the latest available for all the countries shown in this table.

	Infant mortality rate per 1,000 live births	Death rate per 1,000 population	Birth rate per 1,000 population	Birth rate minus death rate
Australia	38	9	17	8
U. S. A.	54	11	17	6
England and Wales	58	12	15	3
Germany	64	12	19	7
Japan	106	17	31	14
India	162	22	34	12

The rate at which infants die in India is exceedingly high. As compared with New Zealand, which has the lowest infant mortality rate of 30 per 1,000 live births, the Indian rate is more than 5 times. A considerable part of the mortality continues to occur from causes which are preventable. During the first four decades of the present century as many as about

11 millions have died from cholera, 3 millions from small-pox whilst plague since its introduction in 1896, has killed about 13 millions. At least 1 person out of every 4 falls a victim to malaria each year. Add to this the suffering, devitalization and incapacitation caused by many other diseases that do not kill or kill only slowly e.g., eye diseases, leprosy, venereal diseases, hookworm, guinea worm, tuberculosis and the deficiency diseases. The standard of sanitation has so far been poor beyond measure.

Bentley expressed the opinion that malaria alone was responsible for restricting considerably the rate of increase of population. Malaria is more prevalent in Eastern than in Western Bengal and Bentley estimated that if the Eastern Bengal had only just about the same incidence as the Western areas, the Bengal population in 1931 would have been 155 lakhs more than it actually was enumerated. For the whole of India also malaria by itself is an important factor in restricting population growth. Naturally one must ask as to what would have been the resultant increase in population if we had possessed the normal life and vigour as also the standards of sanitation approaching those enjoyed in some of the countries in the West. To examine this point we must understand the trends that are now in operation bringing out changes in numbers as well as the attitude of the people towards reproduction.

In the following table are set out figures for birth and death rates in India and the last column shows the annual excess of births over deaths i.e., the net annual increase per year.

Period	Birth rate per 1,000	Death rate per 1,000	Excess per year of births over deaths, ('000)
1911-20	37	34	668
1921-30	33	25	1,995
1931	35	25	2,410
1935	35	24	2,967
1939	34	22	3,161

The last column shows a gradually increasing series. So long, therefore, as the birth-rate continues to remain stationary and the fall in the death rate persists, we may expect each year a growing addition of over 30 lakhs in British India. There are certain areas in India, where the potentialities for increase are relatively higher; the birth rate being over 40 and the death rate appreciably below 20 per 1,000 resulting in a net gain of 20 per 1,000 persons per year.

A gradually increased saving of human life is now the characteristic of our country. Population begets population. Consequently, each life saved in itself constitutes a new potential creating greater possibilities of further increase. The author had occasion to examine the probable effect of an increased saving of infant life alone on the future population of India (Census of India, Vol. I, 1941, Pages 41-50). In 1920, the average value of infant mortality rate was about

189 per thousand live births. In 1940 it was estimated at 160. During this brief span of 20 years, about 30 more infant lives per 1,000 births were being saved. It was estimated that due entirely to this decrease in the mortality rates among only the infants i.e., those of less than one year of age, India should expect at the next census an addition of population as large as the total population of Afghanistan (6 to 7 million) and if the rate of infant mortality continued to decrease further as in the past, the addition in population, due solely to the saving of infant life would amount to something like 13 millions in 1961.

The effect of a reduction in the rate at which women die of child bearing is in the same direction. At present the rate is estimated at 20 per thousand births as compared with a figure as low as 2 to 3 for England and Wales. Even if the rate in India were to fall by 10 per thousand, Mr. Yeatts states that there would result an addition of 6 million female lives in the next ten years. Further "when one reduces material mortality one does not preserve so many women in the tale of heads; one also preserves a reproductive force and each woman's contribution is not one, but two, three, four, etc., during the period of her married life." The latter Mr. Yeatts calls a "second degree addition" and there is yet a third degree addition in as much as better conditions are created in which increased reproductive sources can operate.

There is yet another factor that is likely to become operative in saving life in the near future, viz., the comparatively recent medical discoveries and especially so by the use of new sulphonamide drugs which possess specific and highly curative effects against several group of disease. Penicillin, the latest and the most miraculous drug is an extraordinarily powerful anti-bacterial substance and its therapeutic value covers a very wide range. Russians have announced the discovery of A.C.S. serum to enable man to live to 125 and the new D.D.T. powder is yet another remarkable weapon to fight man's enemies in the insect world. The use of these drugs is being popularized in India and in course of time we may hope that the saving of life by the wider application of these drugs and discoveries by private practitioners and Government departments will reduce mortality appreciably in the future.

Taking a forward view of the problem, and ignoring for a moment such sudden factors as wars, famines, earthquakes, floods, etc., which bring about only temporary reductions in numbers, we may note that there is no immediate likelihood of death rate to increase and consequently the only hope of a decline in the rate of future growth seems to lie in a reduction of the birth rate. In the highly industrialized countries of the West, sex is generally becoming dissociated from reproduction and the old moral code has changed, resulting on the one hand in the popularization of birth control and on the other in the deferment of marriage. India however, is still largely an adherent to the agricultural mode of life and it is only in the very small percentage of her urban population that we may find a tinge of the western mode of thought. Although India may be regarded at present to be on the threshold of vast industrial expansion, it is difficult to imagine that her rural life will be sufficiently well shaken in the near future to bring about a changed outlook towards reproduction. Consequently, with the attitude of the Indian masses towards production of families remaining almost unchanged, with decreasing mortality rates tending to increase the reproductive force of the popu-

lation, with recent medical discoveries promising substantial saving of life and with the population becoming generally more favourably constituted for reproduction in so far as the age or sex composition is concerned, with all those factors at work, we may well imagine what an enormous further addition to our numbers must take place in the near future.

As it is, the population is believed to have completely outstripped the available food supply. Although there has been an increase in the production of food it has only barely, if at all, kept pace with the growing population. Qualitatively the position is getting much worse. Protective foods such as milk and milk products, fruits and vegetables, etc., fall far short of the minimum considered necessary for healthful living. How will India, with her ever increasing population fare in that acute shortage which has yet to be experienced. The enormous increase of population and the acute shortage of food will continue to constitute a grave situation.

The increase in population is affecting the nutrition and health problem in more than one way. Thus, due to increased over-crowding, the proportion of undersized and uneconomic holdings has been on the increase which hinders the adoption of improved agricultural technique and leads to the abolition of falling and hence to lowered productivity of the soil. "Uneconomic holdings and methods have reduced us to the level of the beasts of burden." Side by side with these trends are the increases in soil erosion, deforestation and the depletion of the sub-soil water reservoir. Over grazing and browsing of millions of cattle, sheep and goats is resulting in a devastation of the village grove, jungle or pasture land. To quote Mr. Brayne "India is literally drying up in front of our eyes." And Prof. Mukerjee warns us that "If the man made desert between Rajputana and United Provinces is now protruding its dry thrusts towards the south western parts of the Ganges valley, man's improvident exploitation of timber, fuel and grass in the Himalayas is a similar crime which brings about devastating recurrent floods and jeopardizes the agriculture of the plains from the Punjab to Assam. The ecological unbalance of agriculture dooms the future generations to the laws of diminishing returns that operate both by land and by water, in the heavily populated regions of India."

Before us, therefore, is a gloomy picture as indeed it would be if additional population as large or larger than several of the large independent nations is permitted to graft itself to the soil of this country. The benefits of improvement in agriculture and increase in our food supply are being wiped out by the increasing population. The inevitable result of all curative and preventive health services therefore would be an aggravation of the existing position. It is indeed not a pleasant reflection that the more quickly is human suffering alleviated and disease prevented, the more rapidly is a stage being reached at which starvation looms ahead. Is such a prospect going to dishearten the health organizations of India?

The newly constituted Health Survey and Development Committee has been entrusted with the task of surveying the present position regarding the health conditions and of drawing up a scheme for developing India on the health front. Some idea of what is aimed at may be gained from a comparison of the staff that at present exists and what General Hance considers necessary in the new India of tomorrow. The following figures are again from General Hance's paper.

	Existing personnel	per population	Required personnel	per population	
Doctors	40,000 i.e., 1 to 10,000 population	1 to 10,000	300,000 i.e., 1 to 1,500	1 to 1,500	United Kingdom has 1 doctor to 1,000 person
Nurses	7,000 i.e., 1 to 56,000	1 to 56,000	778,000 i.e., 1 to 500	1 to 500	United Kingdom has 1 nurse to 300 persons
Health visitors	1,000 i.e., 1 to 350,000	1 to 350,000	70,000 i.e., 1 to 5,000	1 to 5,000	
Mid-wives	5,000 i.e., 1 to 70,000	1 to 70,000	90,000 i.e., 1 to 4,000 persons or 1 to 100 births	1 to 4,000	
Qualified pharmacists	75 i.e., 1 to 533 doctors	1 to 533	100,000 i.e., 1 to 3 doctors	1 to 3	United Kingdom has 1 to 3 doctors
Qualified dentists	1,000 i.e., 1 to 350,000	1 to 350,000	120,000 i.e., 1 to 3,000 persons	1 to 3,000	United Kingdom has 1 to 2,700 persons and U.S.A. has 1 to 2,200. Doctors ..

These are the requirements of India in terms of of medical personnel. Is this possible of achievement? General Hance has stated that "a very similar measure of progress in health provision has in fact, been achieved in Russia in the space of 20 years, starting from conditions which were in all essential similar to those obtaining in India today, but without comparable advantages of communications such as this country possesses. . . The driving force behind the progress in Russia is not any political philosophy, but the united and indomitable will of a whole people to place

their country on the map of modern civilized progress."

Whilst, therefore, the health and medical services of India seem determined to provide us with better health and environment they seem, at the same time, to be creating conditions in which such achievements may not last long. This is a grim fact. We should seriously consider whether their's will not be a losing battle.

Till such time as we are not successful in giving effect to the optimistic schemes of improving sufficiently our resources and food supply, till we have better agricultural technique or changed land system, and have completed our arrangements for ensuring a reasonable standard of living for our masses, till then, let us not permit a further aggravation of the existing position.

Taking into consideration the conditions as they exist in India today, and bearing in mind the urgency of the problem, the author can think of no other solution than to suggest that immediately the minimum age of marriage of girls should be raised. The author believes that birth control in its popular form is entirely an impracticable solution to our immediate problem. The raising of the minimum age of marriage may be tried as a temporary measure if there exists hope that whatever the size of our population we shall some day be able to bring back a favourable man-land balance.

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Taxation Policy and Industry

(From Our Special Representative)

NEW YORK, Dec. 19, 1944 (By Cable).

THE question of taxation in relation to the future of free enterprise continues to engage the attention not merely of the business community here, but of the economists as well. Professor Irving Fisher in his letters to the *New York Times*, has been forthright in condemning the present tax policy of America and pleads strongly for abolishing taxes on corporations and on all incomes saved. "My main point is not that the proposed limitations of Income and existing Corporation taxes penalize some people unjustly, but that they penalize savings and investment. If Henry Ford's income is 100 million dollars a year and he wanted to spend only 25,000 dollars as a consumer and wanted to put the remaining 99,975,000 dollars into the production of bombers I do not see why Government should take it away from him. To confiscate 99,975,000 dollars of savings would not merely be a sacrifice for Henry Ford, but would mean a sacrifice for the whole country. We are not dealing only with the problem of distribution; the really important problem is that of production. A 25,000 dollars limitation would kill the goose which lays the golden egg—golden egg of savings from which is hatched all our country's capital equipment." Explaining his own philosophy as that of primary interest in the welfare of the poor he adds: "Socialism would undoubtedly soak the rich who constitute one per cent of our population. That is of little consequence. What is of immensely greater consequence is that it would also soak the relatively poor who constitute over 90 per cent. of our population. That would be moving in the wrong direction."

Quite a consensus of opinion exists in favour of the abolition of Corporation taxes because they are a form of double taxation; the stockholders are taxed once as a Corporation and again as individuals. The feeling that immediately with the end of the war they should go is very strong. "Business cannot for long continue at prosperous levels with taxes at anything like the levels which now prevail. Unless the crushing load of an initiative-inhibiting taxation policy is removed business investment in a new capacity and in new jobs will be restricted." As an evidence of the unfavourable effects of taxation on the 'ownership' and holding of equities it was pointed out by Mr. Charles C. Abbott in his evidence before the Special Committee on Post-War Economic Policy and Planning that their "ownership has fallen into disfavour with a large segment of our population." The rise of instrumental savings and the fall in the sale of Equity Securities during the last 10 years were cited in support. The funds saved by individuals were not invested directly, but were turned over to institutions for investment. While in the period between 1900-1929, the annual increase in the number of stock-holdings fluctuated in a narrow range of 10 to 13 per cent., since 1933, the average annual rate of increase has been, it is said, only 0.4 per cent. That is, the number of the owners of American business has ceased to grow. In a country with a growing population this check in the dispersion of ownership and the number of owners is not simply an indication of stagnation—it is a trend towards retrogression. The danger of Government's raising taxation and using the proceeds for extending its own enterprise activity is felt. The effect of such policy, it is feared,

will be that the National Income out of such Government investment may decline and that in the end will prove self-destructive. These views are held here not merely by the interested business community, but also by economists and officials who have a share in shaping the future tax policy.

One of the measures which will be taken in hand at the end of the war will, it is believed, be tax reform. In this context, the views of British business men are exactly the opposite. Explaining the growing inefficiency and the lessening capitalization of British industry as compared to America—for example, the operation and the technical efficiency of the British textile industry is not even one and a half that of the American—they have pointed out that the tax burden has become so onerous that business has become less a means of earning profit than of indulging in hobby. One of the leading officials in the course of his conversation with the writer said that while he did not know enough of India to offer an advice he would say, on general considerations, that the Government in India should provide the necessary framework and the conditions for an expansionist economy by expenditure on transport, communications, education, etc., and stimulate private enterprise and investment by all possible means. In America endowments and charity have enormously grown partly as a result of relief from taxation granted in respect of 15 per cent. of one's income donated to charity. The case for an early and thorough examination of India's tax system in respect of enterprise and initiative is very strong indeed. It hardly needs to be added that no tax reforms should be designed merely to reduce the burden on consumption of the rich and those in the high income groups.

Closely connected with the problem of taxation is the question of relief and concession to small businesses which seek to revert to peace-time civilian production. An enquiry made into the position of 125 medium-sized companies revealed the fact that most of them are in such precarious position in regard to their working capital that they may succumb to even minor difficulties unless afforded financial assistance. The study made by the National Industrial Conference Board shows that many of them possessed a working capital sufficient to cover only 17.2 per cent. of their current liabilities. If their assets which are tied up in business could not be realized or become frozen their working capital would disappear altogether. The ratio of current assets to current liabilities is dangerously low for all size classes. In many cases their needs have gone up very high. The cost of overhauling already laid up plant, re-installing and re-tooling at higher prices is said to be beyond the capacity of some of these firms. The results of this study come as a surprise here because the amount of liquid funds accumulated by unincorporated and incorporated businesses has reached as very substantial figure. Savings of individuals and unincorporated businesses during the last four years have been estimated at about 100 billion dollars while those of Corporations at 30 billion dollars. These savings were held mostly in a highly liquid form in currency and bank deposits. The bulk of individual savings has gone into the hands of persons of the middle and lower income groups. The financial needs of firms in India after the war,

even allowing for the return of E.P.T. deposit by the Government will be considerable and deserve to be gone into without delay. One way of stimulating investment and construction activity which is canvassed here is what is called "accelerated depreciation allowance." The idea is to enable the owners of property built after the war to elect to depreciate such properties to the amount of one and a half of their cost in the first quarter of their useful lives.

Countering the slogan that it is the responsibility of business to provide "jobs for all" and that it should undertake the responsibility of providing employment to 60 million persons after the war the National City Bank of New York in its December bulletin exposes its fallacy somewhat luridly. It asks "is there such a thing as business?" The decisions which govern business are not decisions of a single commander, but millions of individuals animated by an infinite number and variety of influences. There are nearly 10 mil-

lion employers and others who work on their own account and each free to work or employ as he likes. Further employment cannot be found in industry alone. In 1940, the number engaged in education, medicine, health and other professional work, in providing facilities for travel, recreation and amusement, in maintaining household equipment and various other services exceeded those engaged in Agriculture, Forestry and Fisheries combined. Hence the responsibility of employment should be placed on everyone and on labour and the Government also. Two further dangers in this kind of slogan are also emphasized: one is that the economic system tends to be judged not by its ability to provide an increasing standard of living, but merely by statistics of employment, second, that failure to recognize that education and leisure are not as important as employment and that employing fewer persons may contribute more to the welfare than getting everyone into work.

Washington Letter

Mr. Berge on Cartels

(From Our Washington Correspondent)

WASHINGTON, Dec. 17, 1944 (By Cable).

GOVERNMENT'S animosity toward cartels continues to find expression through one spokesman or another so that its position in regard to this type of trade restriction will be amply defined when the International Conference on commercial policy is convened. One of the most persistent among those who bespeak consideration of this country's advocacy of free enterprise is Assistant Attorney-General, Mr. Wendell Berge, author of a book *Cartels: Challenge to the Free World*. Exceptions have been taken to Mr. Berge's views in certain sections of private business and financial community where, especially in New York, there are some protestations that Cartels will continue to exist in the U.S.A. and consequently, in many instances, it would be wise to heed an old bit of Provincial advice "If you can't beat them, join them." Mr. Berge's answer to this was that he doubted cartels could exist if the United States militantly opposed them. This week he issued a formal statement wherein he has proposed not only that the United States break up monopolies at home and refrain from participation abroad, but also insisted that "an international agreement to outlaw cartels among the United Nations would clear the way for constructive steps to rebuild the economy of the world." How seriously this statement may be taken as a forerunner of future Government proposals rather than the expression of Mr. Berge's personal hopes is not known but it is reminiscent of President Roosevelt's charge to Mr. Hull to "keep your eye" on the whole subject of Cartels because the United States would soon be engaging in international talks on the matter. The President, however, left the door open to compromises with the Allies who have utilized the Cartel system by stressing the necessity for completely demolishing German Cartels, but merely advocating close regulation of others. Certain business quarters have proposed Governmental supervision of Cartels as adequate safeguard against abuses and perhaps as counterproposal to Mr. Berge's propositions. To these overtures Mr. Berge replied in his statement this week that it would result in the creation

of a Government bureaucracy reaching dimensions never before seen in this country." Such possibilities as these are not calculated to win the favour of either the "companies involved" or Congress which traditionally has been an enemy of bureaucracy to which Mr. Berge referred. Mr. Berge must have been aware of the potency his argument when he continued: "Such a turn in the history of this country may not trouble those who believe that Government planning should control the affairs of business. It would be of grave concern, however, to those of us who believe in free enterprise and the capitalistic system." Mr. Berge's other proposals were that the German Cartel system should be destroyed and "this should not mean that it should be recreated in other hands." German inventions, patented or not, should be available to American industry without charge. "International arrangements" should be filed with the Department of Justice and except for trade secrets should be open to public scrutiny. He noted that the Cartel problem has been discussed recently at the International Business Conferences and remarked that "much of the discussion proceeded on the apparent basis that the American public will accept the Cartel system if bad Cartels were eliminated and if some kind of Government supervision over the activities of International Monopolies" was established. Mr. Berge added: "I venture to predict that American public will never accept the Cartel system." He also answered an argument frequently heard in some business quarters that unless the U.S.A. concerns can enter Cartels she will be kept out of certain foreign markets. He also replied to the argument that Cartels promote a 'certain amount of stability.' The purpose of Cartels, Mr. Berge said, "is to prevent shift of resources to more profitable uses to maintain outmoded methods of production to keep new producers and new methods out of the market." He said such a stability is for a short period of time and very dangerous and harmful both to the economic and the political structure of society. The United States forgot, after the last war, the lessons it learned about Cartel activities. "It is important for the future of democracy that we should not forget them again."

London Letter

"Full Employment In a Free Society"

(From Our London Correspondent)

LONDON, Nov. 15, 1944 (By Airgraph).

THE Opus on economic reconstruction has appeared in print. It was, of course, expected that the publication of Sir William Beveridge's private report on Full Employment would cause a stir. *Full Employment* is both a text-book and a political tract, if this term can be applied to a treatise of 420 pages.

"The first condition of full employment," writes Sir William, "is that total outlay should always be high enough to set up a demand for products of industry which cannot be satisfied without using the whole manpower of the country. Who is to secure that the first condition is satisfied? The answer is that this must be made a responsibility of the State." And a page later: "The State, though in a free society it does not seek to control the spending of private citizens, either in amount or in direction, can influence their spending—cannot indeed avoid influencing it by taxation and other forms of fiscal policy. The annual budget, therefore, is an instrument not only for determining public outlay, but also for influencing private outlay."

What is full employment? According to Beveridge, it is the situation when there are more jobs available than workers to fill them. Large-scale unemployment may result from structural or cyclical causes. In order that these causes may be removed, it is necessary that the State makes it its responsibility to remove the difficulties in the way of balancing the industrial structure and, secondly, to reduce the cyclical influence to a minimum it has to control spending and investment. But there is also frictional unemployment and this is the result of the immobility of labour and unbalanced location of industries. Actually the two are identical in that in so far as industrial units of the same type are clustered together, any decline in employment in those centres makes it impossible for the displaced workers to find employment within reach of their homes. Mobility of labour does not only mean that labour can move freely from one place of employment to another, but also that workers of one particular industry or trade can change their particular occupation and can be induced to do so freely. To overcome present difficulties in this respect Beveridge proposes that location of industries must be controlled and the aim should be creation of a fair balance of different industries in any given locality. To get full benefit of such a redistribution of industry it will, however, also be necessary that present restrictions imposed by custom and Trade Union policy are removed. Not only should a worker be free to move from one locality to another, but he should also be free to move from one occupation into another if he has the capability to do so.

Structural unemployment cannot, of course, be entirely removed. There always will be, indeed must be, structural changes. Perhaps more so during the next few decades than for the first part of this century. To some extent the reduction of frictional unemployment will also affect this problem since it will be easier to overcome the difficulties of structural changes of industry with increased mobility of labour. The main aim, however, must be to guide investment into ventures which are required at any given time. Experience in the past indicates that this cannot be left entirely to the private choice and judgment of the private investor. Sir William would have an Investment Board to control investment in general by giving

priority to investment in industries and trades more primarily needed at the time than others. But he would have the State assist this movement by direct intervention as an investor itself. He would have the State to acquire certain industrial properties—not, as the Socialists demand, as a matter of principle but as a matter of expediency. Whether the State should own directly certain industries or industrial undertakings should be judged entirely on an economic basis. "Economic" in this report means, however, much more than is generally understood by this term. It includes considerations of a social and psychological nature. In other words, national economy includes not only the accountancy of the monetary side of industry and trade but also, and to a very large extent, general social welfare. Man and his conditions of work and life are the main factor in any economy.

On the question of equating outlay and incomes, i.e., spending and investment, Beveridge follows Keynes in his analysis. This problem, he concludes, cannot be solved without the active intervention of the State. Beveridge does not believe in paying people for nothing. Unemployment, even if the victim is paid sufficient benefits to live on, is a curse because the victim feels that he is not wanted, that he is useless. Therefore, the provision of unemployment benefits is a good means to help the unemployed person to bridge the gap between one employment and the next. In the end, it is better to employ people at a wage to dig holes and to fill them in again than merely to pay them benefits. But useless employment is still a waste and in an ordered society it should be possible to provide "useful" work, useful that is from the point of society, for all who can work. To achieve this the State must budget not only for its usual national expenditures and taxation, but it must also have a manpower budget and align with this its public expenditure and taxation. There should, in fact, be two budgets. One covering the ordinary administrative side of the State (State here includes local authorities, etc.) and another covering public outlay of a capital nature. The latter outlay may be financed either by taxation or by borrowing or by both methods. He mentions three distinct methods of equating general outlay and incomes: (a) Increase of public outlay, leaving rates of taxation unchanged. (This means borrowing for public outlay.) (b) Increase of public outlay, with all-round increase of taxation sufficient to balance public income and expenditure. (c) All-round reduction of rates of taxation, leaving public outlay unchanged. Perhaps no one of these routes, as he calls them, can at any time be applied separately. The first method would no doubt be the right one at a time when private investment has declined, when, to employ Keynes' terminology, the propensity to hoard and the liquidity premium are on the upgrade. There would be a low level of private income, and taxation merely would further decrease consumption. Borrowing by the State would tend to absorb the hoarded means of investment and would be put into the economic life-stream by public outlay, be it capital investment or otherwise. The second route is the orthodox one, plus increased public outlay. Its drawback is that it takes the choice of expenditure, both spending and investment, out of the hands of the public and burdens the State with the responsibility. Route three, a method of increasing private expenditure, is that of general reduction of taxation. These three routes and their statistical implications are examined in detail in Appendix C by Mr. Kaldor.

A DELHI DIARY

LORD MUNSTER'S report on welfare arrangements for British troops in this war theatre has caused both amusement and amazement. Was an Under-Secretary of State needed for producing the report he has, it is asked. Is the matter so serious that Mr. Churchill should take the unprecedented step of appointing his personal representative in India to look after welfare arrangements? Mr. Churchill's vanity will be satisfied by having, like President Roosevelt, personal representatives for the various jobs in the far-flung Empire. But what is it that Lord Munster has recommended? Put bluntly, he recommends the provision of more "wine and women." This can be the only meaning of the emphasis he has laid on the need for bringing out a large number of European women to fill the various "welfare" posts and of his proposal that beer should be imported in large quantities. The further suggestion for importation of more bands and musical instruments and a continuous flow of artists and, in particular, star performers has the same object of increasing human contact between the British soldiers and their entertainers.

Lord Munster is reported to have visited 82 clubs and canteens, 12 leave centres, three W.A.C.I. hostels, nine transit camps, 34 hospitals, 28 units, five U.S. Army units and 11 miscellaneous institutions. He visited Ranchi, Calcutta, Comilla, Cox's Bazar, Chittagong, Imphal, Colombo, Kandy, Madras, Bangalore, Secunderabad, Poona, Bombay and Simla. The inquiry, it is quite clear, was confined to the welfare of British soldiers. He found that railway accommodation was not clean, that feeding arrangements *en route* left much to be desired and canteens and camps were not well done up. In short, he found that the British soldier was being deprived of the British way of life in the eastern setting.

The truth about the matter is that the British soldier feels himself the inferior of the Yanks in every way. He finds that G.I. is able to spend more and has a way of worming himself into the favour of Wacs and Waafs, leaving the British tommy in the cold. Unless British women who come out to India and the Wac's are instructed to devote their attention exclusively to the British soldiers, all that Lord Munster has written may prove of no avail.

But what concerns India is, who will pay the bill. The Financial Settlement between India and the U.K. leaves it to the Commander-in-Chief in India to determine what constitutes India's defence and what bill India should honour. In spite of what Lord Wavell said for the purposes of propaganda, the Indian civil population has made during the war greater sacrifices than either the British or American civilian public. Compared to the conditions of civil life, the military personnel are having heavenly treatment. They get good pay and allowances, they are well clothed and fed and they buy from military shops and stores goods at a third of the price in the market. What is more, they get goods which civilians cannot even get for love or money. Sir Claude Auchinleck was right when he stated at a recent press conference that India had done the maximum she could to provide amenities for soldiers, sailors and airmen. Will the Commander-in-Chief make a stand against India being burdened with the cost of any of the schemes Lord Munster has recommended? The Central Legislature is sure to make a searching examination of the subject during the Budget session, and Sir Jeremy Raisman will be hard put to it to justify the expenditure if it is thrown on Indian revenues.

Lord Wavell's address to the Associated Chambers

of Commerce has given rise to a lot of speculation. One is that even the idea of further Indianizing his Executive Council has been given up. It is generally believed that Sir Jeremy Raisman's successor will be Sir Archibald Rowlands, who is the Viceroy's Financial Adviser in regard to war. One or two Indian members of the Council who were hoping to get the finance portfolio appear to have given up the chase. Sir Ramaswami Mudaliar has reconciled himself to a trip abroad as member of the Indian delegation to the Commonwealth Relations Conference leaving the Supply portfolio temporarily in the hands of his most light-worked colleague, Sir Firoz Khan Noon, Defence Member. It is amazing that the Viceroy is not prepared to trust key portfolios even to the Indian Councillors whose praises he is not tired of singing.

Is there a silver lining to the dark clouds on the political horizon? The Viceroy has not given up the idea of setting up a constitution committee nor has he totally ruled out release of political prisoners. He appears to be desirous of seeing the outcome of the labours of the Conciliation Committee and of releasing political prisoners individually instead of collectively. He appears anxious to see that some co-operation is established between Britons and Indians in the sphere of economic development of India. He thinks that his plea for a "faith cure" would have its effect. He has realized, however, after studying the reactions to his Calcutta speech that faith cure has to be mutual. For the present Lord Wavell wishes to live on the credit of having mobilized India's maximum resources for the Empire's war and for having "solved" India's food problem. His full-mouthed approbation of the work done by the Food Member and his staff was indirectly a tribute to the Viceroy's own efforts because he had publicly made the food problem his personal concern. He also made it clear in his speech that he is not giving up his job to make way for Lord Templewood and that he is looking forward to another year of his rule over India.

The only serious rebuff the Viceroy has suffered is at the hands of the Princes. It appears that several Ministers of their Highnesses are taking the side of the Political Department in the controversy and that the Princes are being advised to make up with the Viceroy, and his Political Adviser, Sir Francis Wylie. It is suggested that a "round table conference" should be summoned for a frank exchange of views between the Princes and the Viceroy and that thereafter the adjourned session of the Chamber of Princes be summoned in March next. There is considerable resentment in the Princely quarter against Mr. Amery's remark that the Princes have made no statement about the crisis. The fact is that they were asked by the Viceroy to keep *chup*. Political quarters in New Delhi have noted with satisfaction the Nawab of Bhopal's assurance that the Princes do not wish to hinder India's political and economic advancement.

After I had completed the Diary, an official announcement came confirming the report that Sir Archibald Rowlands will be India's new Finance Member. He has certainly had time to learn Indian finances from the British angle during the period he has advised the Viceroy on war finance. He will be a safe man from the British Treasury's point of view in the matter of working of the Indo-British financial settlement. Since the British power will not trust an Indian to look Indian treasury, London has made an obvious appointment. But what a commentary on the Viceroy's recent tribute to the ability and patriotism of his Indian Councillors!

ARGUS.

Money Markets

Further Currency Expansion—Rise in Bullion
And Share Prices—Activity In All Sections.

(From Our Correspondents)

BOMBAY, Dec. 17, 1944.

A LITTLE business was reported in the inter-bank call loan market, but there has been no change in money rates. Banks, however, evince keen interest in deposits, in view of the halting trend of demand and time liabilities with increasing demand for accommodation. The return of the scheduled banks for the week ended December 8 shows a decline of about 2 crores under demand deposits, while time deposits are higher by a crore. In fact, time deposits have within the last three months showed a steady upward trend while demand deposits have been curiously erratic. This is perhaps because inflationary addition to currency has been less persistent, for it is these that invariably go to the vaults of banks as demand deposits. The scheduled banks' advances have increased from Rs. 213.8 crores on December 1 to Rs. 215.9 crores on December 8. There was also a slight increase in the amount of bills discounted. The Imperial Bank accounts for the major part of the changes since its deposits have been continuously declining since November. The bank's investments have remained more or less steady at Rs. 151 crores in the last three weeks, and the improvement under advances has had to be met from the cash balance which is therefore at a very low level—Rs. 36.1 crores on December 8 as against Rs. 49.7 crores a month ago.

On Tuesday, total applications for Rs. 6 crores of Central Treasury Bills amounted to Rs. 10.15 crores, and tenders at the lower rate of Rs. 99-14-0 had a large allotment of 77 per cent. In the result, the average rate rose by a pie at Re. 0-8-0 per cent. The Orissa Government treasury bills did not apparently call forth much keen bidding since the total amount tendered was only Rs. 1.26 crores. For the paltry amount of Rs. 50 lakhs, this Provincial Government was obliged to pay a discount rate of Re. 0/9/0 per cent., i.e., an anna more than the Central Government.

Reserve Bank

The Reserve Bank return dated 8th December is noteworthy for a Rs. 15 crore dose of currency expansion by the transfer of a like amount of sterling securities from the Banking to the Issue Department, though notes in active circulation are up by Rs. 12.2 crores only, thanks to a larger cash in the till of the Banking Department. In spite of the transfer of Rs. 15 crores, Balances Held Abroad have declined only by Rs. 2.2 crores, thereby showing sterling receipts for that week at Rs. 13 crores. It is somewhat strange that the Central Government's cash balance has actually staged a decline from Rs. 231.6 to Rs. 225.1 crores, when one would expect it to be higher. The explanation for this unusual decline may perhaps be that part of the month-early disbursements did not take place on the 1st December which is the date of the last weekly return and that the interest on the several government loans which fell due on the 1st was only taken from the Public Debt Office after the 1st. Be that as it may, this week's gargantuan expansion of currency disposes of the belief fondly cherished in many quarters that the authorities have shed the inflationary habit. Hitherto, the sterling receipts were for the most part tucked away within Central Government balances and to the extent they remained insulated from the national economy. A wave of speculation in bullion and other markets is already visible. Rs. 44.75 crores were invested in Central Government loans in the month ended December 2; of which Rs. 16 crores were invested in the 3 per cent. 1957 Victory Loan and the bulk of the rest in the 3½ per cent. Rupee Paper. The canalization of interest between banks and insurance companies along investment in short-dated issues and long-dated loans has

also served to ensure the spreading of investments among a number of the Central loans.

Gilt-edged

The Gilt-edged market ruled steady with a very moderate turnover. 3½ per cent. G.P. notes were quoted at Rs. 100 throughout the week. Small lots of these loans are reported to have been sold by the Reserve Bank. Among the dated loans, the long-dated ones met with good demand, 3½ per cent. 1963-65 moving up by 2 as. to Rs. 99-4. As in the previous week, the Reserve Bank of India was able to sell a substantial quantity of 3 per cent. 1966/68 Funding Loan at Rs. 98¼. Among the medium dated loans, 3 per cent. 1949-52 and 4½ per cent. 1955-60 were lower by one anna at Rs. 101-13 and Rs. 117-1 respectively. A further fall of 2 as. was recorded in 5 per cent. 1945/55 tax-free loan, which in all probability be repaid early next year.

The Bullion market ruled very firm during the week under review. Ready silver which quoting at Rs. 121-4 towards the close of last week touched a high of Rs. 127 on Thursday. Gold also improved from Rs. 64-15 to Rs. 67. There was considerable speculative buying in both sections and very large offtake was reported particularly in silver. It is stated that on certain days the offtake of silver used to be round 700 bars. Such large migration of the white metal from Bombay is attributed to purchase by those speculators who were successfully cornered by their compatriots in the four upcountry leading bullion markets. The total amount of silver taken by such operators is estimated between 1,800 and 2,000 bars. Those who are closely associated with the market are of the opinion that since this offtake has been for purposes of squaring up speculative contracts, large portions of silver which has now gone out will soon find its way to Bombay. The demand for gold was steady and at a higher level, the daily offtake being 50/60,000 tolas as against 40,000 tolas a day in the previous week. The Reserve Bank of India continued to sell both gold and silver in the same quantities as in the past several weeks, but this had no effect on the stock position, as the offtake was at a higher level as indicated above. In fact the stock position in silver has deteriorated as a result of which the difference between the forward and the spot rates has widened from about 2 as. to 8 as. The *budla* rate for the week also was higher at Rs. 1-8 as against a rupee last week.

At the time of writing the market is very firm with silver quoting at Rs. 127.12 and gold at Rs. 67-10 which are the highest not only for the week under review but also for the last four months. Considerable buying activity is reported and the bears are being stampeded. The general impression in the market is that as the Bank is unlikely to sell during the Christmas holidays, stocks would be considerably reduced and as such prices would continue to remain at high levels.

The Stock Exchange

The profit-taking reported towards the close of last week in the share market received a sudden check early during the week under review. Leading speculators were once again buying popular counters both in the Steels and the Textile Sections. Consequently a smart rally was witnessed in prices but this upward movement was halted in the second part of the week under review owing to pre-holiday liquidation. On the last day of the week, the buying fervour again reappeared with the result that the market presented a steadier tone at the close. Throughout the week investment buying however was on a very negligible scale.

In the Steel Section, *Tata Defds.*, which began at

Rs. 2,275 dropped to a low of Rs. 2,212-8 on profit-taking, but recovered to close at Rs. 2,248-12 on speculative buying. *Ordinaries* opened firm at Rs. 407-8 but met with considerable selling in the first half of the week, the rate declining to Rs. 396-8. Towards the close, however, they again advanced in sympathy with *Defds.* and finished the week at Rs. 403.

In the Textile Section, *Bombay Dyeings* after declining by Rs. 45 to Rs. 1,813 on Tuesday recovered to close at Rs. 1,845. *Centuries*, however were, ruling around Rs. 835. *Kohinoors* were the high light of the week. Although at one stage they declined to Rs. 598 they closed at as high as Rs. 618 on heavy buying by influential operators on reports that the Company has made tremendous profits for the year 1944 and that as such it would be able to maintain the dividend in the neighbourhood of Rs. 35. *Central Indias* was another counter which attracted the attention of speculative public, the rate for such advancing from Rs. 402-8 to Rs. 413. *Swadeshis* which were very popular until recently lost favour during the week under review. Opening at Rs. 570 this scrip declined to Rs. 555 but closed a little higher at Rs. 569.

Public utilities were a dull feature and in the

Coal and Engineering Scrips in Favour—Raw Jute Quiet

CALCUTTA, Dec. 18.

Markets will be closing for the X'mas and New Year holidays on Friday this week. Except for a slight easiness in the opening hours on Monday last the Stock Exchange has continued steady, and the volume of business has been quite satisfactory. No business was transacted on Friday in order to enable operators to adjust their outstanding transactions under the Clearing scheme. There was considerable confusion the necessary forms having been wrongly filled on the first clearing day and settlements could not be carried out.

The feature of the week is the sharp rise in prices for *Indian Irons* following reports regarding the possibility of a new issue by the Company on bonus terms to the shareholders. So far there is no confirmation of these reports, but it is said that one new share will be issued at a premium of Rs. 15 per share for every four shares held. The funds must be needed obviously for effecting extensions of plant especially as it is reported that the Steel Corporation of Bengal Limited has increased its capacity for producing steel, and consequently there will not be much surplus wrought iron left with the Indian Iron and Steel Company after providing Steel Corporation's requirements. Early in the week Indian Irons were noted as low as Rs. 39. The close for the week has been at the higher level of Rs. 40-8. Cotton shares have been rather weak, especially *Cawnpore* issues on the reports that the balance-sheets for the last accounting periods might not make good showing.

Gilt-edged securities have not been very much in favour but prices have been fully maintained. The volume of business has been slightly smaller. The 3½ per cent. Paper is quoting Rs. 100-0-6. There is good demand for the terminable loans, especially short and medium-dated issues.

Coal shares have been steady and there is still a feeling that yet further rise in prices might be recorded. The balance-sheet of the Amalgamated Coalfields Limited has had a stimulating effect on the market but it is felt that the shareholders might not be able to derive any appreciable benefit as the target level has been fixed sufficiently high in many cases and it will not be possible to derive any great benefit under the bonus scheme. Even with a doubling of profits Amalgamated Coalfields has not been able to increase the distribution to any great extent and only the cut in the dividend for the previous half-year has

absence of any investment support the trend was slightly downward. *Andhra Valleys* lost Rs. 22-8 to close at Rs. 1,797-8 and *Tata Powers* Rs. 35 to finish at Rs. 1,800. *Tata Hydros* were caught at Rs. 207-8 as also *Bombay Trams* at Rs. 150-8.

Activity in Bank shares was relatively small as compared with the past few weeks. The trend however was quite steady. *Central Banks* after declining to Rs. 81-8 moved up to Rs. 82 on good investment demand at the lower level. *Bank of Indias* were steady at Rs. 191 and the *Reserve Banks* at Rs. 134. *Imperial Bank* fully paid were slightly lower at Rs. 2,017-8 while partly paid practically remained unchanged at Rs. 503-12.

In the miscellaneous section trading was chiefly confined to popular counters. *Associated Cements* after moving within a narrow range finished steady last week met with some support in the latter half of at Rs. 243-8. *Belapurs* which had declined to Rs. 230 the week as a result of which the closing rate was higher at Rs. 236. *Scindia Steams* were lower by a fraction at Rs. 34-12 as against Rs. 35-6 a week ago.

The share market will remain closed from the 23rd instant to January 2nd inclusive for Christmas and New Year holidays.

been restored. The provision for taxation and E.P.T. Compulsory deposit has taken up the whole of the increase in earnings. *Deoli* have been outstanding with a rise in the quotation to Rs. 18. In recent weeks this share has been in great favour.

The Jute section has been rather uninteresting and business has been small. Difficulty of coal supplies have had a discouraging effect but it is reported that the production for the month of November might not be discouraging. *Howrah* has been around Rs. 83-4 ex-dividend.

Sugar shares have been quiet, the reports about an acute shortage of supplies having a discouraging effect. *Buland* and *Raza* were Rs. 45-8 and Rs. 46-4 cum-dividend while *Ramnugger* and *Sugar* were quiet at Rs. 13 and *Dharbhanga Sugar* at Rs. 29-10.

Raw Jute

The raw jute market has been definitely easier during the past week. The reported difficulties regarding the supplies of coal and the close down of steam-driven units have been mainly responsible for the smaller interest taken by mills. With arrivals into Calcutta on a fairly large scale there has been naturally greater anxiety to conclude business. Prices, as a consequence, have been marked lower. But for the firmness of upcountry markets there would have been a further decline in prices. It is feared that the lack of a definite understanding between the mills and the Government might not be helpful for the latter's effort to maintain prices for raw jute above the minima. Unless there is an increase in both production and offtake jute prices cannot be maintained at inspired levels.

In loose jute European packing *Middles* and *Bottoms* were done at Rs. 16-4 and Rs. 13-4 per maund respectively. Supervised *Jat Tossa* qualities were done at Rs. 15-12 and Rs. 12-12 respectively. Business for export has been poor though it is reported that *Dundee* mills are very keen on increasing production. A small business was reported in *Dundee Daises* 2/3 at Rs. 76 per bale. Mills purchased *Lightnings* at Rs. 74 per bale and *Hearts* at Rs. 68 per bale. The jute manufactures market has remained steady on the reports that production has been unfavourably affected and mills are reported to have sold some quantities of hessian for April-June shipment. In the heavy goods section there is nothing of importance and *B Twills* have been steady at Rs. 62.

THE BUSINESS WORLD

THE CENTENARY OF ROCHDALE

THIS time a hundred years ago, "a few poor weavers out of employ, and nearly out of food and quite out of heart with the social state" got together and opened their store in the little English town of Rochdale, for the sale of flour, soap and candles. They have since become celebrated in social history as the Equitable Pioneers of Rochdale and the Consumers' Co-operative movement, of which they were in a real sense the founders, has developed during the century into "a gigantic, prosperous and world-wide trading organisation." According to the most recent world statistics, there were consumers' co-operative societies in 45 countries and 9 dependencies, colonies and mandated territories. They were distributed as follows:

	Number of countries.	Number of co-operative societies.	Number of members.
Africa	4	46	16,397
America	12	4,061	585,308
Asia (except U.S.S.R.) ..	9	983	330,155
U.S.S.R.	1	24,113	39,200,000
Europe (except U.S.S.R.) ..	25	20,907	19,251,130
Oceania	3	169	131,167
Total	54	50,279	59,514,157

The movement is strong in the industrialised European countries. In 1937, Great Britain had 1,020 societies, with 7.9 million members; Germany 1,500 societies, with 2 million members; France 1,176 co-operatives, with 1.7 million members. Austria, Belgium, Sweden, Switzerland, the Netherlands and Czechoslovakia are some other countries, where consumers' co-operatives have become important in the distribution of consumers' goods. In the U.S.S.R., co-operatives constitute almost the only distributive agency in rural districts. Outside Europe, the most important consumers' co-operative movement is in the United States. India occupies not an unimportant place in the development of the movement in Asia; but in this country, the consumers' societies are very largely confined to the provinces of Madras and Bombay and the States of Mysore and Cochin. The international character of the movement has found institutional expression in the International Co-operative Wholesale Society established in 1924 with its headquarters in Manchester and charged with the responsibility "to collect and distribute information, to foster, develop and promote trade and trading relations and interests between co-operative societies in all parts of the world" and in the International Co-operative Trading Agency set up in 1938, "to act as selling agents and representatives of overseas shippers for co-operative trade, to act as brokers and/or general purchasing agents, to act as selling agents of member societies." Despite the abnormal conditions prevailing since its inception, the latter organization is reported to be still functioning in London to a limited extent.

A child of the Industrial Revolution, consumers' co-operation began as an urban working-class movement and developed as such in its original homelands, viz., the industrialized European countries. In

other countries, it has shown a greater catholicity. In the United States, for instance, it is mainly rural; in this country, it is almost wholly urban and middle-class. In recent years, however, the movement has shown a tendency to shed its proletarian character even in Western Europe and comprehend other groups of the population also within its fold. Thus, in Germany, the percentage of industrial workers among members of consumers' co-operatives decreased from 78 per cent. to 69 per cent., between the years 1910 and 1929. This was due to two developments; firstly, salaried employees, professional people, municipal and Government officials, etc., were increasingly attracted to the urban co-operatives; and secondly, these societies tended progressively to extend their service to the surrounding rural population, either through truck delivery or through branch stores opened in villages and small towns.

Another feature of the historic evolution of the movement is the extension of its activities. Originally, the stores confined themselves to the distribution of foodstuff and this, till recently, was their main function. They have begun now to distribute a wide variety of consumers' goods, such as clothes, dresses, shoes, hardware, as well as various articles for personal and household use. War scarcity has had its effect here; in the Madras Presidency, for instance, textiles have been an important item of co-operative merchandise since 1942. Where the movement has been predominantly rural, as for example, in the United States, the Scandinavian countries, the Baltic States and in Central and Eastern Europe, the consumers' co-operatives have partaken greatly of the nature of rural supply co-operatives and from the start, interested themselves in the distribution of agricultural requisites as well. Thus, in the United States, they have taken up the distribution of gasoline, paint, seeds, fodder, fertilisers and so forth. Nevertheless, co-operative distribution still remains largely a food trade; in Great Britain, it is so to the extent of 70 per cent. of its total business. Again the movement has penetrated into the field of production, starting with foodstuffs and factories and latter taking up more complex and varied lines of manufacture. The English Co-operative Wholesale Society, which is the oldest society and the one with the largest production, is also "the largest single commercial undertaking in the country, the largest landowner, the largest flour miller, the largest importer of dried fruits, and next to the Government, of building materials. Its productive activities include all kinds of food manufacture, soap factories, textile factories, boot and clothing factories, furniture factories, hardware, cutlery, cycle, motor, glass and pottery works, printing works, coal mining and many others." In 1939, it employed 60,769 workers and employees, possessed 199 productive works, and a distributive trade of the value of £131 million. The Scottish C.W.S. employed 1,264 workers and employees and its distributive trade amounted to £7.1 million. On the European continent, Sweden, Switzerland, France, Czechoslovakia, Germany, Denmark, Norway and Finland are the countries, where consumers' co-operation has taken up productive ventures on a large scale. In the United States, there were 27 regional and 2 inter-regional co-operative wholesale societies in 1941. They had a total business of over 100 million dollars, while the output of their productive departments, which was mostly agricultural requisites,

was valued at 8.2 million dollars. In this country, this development of consumers' co-operation has not been much in evidence, but it is interesting to note that the well-known T.U.C.S. in Madras City has its own oil-mills for the production of gingily oil.

The war has given the movement an opportunity revealing its great possibilities for social service in an abnormal and highly difficult context. Here, in this country, we have had an instructive and stimulating experience. We have had occasion before in these columns to describe in detail the part played by the co-operative stores in the distribution of scarce commodities, rationed goods and controlled articles, in the operation of emergency food supply schemes on behalf of the Government and in acting as a counter-blast to black markets and profiteering. Here, it may be mentioned that the statistics of war-time expansion are themselves enough to indicate the importance of the part played by the movement in alleviating the distresses of a scarce economy. In the Madras Presidency, the number of societies increased from 198 in 1939-40 to 1,138 by the end of 1943, the membership from 34,400 to 311,000, paid-up share capital from Rs. 3.2 lakhs to Rs. 25.36 lakhs and the value of annual sales from Rs. 33.07 lakhs to Rs. 378.05 lakhs. Mysore State had in 1942-43 some 300 societies with a membership of over 50,000 as against 72 societies with a membership of about 17,000 in 1939-40. In the Bombay Presidency, between 1940 and 1943, the number of societies went up from 30 to 106, membership from 8,287 to 28,885, working capital from Rs. 2.2 lakhs to 11.2 lakhs and sales from Rs. 6.06 lakhs to Rs. 45.35 lakhs. It is interesting to note that this war-time buoyancy has been a feature of the movement also in Great Britain, where although the production side has suffered "as the result of requisitioning or concentration of factories, or their diversion to Government orders," the distributive activities have been well maintained and between 1940 and 1942, the trading surplus, out of which the dividend is paid, increased from £27.8 million to £33.1 million. As regards the European continent, the view has been expressed in responsible quarters that on the whole and in spite of the ravages of war and Nazi restrictions, the movement has been left in working shape and that it may be expected to function as one of the important agencies for the administration of relief and rehabilitation measures.

What may be the future of the movement in this country? So far, it has been confined to a narrow

territory and even there it has served only a limited social stratum, viz., "the black-coated proletariat" in the urban areas. The salaried middle-class, of course, are the worst hit in periods of depression and it should be a matter for congratulation that the movement has taken a hold among them in Southern India. It cannot be disputed, however, that the benefits of consumers' co-operation should percolate to larger masses of people and spread among the rural population, and the cottage and organized industrial workers, whose purchasing power, so limited, should be made to go as far as possible. In the last resort, the progress of consumers' co-operation depends on the spread of education among the people and even more on a modicum of economic prosperity which would break up rural self-sufficiency and the subsistence living of the great mass of poverty-stricken people, rural as well as urban. In the meanwhile, however, there is much that wise and enterprising leadership, official as well as non-official, can do. There is a tendency on the part of many co-operators to allow themselves to be governed too much by the letter of 'basic principles.' Thus while it may be granted that "sale at market price and bonus out of profits" is a good rule, advantage should be taken of the usual medley of retail prices to choose a price which would be attractive to lower-income groups and yet leave a fair margin of profit. Secondly, it is easy to magnify the rule of "cash and carry" into a religious tenet. Discretion should be exercised less sparingly than now to permit reasonable credit facilities; members, for instance, should be allowed to buy on credit up to a stated proportion of their salaries and arrangements made to deduct their dues to the societies from their salaries. Again, co-operators should not be chary of enlisting the active goodwill and co-operation and even of accepting legitimate facilities offered by managements of factories for the running of co-operative stores among workers. During the war, many such stores have been started, often with the transport, etc., provided by the employers and even under normal conditions such concessions may be availed of, without injury to co-operative principles, to a greater extent than what many in the movement are prepared to admit. Lastly, a number of rural co-operative stores have been started during the war and the chances of their survival depend on the extent to which they study the farmer's needs and succeed in supplying him with quality goods at reasonable prices. There is also no reason why urban societies should not investigate possibilities of serving neighbouring rural areas.

NOTES

THE EXPORT IMPORT BANK

Recent reports from Washington state that the Administration is considering a proposal to have the lending authority of the Export-Import Bank increased from \$700 million to \$5,000 million and to remove the present restrictions on direct Government loans abroad by the Bank. If this materializes, it will be one measure, however, small in itself, to make dollar more freely available to the rest of the world. The history of the Bank is interesting. Started on February 2, 1934, by an executive order of the President, principally to stimulate U.S. trade with Russia especially after the depression, the Bank soon found that little trade of the kind developed and later turned its activities to South America. The first business which the Bank transacted was with Cuba in 1934, when it extended credits of the value of \$127 million to the newly formed Cuban republic to finance the minting of silver pesos. The activities of the Bank with the Latin American countries increased strikingly in 1939-41,

when their normal export business with Europe had been very much reduced. The Bank then granted dollar exchange credits to Central banks or loans for industrial development. Of the former kind, \$60 millions were granted to the Central Bank of Argentina, \$25 million to the Bank of Brazil, and \$10 million to Colombian and Peruvian Central banks. Among industrial loans may be mentioned the loan of \$20 million for establishing a steel industry in Brazil and \$12 million for the construction of electric power plants in Chile. The Export-Import Banks also provided dollar finance to China. Thus by the end of March, 1941, China had received \$81 million, i.e., nearly one half of the total \$166 million outstanding loans of the Bank. With the increase in the dollar balances of Latin American countries, financial circles in the U.S. foresee the Bank playing a big part in the reorganization and revival of trade on the continent of Europe. An increase in its pending authority to \$5,000 million would hardly meet more than a tiny fraction of the dollar demand of the world. But

having regard to the difficulties and delays that attend on obtaining dollars now and might come in the way of an easing in the dollar position through more important measures, the possibilities of India securing credits from the Export-Import Bank for specific industrial projects which require an immediate start deserve to be examined. The Empire-Dollar pool will, of course, be the first stumbling block, for India, unlike for China and Latin America. But exemption from its control for dollar credits from the Export-Import Bank for specific projects should not be difficult to get by agreement between the U.S.A. and His Majesty's Government.

WAR-TIME INDUSTRIAL EMPLOYMENT

The figures of average daily number of workers employed in the Government and all other factories in India, both perennial and seasonal, were 24,37,246 in 1943 and 22,82,237 in 1942 as compared with 17,51,137 in 1939 and thus showed a rise of 39 per cent. and 30 per cent. in the industrial employment in the two years over 1939. Now the details regarding the composition of the industrial labour are available. Of the total of 17,51,137 workers in 1939, the number of adults was 17,15,137, made up of 14,75,723 men and 2,39,414 women; the number of adolescents was 26,650, of which 22,566 were males and 4,084 females; and the number of children was 9,350. Analysis of figures for 1942 and 1943 reveals that the number of adults has gone up, being 22,44,103 composed of 19,82,399 men and 2,61,704 women in 1942, and 23,95,767 composed of 21,33,023 men and 2,62,744 women in 1943. There have been increases of 30.9 and 39.6 per cents, respectively in 'adults' class as such in the two years over 1939, but it is found that 'men' workers increased by 34 per cent. and 'women' by 9.3 in 1942, while the increases in 1943 in two classes of adults have been 44.5 per cent. and 14 per cent. respectively. The 'adolescent' class has not progressively increased like 'adults' whereas in the 1942 there has actually been a decrease to the extent of 1.2 per cent. over 1939 figure. The following year witnessed an increase of 42.9 per cent., which has been wholly due to the excessive increase of males under the class. The males under the adolescent class were 22,916 in 1942 and 34,697 in 1943, working out increases of 1.5 per cent. and 54.3 per cent. over 1939. The number of females in this class has declined in these years, being 3,414 and 3,372 respectively in the two years indicating a fall of 16.4 per cent. and 17.4 per cent. The number of children workers has been swelling up every year in the war. There were 11,804 and 13,484 children under employment in 1942 and 1943 and thus the increases were 26.2 per cent. and 44 per cent. Though the adults still constitute the bulk of the industrial employment as ever before, in the latest year, yet there are marked increases in 'children' and 'adolescents' despite a fall in the number of 'females' under the latter class. Recently the Labour Welfare Adviser of the Government of India said that the welfare branch of the Labour Department was slowly developing a new outlook on labour and was in touch with the working class movement throughout the country, more particularly factories, concerned with the war work like arsenals and war depots, ordnance and food factories, and others also like dockyards, railways, mints, Government security presses, mines and a number of plantations where labour welfare officers have been posted. The branch has, however, not contacted with the private industries which employ four-fifths of the industrial labour of

the country. The extension and intensification of the welfare activities of the welfare branch is urged not only to cover the non-governmental field but also in view of the increase in the number of the women under, 'adults' and, 'adolescents' and 'children' who should receive the greatest attention and care at the hands of the Government and the employers alike.

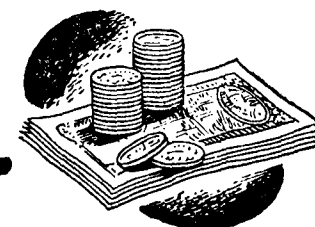
FIELD FOR INDIAN INSURANCE

Our indigenous companies rose in number from about 14 in 1912, the majority of which carried on life assurance business, to 51 with Rs. 2.35 crores premium income in 1926; to 194 of which 144 were life companies with a premium income of Rs. 6.0 crores in 1932 and to 220 (39 being mutual insurance companies) in 1942 of which 155 were purely life insurance companies and 34 carried on life business along with other insurance business while 31 did fire, marine and miscellaneous businesses. The total number of assured by them rose from 4,71,056 in 1929, to 5,54,282 in 1932, to 8,35,782 in 1935, to 12,39,567 in 1938 and to 14,64,000 in 1942, and the total amount of policies went up from Rs. 47 crores in 1925, to Rs. 77.88 in 1929, to Rs. 101.81 in 1932, to Rs. 146.02 in 1935, to Rs. 203.71 in 1938 and to Rs. 250.68 in 1942. In spite of this absolute progress, it is clear that there is still in India a vast untapped field for insurance. A comparison of per capita insurance in India which is Rs. 3.4 with those in other countries like America, Canada, Great Britain and even Denmark, where they are Rs. 2,000, Rs. 1,300, Rs. 600 and Rs. 330 respectively and of life insurance funds of Indian companies which were Rs. 193 crores in 1935 with those of Rs. 1,472 crores in the U.K. and Rs. 7,068 crores in the U.S.A. in that year and of premium income of Indian companies Rs. 9.70 crores in 1935 (now being Rs. 12.07 crores in 1942) with Rs. 153 crores of the U.K. and Rs. 800 crores of the U.S.A. shows that Indian insurance is still in a rudimentary stage of development. The same story is found in the field of fire, marine and miscellaneous insurance field. The total premium income of some 22 leading British insurance companies for 1935 amounted to Rs. 140 crores, of the American companies Rs. 375 crores while that of Indian companies was a low figure of Rs. 2.50 crores, according to *Insurance Year Book* published in 1935. The latest returns available for 1942 show that the total net Indian premium income of all insurers under insurance business other than life was Rs. 7.38 crores shared by 92 companies of which 31 were Indian getting a share of Rs. 2.06 crores. The average share of an Indian company in their new business and premium income was Rs. 19.3 lakhs and Rs. 1 lakh respectively against Rs. 38.8 lakhs and Rs. 2 lakhs for a non-Indian company and in the total amount insured and premium income thereon was Rs. 133 lakhs and Rs. 4 lakhs respectively against Rs. 452 lakhs and Rs. 52 lakhs of alien companies. In the fire, marine and miscellaneous insurance field the number of Indian companies in 1942 was surprisingly low, being 31, while non-Indian was 76 of which 50 were of the U.K., 17 of the British Empire, 6 of the U.S.A., 2 of Switzerland and 1 of Java. Indian companies got Rs. 2.06 lakhs, i.e., 28 per cent. of the total premium income while non-Indian took away Rs 5.32 crores, i.e., 72 per cent. In the U.K. and other advanced countries insurance is regarded as an export industry of considerable importance. The amount of premium from overseas countries of British companies and underwriters at Lloyds' is estimated about £80 to £90 million annually and net contribution to balance of trade is of the order of £12 to £15 million, while Indian companies cannot claim to their credit even any small amount.

YOU..



YOUR MONEY..



AND THE FUTURE

"My money is my own. Why can't I spend it as I like?" Of course you can. But if you have earned it by the sweat of your brow you would not like to throw it away. This is exactly what you are doing every time you buy needlessly and at inflated prices. Much better to postpone your purchases till prices are normal again.

And do not forget the future. When victory is won and once again India turns her energies and resources to the arts of peace she will need all the capital she can get for post-war development. Whatever you save now will make a firm foundation for your future.

Insurance, Government Loans,
National Savings Certificates,
Post-Office Savings Bank, Savings
Bank Account and Co-operative
Societies are good investments. Your
money is safe and these investments
give you a fair return

Save
ALL YOU CAN
AND INVEST
ALL YOU SAVE

A NATIONAL APPEAL BY THE NATIONAL WAR FRONT

LETTER TO THE EDITOR

THE SINGARENI DEAL

Sir,—I wish to refer to the article that appeared in your issue dated the 8th December, 1944, under the caption: The Singareni Deal. The enclosed Memorandum will explain to you the facts of the deal and the reasons which prompted Government to purchase the Shares and Debentures of the Singareni Collieries.

We shall be obliged if stress is laid on the point, as has been done in the Memorandum, that His Exalted Highness the Nizam's Government have purchased not the Shares of Hyderabad Deccan Company, but the Shares of the Singareni Collieries Company and one of the reasons why it was profitable both to His Highness the Nizam's Government and the Hyderabad Deccan Company to agree to the transaction is the Income-tax factor which has been explained in the Memorandum.

We would like the point to be cleared that His Exalted Highness the Nizam's Government have no sterling balances except a small current account with the Imperial Bank of India and that the reasons for the acquisition of the Shares and Debentures of the Singareni Collieries are those explained in the Memorandum and not those suggested in *The Economist* dated 22nd July, 1944, under the title A Profitable Liquidation.

Yours faithfully,
MIR NAWAZ JUNG,
Financial Secretary,
H.E.H. the Nizam's Government,
Hyderabad-Deccan.

The Memorandum explains that the shares of the Hyderabad Deccan Company had a face value of £3, which was depressed to about £2, owing to the very heavy burden of British taxation—about 10 sh. in the £—on its income, because of which it received a dividend of only 2½ per cent. on its holding in the Singareni Collieries Ltd., as against the share-holders in India receiving 5 per cent. (This explains the fact that the market value of shares was higher in India). It states that the idea of purchasing the shares in the London market was first considered, but later given up for fear of starting a boom as well as because this method of purchase presented "certain legal, financial and constitutional difficulties." Finally, it claims that the purchase price was settled after a due consideration of the financial position of the Collieries Company, the dividends paid in the past, the prospects of the Company, and the value of the concessions and leases held by the Company and the market value of the shares in India.—Ed.

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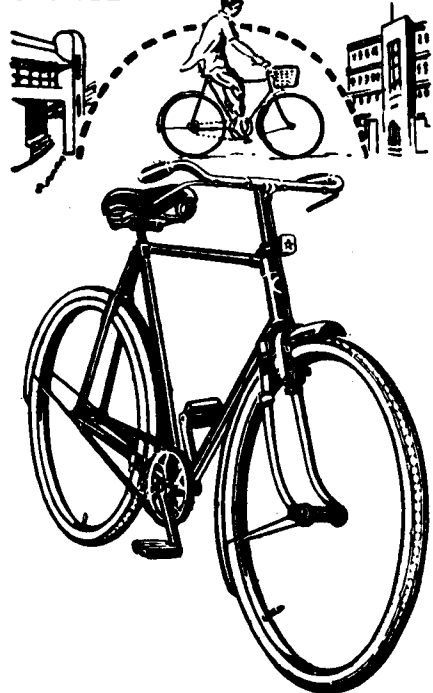
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610 A

PRESS NOTE.

With a view to securing a proper distribution of cloth and yarn, the Cotton Cloth and Yarn (Control) Order, 1943, has been so amended as to vest in the Textile Commissioner to the Government of India very wide and extensive powers of direction to manufacturers and dealers in regard to the distribution of cloth and yarn including powers to fix the dealer's margin of profit. In pursuance of this amendment the Textile Commissioner has issued an Order dated 16th December, 1944, directing that no quota holder carrying on business in the City of Bombay or in the Bombay Suburban District shall sell or deliver any cloth purchased by him directly from a manufacturer or open any such bale of cloth except in accordance with a permission or direction issued by the Textile Commissioner. This Order comes into effect immediately and applies both to existing stocks of cloth and also to future deliveries from mills; in this connection quota holders are warned that failure by them to take deliveries of cloth from the mills will result in the forfeiture of all their quotas in the future.

THE LINK BETWEEN HOME AND COLLEGE



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FROM THE PROVINCIAL ANGLE

(From Our Correspondents)

Bengal Letter

CALCUTTA, December 17.

THE Committee of the Federation of Indian Chambers of Commerce and Industry expressed strong disapproval of Government's proposal to import glass containers from the United Kingdom at a recent meeting held here. The Committee suggested to Government that glass containers of the requisite quality could be manufactured by the Indian glass industry provided that the Government made available to the industry sufficient quality of coal and the necessary machinery and chemicals. Reviewing the coal supply position, the Committee complimented Hon'ble Sir Ramaswami Mudaliar and Khan Bahadur Faruque on their success in bringing about an increase in coal raisings during the last 2 or 3 months.

Sir, Ardeshir in Calcutta.

At a Press conference the representatives of the Calcutta Press met Sir Ardeshir Dalal on 16th December. Explaining the purpose of his visit Sir Ardeshir said that he had come to Bengal to get acquainted with what the Bengal Government were doing for post-war planning. In the course of a statement made at the conference he said:—"In the matter of planning this province is unfortunately handicapped by the famine and its aftermath in the shape of epidemics and general ill-health." He also referred to the proximity of Bengal to the war zone and the

lack of a suitably qualified staff as being additional drawbacks for this province. But he said that a definite organization had already been set up by the Bengal Government and he had no doubt that a definite plan would soon be formulated by the Bengal Government. Sir Ardeshir had also discussions with the Committee of the Indian Chamber of Commerce and Bengal National Chamber of Commerce. The Committee of the Indian Chamber urged that the Government of India should revise their present financial policy without delay and encourage the savings of the community and divert the same to productive channels.

Falling Price of Rice.

The question of furnishing a floor to the price of rice which shows a sharply declining trend in some places in Bengal has been agitating the public mind in Bengal for sometime past. Explaining the Government policy in regard to prices Mr. H. S. Suhrawardy observed that if Government was selling at present at Rs. 16-40 per maund it was anticipated that the general price would not rise above Rs. 16-40. In regard to the fixation of a minimum price Mr. Suhrawardy said that the Government had not yet come to any definite decision on this issue. It was, however, the intention of the Government that prices should not fall below a level. Whenever the Government found that prices had come to a level which was unsatisfactory they took steps to keep up the prices.

U.P. Letter

CAWNPORE, Dec. 11.

THE growth of industries, both State owned and private enterprises, have during the war made Cawnpore a bigger and more congested city than it was before the war. And even before the war there was no abundance of housing in the town. The U.P. Government have now decided to deal with town planning in Cawnpore and entrust the job of better administering the Municipal Board and the Improvement Trust to some experienced officer of the Government who will be armed with large powers. The name of Sir Edward Souter, a former Chairman of the Cawnpore Improvement Trust and until recently Controller of Supplies, U.P., has been mentioned in connection with the new job. Sir Edward has recently concluded an inquiry into Cawnpore's civic affairs.

The East Indian Railway have also under their consideration the plans for a bus service which will link the newly developed industrial areas on the suburbs of the town with the main city.

The H.B.T. Institute.

The H.B. Technological Institute is run by the Provincial Government and is charged with the carrying out of research work and training students in oil technology and general research. Of the 464 students trained since 1921 by the Institute as many as 250

were in oil chemistry and technology. All these had been absorbed by the industry and there was demand for more trained men. Of nearly 500 large factories dealing with oil and connected products as many as 93 were situated in the U.P. Of these 56 are large oil mills, 3 hydrogenation plants and 16 soap factories. The export of oils from the U.P. had increased from 3 lakh maunds in 1924 to over 14 lakh maunds in 1942-43. The export of oilseeds had correspondingly dwindled.

The Research Section of the H.B.T. Institute had succeeded in manufacturing rubber substitute from castor and mustard oils on a semi-commercial scale and the product is now being commercially tested by large factories on a bigger scale. The blending of blown rape oils had been improved and supplies were being made on a commercial scale of these oils for use as lubricants. Considerable quantities of lubricants had been reclaimed as a result of the process for reconditioning of lubricants perfected at the Institute.

It is of interest in this connection to note that proposals for enlarging the scope of the H.B.T. Institute and of raising it to the status of a Technological University are under Government's consideration. The Allahabad University have also plans for starting a Section for Technological Chemistry, and they have appointed a committee of inquiry for the purpose.

Punjab Letter

LAHORE, Dec. 18.

THE recent debates in the Punjab Assembly have served to emphasize one significant fact—that people in the rationed cities are tremendously dissatisfied with the arrangements made for the supply of wheat flour. The non-Unionist members—the Leaguers, the Congressmen and the independents—were unsparing in their condemnation of the rationing authorities. A demand was made that the syndicate system, which has failed, must be abolished. The Chairman of the Amritsar Syndicate, Sardar Santokh

Singh, who is a member of the Assembly, confessed that the Syndicate was not working properly and they themselves wanted to quit. It is learnt that the Amritsar Syndicate members have resigned *en bloc*. But their resignation is still under consideration by the Government. So far as the Lahore Syndicate is concerned, the Development Minister has promised to look for a substitute soon. He, however, explained, that there were insurmountable difficulties in the matter and it was not an easy task for the present Government to shoulder the entire responsibility of purchasing wheat

and wheat flour and distributing the same in the rationed towns of the province.

The Chairman of the Punjab Beopar Mandal, L. Behari Lal Chanana, has placed an alternative before the Development Minister. He has urged that an agency consisting of the representatives of the Government the Beopar Mandal, the parties in the Assembly, the depot-holders, and the supplying markets be set up replacing the present Syndicate in Lahore and elsewhere. The Punjab Government, however, do not seem in a mood to accept.

Disparities Between Wheat Prices.

The Punjab Government had to make one confession in the Punjab Assembly. It was that there was a disparity between the prices of wheat fixed in the rationed towns and the prices prevalent in the non-rationed towns, and in the Punjab Mandis. This disparity ranges between Rs. 1-8 and Rs. 2 per maund which is considered to be an enormous burden upon the poor consumers. It is, the Development Minister said, not very marked in August but becomes so during September, when there is a sudden fall in wheat prices. The reasons for the disparity, as explained by the spokesman of the Government, were certain expenditure on freight, holding charges, and storage incurred in making wheat available from mandis to the consumers in the rationed towns. But the main reason, however, remains that purchases of stocks for the rationed areas were made during the earlier part of the crop year at the market rates prevalent before the sudden fall of prices.

The Development Minister made it clear that the Punjab Government was not going to make any changes in the statutory maximum price fixed for wheat, which would hold good for the whole year.

Government have announced that they are in a position to make further offer of a large quantity of surplus wheat to the Government of India for any deficit areas and that 10 to 15 thousand tons can be sent at once by the Government. This offer is in addition to the 450,000 tons of wheat which has already been declared as the exportable quota by the Punjab Government and has been allocated. The total exportable quota of wheat last year was 11 lakh tons.

Rising Prices of Vegetables.

Government made another confession on the floor of the Assembly to the effect that the price of vegetables had certainly risen much higher as compared with the pre-war prices in Lahore and other big towns. An assurance was extended that the need to regulate the prices of vegetables was being constantly examined, though owing to the season, nature of the crops, their perishability and the wide variations of quality, a rigid control of prices was impracticable. The Government had been in consultation for some time back with the military authorities with a view to the co-ordination and regulation of military and civil purchases. A system, the Development Minister said, had been worked out and was already in operation which was designed to ensure that military purchases were only made in areas in which surplus stocks were available, and at rates fixed in consultation with the local civil authorities. At the same time military authorities were taking steps to produce more of their own requirements of vegetables and other commodities themselves.

Export of Rice.

The practice of purchasing rice at a flat rate, hitherto followed, has been given up by the Punjab Government. New rice is now being bought through tenders, with efforts to keep out speculators, and stabilize the market. A complaint, however, persists that

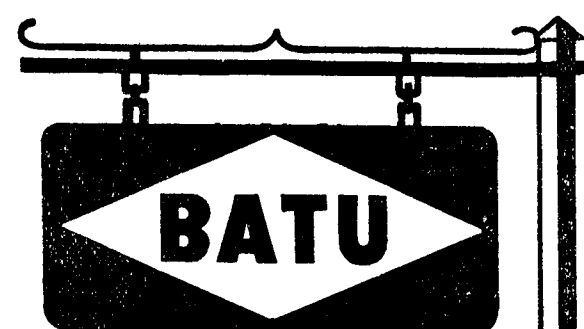
the Government is buying rice only through a selected few dealers overlooking the claims of genuine suppliers.

Rice is moving to Malabar, Madras, Travancore, Cochin, Bombay and the United Provinces. The total allocation to the Punjab for export of rice is 150,000 tons. Millets are 500,000 tons.

The Punjab Government has proposed to send 500 tons of gram every day to Bengal, Bombay and Madras. In a month's time in all, 25,000 tons of gram would be exported.

Kisan's Grievances.

The Kisan Sabhas in the Jullundur District, have drawn the attention of the Punjab Government to the fact that the water level in the wells of the Doaba is going lower and lower and unless this tendency is checked and some steps are taken the fertile land of the Doaba will turn into a desert.



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The Amritsar District Kisan Sabhas have protested to the Government that they are being deprived of membership of the boards which were set up to distribute sugar and kerosene in the rural areas. The Boards, it is learnt, were fully represented by the Kisans some time back but a change has recently been made by the district authorities and the entire personnel chosen from amongst the officials. This change has produced a marked effect on the distribution of the rationed commodities in the rural areas. There is a cry that people's demands are being consistently overlooked. The Congress members voiced the grievances of the Kisans in this respect in the Punjab Assembly.

Deputy Governor's Visit.

Mr C. R. Trevor, Deputy Governor of the Reserve Bank of India, who was here some time back, was not very convincing when, addressing the Punjab University Old Boys Economic Association, he said that the dollar position was now somewhat easier and the British Government was willing to provide dollars for the import of necessary goods but one great difficulty was about the lack of shipping space. He did not envisage any measure of severe deflation after the war and observed that if plans of the type of the Bombay Plan were put through, there could necessarily be a kind of controlled inflation. He considered the position of the new banks started during the war as sound and thought that if they followed sound banking principles and carefully husbanded their resources, there was no reason why they should not continue to enjoy a prosperous career.

In this connection inquiries made in the banking circles reveal that the new Banking Legislation introduced by the Government in the Central Assembly is being welcomed as a right step to control the mushroom growth of banking in the Punjab.

No Time To Wait

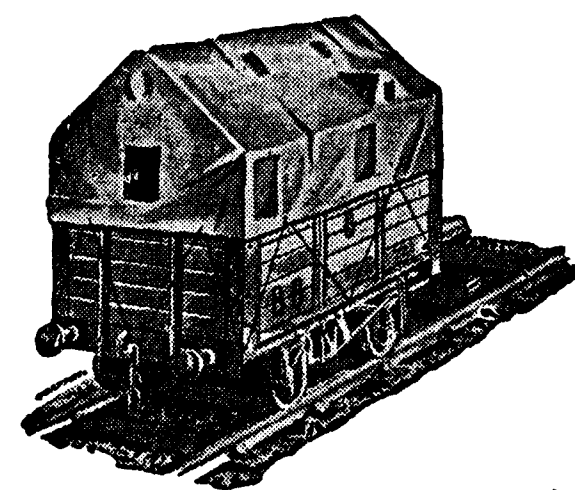
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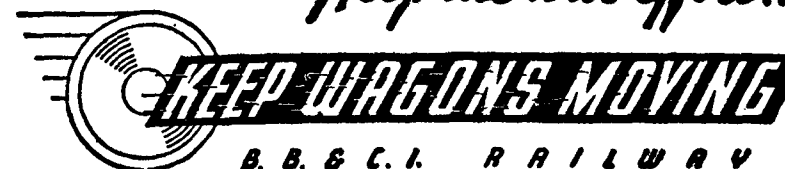
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CURRENT STATISTICS

A—Finance and Banking

RESERVE BANK OF INDIA

ISSUE DEPARTMENT

	(Rs. in lakhs)	8-12-44	1-12-44	10-12-43	1-9-39	8-12-44 compared with 1-9-39
Notes held in the Banking Dept. ..	9,45	8,22	7,88	9,87	—	41
In circulation ..	939,82	977,66	815,62	182,13	—	+807,69
Total Notes ..	999,27	985,99	823,50	217,18	—	+782,09
A. Gold Coin and bullion ..	44,41	44,41	44,41	44,41	Nil	—
Sterling Securities ..	886,33	871,33	705,84	59,50	—	+826,83
Total of A ..	930,74	915,74	750,25	103,81	—	+826,83
B. Rupee Coin ..	10,69	12,30	14,92	75,87	—	+65,18
Rupee Securities ..	57,84	57,84	58,83	37,87	—	+19,97
Silver bullion under coinage ..	..	..	..	..	..	..
% of Reserve to Liabilities ..	83.142	92.836	91.105	63.149	—	+29.993

IMPERIAL BANK

	(Rs. in lakhs)	8-12-44	1-12-44	10-12-43	1-9-39	8-12-44 compared with 1-9-39
Fixed Deposits, Savings Bank, Current and other Accounts ..	235,86	237,20	209,45	87,26	—	+148,60
Govt. Securities ..	147,56	148,37	119,78	51,03	—	+96,53
Other Investments ..	3,92	3,84	2,63	96	—	+2,96
Loans ..	10,91	10,14	15,71	7,66	—	+3,25
Cash Credit Overdrafts ..	43,23	43,21	20,04	19,76	—	+23,43
Bills discounted ..	4,20	5,53	4,05	2,95	—	+1,25
Cash in hand, with R.B.I. and other Banks ..	36,20	36,22	57,30	14,69	—	+21,51

BANK OF ENGLAND

	(£ '000)	13-12-44	6-12-44	15-12-43	31-8-39	13-12-44 compared with 1-9-39
Total Bullion ..	2,247	2,412	1,418	263,700	—	+261,433
Public Deposits ..	9,500	9,700	9,000	31,100	—	+21,600
Other Deposits ..	232,500	238,300	161,200	129,100	—	+103,400
Of which Bankers Deposits ..	181,600	181,600	216,800	90,100	—	+91,500
Govt. Securities ..	217,600	200,900	191,100	113,100	—	+104,500
Other Securities ..	14,200	13,800	16,000	31,100	—	+16,900
Of which Discounts and Advances ..	1,400	2,400	2,000	6,400	—	+5,000
Notes and Coins ..	26,500	48,700	34,500	34,200	—	+7,700
Notes in circulation ..	1,225,700	1,203,700	1,067,000	529,500	—	+696,200
% of Reserve to Liabilities ..	10.96	19.64	15.26	21.38	—	+10.42

TREASURY BILLS SALES

	(Rs. in lakhs)	Amount tendered	Amount accepted	Average rate	Interest	Sold in favour of Issue Dept.
Date of issue						
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 1/4	..	..	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	..	..	3.19
Nov. 3, ..	15,01	6,00	0 7 10	..	..	1.27
10, ..	10,16	6,00	0 7 11	..	..	1.10
17, ..	17,74	6,00	0 8 0	..	..	1.96
24, ..	9,61	6,00	0 7 11	..	..	61
Dec. 3, ..	11,29	6,00	0 7 11	..	..	1.86
10, ..	13,30	6,00	0 7 11	..	..	..
17, ..	..	6,00	0 8 0	..	..	..
Total outstanding: 78.00						

CLEARING HOUSE RETURNS

	(Rs. in lakhs)	Apr.-Sep. 1944	Oct. 1944	Nov. 1944	Dec. 1944	Dec. 1943
Centres						
Bombay ..	20,42.31	10,31.75	1,71.64	1,89.34	85.62	48.80
Calcutta ..	17,40.12	11,14.20	1,93.08	1,94.96	93.34	..
Cawnpore ..	1,02.41	53.60	7.75	9.27	..	2.64
Delhi ..	1,21.08	57.99	11.05	9.71	..	3.15
Karachi ..	1,02.84	57.36	8.86	..	..	3.15
Lahore ..	78.82	57.36	8.88	10.82	..	..
Madras ..	2,00.02	45.48	7.42	9.26	..	4.88
Total ..	43,48.50	1,16.46	17.74	18.06	9.11	..

* For three centres for which figures appear.

† Progressive monthly total up to December 8, 1944.

‡ Weekly returns.

CASH POSITION

	(Rs. in lakhs)	8-12-44	1-12-44	10-12-43	1-9-39	8-12-44 compared with 1-9-39
Reserve Bank of India ..	9,70	8,45	..	..	..	—25,45
Scheduled Banks ..	..	..	..	..	..	..

BANKING DEPARTMENT

	(Rs. in lakhs)	8-12-44	1-12-44	10-12-43	1-9-39	8-12-44 compared with 1-9-39
Cash ..	9,70	8,45	7,99	35,15	—	+25,45
Balances held abroad* ..	340,03	342,25	130,73	10,08	—	+329,95
Investments ..	13,52	13,55	7,64	6,81	—	+6,71
Bills discounted—						
(a) Internal and External ..	..	..	..	..	..	..
(b) Treasury Bills ..	2	2	3	1,16	—	+1,14
Loans & Advances to Government ..	..	..	..	..	..	..
Deposits:—						
(a) All Govts. ..	238,16	244,28	28,09	14,89	—	+223,27
Of which G. of I. ..	225,13	231,61	20,02	14,89	—	+210,24
(b) Banks ..	92,25	89,40	95,97	26,91	—	+65,34
(c) Others ..	14,30	12,29	7,85	1,14	—	+12,16

* Including Cash and Short-term Securities

SCHEDULED BANKS

	(Rs. in lakhs)	1-12-44	24-11-44	3-12-43	1-9-39	1-12-44 compared with 1-9-39
Demand Liabilities in India ..	613,11	612,30	497,01	134,36	—	+478,75
Time Liabilities in India ..	202,43	201,60	147,85	102,24	—	+100,19
Cash in India ..	28,32	28,19	22,08	6,70	—	+21,62
Balances with Reserve Bank ..	85,95	89,98	93,15	25,17	—	+60,78
Advances in India ..	213,80	207,99	153,69	101,52	—	+112,28
Bills discounted in India ..	11,83	11,62	5,73	3,57	—	+8,26

U.S. FEDERAL RESERVE BOARD

	(Million dollars)	14-12-44	7-12-44	16-12-43	31-8-39	14-12-44 compared with 1-9-39
Resources:—						
Total Reserves ..	18,733	18,768	20,137	14,661	—	+4,072
Total Bills Discounted ..	176	383	90	(6,190)	—	+176†
Bills bought in open market ..	..	..	..	(550)	—	(550)
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%	86.9%	—	+37.3%

† Dollars 6,190 be deducted.
‡ Less \$6,190, 47.9%.

TREASURY BILLS MATURITIES

	(3 Months' Tenure)	(Rupees in lakhs)	Amount	Date of maturity	Amount
Date of maturity					
August 1944 ..	16,00	..	20, ..	..	6,00
September ..	36,00	..	27, ..	..	6,00
October ..	16,00	February 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	March 3, ..	..	..	6,00
January 6, 1945 ..	6,00	..	10, ..	..	6,00
January 13, 1945 ..	6,00	..	17, ..	..	6,00
Total outstanding: 78.00.					

STERLING PURCHASES BY RESERVE BANK OF INDIA

	1943-44	Apr.-Oct. 1944	Nov. 1944	Oct. 1944	Nov. 1943	Oct. 1943
Amount (£ in '000) ..	105,310	59,402	9,407	9,285	7,476	8,947
Average rate of purchases remained £0-1-6 all the time.						

EXCHANGE RATES (T.T.)

	(000's omitted)	Dec. 22, 1944.	Dec. 15, 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

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

Commodities	IMPORTS ('000)				EXPORTS ('000)			
	Aug. '44	July '44	Apr.-July 1944	Apr.-Mar. 1944	Aug. '44	July '44	Apr.-July 1944	Apr.-Mar. 1944
Grain, pulses and flour	Rs. 1,11,24	Rs. 2,11,98	Rs. 2,82,84	Rs. 1,47,84	Rs. 3,31	Rs. 10,11	Rs. 2,30,82	Rs. 54,48
Provisions and oilman's stores	5,45	13,33	25,80	55,45	1,28	2,04	10,85	42,27
Sugar	24	16	2	13	1,63	7,15	11,16	42,27
Tea	31	12	72	9,90	3,40,24	2,82,50	8,83,83	37,54,01
Hides and skins (raw or undressed)	6,33,19	6,82,34	23,81,74	36,32,58	16,44	63,07	1,65,71	4,12,27
Oil—vegetable, mineral and animal	21,63	15,09	25,27	1,23,11	8,26	10,23	34,57	82,84
Seeds (including nuts)	2,50,29	3,01,85	11,04,85	17,52,78	1,24,97	1,28,62	2,48,71	11,15,80
Cotton, raw and waste	81,63	90,30	3,36,80	7,25,94	79,04	1,10,95	3,89,61	7,48,71
Jute raw	30,19	35,29	1,17,51	2,77,06	36,07	71,19	2,32,14	8,32,12
Chemicals, drugs and medicines	63,14	37,59	2,36,07	8,37,56	3,94	2,72	15,43	66,63
Cutlery, hardware and implements, etc.	1,19,18	1,00,57	4,70,57	11,39,09	1,55	2,46	10,29	22,53
Dyes and colours	31,41	48,76	1,20,32	2,03,28	4,68	5,10	10,23	33,75
Machinery of all kinds including bearings	36,67	23,10	53,92	2,09,38	1,14	38	68	7,52
Metals—iron and steel	25,85	25,37	85,41	1,96,70	8,57	7,41	25,93	1,05,40
Metals—other than iron and steel	15,91	10,57	36,43	1,26,73	13	1,45	16,73	20,47
Paper and stationery	13,04	16,55	50,78	1,33,63	5,69,11	5,97,58	21,94,59	49,46,25
Vehicles (excluding locomotives, etc. for Railway)	22	9	98	5,34	18,21,47	21,34,97	72,42,45	1,99,20,37
Cotton yarn and goods	15,91	10,57	36,43	1,26,73	5	2	56	1,17
Jute yarn and goods	13,04	16,55	50,78	1,33,63	2,69,60	4,04,49	16,59,00	42,48,00
Grand Totals*	17,18,44	19,28,14	63,35,21	1,18,85,35	5,69,11	5,97,58	21,94,59	49,46,25

* 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—BANKING*
Gold, Silver and Foreign Assets Reserves by Central Banks.
(000,000's omitted)

Country	Units	Category	1939 (xii)	1941 (xii)	1942 (xii)	1943 (xii)	1944 (Latest month)
Union of South Africa	(S.A.f.)	A	29.7	44.4	77.0	85.6	89.9 (v)
Egypt	(E.f.)	A	8.0	0.3	0.9	13.4	21.6 (v)
Canada	(C.\$)	A	6.5	6.3	6.3	6.3	6.3 (v)
United States of America	(S.)	A	127	3	3	3	4 (v)
Argentina	(Peso)	A	17,043	22,736	22,726	21,938	21,173 (v)
Chile	(Peso)	A	4,245	4,318	4,209	4,083	4,083 (v)
Mexico	(Peso)	A	1,224	1,076	1,091	1,157	1,157 (v)
India	(Rupee)	A	171	467	934	2,026	2,228 (v)
Japan	(Yen)	A	146	184	251	274	274 (v)
Germany	(Reichmark)	A	25	47	89	100	157 (v)
Spain	(Peseta)	A	37.8	55.7	45.9	241.0	242.4 (v)
France	(Franc)	A	11.7	30.6	160.5	444	444 (v)
Ireland	(E)	A	444	444	444	444	444 (v)
Rumania	(Len)	A	642	342	143	132	140 (v)
United Kingdom	(£)	A	1,130	2,748	4,758	5,625	9,936 (v)
Turkey	(T.f.)	A	311	311	831	961	1,042 (v)
Australia	(A.f.)	A	359	359	657	527	446 (v)
New Zealand	(N.Z.f.)	A	78	77	76	77	77 (v)
		A	129	129	278	300	300 (v)
		A	616	624	624	621	621 (v)
		A	26	23	23	42	42 (v)
		A	112	37	37	37	37 (v)
		A	2.6	2.6	2.6	2.6	2.6 (v)
		A	9.4	15.9	21.6	22.1	25.7 (v)
		A	28,593	34,292	45,506	59,600	60,894 (v)
		A	5,177	19,630	30,555	32,837	32,837 (v)
		A	0.2	0.2	0.2	0.2	0.2 (v)
		A	36.8	115.4	143.1	201.7	238.6 (v)
		A	(-35.5)	38.1	38.8	61.2	85.1 (v)
		A	44.8	59.9	79.0	102.2	144.1 (v)
		A	2.8	2.8	2.8	2.8	2.8 (v)
		A	8.7	13.3	26.6	33.6	30.7 (v)

A for Gold, B for Silver and C for Foreign Assets.
Figures in Roman are for the months in the year.
† Source: Monthly Bulletin of Statistics, of League of Nations, July 1944.

WORKING CLASS COST OF LIVING INDICES IN INDIA*
(Base August 1939=100)

	Bombay	Ahmedabad	Sholapur	Jaipur	Cawnpore	Nagpur	Jubbulpore	Lahore	Madras
April	214	220	256	278	223	284	244	244	244
May	216	224	271	278	234	284	244	244	244
June	224	225	289	281	252	287	277	277	277
July	225	230	283	289	266	287	289	289	289
August	227	233	293	304	266	273	288	304	304
September	233	228	312	301	289	274	288	311	339
October	236	229	329	303	288	284	309	311	353
November	236	229	329	303	288	284	309	311	353
December	235	227	327	293	293	315	334	315	334
January	227	227	293	273	273	316	314	314	314
February	219	283	274	274	274	301	298	298	298
March	215	282	275	275	275	265	294	273	320

† Source: Indian Labour Gazette, December 1944.

MONEY RATES

	Treasury Bill Rate	Call Money Rate	Deposit rate (Bombay)
Average of Fridays	Bombay	Calcutta	Three months
1940-41	0 14 3	3/8	1-1/16
1941-42	0 13 2	5/16	1 1/2
1942-43	0 13 11	1 1/2	1 1/2
1943-44	0 14 5	1 1/2	1 1/2
October	0 12 2	1 1/2	1 1/2
November	0 13 6	1 1/2	1 1/2
December	0 12 0	1 1/2	1 1/2
January 1944	0 9 2	1 1/2	1 1/2
February	0 11 11	1 1/2	1 1/2
March	0 12 10	1 1/2	1 1/2
April	0 12 7	1 1/2	1 1/2
May	0 8 8	1 1/2	1 1/2
June	0 7 3	1 1/2	1 1/2
July	0 7 9	1 1/2	1 1/2
August	0 7 11	1 1/2	1 1/2
September	0 7 11	1 1/2	1 1/2
October	0 7 11	1 1/2	1 1/2
November	0 7 11	1 1/2	1 1/2

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

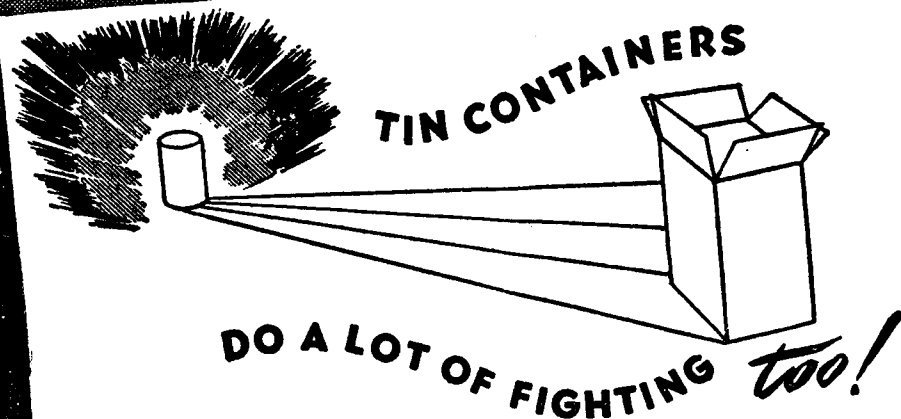
	Week ending	Increase or decrease
Average for July 1944	236.9	+4.8
Average for August	237.3	+0.4
Average for September	234.2	-3.1
Average for October	233.9	-0.3
Average for November	235.4	+1.5
7th October	230.4	-2.1
14th "	232.5	+2.1
21st "	234.7	+2.2
28th "	234.6	-0.1
4th November	230.8	-3.9
11th "	237.7	+6.9
18th "	237.5	-0.2
25th "	235.5	-2.0
2nd December	229.4	-6.1

† Issued by the office of the Economic Adviser to the Government of India.

C—Prices

INDIAN STOCKS AND SHARES

	19-12-44	12-12-44		19-12-44	12-12-44		19-12-44	12-12-44
	Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.		Rs. a. p.	Rs. a. p.
GOVT. SECURITIES: Bombay			Standard	..	..	Reserve	..	..
3 1/2% (1946-52)	99 12 0	99 12 0	Presidency	..	10 15 0	Lahore	..	..
3% (1946) Dem.	102 9 0	102 9 0	TATA SHARES: Bombay	..	..	United Com.	67 10 0	..
3% (1952-54)	101 2 0	101 2 0	Tata Chemical	20 14 0	21 0 0	Hindustan Com.	56 14 0	57 0 0
3% (1960-68)	98 4 0	98 4 0	" Oil	73 8 0	74 0 0	Bharat Def.	..	2 10 0
3 1/2% G.P. Notes	100 0 0	100 0 0	" Power	1,890 0 0	1,900 0 0	Pun. National F.P.	338 0 0	..
4% (1960-70)	112 16 0	112 15 0	" Hydro	208 0 0	216 4 0	" F.P.	177 0 0	..
4 1/2% (1955-60)	116 10 0	116 10 0	" Steel Defd.	2,258 12 0	2,220 0 0	New Bank	29 0 0	..
5% (1945-50)	103 10 0	103 10 0	" Ord.	409 8 0	398 0 0	Jup. In. Tr. Ord.	..	10 5 0
Calcutta			" Pref. I	236 14 0	236 14 0	Jup. N. Bank F.P.	..	..
3% Loan (1953-55)	100 6 0	110 10 0	" II	163 0 0	163 12 0	" F.P.	..	..
3 1/2% Loan (1947-50)	104 2 0	104 2 0	STEEL ENG.: Calcutta	..	..	MISCELLANEOUS: Bombay	..	..
3 1/2% G.P.	100 0 6	100 1 0	Braithwaite	..	12 4 0	Ajmer	15 0 0	15 0 0
3% Vic. (1957)	99 13 6	99 13 0	National Iron	..	13 9 0	Bom. Suburban	218 4 0	218 2 0
4% Loan (1955-60)	116 14 0	116 14 0	Indian Iron	40 6 0	39 12 0	Alcock	450 0 0	451 4 0
5% Loan (1945-55)	103 6 0	103 7 0	Steel Cor. Ord.	..	33 3 0	B.I.C.	6 9 0	6 10 0
TEXTILES: Bombay			" Pref.	..	..	Belapur Sugar	235 0 0	229 8 0
Ahmedabad	427 8 0	427 8 0	Jessop Ord.	24 4 0	24 2 0	Bom.-Burmah	560 0 0	485 0 0
Bombay Dyeing	1,877 8 0	1,817 8 0	Kumardhubi	..	..	" New	..	171 4 0
Central India	422 0 0	402 8 0	COALS: Calcutta	..	..	Bombay Steam	596 4 0	595 0 0
Century	838 0 0	847 8 0	Amalgamated	..	48 14 0	" Tram	150 8 0	150 8 0
Colaba	236 0 0	224 8 0	Bengal	687 0 0	678 0 0	" Petrol	4 0 3	3 14 0
Gokak	320 8 0	307 8 0	S. Karanpura	27 4 0	..	Scindia Steam	36 2 0	34 3 0
India Beaching	185 8 0	185 0 0	Bhailgona	17 2 0	..	Shivrajpur	59 12 0	59 0 0
Kohinoor	634 0 0	599 0 0	Burrakur	42 10 0	42 4 0	Andhra Valley	1,801 4 0	1,800 0 0
Phoenix	607 8 0	607 8 0	East India	68 2 0	67 8 0	Prem. Cons.	220 0 0	209 0 0
Sholapur	7,650 0 0	8,045 0 0	Equitable	13 5 0	..	Indian Iron	40 12 0	39 5 0
Simplex	283 8 0	226 0 0	N. Damuda	..	..	Indian Copper	3 0 0	3 0 6
Swadeshi	579 0 0	557 0 0	Standard	..	..	Burma Corpn	4 8 0	4 7 6
Vishnu	482 8 0	447 0 0	Talcher	11 5 0	..	Assot. Cement	250 0 0	241 0 0
Finlay	318 0 0	302 8 0	SUGAR: Calcutta	..	..	Calcutta	..	..
Morarij	707 8 0	690 0 0	Buland	..	45 8 0	Bengal Paper	..	223 0 0
Sassoon Ord.	15 15 0	15 6 6	Balsampur	..	..	Shree Gopal Pref.	19 12 0	..
Sassoon Defd.	3 5 0	3 1 3	Samastipur	..	..	I.P.F.	..	221 0 0
Calcutta			Belund	..	..	Star	..	..
Benares	13 6 0	..	Carew	..	..	Orient (ex. div.)	..	..
Bengal Nagpur	..	..	Murree Brewery	..	..	Titaghur	28 8 0	..
Cawnpore Textile	12 15 0	13 4 0	New Savan	..	..	Dalmia Cement	..	..
Dunbar	308 0 0	305 0 0	Cawnpore	..	..	Burma Corpn	4 8 0	4 8 0
Elgin Mills	65 10 0	65 0 0	Champanan	38 6 0	..	Indian Copper	..	3 0 0
Kesoram	15 0 0	16 12 0	Dyer Ryam	40 0 0	40 0 0	Con. Tin	..	..
Muir Mills	..	..	Lahore	..	..	Aluminium Corpn.	..	17 6 0
New Victoria	7 4 0	8 2 0	Punjab Sugar	305 0 0	..	Assam-Ben. Cement	..	17 3 0
" Pref.	9 2 0	10 4 0	Gokulnagar Pref.	48 8 0	52 8 0	Madras	..	..
Madras			Jagjit	..	..	Andhra Cement	120 0 0	119 8 0
B. & C. Ord.	328 0 0	325 0 0	Murree Brewery	27 12 0	27 12 0	Bruntons	14 6 0	14 4 0
Bangalore Wool	462 0 0	463 8 0	Jaswant	..	..	Mysore Che. Fert.	30 0 0	30 14 0
Cambodia	32 14 0	33 2 0	Madras	..	..	Indian Steel Roll	..	8 3 0
Coim. Spg.	165 8 0	164 0 0	Mysore	61 0 0	61 0 0	Mysore Paper	..	..
Pankaja	300 0 0	..	Deccon	37 8 0	37 8 0	Mettur Che. Ord.	16 4 0	17 0 0
Sitaram Spg.	200 0 0	192 0 0	Travancore Sugar	16 4 0	15 10 0	" Def.	6 8 0	6 14 0
Vasanthi	312 0 0	311 0 0	South India	..	16 2 0	Spencer Ord.	74 10 0	..
Madura	70 0 0	71 8 0	PLANTINGS: Madras	..	..	Hind. Trust	25 0 0	20 0 0
Lakshmi	172 0 0	176 0 0	Cochin Malabar	17 8 0	17 4 0	Lahore	..	..
Sarda	..	..	Chembra Peaks	11 0 0	11 0 0	Indian Iron	40 11 0	..
Lahore			Woodlands	12 8 0	12 8 0	Lahore Elec. (B)	..	..
Ajudhia	..	..	Thurmbadi	4 14 0 1/2	4 15 0	Jullundur	..	..
Cawnpore Textile	12 14 0	..	Travancore Rubber	23 14 0	..	Dhrangadura	525 0 0	525 0 0
New Vic. Ord.	7 2 0	8 1 0	TEA: Calcutta	..	..	Rampur Distillery	27 7 0	26 2 0
Raza Textiles	..	30 6 0	Bisnauth	..	..	National Saltpetre	..	..
JUTE: Calcutta			Central Cachar	..	107 0 0	N. India Oil	..	..
Alliance	..	..	Hazimara	..	..	Star	..	..
Anglo-Indian	456 0 0	460 0 0	East India	..	17 10 0	Shree Gopal	..	19 12 0
Birla Pref.	..	..	Tezocore	20 14 0	..	Delhi	..	..
Barnagore	..	..	BANKS & IN.: Bombay	..	..	Rampur Maize	51 0 0	50 0 0
Chandpany	..	..	Central	83 12 0	81 8 0	Rampur Distillery	28 0 0	25 8 0
Ganges	..	..	Imperial F.P.	2,017 8 0	2,020 0 0	Dhrangadura (x.d.)	535 0 0	523 0 0
India	690 0 0	705 0 0	P.P.	502 8 0	503 12 0	Uni. Com. Bank	..	..
Howrah	83 4 0	..	India	191 8 0	189 8 0	Bharat Bank Ord.	109 8 0	106 0 0
Kamarhatti	..	..	Reserve	133 12 0	133 8 0	Gwallior Brewery	35 0 0	29 8 0
Kanknarrath	..	556 0 0	New India	81 8 0	81 8 0	Cawnpore Textiles	..	13 5 0
Nudda	128 0 0	..	Calcutta	..	..	Hin. Com. Bank	57 0 0	56 4 0
Calcutta, for 18-12-44.	..	..	Imperial F.P.	..	..	Raza Textiles	79 0 0	79 0 0
Madras for 20-12-44.	..	..	† For 18-12-44	..	..			



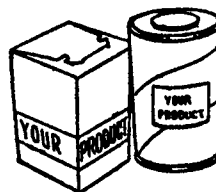
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The Agricultural Situation

THE broad facts of the agricultural situation are only too clear. Between 1872, the year of the first census and 1941, the population of India (excluding Burma) increased from 204 millions to 389 millions. (About 59 million of this increase, however, is due to the inclusion of new areas and improvement in the method of enumeration). In the absence of adequate industrialization, the incidence of this demographic pressure has fallen heavily on the agrarian economy. The proportion of the rural population to the total is now as high as 87 per cent. The census report for 1931 records that of the total working population as much as 73 per cent. are dependent on agriculture. Their ranks have indeed been swelled by the influx into the agricultural and allied pursuits of large numbers from the occupational castes, whose traditional occupations have fallen into decay due to the competition of modern industry. Thus in 1931, only 27 per cent. of the workers from occupational castes were engaged in their traditional non-agricultural occupations, while 64 per cent. of the rest had come to depend on agriculture.

The density of the agricultural population, on the basis of the 1931 census, is something like 40 persons per 100 acres of the cultivated area in British India. Is this overpopulation? The term has meaning only when the density of the agrarian population is related to the opportunities for making a living from the land available, with current agricultural techniques. Population pressure has, therefore, to be studied in relation to the intensity of farming, or 'net output per acre.' A high net output per acre is associated with certain special types of farming, notably market-gardening and intensive live-stock husbandry, which would help the small scale farmer to achieve big cash sales from a very small acreage. Where the net output per acre reaches a high level, the land will obviously support more workers at a satisfactory standard of living than where it is low. Thus before this war, the average net output per acre was some £14 in Belgium and £8 in France, with the result that the former could have some 13.3 agriculturists per 100 acres, while the latter could maintain at a somewhat similar standard of living about 8.5 agriculturists only. What is the position in this country? Due to various factors, which need not detain us here but the chief among which, the absence of an adequate urban popu-

lation with the necessary purchasing power, may just be mentioned, farming is more or less at a subsistence level. This means that grain production is still the rule, while the production of high value cash crops is of very limited significance. So much has been written about the encroachment of commercial crops on the food crop area; nevertheless, some 155 million acres or as much as some 75 per cent. of the cultivated area in British India is still under cereals. No wonder the returns from agriculture are so poor, the standard of living of the rural masses so low! For of all kinds of farming, cereal production gives perhaps the lowest net return per acre, except under conditions of large-scale mechanized cultivation.

Given the large volume of population and the low intensity of farming, it is easy to see that there are too many people in this country on too little land. All the unmistakable signs of overpopulation are there. There is the colossal under-employment in the rural areas, where for five months or more in the year, the peasant has very little to do. It is inevitable that this should be so, as cereals which are the main crop, require very little tending during their life cycle. Competent observers have estimated that as much as 30 per cent. of the population now subsisting on the land are 'surplus' in the context of any relevant economic consideration. Consequently, old, roundabout, laborious methods of cultivation persist. Of the 32 million ploughs in use, hardly 8,000 are of improved variety. A recent survey of eight villages in Southern India had to report that nowhere was it found worthwhile to employ an iron plough or an oil-engine for irrigation. Sowing and reaping are still done by hand, while the grain has to be threshed under bullocks' feet and winnowed by the agency of the wind. Modern methods would lead to greater unemployment; they are not paying also, as human labour is so cheap.

The price of land is very high and reaches heights totally unrelated to the returns from it. This is primarily because there are too many people needing land for their livelihood. But there are also two other factors, which are important as contributory causes. In the absence of specialized farming, such as dairying, peasant savings have to be invested in the land. Such investment, of course, is not capital accu-

the production of foodgrains, so that there may be no under-nutrition and secondly, the promotion of the production of protective foods, so that there may be no mal-nutrition. As a rough idea of the all-India targets of production likely to be required to provide the ingredients of a balanced diet for the present population, it has been calculated that the following increases on existing production are the minimum required:—

Foodstuff	Per cent.
Cereals	10
Pulses	20
Fruits	50
Vegetables	100
Fats and Oil	250
Milk	300
Fish and Eggs	300

Actually, however, production should be organized on a higher level than the above figures indicate so as to allow a margin for reserves as an insurance against climate variations and it should also be stepped up progressively in order to cater for optimum consumption, cover future increases in population and reduce our dependence on external sources of supply. It is interesting to note that there are not likely to be any serious technological limitations for a programme of expansion on the scale envisaged above. Dr. Burns has reported that through using improved varieties, applying more manure and better control of pests and diseases, the yield per acre of the various cereals may be increased from 20 to 50 per cent. He also estimates that milk production may be increased by 75 per cent. in the case of cows, 60 per cent in the case of buffaloes and 100 per cent. in the case of goats, as a combined result of better feeding, scientific breeding and proper management, while the same means would also help raise egg production at least by 80 per cent. In relating production targets to these estimates, three considerations should be borne in mind. In the first instance, Dr. Burns is estimating *immediate* possibilities; for instance, in assessing the potentiality of improved breeding as a means of increasing milk production, he takes only the improvement in the first generation of progeny from village animals. Secondly, his estimates are based on a *rough* assessment of a *select number* of factors only and thirdly, and above all, they are based on *current* agricultural techniques and do not take into account the possibilities of a massive and revolutionary application of science to agriculture reorganized on a sound economic basis. It is, therefore, encouraging to note that in spite of these limitations, his estimates of what can technically be are so close to the production targets considered desirable in the light of nutritional requirements. In the case of cereals, indeed, there is no technical reason why this country should not become self-sufficient in the near future. It may, however, take a longer time to produce as much of the protective foods as we need, although there is no reason why we should not ultimately succeed in achieving a high degree of self-sufficiency in this category. The production target for milk is placed at 300 per cent. It may be argued that it may not be technically possible, because of natural conditions, to organize the dairy industry in this country on a scale sufficient to reach that target. While it may not be denied that some regions are better suited to dairy farming than others, the limits to profitable dairying are by no means as rigid as is often assumed. *Red Sindhis* have been known to prosper in Southern India and *Harianas* in Bengal and Assam. Given the variety of soil and climate conditions that prevail in this country, there is no reason why large belts of efficient dairying areas cannot be organized in the various regions with the help of advanced live-stock techniques.

What is the bearing of food planning on the distribution of the agricultural land among the various crops? In other words, will increased food production mean that more land will be put under food crops and that consequently the production of non-food crops will have to be artificially curtailed, even at the risk of some undesirable consequences for the country's economy as a whole?

This question may be discussed in the light of the existing structure of crop production. The following table gives details of the distribution of the total crop area in India among the principal groups of crops over the last 20 years:—

(The figures are in millions of acres)			
Group	1920-21/1929-30	1930-31/1937-38	
Foodgrains—			
(Rice, Wheat, Barley, Jowar, Bajra, Maize, Gram, Ragi, Miscellaneous Foodcrops and Pulses)	235.8	248.4	
Fibres—			
(Cotton, Jute & other Fibres)	27.3	27.4	
Oilseeds—			
(Linseed, Sesamum, Rape and Mustard, Groundnut, Castor and Miscellaneous Oilseeds)	22.7	26.6	
Fodder Crops	11.8	13.0	
Fruits and Vegetables	4.4	4.6	
Sugarcane	2.8	3.6	
Plantation Products—			
(Tea, Coffee, Indigo, and Condiments and Spices)	2.9	2.0	
Tobacco	1.2	1.3	
Drugs and Narcotics—			
(Opium, Cinchona, Indian Hemp, etc.)	0.3	0.2	

The acreage under foodgrains is about 250 million. In the light of Dr. Burns' estimate, it is evident that the required 10 per cent. increase (or more) in production can be achieved solely through an increased output per acre. There is, therefore, no reason why the needs of increased cereal production should cut into the acreage under other crops. The acreage under sugarcane, may, perhaps, have to increase to some extent to meet the needs of more sugar for the people and the demands of a developing industry. Tobacco is another crop of growing commercial importance and the acreage under it may also have to increase slightly. There is no reason, however, why the acreage under plantation products or under drugs and narcotics should show any considerable upward trend. The area under fruits and vegetables will, of course, have to increase, but the really large expansions may be expected in the case of fodder crops and oilseeds. With the target for milk production at 300 per cent., very much more fodder will have to be grown. Dr. Burns has estimated that the available supplies of roughages are sufficient for only about three-fourths of the existing cattle population. There are, of course, 85,000 square miles of forest grazing, which should be utilized much more fully than now. But, even then, it is likely that large areas will have to be brought under pasture, fodder crops and grains for cattle consumption. The acreage under oilseeds may have to increase, in spite of possible increases in the yield per acre, as very large quantities will be required not only in the light of a 250 per cent. increase in the production of fruits and oils, but also in order to provide more manure for the crops and a sufficient supply of concentrates for the cattle necessary to

achieve the postulated increase in milk production. The available supply of concentrates and roughages, according to Dr. Burns, are sufficient only for slightly more than one-fourth of the existing cattle population. But, as the building up of the dairy industry to the target size is likely to take a number of years, it is unlikely that its demand for concentrates would seriously encroach in the immediate future on the land available for the cultivation of oilseeds for export, and of fibres, which are the only purely non-food group of crops. Over a period of years, however it would become necessary

to bring more land under cultivation or grazing so that the production of adequate raw materials for the domestic industries and for export (in exchange for necessary imports) may not be prejudiced. This would mean that comprehensive and far-reaching programmes of land development through the control of erosion, spread of irrigation, provision of drainage, introduction of dry-farming methods, application of soil science, etc., will have to be undertaken in order to bring under cultivation or pasture as much as possible of the 100 million acres now classed as cultivable waste.

Agricultural Rehabilitation

IN our survey of the agricultural situation, it was seen that the low productivity of agriculture is largely due to the very high density of the agricultural population. The removal of surplus labour from the land, therefore, is fundamental to any scheme of rehabilitation. This removal can be effected only through large-scale industrialization. The argument is often heard that twenty years of industrial development have still left 87 per cent. of the population in the rural areas and that it is idle, therefore, to look to industrialization to reduce substantially the pressure of the population on land. There is an obvious confusion of thought in reasoning of this sort. What the argument, in fact, proves is that the pace of industrialization hitherto has not been commensurate with the needs of the situation. It does not prove that with the needs of the situation. It does not prove that any possible measure of industrialization, such as is envisaged under the Bombay Plan, will be ineffective in reducing significantly the density of the agricultural population. To seek to prove such a thesis, indeed, is to refuse to listen to the lesson that economic history has to teach us. It is also to fail to see that the power of industrialization to absorb labour is not limited by the capacity of organized industries to offer employment, but has to be measured in terms of the whole volume of additional economic opportunities in the sectors of secondary and tertiary production, whose expansion will be directly promoted by industrial development in the narrower sense. Seen in this perspective, it is easy to realise that the influence of industrialization in mitigating the pressure of population on the land, even when considered in the context of a rising demographic curve, can be very substantial.

While some of the surplus labour on the land has to be absorbed inevitably in the non-agricultural sectors of the national economy, the capacity of the rural areas themselves to carry more people can be improved to some extent by the reorganization and encouragement of cottage industries allied to agriculture, but mainly by raising the intensity of agriculture, i.e., by a substantial diversion of agricultural resources to certain special types of farming, which call for intensive application of labour and produce high cash-value crops for the market. It is fortunate that the requirements of nutrition, which were discussed in the preceding article, correspond so nicely with the needs of agricultural prosperity. A "marriage of agriculture to nutrition" would encourage just those types of farming which are necessary for a high-intensity agriculture. In proportion as the protective foods are made to take their rightful place in the diet of the people, increasing emphasis would be placed on dairying, livestock raising, market-gardening and horticulture. The possibilities of such a development for raising rural incomes are enormous and it is doubtful whether they are appreciated as widely as they should be. For instance, Denmark has 146 males occupied in agriculture per 1,000 hectares of

arable and pasture land, whereas the United States have 25, Canada 35, Great Britain 70 and France 134. The productivity *per capita* of Danish agriculture, however, is very nearly the same as that of the American, slightly above the Canadian, and considerably greater than those of the British and the French. Denmark, consequently, is able to support a large agrarian population on a decent standard of living. And yet, in the middle of the nineteenth century, Danish agriculture, then largely based on sheep and grain, was hardly more efficient than farming in Eastern Europe. Then came a change-over to a high-nutrition type of agriculture, and by the end of the century the Danes had built up their agricultural prosperity through intensive dairying and pig-breeding. Yet another practical illustration of the superior productivity of livestock farming as against cereal cultivation may be cited. A farm of 20 acres in Holland, having seven cows and an equal number of pigs, turns out produce, mostly milk and meat, worth £260, whereas a farm of 10 acres in Rumania, with no cow and only one pig, is able to turn out produce, mostly wheat and maize, worth about £40 only. Again, where land prices are high due to rural overcrowding, to increase the size of the farm, which is the main way of investing more capital in cereal cultivation, is clearly far less remunerative than investment in livestock. Thus Dr. Neyman, taking the example of Poland, has shown that the extraneous variables being held constant, the investment of an additional 60 zloty in cattle would increase net annual income by about the same amount (40 zloty) as would the purchase of an additional hectare of land, costing about 2,000 zloty. If similar calculations are made for this country, there is very little doubt that they will bear out the same conclusion. Agriculture in this country is situated even as it is in the densely-peopled, cereal-growing, poverty-stricken countries of Eastern Europe and as it was in the Denmark of a century ago. It can work out its salvation only after the Danish way of intensive farming. It is easy to be misled by the spectacular achievements of prairie-farming in the American continent; the economic bases for low-cost cereal production—rolling, virgin lands and mechanization rendered profitable by the scarcity of labour in relation to the demand for it in the national economy—are not present in this country. However high the level of farming technique may be raised, the productivity of our agriculture would continue to be low so long as it is concentrated on the production of staple crops to the same extent as now. Rural incomes will rise only in the degree in which high-intensity farming becomes important in our agriculture. To us Denmark and Holland should point the way, not Argentina or Australia, the American Middle-West, Canada or Ukraine. The significance of the fact that recent increases in the productivity of agriculture in the United States and Great Britain have been contemporaneous with the development of dairying and livestock raising should not be lost on us.

What are the economic desiderata for the development of a high-intensity agriculture? Of very high priority is the need for the reform of the land system. In the *Ryotwari*, no less than in the *Zamindari* areas, a rentier class has become parasitic on the working population. The productive impulse can be restored to agriculture only if this incubus is eliminated and a sound system of peasant proprietorship is set up with the farmer as the owner of the land he tills and in direct contact with the State. In their *Indian Rural Problem*, Sir Manilal B. Nanavati and J. J. Anjaria make certain suggestions, which are simple, direct and worthy of serious consideration. They recommend that the landlord's rights in the *Zamindari* areas, including *Taluqdari* and *Malguzari*, should be taken over by the State in return for the payment of a fair rent, which may be commuted into a lump sum payment. The feudal control of the middlemen will thus be broken and the actual cultivator placed in a position to deal directly with the State. Secondly, they propose that absentee landlordism and speculative investment in land can be effectively checked by "a legislative control of rents at a certain multiple, a small one, of the land revenue" and the prohibition of transfers of land from cultivating to non-cultivating classes. Such a solution may not commend itself to the doctrinaire socialist, who demands nationalization of land and collective farming on *a priori* grounds or to the die-hard, who invests all vested interests with the sanctity of private property. But, that need not blind us to its chief merit, which is that it effects an admirable compromise between what is necessary and what is possible. The proposals certainly amount to a reasonable, yet far-reaching solution of the grosser abuses of the land system with a minimum of State interference and social dislocation.

The constitution of peasant proprietorships may not automatically lead to better agriculture. Bulgaria is a case in point. There, the distribution of land is without any pronounced degree of inequality; the farms average about 12 acres, and there are few big farms and very few landless labourers. In spite of all this, Bulgaria is still one of the poorest of the poor agricultural countries of Eastern Europe. The truth is there should be conscious State action to provide the system of peasant proprietorship with a proper environment for the realization of the best that is in it. The chief weakness of peasant farming is that the small cultivators have neither the means nor the technical knowledge for making the best use of the land. It is easy to exaggerate this deficiency. Firstly, peasant farming does not mean that the holdings should be allowed to continue in their present uneconomic sizes. A comprehensive programme of consolidation is vital to agricultural rehabilitation and the State should not hesitate to exercise a large measure of compulsion in this sphere. Legislative checks for the prevention of sub-division or fragmentation beyond a certain limit, forcible acquisition of land from non-cultivating owners for allocation among cultivators in the adjoining area, who wish to bring their holdings to an economic size, a simple law of pre-emption governing the sale of lands, intensive regional drives to bring about consolidation through inter-change of holdings and special facilities such as interest-free long-term loans to *bona fide* cultivators for the purpose of expanding their holdings into economic ones are some of the obvious means that should be adopted to effect one of the most urgent reforms in the agricultural economy. Secondly, it is the duty of the State to bring within the reach of the peasant all those external economies flow from the spread of irrigation, soil conservation, forest and fisheries development and agricultural research in its manifold aspects. Provided the State undertakes, as it should, the responsibility for providing all reasonable facilities

to an undertaking as vital and vulnerable as the business of farming, scientific agriculture may not make such calls on the individual peasant as he would not be able to meet either by himself or in co-operation with his fellows. Co-operation, indeed, is the key-stone of the arch of peasant proprietorship. We are only too well aware that co-operation has not been successful in the past in restoring prosperity to our agriculture. The reason, of course, cannot be traced to any defect in the co-operative technique or to any contrary element in our national genius; the latter suggestion would be ridiculous against the background of the historical traditions of corporate village life in this country. Rather, co-operation has failed because it has been tried in an impossible context. So long as the fundamental factors of agricultural poverty, such as surplus labour on land, low-intensity agriculture and a corrupt land system, are there, co-operation can do nothing. But, once these evils have been eliminated, it is impossible to set a limit to the possibilities of the co-operative enterprise. So far, co-operation has been tried as a last desperate remedy by a doctor who has no enthusiasm on a patient who has no faith for an ill it cannot cure. In the future, it should come into its own, full-blooded and free, developing its activities in credit, marketing and, above all, in the technical aspects of improved farming, in bringing within the reach of the individual peasants greater knowledge, improved equipment and all the rich resources of science. Denmark, again, should point the way.

A sound system of peasant proprietorship, informed by the co-operative spirit, should be particularly suitable for high intensity agriculture. It would afford scope for individual initiative in a sphere, where the farming processes have not been standardized or mechanized to the same extent as in the cultivation of staple crops. Horticulture, market-gardening, dairying and livestock breeding are activities which would respond readily to the extra care, the minute attention to detail and the personal interest in the day-to-day work, which only an owner cultivator of a not-too-large holding can be expected to exercise. Again, in the context of a system of agriculture in which dairying and livestock raising would steadily increase in importance, peasant proprietorship may be expected to function as a very effective unit of capital accumulation in the very remunerative form of investment in farm animals.

In the development of this prosperity, the State has yet another function to discharge—the maintenance of an effective demand for the products of agriculture. This can best be done by increasing the purchasing power of the people as a whole through intensive all-round economic development. The bearing of industrial development on the demand for agricultural raw materials will be readily appreciated. Not so obvious, but still equally direct, is its bearing on the demand for protective foods, the production of which should become important in the agriculture of tomorrow. These protective foods are not consumed as widely as they should be for two major reasons: firstly, they are relatively expensive and do not lie within the reach of large sections of the people, who are of the lower income groups; and secondly, their vital importance to health and efficiency is not generally known, with the result that their consumption has reached nowhere near the optimum even among the more well-to-do classes, who can afford them. In this country, poverty is incomparably more significant than ignorance as a factor of malnutrition. The latter, however, is by no means an inconsiderable element and the State should launch, as part of a high nutrition policy, an intensive publicity drive to educate the people on the nutritive value of dairy products, vegetables, fruit, etc. With regard to the more com-

plex question of poverty as responsible for malnutrition, industrialization and the consequential urbanization should be effective in a large measure in raising the general level of income in this country. A part of the increased purchasing power would be automatically spent on the protective foods, while a wise campaign of educative propaganda, as noted earlier, should help to increase the amount so expended.

The demand is often voiced that the State should guarantee fair and stable prices for agricultural commodities. In practice, however, it is extremely doubtful whether any rigid scheme of agricultural price stabilization may not raise more problems than it solves. There are obvious practical difficulties in determining with any degree of precision the prices that would fulfil the triple function of being fair to consumers, remunerative to producers and adequate to ensure the cultivation of marginal lands. Again, drastic import controls and expensive subsidies may be found to be the essential corollaries, while new elements of rigidity and high costs may be introduced into our industrial price structure. What is practicable and desirable, therefore, may amount to no more than this:

The Tennessee Valley Authority

THE Tennessee River country in the South-East U.S. is a great river basin draining a territory of 10,600 sq. miles with a population of about 3,000,000 in 1933. 76.8 per cent. of this population was rural and subsisted on a 'fibre economy' earning its daily bread from the production, on a share-cropping basis, of tobacco and cotton. There was a standard of living much lower than that of the average American in other parts of the country; the gross value of farm products per capita of farm population being \$154 as compared with \$362 for the whole of the U.S. Their standard of nutrition was extremely low; their consumption fell short of the national average of 27 per cent. in white potatoes, 45 per cent. in livestock, and 7 per cent. in wheat. Intensive cultivation of row crops had leached the soil, the heavy rains had further helped in the process of deterioration by the creation of deep gullies, and much of the countryside had thus been laid completely barren, 1,500,000 acres had come to be used only intermittently, 4,500,000 acres were deteriorating to uselessness and some 300,000 acres had actually been destroyed. Half of the enormous forest wealth covering an area of 26,000,000 acres had been destroyed to augment the tendency towards soil erosion and not even a wild mountain-hog could manage to survive there.

But that was before 1930. Partly under the influence of the climate of opinion created by the realization during the years of the Great Depression that enormous human waste resulted from lack of planning and partly under other influences the U.S. Government moved in to retrieve the situation and created the T.V.A. to execute the plan for the proper use, conservation and development of the natural resources of the Valley.

It was charged with the duty to improve the navigability and to provide for the flood control of the Tennessee River; to provide for re-afforestation and the proper use of marginal lands in the Tennessee Valley; to provide for the agricultural and industrial development of the said valley; to provide for national defence..... and other purposes." The T.V.A. was clothed with power and authority of Government, but endowed with the efficiency and flexibility of private enterprise and placed outside the range of political interference." It has "to co-operate closely and kindly with all social groups in

(a) In the period of transition to post-war normalcy, special State support should be given to the prices of principal crops so that an agricultural slump may be averted; (b) in the long run, price stability should be sought more in the direction of expanding markets than by placing faith on statutory fixation of prices and this would mean that the State should enter into reasonable inter-governmental commodity agreements in respect of the export crops that would guarantee a fair and stable share of the foreign markets and also undertake crop planning to adjust production to consumption, domestic and foreign; (c) the State may set up buffer stocks within a fairly wide and elastic range of 'floors' and 'ceilings' and this would fall in with schemes of maintaining food reserves and encouraging or discouraging the cultivation of particular crops; (d) there is a sound case for the State undertaking to subsidize the consumption of protective foods, particularly milk, by expectant and nursing mothers and growing children in the lower income groups; and (e) above all the State should stimulate consumption by helping to cut down the cost of production of agricultural commodities through better farming and more economical marketing.

the valley" and thus "to set new standards for public utilities." The area over which the T.V.A. operates forms part of seven separate States which are jealous of their rights. The T.V.A., therefore, seeks to work through the local authorities and assists them by tendering advice and giving financial grants which together ensure smooth working of the general plan through enlisting for it the active co-operation and enthusiasm of the local people concerned.

The T.V.A. has done extremely good work. In 1939 four dams were completed and five new ones were under construction. Eight more have been completed since the start of the present war. The chain of lakes thus created plays a vital role in flood control with the result that water which formerly worked havoc with the life of the inhabitants by washing away crops and demolishing schools, bridges and highways is now made to turn the wheels of prosperity. These completed reservoirs have also made it possible to reduce flood crests on the Ohio and the Mississippi. The system of public dams has been further helpful in improving the navigability of the Tennessee river by levelling off the seasonal fluctuations in the flow. Its channel which formerly had a varying depth of 4 feet and 2 feet only for 260 and 264 miles of its course respectively has now a uniform 6-foot channel along the entire 464 miles and for a distance of 650 miles, from Paducah to Knoxville, a 9-foot channel fully suitable for navigation purposes is maintained. And where boats and barges could not travel ten years ago new commercial and transport systems have been inaugurated. Wheat, lumber pig-iron, coal, power machinery, motor-cars and petroleum products move in large quantities on the river. Traffic has increased from 22,500,000 ton-miles in 1933 to 70,700,000 ton-miles in 1939.

Water released from the water dams has been utilized to generate enormous quantities of hydro-electric power. By January 1941 T.V.A. hydro-electric and steam generating plants had a total capacity of 1,017,000 kilowatts; by January 1944 it had risen to 1,640,000 kilowatts. An idea of the magnitude of this tremendous stride in electrification may be had from the fact that today the T.V.A. generators alone are producing half as much power for war uses as all electric generators in the U.S.A. in the last war. A

policy of stimulating mass consumption has been followed and this object has been achieved through a substantial reduction (about 50 per cent.) in the rates charged for power. Within 22 months total residential consumption has increased by 200 per cent. and more. In 1939 power was being supplied to nearly 100 municipalities, supplying over 325,000 customers. In 1943, 30% of the total power, 9,000 million kilowatts, was being supplied to 128 municipalities servicing 523,262 customers. "More electricity was (indeed) the main constructive policy of regional development" and the T.V.A. may be visualized as a vast power-generating and transmitting corporation, catering to regions bordering the Gulf of Mexico and the Great Lakes in the Northern United States. Rural electrification has also been encouraged and developed and the electrification of small industries and homes has been greatly stimulated.

But it is in the sphere of agriculture that the T.V.A. has accomplished most. It has elaborated a vast land conservation programme, fighting erosion, exhaustion and leaching. And through the provision of fertilizers, it has considerably succeeded in restoring back to health vast stretches of almost barren lands. The T.V.A., not having the right to sell fertilizers to the public, has encouraged the formation of County Soil Preservation Associations and supplies them with fertilizers free of cost for the purpose of testing and demonstration. In the beginning of 1936, there were 1,000 demonstration farms with a total area of 160,000 acres; by the end of the year the number of demonstration farms had risen to 14,000 and the area had risen to 2,256,000 acres. And now 44,000 farms are used as demonstration sites. Test demonstration farms using five pounds of fertilizer showed a 12 per cent. increase in the production of eggs, milk and meat. In Ohio 14 test farms maintained 30 per cent. more livestock because, thanks to the fertilizers, the yield of pasture and grain crops has greatly increased. The T.V.A. has stimulated the diversification of farm production and "cultivation crops"—tobacco, cotton, etc.—have yielded place to legumes such as clover and soya beans which help in building up the soil. Improved farming practices have also been introduced through the efforts of the T.V.A. Contour ploughing is becoming increasingly popular and farmers are individually terracing the hillsides. Cash crops have gained in popularity through the persuasive propaganda of the T.V.A. and the associated State agricultural agencies. From the poverty of "fibre economy," the area is emerging into the prosperity of a balanced agrarian economy and as a result the incomes of the farmers have doubled during the past ten years. With increasing income has gone hand in hand a developing standard of life, and the T.V.A. has taken considerable responsibility for the health, housing and recreation of the workers who came to build the dams and who are now there in connection with war work. Forestry plays a major part in the programme of the

T.V.A. and the main object is to indicate to the rural population how it "can live off the land and at the same time secure supplemental income from part-time employment in forest work." The purpose served is twofold: prevention of soil deterioration by lifting extra burden from the land and the provision of additional income. By means of forest and soil surveys and through regional land use programme the Authority determines the tracts of land which require immediate attention. Besides co-operating with farmers who make a well-merited application for anti-erosion work, the Authority also undertakes to supplement the work by means of re-afforestation. For this purpose, two forest tree crop nurseries are maintained at Clinton and Muscle Shoals. Altogether some 136,000 seriously eroded and gullied acres on approximately 15,000 farms having a total area of more than two million acres have been protected. Up to the end of 1942 more than 150 million forest trees had been planted in the valley through the T.V.A.'s co-operative programme, and of these, 105 million were used for erosion control on farm lands. In addition, the T.V.A. has planted nearly 45 million trees on 37,000 acres of its own land. Some of these are for timber, others for their crops, and it is hoped that the area will once again be a tree-bearing district with an increasing number of trees, based upon a proper timber economy. When the T.V.A.'s proposed measures have all been carried out, it is estimated that the number of people employed in wood industries will have increased from 72,000 to 150,000 and the earnings from these industries will have increased from \$51 million to \$200 million.

This survey of the T.V.A.'s variegated activities does not give a complete picture; for statistically it is not yet possible to assess in full what the T.V.A. has achieved. Indeed, as Dr. Finer has pointed out, "the statement of progress to the present, if in terms of immediate statistical records of gain, underrates the contribution of the T.V.A." But much more significant to the world is the underlying idea of the T.V.A. This corporation was set up deliberately to undertake the task of promoting the welfare of the people inhabiting an area rich potentially but backward and ill-developed. It was an attempt to restore a healthier regional balance, to lift the poverty-stricken valley to the level attained by other parts of the country. It was realized that this process of development would be beneficial not only to those who peopled the valley, but also would substantially add to the prosperity of the country at large. Similarly, it is to be emphasized, the development of the under-developed parts of the world would enhance the prosperity and contribute to the stability of the world. The T.V.A. provides an object lesson to the powers that be in India. Regional planning based on intensive land utilization survey and "the geological exploration and the country-by-country survey of mineral deposits" which constitute the cornerstone of the T.V.A.'s development programme is certain to have great value in Indian conditions as well.

